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THE WALL STREET JOURNAL.

VOL. XXVIII NO. 112 | EUROPE | Monday, July 12, 2010

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Still haunted by the massacre

European Pressphoto Agency

Bosnian women mourn during the funeral of 775 Muslims in Srebrenica. Article on page 5

BP is upbeat on cap plans as oil gushes

By Mark Long

BP PLC's effort to contain the oil flowing from the leak in the Gulf of Mexico entered a new stage Saturday, with undersea robots starting work to install a new, tight-fitting containment cap on the broken, mile-deep well.

Before the new cap can be put into place, engineers had to remove the more loosely fitting cap that had funneled as much as 15,000 barrels a day to a ship on the surface, which has now moved off location. BP spokesman Mark Proegler confirmed that undersea robots successfully removed the cap at about 1:30 p.m. EDT Saturday.

This means oil is now temporarily flowing unimpeded from the well head, though some crude continues to be siphoned via a separate system and flared off from a ship, the Q4000, on the surface. Of the four-stage process to install the new cap, BP Senior Vice President Kent Wells said early Sunday that he was "pleased with its progress."

Meantime, BP is in talks with **Apache** Corp. on a deal worth as much as $10 billion that could include stakes in BP's vast Alaska operation, according to people familiar with the matter.

Mr. Wells said Saturday that the cap installation would take four to seven days. "If everything went just perfectly, we'd be there in four days." BP simultaneously is working to bring online a third containment vessel. Mr. Wells said oil collection should start increasing later Sunday, with full capacity reached in about three days.

Mr. Wells said a fleet of oil-skimming vessels had been moved into place near the well site while the well head was uncapped. "We feel we're in a good position to collect the oil very close to the source," Mr. Wells said Saturday. The injection of chemical dispersants at the site of the leak to break up the escaping oil will also continue.

The effort comes more than 12 weeks after Transocean Ltd.'s Deepwater Horizon burned and sank, unleashing the spill that has fouled the coasts of at least four states and killed untold numbers of creatures.

For the past several weeks, the more loosely fitting cap and the Q4000 system have managed to keep up to about 25,000 barrels of oil a day out of the Gulf. The new sealing cap system, plus other measures, are expected to allow the recovery of 60,000 to 80,000 barrels a day in two to three weeks, Mr. Wells said. Scientists have estimated that 35,000 to 60,000 barrels of oil have flowed into the Gulf from the well each day.

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South Africa, after the vuvuzelas go quiet. Page 12

Japan voters thrash DPJ

By Yuka Hayashi

TOKYO—Japan's voters handed a stunning rebuke to the ruling Democratic Party of Japan, just 10 months after giving the party the keys to government in a historic transfer of power.

Sunday's vote seems likely to usher in a new period of political instability in Tokyo, making it difficult for Prime Minister Naoto Kan to move forward on key policy matters, such as curbing the government's massive outstanding debt to prevent a Greece-style meltdown, or implementing an unpopular agreement with the U.S. on siting a marine base on the southern island of Okinawa.

The new weakness also is likely to stall a controversial push to expand the role of the government's postal system into the nation's financial-services sector, a move that has been opposed by Japanese and U.S. financial firms worried about tougher competition from the publicly subsidized behemoth.

The bigger-than-expected defeat will hurt Mr. Kan's standing within his ruling party, just five weeks after he took office, and could fuel challenges to his leadership in coming weeks. Mr. Kan follows four prime ministers who failed to hold on to the office for longer than a year. At a post-midnight news conference, Mr. Kan was asked directly if he would step down, a notion he rejected, saying: "I will humbly accept the latest result... And I will start anew from a new starting line."

Mr. Kan is just the latest world leader to suffer a setback at the polls, as voters world-wide show frustration with their governments amid continuing economic and financial turmoil. British voters tossed out the long-ruling Labour Party in May, Australia's unpopular prime minister was forced out in June in a power struggle in his ruling party and polls suggest U.S. President Barack Obama's Democratic Party could get roughed up this November.

But the DPJ's troubles also are of its own making, as two party leaders faced financial scandals, and Mr. Kan's predecessor stepped down after his indecisive handling of the Okinawa issue.

Japan's major television networks all forecast that the

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Qatar QR14 - Saudi Arabia SR 14
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PAGE TWO

Poland's determination for reform may be a model for the rest of Europe

[Agenda]

By Irwin Stelzer

America was a big loser in the recent Polish presidential election. The Law and Justice Party's pro-American Jaroslaw Kaczynski lost his presidential bid to more Europe-oriented Bronislaw Komorowski's Civic Platform.

Mr. Komorowski knows that Barack Obama sacrificed the missile defense system he had promised Poland in pursuit his goal of a "reset" to U.S. relations with Russia. And that Mr. Obama failed to visit NATO-ally Poland on his trips to Europe.

Which explains the desire of Poland's new president to improve his nation's ties to Europe rather than maintain the rigidly Atlanticist policy of his predecessor, and to improve relations with his Russian neighbor. Despite the made-in-Greece upset to the euro, Mr. Komorowski holds to his plan to trade in Poland's zloty for the euro, although not immediately.

America's president has invited his new Polish counterpart to visit him at the White House, to discuss Mr. Komorowski's plan to withdraw Poland's troops, the seventh-largest contingent, from Afghanistan.

Both men will welcome the traditional photo-op such visits produce. Especially Mr. Obama. After all, congressional elections are looming, and a significant number of Polish voters are concentrated in several key congressional districts, not least among them several in Mr. Obama's home town of Chicago, which has the largest Polish population outside of Warsaw.

Mr. Komorowski, like Polish Prime Minister Donald Tusk, is committed to economic reform both within Poland and in the EU, the presidency of which Poland will occupy next July.

Associated Press

Bronislaw Komorowski is committed to economic reform.

But he does face two hard facts: parliamentary elections are coming up next year, and Mr. Kaczynski made a surprisingly strong showing, garnering 47% of the vote. The loser campaigned on a platform of raising benefits for the elderly and increasing the minimum wage and took 59% of the rural vote. No deficit hawk, he.

It has been Poland's fate through the centuries to matter more than a tiny country should

Many of the reforms Mr. Komorowski has in mind have earlier been passed by the legislature, only to be vetoed by Mr. Kaczynski's twin brother, Lech, president until his death in an airplane crash on April 10.

The reform list is basically no different from the one being drawn up across Europe: curtail the fiscal deficit (in Poland's case, running at around 7% of GDP); reform labor markets; fill the black hole in the state pension system; advance the retirement age; reform health care; proceed with privatizations; reduce farm supports.

We will have to wait until the parliamentary elections are completed in October to find out whether Mr. Komorowski has the votes to push through his reforms and, if so, whether he is willing to spend a not insignificant amount of political capital to do so.

In any event, he cannot ignore the nation's constitution, which requires spending cuts if debt hits 60% of GDP. It is now 55% and rising. Or the warning of Marek Belka, governor of Poland's central bank. Mr. Belka told Bloomberg Businessweek that failure to attack the deficit might make it difficult for Poland to roll over some $62 billion in debt coming due in 2011 and 2012, and lead the markets to see it as "a bad performer."

At the moment, "The economy is going through a soft patch," observes the Center for Social and Economic Research in Warsaw. This after Poland, with some backing from the International Monetary Fund and a generous influx of European Union cohesion funds since 2004, avoided the recession that racked most of Europe last year. It grew at an annual rate of 1.7%, the lowest rate in about a decade, which saw growth at around 5% annually according to CIA reports.

Most investors expect that soft patch to be nothing more than that. Magdalena Polan, senior European economist at Goldman Sachs, notes that "easy financial conditions, strong domestic and external demand strengthened by the increased competitiveness that followed [the zloty's] depreciation and a recovery in the rest of Europe have been growth-supportive." She is expecting the Polish economy to grow 3.5% this year — in line with the Organization for Economic Cooperation and Development's forecast for the country — and 4.6% in 2011. The latter figure, however, might prove to be a bump due to scheduled EU-funded infrastructure spending, says Mr. Belka.

The Center for Social and Economic Research is also optimistic. Its economists are predicting that unemployment will fall from about 12% to the 10% range by the end of next year, and real wages will rise at annual rate of 2.5% this year and even faster in 2011. If promising shale-gas projects prove out, growth might be even more rapid.

It has been Poland's fate through the centuries to matter more than a tiny country should. It still matters, even though its over-$500-billion GDP is only a bit more than one-third that of California's.

Now, it might matter in a more pleasant way than in the past. A successfully reformed Polish economy might serve as an encouraging model for other EU countries, especially since the reformers will have overcome important entrenched reactionary forces, not least among them the nation's farmers and its pensioners.

—Irwin Stelzer is a director of economic-policy studies at the Hudson Institute.

What's News

■ **Slovakia balked at plans** for a $952 billion bailout package for troubled euro-zone members, delaying the start of the rescue plan. Prime Minister Radicova plans to fly to Brussels on Monday to outline her country's objections. **4**

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'Most stock market technical analysis sits on the same shelf as astrology...'

Alen Mattich on how the market's rally is likely to prove short-lived.

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Vote and discuss: Should governments use data that may have been stolen to pursue tax evaders?

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Previous results

Q: Who do you think will win the World Cup? Spain or the Netherlands?

The Netherlands **47%**

Spain **53%**

THE WALL STREET JOURNAL EUROPE
(ISSN 0921-99)
Commodity Quay, East Smithfield,
London, E1W 1AZ

SUBSCRIPTIONS, inquiries and address changes to: Telephone: +44 (0) 20 3426 1234. Calling time from 8 a.m. to 5 p.m. GMT. E-mail: subs.wsje@dowjones.com. Website: www.services.wsje.com

ADVERTISING SALES worldwide through Dow Jones International. Frankfurt: 49 69 9714280;
London: 44 203 426 1111; Paris: 331 40 17 17 01.

Printed in Belgium by Concentra Media N.V. Printed in Germany by Dogan Media Group / Hürriyet A.S. Branch Germany. Printed in Switzerland by Zehnder Print AG Wil. Printed in the United Kingdom by Newsfax International Ltd., London. Printed in Italy by Telestampa Centro Italia s.r.l. Printed in Spain by Bermont S.A. Printed in Ireland by Midland Web Printing Ltd. Printed in Israel by The Jerusalem Post Group. Printed in Turkey by GLOBUS Dünya Baslnevi.

Registered as a newspaper at the Post Office.

Editeur responsable: Patience Wheatcroft M-17936-2003.
Registered address: Boulevard Brand Whitlock, 87, 1200 Brussels, Belgium

NEWS

U.S. steps up cycling probe

BY REED ALBERGOTTI AND VANESSA O'CONNELL

A federal probe into doping in professional cycling is proceeding quickly, and investigators are currently in discussions with several riders and their attorneys to secure their cooperation after the Tour de France ends later this month.

The U.S. criminal investigation, which is being led by the Food and Drug Administration, isn't aimed at prosecuting rank-and-file riders who used performance-enhancing drugs during their careers, according to people familiar with the investigation. Rather, it is designed to potentially bring charges against any team leaders and team directors who may have facilitated or encouraged doping by their riders.

FDA special agent Jeff Novitzky, the lead investigator, didn't return calls seeking comment.

It's unclear how many riders have spoken to investigators or agreed to be interviewed at a future date. Two people familiar with the matter say Mr. Novitzky already has talked to several riders.

Cyclist George Hincapie of the **BMC** professional cycling team, now competing in the Tour de France, has been called by Mr. Novitzky but hasn't talked directly to him. One person familiar with the matter said that Mr. Hincapie's lawyer has been talking to investigators and that Mr. Hincapie is likely to agree to talk to Mr. Novitzky when he returns to the U.S. Mr. Hincapie is a former teammate of seven-time Tour de France winner Lance Armstrong on the **U.S. Postal Service** cycling team.

Mr. Hincapie's Los Angeles attorney, Zia F. Modabber, confirmed that he had talked to Mr. Novitzky on Mr. Hincapie's behalf but declined to discuss the specifics of his conversation. "My desire is to let George do his job with as few distractions as possible," he said.

American cyclist Tyler Hamilton, who rode with Mr. Armstrong's U.S. Postal Service team from 1995 to 2001, has been asked to speak with investigators but has not yet agreed.

In an email, Mr. Hamilton, whose career was derailed by two positive tests for banned substances, said: "I am aware that there is an investigation of other people in progress, and if I am subpoenaed to provide information, I will provide my full cooperation."

In addition to the FDA, anti-doping officials in the U.S. and in a handful of other countries have joined the investigation. Interpol, the international police organization, has helped bring other law enforcement agencies into the probe.

"The investigation has reached out pretty widely," said David Howman, director general of the **World Anti-Doping Agency**, who says his agency has been updated on the investigation. "There has been significant progress."

The U.S. government's interest in cycling stems from allegations made this spring by former cyclist Floyd Landis.

In April, Mr. Landis sent a series of emails to cycling officials claiming there had been widespread doping in the sport and accusing several other riders of doping, including Mr. Armstrong, his former teammate.

Investigators are focused primarily on Mr. Landis's allegations concerning the U.S. Postal Service team, but the probes may include other riders and teams in the U.S. and other countries, according to people familiar with the situation.

In Mr. Landis's emails, which were first published in The Wall Street Journal, he admitted doping himself and described the methods he said he had seen while riding for the U.S. Postal Service cycling team and with the **Phonak** team.

In later interviews with the Journal, Mr. Landis said he had seen Mr. Armstrong and several other riders take prohibited blood transfusions and receive them himself during the 2004 Tour de France.

Transfusions, which enhance performance by boosting a rider's red-blood cell count, are considered cheating by the International Cycling Union, the sport's governing body. Mr. Landis was stripped of his 2006 Tour de France title after failing a drug test. He denied doping back then, but recently changed his story.

Mr. Armstrong has broadly dismissed Mr. Landis's allegations and has questioned his credibility. Mr. Landis's claims, he said in a statement last week, are like "a carton of sour milk: once you take the first sip, you don't have to drink the rest to know it has all gone bad."

The statement also said the Wall Street Journal article was "full of false accusations and more of the same old news from Floyd Landis, a person with zero credibility and an established pattern of recanting tomorrow what he swears to today."

It is unclear what kinds of charges federal investigators might bring. People familiar with the matter say they are exploring several avenues, including whether teams defrauded sponsors by failing to race cleanly or whether Mr. Armstrong's U.S. Postal Service team misused federal funds.

In the wake of Mr. Landis's disclosures, some riders and team officials are stepping forward with similar stories. In an interview in Vienna this week with Dow Jones Newswires, former pro cyclist Bernhard Kohl, who quit professional cycling after a positive drug test in 2008, said Mr. Landis's descriptions of doping rang true.

"That was exactly the way I also did it," said Mr. Kohl, referring to Mr. Landis's allegation that he and other U.S. Postal riders received blood transfusions during the tour in a hotel room. "The details of the blood bags and the checking for cameras and microphones, the cutting up of the bags and flushing them in the toilet, it all took place in exactly that way," he added.

The Belgian cycling union said this week that Johan Bruyneel, former director of the U.S. Postal Service team, had been questioned by the union's attorney in charge of investigating doping claims. Mr. Bruyneel "formally denied" Mr. Landis's allegations, the union said in a statement.

The union said that investigating attorney Jaak Fransen "will now complete the file and will take actions that are deemed necessary," but would make no further comment.

Mr. Bruyneel didn't reply to an email seeking comment.

—Flemming Emil Hansen and John W. Miller contributed to this article.

Associated Press (top left); Getty Images (3); Agence France-Presse/Getty Images (2, top center and bottom right)

From top left: Austrian Bernard Kohl admitted to doping; former German cycling champion Jan Ullrich has been accused of doping; Tyler Hamilton of the U.S. has twice been suspended for drugs. Bottom left: Lance Armstrong strongly denies doping; American Floyd Landis admitted drug use and accused George Hincapie.

European Pressphoto Agency

Iveta Radicova, Slovakia's first female prime minister, was sworn in Thursday in Bratislava. On Monday, she will head to Brussels for meetings.

Slovakia's new government stalls euro-zone's plans for bailouts

By Leos Rousek

PRAGUE—Slovakia, the euro zone's newest and poorest country, balked at plans for a €750 billion ($952 billion) bailout package for troubled members, delaying the start of the rescue plan.

Slovakia's newly appointed prime minister, Iveta Radicova, said she will fly to Brussels on Monday to meet European Commission President José Manuel Barroso and outline her country's objections.

Amadeu Altafaj Tardio, the European Commission spokesman for economic and monetary affairs, said the commission is hopeful "Slovakia will honor its commitment and contribute." He said the European Financial Stability Facility, which was supposed to become active July 1, has been on hold, awaiting Slovakia's approval.

"It is our understanding that signing by all member states of the euro area is necessary for the facility to become operational," he said.

Analysts said the absence of unanimous support by the entire euro zone could send a bad signal to financial markets, calling into question the group's commitment to mutual support.

Bratislava is supposed to contribute €4.4 billion to the facility, backed by euro-zone member states. The fund is meant to be available to countries in the euro block with debt troubles.

Last week, Ms. Radicova said she didn't want to block the start of the facility but said Slovakia wants more talks on its participation in the fund, as well as its overall size and other details.

The facility was created after the €110 billion bailout package for Greece stoked fears that other European countries could face similar crises. Slovakia's €700 million contribution to the Greek bailout was approved by the country's previous left-leaning government.

Euro-zone leaders, in an early May meeting dominated by Nicolas Sarkozy of France Angela Merkel of Germany, agreed to the facility and pledged support. The Slovak prime minister at the time gave his assent but said final approval would be up to the next government.

Ms. Radicova leads a coalition of center-right parties that won parliamentary elections in June, campaigning on pledges to cut spending and oppose big-ticket, euro-zone bailout projects.

The stabilization facility comprises €440 billion in loan guarantees from euro-zone member states, €60 billion from the European Union, and up to €250 billion from the International Monetary Fund. It is to raise money on financial markets and, thanks to euro-zone government guarantees, seeks to get a triple-A rating and the lowest possible borrowing costs.

Slovakia, which emerged from the peaceful dissolution of Czechoslovakia in 1993, joined the euro zone Jan. 1, 2009, as its 16th member.

Unlike Greece and some other southern euro-zone members, Slovakia has worked to keep its finances under control despite facing a severe economic downturn last year. The economy contracted 4.7% last year as demand for exports, centered on cars and electronics, sputtered.

The new cabinet has pledged to cut spending to bring the budget deficit to less than 3% of gross domestic product within three years. The deficit is forecast to be 7% of GDP this year.

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Fewer U.K. companies are collapsing

By Ainsley Thomson

LONDON—The number of U.K. companies collapsing has fallen to pre-credit-crisis levels as firms and lenders work to manage liabilities and the economic recovery shows signs of trickling through to businesses, according to a new survey from financial-services firm **Deloitte** published Monday.

The firm's analysis, which examined all U.K. administration figures, showed that 510 companies went into administration in the second quarter of 2010, 18% fewer than in the first quarter of the year.

Administration is a procedure under U.K. insolvency law to manage companies in financial trouble for the benefit of creditors.

In the first six months of 2010, a total of 1,065 companies have entered administration—43% lower than the comparable period last year and actually 25% fewer than in the first half of 2006, which was the last full year before the financial downturn began.

The number of British firms going into administration is dropping, according to a new survey, and the positive trend is showing across various business sectors.

Lee Manning, reorganization-services partner at Deloitte, said companies and lenders' proactive management of financial problems has been one of the drivers behind the drop in administrations.

"By acting sooner, companies have been able to remedy problems more effectively," he said.

"Equally, lenders have been supportive, preferring to make debt-for-equity swaps or even advance suitably priced risk capital, rather than crystallize their debt through an insolvency process," Mr. Manning added.

Deloitte's analysis shows the pronounced decrease in administrations is showing across all sectors: 81 retailers fell into administration in the first half of 2010, down 57% from a year earlier.

Meanwhile, 229 property and construction companies failed in the first half of 2010, down 43%. In addition, 167 manufacturing companies were placed in administration, 46% fewer than a year earlier.

"We are seeing a steady decline in administrations and this is certainly a positive sign that the climate is stabilizing," Mr. Manning said. "I would be very surprised if administration levels increased dramatically this year; rather I would expect the second half to mirror the levels of activity we've seen in the first half," he added.

Britons expect slower growth and plan to cut their spending

By Paul Hannon

LONDON—Most Britons expect the U.K. economy to weaken before it starts to recover, and they intend to make cuts in spending that could push it back into recession, according to a survey conducted by GfK NOP in the days following the government's emergency budget.

The new coalition government June 22 announced additional spending cuts and tax increases that are aimed at eliminating the public sector's huge structural budget deficit by the end of the current parliament in 2015.

But those announcements appear to have persuaded many Britons that economic growth will slow, rather than pick up in the months to come. Of the 1,000 adults surveyed by GfK between June 24 and 28, 58% expected the economy to weaken, while 24% believe it is on the way to recovery. It was the first time GfK had asked that question, so it is difficult to determine how big a shift there has been since the period before the budget.

However, other evidence in the GfK survey does suggest Britons are becoming more gloomy about the economy. In June, 16% of those surveyed agreed the recession is coming to an end, down from 24% in January and 25% in September 2009.

In response to their concerns about the economic outlook, Britons appear likely to cut back on spending. Some 46% of those surveyed said they will spend less on new furniture, while 45% intend to spend less on large electrical items. Some 42% intend to spend less on drinking alcohol outside the home, while 39% plan to spend less on eating out.

There is already evidence that the big cutbacks in spending announced in the budget have hit business confidence. A survey of purchasing managers in the dominant services sector published July 5 found that following the budget, sentiment plummeted by the largest amount in a single month since records began in January 1997.

The government and the Bank of England would like to see a rebalancing of the U.K. economy so that growth is driven more by exports and business investment than consumer and public-sector spending, which were the main contributors to growth in the decade leading up to the financial crisis in 2007.

But an abrupt slowdown in consumer spending before exports pick up could plunge the U.K. economy back into a recession from which it emerged only in the final three months of last year, following six straight quarters of contraction.

"It is ironic that a reduction in consumer spending—driven by economic uncertainty—could in fact bring about the thing people are most concerned about: a dip back into recession," said Ivan Browne, consumer products and retail expert at GfK NOP.

The opposition Labour Party and some economists have warned that hasty action to cut the deficit could lead to a double-dip recession, while the government has argued that only by taking early action can it hold on to its triple-A credit rating, thus keeping long-term interest rates low and supporting the recovery.

EUROPE NEWS

Turkey fills void in former Yugoslavia

Ankara, participating in anniversary of Srebrenica massacre, brings together region's leaders after U.S. and EU stumble

By Marc Champion

Associated Press

Bosnians pray near coffins of victims of the 1995 Srebrenica massacre, during a mass funeral in Potocari, northeast of Sarajevo, on Sunday.

ISTANBUL—The leaders of Turkey, Serbia and other Balkan nations gathered this weekend to commemorate the 15th anniversary of the Srebrenica massacre in Bosnia-Herzegovina, in an event seen by Turkish officials as a crowning moment in its campaign of regional diplomacy.

Tens of thousands of people turned out Sunday to remember the execution of some 8,000 Muslim men and boys by the Bosnian Serb military, in what an international court has since ruled to have been an act of genocide. Families buried an additional 775 of the dead, as the grim task of collecting and identifying skeletons of those buried and reburied in mass graves continues.

Turkish Prime Minister Recep Tayyip Erdogan's presence at the funeral highlighted how Ankara has stepped into a void in Bosnia left by the failure of a yearslong U.S.–European Union effort to secure a new constitutional settlement aimed at ensuring stability in a fractious nation made up of Bosnian Muslims, Serbs and Croats, diplomats say.

"We put everything the U.S. and the European Union could get together, and yet we could not succeed," said a senior Western diplomat in Sarajevo, speaking of the so-called Butmir process to change the constitution, named after the North Atlantic Treaty Organization military base where it was launched.

The reason: Without Russia working to persuade leaders of Bosnia's Serbian entity and Turkey pressing Bosnian Muslim leaders, a deal was "out of our reach," the diplomat said.

As the process ground to a halt last year, Ankara stepped in with a parallel effort aimed at getting the leaders of Serbia, Bosnia and Croatia talking, said Süha Umar, Turkey's ambassador to Belgrade. "We had to intervene," he said.

Serbian President Boris Tadic Sunday's ceremony, drawing some applause and some calls of "Where is Mladic?" the Associated Press reported. Gen. Ratko Mladic was the Bosnian Serb commander in charge of the Srebrenica operation. He has been indicted by the International Criminal Tribunal for former Yugoslavia in The Hague, but remains at large. Mr. Tadic pledged to "do everything" to apprehend alleged war criminals in Serbia.

In March, Belgrade, for the first time, made a formal condemnation of the Srebrenica killings, a move Western diplomats say was mediated by Turkey and aimed at smoothing Serbia's path to the EU. Serbia has arrested and handed over numerous alleged war criminals, including former Serbain President Slobodan Milosevic, who died while on trial, and former Bosnian Serb leader Radovan Karadzic, currently on trial in The Hague. The government of Republika Srpska, Bosnia's ethnic Serb entity, sent a low-level delegation Saturday.

Western capitals have largely welcomed Turkey's growing involvement in the Balkans—unlike in the Middle East, where Turkey's vote against U.S.-led U.N. sanctions on Iran and its increasingly hostile relationship with Israel have triggered worries in Washington over the direction of a core regional ally.

Turkish diplomats cite their efforts at mediation among the countries of former Yugoslavia as an example of how Turkey's activist foreign policy makes it a more valuable ally to the West.

Over the past 18 months, Turkey has built a strong relationship with Serbia's pro-Western government under Mr. Tadic and organized a series of three-way meetings with ex-Yugoslav neighbors.

Ankara also played a key role in securing NATO's April decision to grant Bosnia a formal road map toward joining the alliance, despite deep reservations in Germany, the Netherlands and the U.S. about the moral hazard of offering Bosnia a route to membership when it hadn't fulfilled all conditions.

Within Serbia, Turkey's foreign minister last year successfully mediated a dispute that had led to violence between two factions in the Orthodox Christian nation's majority Muslim Sandzak region, according to Western diplomats familiar with the matter. Two prominent Sandzak politicians supported rival Muslim clerics who in turn answered to rival muftis in Sarajevo and Belgrade.

Turkey offered highway construction, an airport conversion and industrial projects in Sandzak. On Sunday, Mr. Erdogan was scheduled to open a Turkish cultural center there.

Turkey was Bosnia's fourth-largest investor in 2009, according to the country's Foreign Investment Promotion Agency. Turkish Airlines says it is in talks to buy Serbia's main airline, JAT, having bought a 49% stake in Air Bosnia in 2008.

Around 70% of students at the new Turkish-built International University of Sarajevo are Turkish nationals, many of them young women escaping the head-scarf ban on Turkish campuses.

Not everybody accepts the growing Turkish role in a region that was under Ottoman rule for five centuries. Milorad Dodik, leader of Bosnia's Serbian entity, Republika Srpska, has said Ankara arrives with too much historical baggage and is pushing exclusively for the interests of Bosnia's Muslims, a charge Turkish diplomats deny. A spokesman for Mr. Dodik wasn't available for comment Friday.

Some Serbian newspapers have attacked Mr. Tadic for going along with Turkish mediation, saying he is abandoning Bosnia's ethnic Serbs. Spokesmen for Mr. Tadic didn't respond to requests to comment.

Suspected spies fall from view

By Richard Boudreaux

Reuters

U.S. Attorney General Eric Holder has defended the deal made with Russia.

MOSCOW—The 14 alleged spies deported from Russia and the U.S. remained out of public view over the weekend amid uncertainty over where they had been taken and how they would restart their lives.

Relatives said they heard brief reports from two participants in Friday's spy swap, Russian media said.

Nuclear scientist Igor Sutyagin phoned his family from an unidentified hotel near London, where he is apparently confined by British authorities until a decision is made about whether he will remain in the U.K., his mother said.

The whereabouts of the others, including the 10 Russian agents expelled from the U.S. to Moscow, were unknown. Russian media speculated that they were being debriefed at Russian intelligence headquarters in Moscow.

One of the 10, Anna Chapman, had phoned her sister from Moscow's Domodedovo airport after landing Friday and reported, "Everything is OK. We have landed."

Russia's state-controlled national television channels reported the swap tersely, likely reflecting the Kremlin's desire to bury a story in which the U.S. Federal Bureau of Investigation, after years of surveillance, busted a network of "sleeper" agents who had failed to gain access to state secrets.

The 10 were exchanged in Vienna for three former KGB officers and Mr. Sutyagin, all serving prison sentences in Russia for passing sensitive information to the West. Two of the KGB officers had been convicted in their country of compromising dozens of Soviet-era and Russian agents in the West.

U.S. Attorney General Eric Holder said the 10 agents deported from the U.S. had received hundreds of thousands of dollars from Russia. In an interview with CBS's "Face the Nation" that aired Sunday, he defended the swap as "an opportunity to get back...four people in whom we have a great deal of interest."

He also said all the children of the agents had been allowed to return to Russia. It remained unclear, however, whether all the agents and their families would choose to settle in Russia.

Mr. Sutyagin told his brother Saturday that he was weighing a decision whether to return to Russia or stay abroad. Unlike the 10 deported from the U.S., who were barred from returning without permission from the attorney general, Mr. Sutyagin and the three KGB veterans are free to go back to Russia, Russian officials said. President Dmitry Medvedev pardoned the men.

Dmitry Sutyagin told Russia's Interfax news agency that his brother "doesn't want to talk about his future yet and wants first to analyze the situation."

Another agent deported by Moscow, Sergei Skripal, was in Britain as well; the other two KGB men were flown to Washington.

By agreeing to the swap just 12 days after the U.S. busted the Russian agents, both sides avoided a series of drawn-out U.S. spy trials that would have strained an improving relationship that the two countries' presidents are eager to maintain.

"It's the best example of President Obama's policy to reset relations," said Nikolai Zlobin, a Russia specialist at the World Security Institute in Washington, an independent think tank. "Reset works."

BP, Apache in talks on Alaska deal

By Guy Chazan
And Dana Cimilluca

BP PLC is in talks with U.S. independent oil and gas producer **Apache** Corp. on a deal worth as much as $10 billion that could include stakes in BP's vast Alaska operations, according to people familiar with the matter.

A deal, which would go a long way to helping BP cope with the financial stress of paying for the clean-up of the Gulf oil spill, could be reached in the coming weeks, though there is no guarantee it will succeed, one of these people said.

BP and Apache declined to comment.

The Apache deal is believed to include stakes in Alaskan oil fields, where BP is the largest operator.

It is one of a number of options the U.K. oil major is exploring to raise cash as it struggles to cope with a spill that has fouled huge sections of the Gulf coast.

BP has already suspended its dividend and trimmed capital spending.

The company has also said it plans to sell $10 billion in noncore assets over the next 12 months, although it has not specified which ones. Those steps came after the company, ceding to pressure from the White House, agreed to set aside $20 billion in a special fund to cover claims arising from the spill.

The asset sales represent one element in a broad capital-raising effort. BP has also secured new credit lines, and could also sell bonds, according to people familiar with the situation.

These people say BP could announce the deal with Apache, or other asset sales, on July 27, the same day it unveils its second quarter earnings. Investors are also expecting good news on the relief well it is drilling to intercept its runaway Macondo well and plug the leak.

BP has consistently said it will complete the relief well in August, but some signs have suggested it could happen sooner.

Rising optimism about BP's fortunes has helped push the company's share price up about 20% in the last two weeks. Having hit a 14-year low of 302.9 pence ($4.56) on June 29, BP closed Friday in London at 364.8 pence.

Over the weekend, BP began an operation to remove a containment device located over the gushing well and replace it with a much tighter cap that should collect all the oil and gas leaking from Macondo. The operation, which began Saturday, will take between four and seven days, BP says. But removing the current cap means oil and gas will flow freely from the well for some time, increasing the level of pollution.

People familiar with the matter say that with its asset sales, BP is moving along two tracks: It is in talks with a number of companies on a wide spectrum of assets and is also in "material" discussions with a single company—Apache—on a package deal worth $10 billion. If BP can pull off that transaction, that could ease pressure on the company to sell other assets. The Apache talks were reported Sunday by the Times of London.

BP opened its first office in Alaska in 1959 and has a 26% stake in the Prudhoe Bay oil field—which after 33 years of production remains the largest in North America. It operates 14 other oil fields on the North Slope, and has minority interests in six others. It also operates four pipelines there and has a big stake in the Trans Alaska Pipeline System, which brings oil from Prudhoe Bay in the north to the port of Valdez.

But its Alaskan assets are mature, and production there has been gradually declining. Last year, BP produced 181,000 barrels a day of oil and gas in Alaska, down from 197,000 barrels a day in 2008.

As its output has fallen, BP has also been beset by operational problems in Alaska. In 2006, a pipeline leak led to a 200,000-barrel oil spill on the North Slope—the worst oil spill on the slope in Alaska's history. Under a criminal settlement the following year, BP pled guilty to a violation of the federal Clean Water Act and paid $20 million in fines and restitution. The company has suffered a number of other spills and pipeline ruptures in Alaska since then.

BP has a history of big deals with Apache. In 2003 it sold the U.S. independent its Forties field in the North Sea and a package of shallow-water assets in the Gulf of Mexico for $1.3 billion.

Apache has a reputation for snapping up the majors' mature assets and applying cutting-edge technology to squeeze more oil out of them—a strategy it has successfully applied in the North Sea and the Gulf of Mexico.

Lake near Gulf is breached

By Kris Hudson

NEW ORLEANS—Idled commercial fishermen Vincent Caronna and Shirley Roach stewed with colleagues on their docks in the Salt Bayou, lamenting that oil from the **BP** PLC spill had begun seeping into Lake Pontchartrain, a body of water Louisianans had hoped was safe.

"It will be a long time before they clean [the lake] up," Mr. Caronna said, worried that storms could push more oil over man-made barricades and into the 1,630-square-kilometer brackish lake. "It will have to be completely restocked," Ms. Roach said.

The fishermen, their livelihoods devastated by the damage oil has wrought in the Gulf of Mexico, offer some of the most pessimistic views. The oil's encroachment into Lake Pontchartrain has been relatively minor, with tar balls and sheen being found.

So it is as much a psychological assault as a physical one.

But the shallow lake, its southern edge ringed by New Orleans and its suburbs, is a crucial part of the area's environmental, economic and cultural fabric. Massive efforts in the 1980s and '90s cleaned the lake of decades of contamination from shell dredging and dairy farms. Since then, it has served as a recreational hub, a fishing grounds and a haven for sea life.

Last year, the lake yielded more than 2.2 million kilograms of blue crab, shrimp and fin fish valued at nearly $4.5 million for fishermen, according to the state Department of Wildlife and Fisheries. It often provides safe fishing when the Gulf is too rough.

Associated Press

Searching for tar balls from the Gulf oil spill in Lake Pontchartrain this month.

Tar balls and oil sheen have been reported on the lake's eastern edge and in the Rigolets, a waterway that connects the lake to the Gulf eight to nine nautical miles away. Some officials say oil escaped an extensive network of protective piping called boom and skimmer boats only with the aid of recent storms and wind that pushed it into and through the Rigolets.

The state has closed 5% of the lake's area to fishing because of the oil, and fishermen fret that the restrictions will be expanded.

Kevin Davis, president of St. Tammany Parish, which includes much of the lake's northern shore and many commercial docks and marinas, said his parish had at its disposal 45,720 meters of boom, 25 skimmer boats and 100 small boats using nets to catch tar balls. Still, given all his constituents have gone through in the past five years, including Hurricane Katrina in 2005 and rebuilding in its wake, some are panicked about the lake's fate.

"Some are even in tears because they were hoping this would be one of the areas that wouldn't get hit because we're so far inland, and that it might be one of the last fishing areas left," he said.

Mr. Davis and other officials say that, absent a big storm, defenses for keeping the oil out of the lake should be effective. Local officials say areas of commerce other than fishing aren't expected to suffer. "Because tar balls have gotten into the basin of the lake isn't going to affect tourism in New Orleans at all," said Kelly Schulz, a vice president at the New Orleans Convention and Visitors Bureau.

Still, the lake's ecosystem is a concern. Lake Pontchartrain serves as a massive estuary with ideal conditions for young aquatic life. Because it is shallow—rarely more than three and a half meters deep—sunlight can reach its floor to foster plants and grasses. That vegetation attracts shrimp larvae, crab larvae and other hatchlings from the Gulf.

Also in the lake are Rangia clam and other stationary creatures, fin fish such as flounder, and manatees that raise their calves and dine on the lake's vegetation in the summer.

"The long-term concern is that if we did get heavier concentration of oil, what would it do to the food web in particular, starting from [stationary] organisms up the food web?" said Anne Rheams, executive director of the Lake Pontchartrain Basin Foundation, a group chartered by the state in 1989 to help lead the lake cleanup. "That could impact the whole ecology of the lake."

White House plans review of regulation

By Elizabeth Williamson

WASHINGTON—The White House is talking with business groups about a broad review of government regulations that corporate leaders have identified as obstacles to job-creating private investment.

Administration officials have been meeting with business leaders to identify specific rules that could be streamlined. In recent weeks some of the president's corporate allies have joined its critics in an intensifying confrontation with the White House over its regulatory and tax policies.

The Business Roundtable, an association of chief executives of many of the largest U.S. corporations, recently delivered to the White House a detailed list of concerns about the administration's regulatory agenda, highlighting proposals to give unions more tools to organize workers, new environmental rules proposed by the Environmental Protection Agency, proposals by the Federal Communications Commission to impose new controls on broadband internet providers.

The Obama Administration is under pressure to spur job growth in an election year, amid signs that Congress will not agree to spend significant new sums on government stimulus programs. But how far the administration will go to alter its regulatory and tax policies isn't clear. Several executives say they'll remain skeptical until the president moves to push trade agreements with Korea, Colombia and Panama through Congress, bucking Democrats and union supporters who have held them up for years. Mr. Obama has recently called for action on the free-trade deals.

New financial-markets rules included in an overhaul now moving through Congress would not be on the table, an administration official said. President Barack Obama has made the financial overhaul a priority, and it remains popular despite criticism in banking circles.

"The president has said that he is interested and open to the business community's perspectives on examining regulations, but a lot of important equities need to be weighed against each other, such as the health and safety of the American people—and no one interest outweighs another," said White House chief of staff Rahm Emanuel.

An array of business interests and legislators, including several allied with the president, will attend a jobs summit Wednesday at the U.S. Chamber of Commerce. The group will demand action on a list of concerns topped by "the unbelievable amount of new regulation that is in the pipeline," said Stan Anderson, executive director of the Chamber's Campaign for Free Enterprise.

A week ago White House officials met with leaders of the Business Roundtable, a gathering of top corporate leaders who have advised the administration on the economy, to identify priorities from among 54 pages of rules that Roundtable members identified as impediments to economic growth and job recovery. The group compiled the rules at the request of the White House budget office.

Roundtable president John Castellani and **Verizon Communications** chief executive Ivan Seidenberg, chairman of the group, met a week ago at the White House with National Economic Council Director Larry Summers, business liaison Valerie Jarrett, and two other economic-council officials to discuss "specific examples of regulations that were burdensome," a White House official said.

"The administration responded very quickly," Mr. Castellani said. So far, he said, "they get an A-plus for reaching out, and an incomplete for policy."

"They're taking a serious look," said Dan DiMicco, chief executive of steelmaker **Nucor** Corp., who contributed to the Roundtable report and has met separately with economic officials to discuss regulation and job growth. "There's this common concern ... that we're not doing the right things yet, and it's showing up in the jobs numbers."

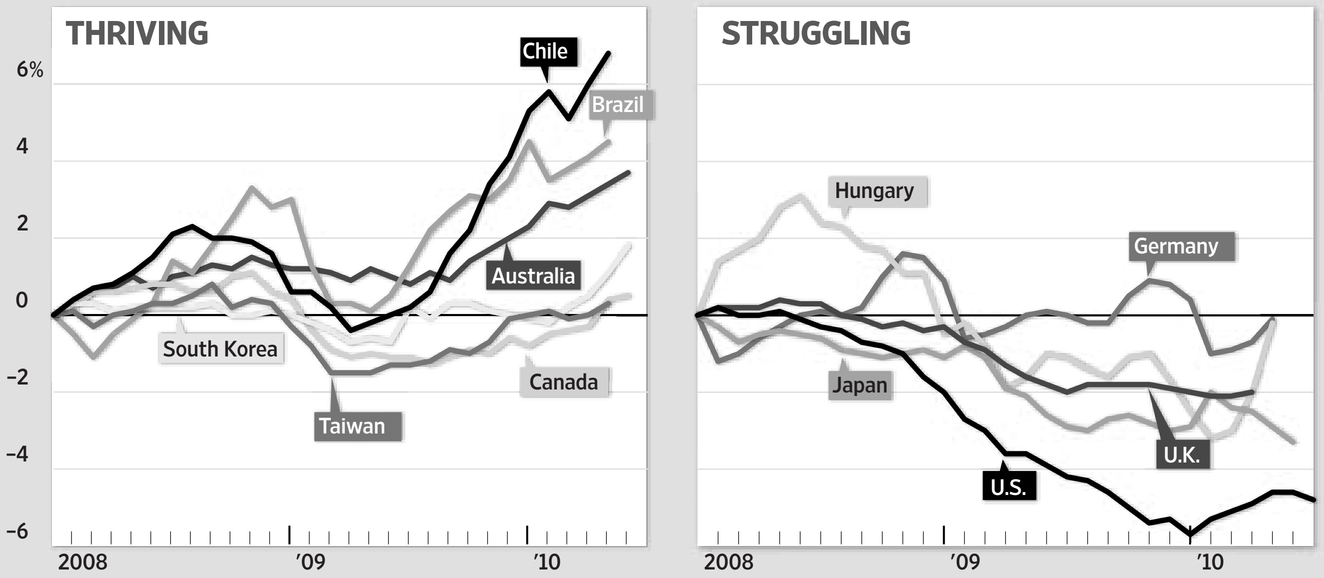
U.S. NEWS

Global divide | Cumulative change in jobs around the world since the recession began

Chile
A major exporter of such commodities as copper, Chile shed jobs as global commodity prices slumped during the recession. But its relative financial health has helped it bounce back quickly.

Brazil
Employment took a hit when the global recession cut demand for exports such as regional jet planes, but has come back strongly, in large part because Brazil avoided the financial excesses of the boom years.

Australia
Strong trade ties with booming Asian economies and a relatively healthy banking system allowed Australia to get through the global recession largely unscathed.



South Korea, Taiwan
These two trade-dominated economies suffered a shock when global trade volumes plummeted in late 2008. But with much of Asia still going strong, they recovered quickly.

Canada
Banks weathered the crisis well, but the country's economy—and its workers—suffered due to proximity to the U.S.

Germany
Companies avoided mass layoffs by sharply cutting the number of hours their employees worked. That has masked the damage the global recession did to Germany's export-driven economy.

Hungary
Heavily dependent on foreign investment, including loans denominated in euros, Hungary suffered when investors pulled out and its currency dropped sharply in late 2008.

U.K.
Employment keeps sliding in the U.K. as businesses and the government grapple with a consumer-debt hangover and a budget deficit even worse than those in the U.S.

Japan
Deflation and massive government debt are weighing heavily on Japanese companies' confidence and hindering job creation.

U.S.
Heavy debts are making it difficult to restore jobs. With government and consumers facing a long road to financial health and banks still cutting back on lending, companies are reluctant to hire.

Source: Organization for Economic Cooperation and Development (Australia, Canada, Chile, Japan, South Korea, U.K., U.S); International Labor Organization (all others)

U.S. trails in employment growth

By Mark Whitehouse

One year into the global recovery, the U.S. is lagging far behind other major economies in restoring jobs lost in the recession.

A Wall Street Journal analysis of employment trends in 11 countries suggests that manageable debt burdens and healthy banking systems—areas in which the U.S. doesn't excel—are proving to be crucial factors in creating jobs.

Brazil and Chile, neither of which suffered banking crises, have seen the strongest job growth since the beginning of the recession, according to data from the Organization for Economic Cooperation and Development and the International Labor Organization. In April, total employment in the two Latin American countries was up 4.5% and 6.8% from December 2007, respectively.

Proximity to the booming economies of Asia has helped job creation in some cases. Australia has managed to boost total employment by 3.7% through May, thanks in part to trade in commodities such as iron ore with Asian countries that never went into recession.

Australia's banks also emerged from the financial crisis largely unscathed.

By contrast, total employment in the U.S. in June was down 4.8% from December 2007. Businesses have been reluctant to hire amid difficulties getting loans from financially wounded banks and uncertainty about how long it will take consumers—a key driver of the U.S. economy—to pare down their large debt loads.

As of March, U.S. household debt stood at 122% of disposable income, down from a peak of 131% in early 2008 but still well above the 100% economists tend to see as sustainable.

The picture isn't much better in the U.K., where consumers are even more indebted than in the U.S., and where the hard-hit financial sector accounted for a much larger share of total employment.

As the country's new coalition government implements harsh economic austerity measures in order to get its budget closer to balance, hiring remains tepid. In March, total employment was still 2.0% lower than in December 2007.

In Asia, the sharp drop in global trade accompanying the recession took a toll on Korea and Taiwan, but both bounced back quickly as trade returned. The two countries, whose banking systems also survived the financial crisis well, have already managed to push total employment back above pre-recession levels.

Japan offers a troubling example for economies such as the U.S. and U.K., which are struggling to gain momentum even as governments build up vast debts. After many years of falling prices and false recoveries, Japanese companies lack the confidence to hire—a problem evident in the country's persistent decline in employment.

And with total government debt exceeding 200% of the country's annual economic output, many companies regard higher taxes and austerity measures as inevitable, only adding to their worries.

As of May, employment in Japan was 3.3% down from December 2007.

"The risk here for a lot of countries is not a double dip but a protracted period of stagnation, which is bad news for creating jobs," said Nariman Behravesh, the chief economist at the IHS Global Insight consultancy.

The 11 countries in the analysis were chosen because they report jobs data in a relatively timely manner. As a result, many developing countries such as China and India, which report infrequently and with a large lag, were excluded.

In U.S., value-added tax would be a hard sell

[THE OUTLOOK]

By John D. McKinnon

At least 139 countries, including most major economies except the U.S., levy a value-added tax on goods and services.

But as the U.S. faces deficits, talk of adopting one has become more commonplace and is likely to intensify. The latest rumblings came earlier this month, at a meeting of a White House commission looking for ways to dig the U.S. out of its fiscal hole.

Asked by a commission member whether corporate leaders could live with what is known as a VAT, Business Roundtable officials said they would consider the idea, but only if Congress agreed to streamline and lower the U.S. corporate income tax.

"We certainly think, like everything, [a VAT] is something that should be examined, but examined in the context of...the overall structure of our tax system," John Castellani, president of the Business Roundtable, which includes chief executives of U.S. multinationals, testified at the hearing.

The VAT is a tax on sales. It's similar to a retail sales tax, but typically collected all along the production process, and businesses get a credit for VAT they pay to others. A car maker, for instance, would collect the tax from customers on all the cars it sells, but get a credit for the VAT it paid on parts it bought to make the vehicles.

Advocates say a VAT creates less incentive for avoidance compared to a sales tax, while limiting economic damage compared to income taxes. But conservative critics worry it's just another faucet for government to tap. And many business owners regard it with apprehension, in part because of its administrative complexity.

Two months ago, after pro-VAT comments by some high-profile figures, the U.S. Senate voted 85-13 to condemn the VAT as "a massive tax increase."

But the VAT talk has continued in Washington, as political leaders confront the challenge of bringing the nation's soaring deficits under control. The talk will likely get louder for at least three reasons:

First, the VAT raises a lot of money, and Congress and the White House need a lot to avoid politically difficult spending cuts. According to one recent estimate, a VAT of 5% would raise $161 billion a year in 2012.

And according to some economists, a VAT can produce all that revenue without discouraging investment as higher income taxes would.

"If you're looking for more revenue, I think raising rates under the current income tax probably is not a good idea and could do significant economic harm," says Eric Toder, a co-director of the nonpartisan Tax Policy Center think tank. By contrast, a VAT "doesn't interfere with where goods are produced...and doesn't interfere with savings, investment and capital formation."

A White House spokeswoman said President Barack Obama "has not proposed this idea nor is it under consideration."

Second, many U.S. multinationals suspect they might have little choice but to accept a VAT if they hope to avoid further increases in U.S. corporate income taxes, or even win cuts in current rates. They regard current corporate taxes as too high, particularly given global trends toward reducing them. Some companies are hoping a VAT would encourage Congress to streamline and lower the corporate tax.

Third, even a few domestic businesses are beginning to eye the VAT as a possibility, despite the administrative burden. That's largely because value-added taxes are imposed on imports at the border, and refunded to domestic businesses on their exports, making a VAT an effective subsidy for U.S. producers, according to the advocates. (Some experts disagree.)

Still, there are many reasons why the VAT remains a heavy lift: As a consumption tax, the VAT hits lower-income earners disproportionately. Fixing that problem probably requires offsetting the VAT with some kind of credit for the poor.

Even with such an offset, retailers dislike the idea, because they think a VAT creates a drag on overall spending.

Also, many critics believe the VAT could start low—but then be steadily ratcheted up.

Perhaps the most important objection is purely political. Folk wisdom in Washington holds that every government that has ever created a VAT has been voted out at the next election.

WORLD NEWS

Somalia has to rummage for cash

Government, lacking funds to fight militants, hires U.S. lawyers to recover money stashed abroad by past regimes

By Sarah Childress

A fighter from al Shabaab, the Islamist insurgency trying to unseat the government of Somalia, runs from a burned African Union tank in the capital, Mogadishu, on July 2.

The cash-strapped Somali government is searching to recover funds locked in bank accounts around the world, in an attempt to stave off bankruptcy and fund a battle that has accelerated in recent days against an al Qaeda-backed insurgency.

Somali and African Union troops last week launched a counterattack against Islamic militants in the capital, Mogadishu, in an effort to carve out space to govern. At least 48 people have been killed, according to medical personnel.

The government of President Sheikh Sharif Sheikh Ahmed controls only a small area of the city, with much of the largely lawless country under the sway of clans, pirates or militants from the al Qaeda-backed group, al Shabaab.

Mr. Ahmed has reached out to neighbors to support the fight. A special summit of East African leaders this week ordered the deployment of 2,000 additional troops to Somalia to strengthen the 6,000-troop African Union peacekeeping mission.

To keep itself running, Mr. Ahmed's government is trying to replenish its coffers a few million dollars at a time. Previous Somali regimes have left at least $100 million in overseas accounts—nearly enough to keep the government running for a year—according to people familiar with the matter.

"It was something very important, to return the Somali republic's frozen assets," said a Somali official who is familiar with the effort. "It could help restore the country's lost life."

The missing funds were stashed away in U.S. and European bank accounts under the last strong federal government—led by Mohamed Siad Barre nearly 20 years ago—and the last government, of President Abdullahi Yusuf Ahmed, who resigned in 2008.

Ali Amalow, the head of the central bank under Mr. Barre, kept a detailed roster of the funds, and brushed off attempts by various warlords to retrieve the money when Mr. Barre's regime collapsed in 1991.

For the past two decades, Mr. Amalow has worked with banks to ensure that the accounts couldn't be accessed by anyone until an established central government could claim them, according to a person familiar with the matter.

Mr. Amalow declined to comment. Somali officials familiar with the matter said the president had instructed them not to discuss the matter publicly until it was concluded, but some shared details on condition of anonymity.

Last year, President Ahmed appointed Mr. Amalow to lead the effort to recover the funds. The government contracted Maryland-based law firm Shulman, Rogers, Gandal, Pordy & Ecker, P.A., to help recover the assets, according to a copy of the agreement between the two parties that was seen by The Wall Street Journal.

A representative of Shulman Rogers confirmed that the firm was working to recover assets on behalf of the Somali government. The firm has experience in tracing and recovering assets, often for companies or wealthy individuals.

Work on recovering the money began in earnest in February. At least $1.5 million has been recovered from European banks so far, according to a Somali government official familiar with the process. He declined to offer further details.

The Somali government needed help collecting the funds because many of the accounts have become dormant. And banks, as part of their normal compliance process, are typically required to ensure those attempting to access the account should be authorized to do so.

That can be complicated in some countries that lack full diplomatic ties with Somalia, including the U.S., where some of the bank accounts are located. Though the U.S. supports the Somali government, it has yet to establish formal diplomatic ties with the administration.

A U.S. State Department spokesman didn't respond to requests for comment on the collection effort.

U.S. officials have said the current government represents Somalia's best hope for stability after nearly two decades of conflict. The U.S. has given the government weapons, assisted with efforts to train its troops and invested in the African Union peacekeeping mission that protects the weak Mogadishu regime.

Yet the Somali government isn't merely weak, it is nearly broke. Its 2010 budget—believed to be the country's first published budget in two decades—is themed "Keeping Our Heads Above the Water." The government estimates it needs about $110 million per year to boost its security sector and pay government employees—which is far short of the $22 million it expects to earn in customs duties this year. Somalia relies instead on donor support to pay civil servants and government troops, who are liable to defect without a regular monthly salary.

Yet donors have given little money to the Somali government directly, in part due to concerns about accountability. By December, the government had a little less than $3 million from donors in its coffers.

Six months on, push for Haiti aid falters

By José de Córdoba

PORT-AU-PRINCE, Haiti—Traffic inches past mountains of rubble. Tropical rains pound refugee camps where hundreds of thousands of people huddle amid the stench of excrement. Six months after January's earthquake devastated Haiti, the process of reconstruction appears to have come to a halt.

Billions of dollars in pledged aid have yet to arrive. Decisions on how to spend the money have not begun to be made. An estimated one million Haitians remain displaced. And everywhere, there is rubble.

"After six months, we have not moved an inch," says Jean-Guy Noël, a businessman who runs a money-transfer service. Adds Gérard Brun, a member of a government commission charged with planning the future of the capital, Port-au-Prince: "Everything is stalling."

Leslie Voltaire, Haiti's liaison with the United Nations, says one big achievement is the formation of an interim commission with both Haitian members and representatives of major donors to oversee major countrywide reconstruction projects during the next 18 months. The commission, which was created and received congressional approval in just two months, was seen as necessary before international donors would release rebuilding funds. Progress on setting up commissions, however, offers little consolation for many Haitians.

The rubble is the most visible sign of the lack of progress. The 7.0-magnitude temblor left 20 million cubic meters, or 700 million cubic feet, of debris, the U.N. estimates. Cleanup efforts so far have made a minor dent. For the most part, organized rubble removal is in the hands of thousands of Haitians who work with picks, shovels and wheelbarrows for $5 a day. Nigel Fisher, the head of the U.N.'s humanitarian relief program, says the effort requires a massive influx of heavy equipment, and he is searching for $120 million to remove the worst of the rubble from Port-au-Prince.

Little is available for such projects, as most money from donor nations and charities are earmarked for emergency relief—food, shelter and medicine. One reason the government has had a difficult time dealing with basic issues such as resettlement: It is often impossible to determine who owns homes and land. A decade ago, 97% of rural residents in Haiti and 68% of city residents lacked clear title to their housing, according to a study by Peruvian economist Hernando de Soto.

"Eighty-two percent of real estate and 68% of businesses in Haiti are in the extralegal economy," says Mr. de Soto, who has offered the information to a U.N. commission on legal empowerment of the poor. He estimates the value of the assets to which no one can claim title at about $5.2 billion, roughly the same amount that has been pledged for the first two years of Haiti's reconstruction. The loss of documents in the earthquake makes that situation worse. Most Haitians seeking to start over can't access bank credit because they have no collateral to offer up. The failure to demonstrate clear title acts as a brake to development, affecting small investors and multinational lenders alike.

Days after the temblor, officials from the Haitian government and the Inter-American Development Bank believed they had found a large piece of land the bank could acquire to build a tent city to house 10,000 displaced Haitians.

Two months later, the bank pulled the plug on the $3 million project after it found "the person who claimed control of the land wasn't the owner," says Eduardo Almeida, the IADB's Haiti head of mission.

In an effort to address the land-use and ownership problem, Cheryl Mills, counselor to Secretary of State Hillary Clinton, pressed the Haitian government to assign officials to streamline solving land disputes and award title when necessary. But land is a tricky political issue in Haiti, which was the world's first black republic when it was founded in 1804 after a slave revolt against France. Founder Jean-Jacques Dessalines prohibited whites from owning property.

Haitian officials say privately that President René Préval has balked on giving the commission broader powers over land rights. A top Haitian official said Mr. Préval believes it isn't politically advisable for a commission, half of whose members are foreigners, to be final judge of land issues "in the land of Dessalines."

WORLD NEWS

(Clockwise from top left): Retuers (3), Bloomberg News

Clockwise from top left: Japan's Foreign Minister Katsuya Okada, Transport Minister Seiji Maehara, Chief Cabinet Secretary Yoshito Sengoku and Internal Affairs Minister Kazuhiro Haraguchi.

Who could be Japan's next prime minister?

By Miho Inada

Prime Minister Naoto Kan has been weakened by Sunday's election, and his tenure possibly shortened. Even if he survives the immediate fallout from the results in coming days, he could face pressure from within the Democratic Party of Japan to step aside before the party leadership vote scheduled for September—or risk facing a challenge then. Having taken office in early June, that would make him Japan's fifth consecutive premier unable to hold the title for more than a year.

One factor keeping Mr. Kan afloat, at least for now: the lack of an obvious successor. Here's a look at those considered most likely to follow him at the helm should he step aside.

Katsuya Okada

Mr. Okada, the foreign minister, has taken the lead in negotiations with the U.S. over the military base in Okinawa, steering the new government to reverse course and accept the American position. Mr. Okada, who turns 57 Wednesday, came to the party's forefront when the DPJ did well in upper house elections under his leadership in 2004, but was ousted from the position a year later when the party took a beating in the lower house elections. Mr. Okada expressed stronger support to raise the unpopular 5% consumption tax during his run against Yukio Hatoyama for party leader last year, but has since scaled back the language. Mr. Okada is known for his clean image as well as his strong interest in environmental policies.

Seiji Maehara

Mr. Maehara, Japan's young and ambitious transport minister, is another candidate for the top post and has made no secret of his ambitions to one day rule the country. Mr. Maehara, 48, openly criticized Prime Minister Hatoyama for a lack of leadership, and also Ichiro Ozawa, the powerful former DPJ secretary-general, for alleged mishandling of political funds. An only child, Mr. Maehara attended high school and the prestigious Kyoto University on scholarships. At 43, he briefly became the youngest-ever person to head the DPJ.

Kazuhiro Haraguchi

Mr. Haraguchi, internal affairs minister, would be a long shot, but is seen as a close ally of Mr. Ozawa—and perhaps the candidate whom Mr. Ozawa would put forth if he were seeking to bring Mr. Kan down. Mr. Haraguchi, 51, studied at the Matsushita Institute of Government and Management, a school embracing free-market policies that was funded by the late founder of Panasonic Corp. to nurture Japan's leaders. Mr. Haraguchi is known for his calls to shift power from the central government to regions and has spoken out against raising the consumption tax before economic recovery has taken root.

Yoshito Sengoku

The 64-year-old chief cabinet secretary is loyal to Mr. Kan and is viewed as a fiscal hawk, calling for debate to raise the consumption tax. While the lawyer-turned-politician used to be a member of the Socialist Party, he now embraces free-market policies and has been critical of moves to expand the role of the government-run postal service in the financial-services sector.

Start-up party holds one key to a coalition

By Yoree Koh

TOKYO—As the ruling Democratic Party of Japan wraps up its freshman year, its bumbling start has given rise to a new beacon of change: Your Party, a powerful start-up party whose solid gains on Sunday will likely force the ruling party to woo it aggressively as a coalition partner.

Your Party, which opposes tax increases and favors small government, has at least nine seats in the upper house following Sunday's elections, making it a formidable minority force that could be a thorn in the DPJ's side—particularly given the DPJ's hefty defeat on Sunday evening.

Prime Minister Naoto Kan is likely to woo Your Party into becoming a coalition partner for the DPJ. Although Your Party was largely ignored by the ruling party since its inception, the DPJ has recently changed its tune. Mr. Kan began to cite the party name during stump speeches in the final week of the campaign, a sign that Your Party's surge in support appears to be a worry for DPJ lawmakers.

Your Party has said it isn't interested in forming a coalition with the DPJ. "We are not teaming up with the fake reform power," said Your Party leader Yoshimi Watanabe to reporters in Tokyo on Saturday, according to local Japanese media reports, a sentiment he repeated on Sunday night.

"Your Party can set some pretty stiff demands on DPJ to adopt its policies," said Gerald Curtis, a professor at Columbia University and expert in Japanese politics. "But if they join up it undermines what they stand for."

Created last August by former members of the two biggest parties in Japan, Your Party has backed 44 of the 438 candidates gunning for a spot in the upper house this election. The bulk of its members are relative newcomers to politics, and many previously served as financial-services executives, medical doctors and entrepreneurs.

The party advocates a smaller government and its vociferous stance against a sales-tax increase promoted by the major parties has resonated with a growing number of voters.

With his one-month-old daughter in his arms, 35-year-old Hiroshi Sugimoto said reading Your Party's positions on the consumption tax and social security persuaded him to vote for the start-up on Sunday rather than support the DPJ as he did last summer. "It was meaningful for us to have a change" in the government, said Mr. Sugimoto, who works for a pharmaceutical firm. But the DPJ's embrace of big government has made him question if it can guide the country to future prosperity. "To keep saying, 'we will protect you,' doesn't do any good," he said. "When I think of my child, I can't let the country move in the socialistic direction, which I believe would make the country go bankrupt."

Japan voters thrash ruling DPJ

Continued from first page

DPJ failed to meet its goals of winning a majority in the upper house of parliament—and even Mr. Kan's more modest goal of maintaining existing strength. As of 2 a.m. in Japan, networks projected the party won as few as 44 seats of the 121 seats contested—or less than 40% of the total—down from 54. In last year's election, the DPJ took 64% of the seats at stake.

Sunday's election was, in many ways, a statement of disenchantment by Japan's voters, who had embraced the DPJ with such high hopes last summer, only to find the party was in many ways like the long-ruling Liberal Democratic Party it had displaced—indecisive and hampered by scandals—and had the added disadvantage of inexperience.

"When the LDP ended its long rule, there were certain expectations and a sense of excitement," said Tatsuo Shigefuji, a 41-year-old insurance-company employee who backed the DPJ last year, but cast a vote in Tokyo this time for one of many smaller parties. "But when the DPJ actually took power, nothing had really changed. The results were actually worse than I expected."

The DPJ's handling of the Okinawa base issue was particularly "embarrassing," he added.

Since the DPJ has a huge majority in the more-powerful lower house, it will remain the ruling party despite Sunday's setback. But it will become harder for the party to govern, as most legislation needs the approval of the upper house.

Investors, in particular, are worried about Mr. Kan's ability to meet his pledge to limit borrowing. In light of the election results, the promise "is meaningless," said Makoto Yamashita, chief Japan interest-rate strategist at Deutsche Bank. "There is a high possibility that the... pledge will be broken."

Japan's political leadership will now be consumed with horse trading, as Mr. Kan struggles to find friendly opposition parties to work with in parliament while fending off critics in his own party.

Mr. Kan made his party's prospects tougher with an unpopular pre-election pledge to boost the consumption tax to rein in the country's outsize borrowing, thinking that Japan's voters would understand the severity of its fiscal conditions and appreciate his honesty. To persuade the public, Mr. Kan alluded to Greece's example, saying inaction would lead Japan to a similar fate.

The prime minister admitted after Sunday's election that the strategy didn't work. "My discussion on the consumption tax was received by the voters as rather abrupt," a sober-faced Mr. Kan said at his news conference. "I, myself, feel that a big reason [for the defeat] was I didn't explain it well enough."

If Mr. Kan loses his job—still a remote possibility at this point—he would be the fifth consecutive prime minister to step down a year or less into the job. The musical chairs of leaders has been cited often as a reason why Japan has been slow in making important decisions.

—Yoree Koh, Kana Inagaki, Miho Inada, Kosaku Narioka and Andrew Monahan contributed to this article.

Associated Press

Mr. Kan walks past a poster of himself at DPJ election headquarters on Sunday.

INTERVIEW

Being a hero matters less than avoiding big mistakes

Unigestion's chairman made a prescient call on the risk of liquidity drying up; now he's looking eastward

[Bernard Sabrier]

By William Lyons

In 2007, Bernard Sabrier, chairman of Geneva-based asset-management firm **Unigestion Holding**, talked with his chief executive, Patrick Fenal, about the time bomb they believed was ticking under hedge funds. They agreed there was a major potential liquidity risk and mismatch between certain funds of hedge funds that exposed investors to enormous risks.

In short, they argued that there were certain funds of funds in which investors could redeem their investments faster than the fund could liquidate its own. Were there to be a sustained run of redemptions on such funds, the fund could exhaust its liquidity, and the last group of clients to redeem wouldn't receive their money back on the due date. Instead, they would find themselves locked into an investment for longer than they expected, to their possible disadvantage.

Their findings, which helped guide their investment philosophy, were eventually published in a paper authored by Mr. Fenal.

"Everyone, including some of our own colleagues, thought we were crazy," says Mr. Sabrier. "Our staff kept asking why are you putting us at a deliberate disadvantage. Everyone is saying liquidity is not a problem and you are the only one who has constrained us on liquidity."

A year later, liquidity became a problem at many firms. Investors wanting to redeem their money from such funds of funds were delayed, and those that remained invested longer than they wanted to and suffered significant losses.

Not that the 57-year-old Mr. Sabrier took much pride in his prescience. "There was no triumphalism," he says. "It's not about being right or wrong; it's about avoiding major mistakes."

In fact, Unigestion, didn't remain immune to the 2008 financial storm, but it fared better than most. Assets under management declined from €7.8 billion at the end of 2007 to €7.5 billion at the end of last month, a fall of only 3.8%.

"Alternative asset management"—such as hedge funds, which can use leverage to multiply the effect of their positions in stocks and bonds—"is not an easy game," says Mr. Sabrier, who has run Unigestion since buying it from his father in 1976. "But the results are pretty powerful, which sometimes leads many people to believe this business is about being a hero. We are not here to have an ego, nor to be heroes. We are here to work very hard, around strong values, to have a very thorough process, know what we are doing and have a long-term plan."

Mr. Sabrier, who has weathered the downturns of 1990, 1994 and 2000, is philosophical about the way hedge funds have become the whipping boy of choice for the global economic crisis.

"The politicians want to find someone to blame, and it is easy to blame hedge funds. They are high-profile and easier to blame than banks," he says as he sips coffee in his London office. "But in reality, hedge funds only manage a tiny percentage of the world's wealth. I can't believe that with only 1% or 2% of the world's wealth you can stir the markets, cause the collapse of Greece or the default of Lehman Brothers. Maybe the general public can believe it, but the truth is not there."

Unigestion

Bernard Sabrier: "We have lived through a period of excess in the financial world." But, he adds, "The answer doesn't always have to be regulation."

These are tricky times for hedge-fund managers. Many European finance ministers have accused the industry for using billions of euros in borrowed money to destabilize the financial markets during the 2008 crisis. They have also been rebuked for fuelling a speculative attack on Greece's sovereign debt.

This summer, EU finance ministers will vote on proposals drawn up by the European Parliament's Economic and Monetary Affairs Committee. A swathe of new regulations will be introduced as part of the Alternative Investment Fund Managers directive. Proposals range from requiring funds that routinely borrow money to boost returns to disclose information about their borrowings to EU and national authorities, to requiring non-European funds to apply for a "passport" to be able to market to investors in Europe.

Given that funds may be prevented from complying with the latter measure by financial regulations in their home countries, analysts say it would not only limit the presence of U.S.-based hedge funds in Europe but may also affect European-based funds registered in tax havens such as the Cayman Islands and Bermuda.

Mr. Sabrier says he doesn't believe the tighter regulation of funds proposed by the European Union will prompt an exodus to Geneva. "After all," he chuckles, "we can't all move to Switzerland as there will be some major infrastructure problems if we do."

Most of his funds, he says, are domiciled in Guernsey, one of the U.K.'s Channel Island offshore financial havens, but, pending the shape of the regulations, he says that he may look to move some to Luxembourg if necessary. The real beneficiaries of the EU regulations will be places such as Singapore, Hong Kong, Shanghai and Beijing, which will create markets and take business, he says.

"My worry is that the French and German politicians thought: first we have to kill London; if we put the London financial sector on its knees, the financial capital of Europe will be Paris and Frankfurt. They are making a mistake because, if they do succeed in putting London on its knees, they will only succeed in accelerating the shift of capital from West to East as Paris or Frankfurt don't have the flexibility or the pool of talents in the financial sector."

Mr. Sabrier has opened an office in Singapore, where he spends much of the year. He said he feels the real opportunity is in the Far East—and only by living and working there can one truly show a commitment and understanding of its culture.

"In hedge funds, the shift to the East is not obvious yet. We see some of the best managers on Asian equities based on the west coast of the U.S. or in Europe because they still do not want to live in Hong Kong. But there are new funds every month, the Asians are traders in their soul. At the moment they are less disciplined than the U.S. or the British who have been managing money with leverage for a very long time, but they are learning fast."

Early in his career, Mr. Sabrier was employed at Renault Finance in Lausanne, Switzerland, where he worked in group currency hedging and fixed-income instruments. With the capital he made at Renault, he bought Unigestion and began a series of private-equity-backed acquisitions, including the purchase of Banca della Svizzera Italiana. Four years later he sold it to Swiss Bank Corp. , a deal that at the time was one of the largest in the Swiss financial sector and made him a multimillionaire by the time he was in his early thirties.

In the early days, Unigestion was involved mainly in private banking, focusing on traditional investment vehicles. But after experimenting with hedge-fund investments using his own money, Mr. Sabrier became convinced these were the investment vehicles to focus on.

That's a view he still holds. Despite all the fears that rules on bonuses will prompt an exodus of London's hedge funds, Mr. Sabrier still believes that in whatever form they take, "in the future they are probably the only way people will manage money."

"We have lived through a period of excess in the financial world." he said. "The success of the asset-management business was geared on greed. Clients were greedy, employees were greedy and shareholders were greedy. ... The answer doesn't always have to be regulation. The best regulation is still common sense. But the problem in the past is that everyone lost their common sense."

Google With Chinese Characteristics

At first the tussle between China and Google over the free flow of information seemed like a contest of brute strength. But it's becoming clear this is more like a Chinese exercise known as "pushing hands." The object is to make an opponent fall over, but often the best way to do that is to let him lose his balance by trying to topple you.

Last week brought the news that Beijing has renewed Google's license to operate in China. That shows that Beijing knows that throwing Google out entirely would only expose its censorship regime to greater pressure—from its own people finding ways around it as well as international condemnation.

Recall that in January Google announced it would stop self-censoring search results on its China site. However, it also wanted to keep doing business in China and so had to find a way to avoid breaking Chinese law. In March, the company began to redirect users from the google.cn page to its Hong Kong site, google.com.hk, which was uncensored. Beijing objected to that automatic referral, so on June 28 Google made a minor concession by stopping the automatic redirect and instead provided a link to google.com.hk that users could click on. Google's renewal application deadline was June 30.

> The company keeps its license, while Beijing does the censoring.

To be clear, Chinese users still aren't getting uncensored search results. If they use google.com.hk to search for forbidden topics, the data are stopped by the Chinese government's "great firewall" software. The user gets an error message and sometimes has the Internet connection cut off for a short period.

The main differences now are that Google is no longer complicit in the censorship, and the user is more aware that the search request is being censored. When Google was doing the censoring, the only indication that search results were incomplete was a small message at the bottom of the screen.

Beijing is no doubt hoping that many Chinese netizens will find the blocked pages too annoying and abandon Google, using the main domestic competitor, Baidu, instead. But the Google search engine and the company's other services remain important tools for many Chinese. Although Google caused some loss of face to the government by taking a stand, blocking Google entirely would only highlight the country's political backwardness. Google, meanwhile, wants to keep a toehold in this huge and rapidly growing market, and for now it seems to have done so.

This is good news for everyone, not least Google's investors, who saw the company's shares climb 2.4% on Friday. The calm may not last long, as China's censorship is even now facing new challenges from social networking sites and Twitter. But give Google credit for standing up for its principles while operating in a country with a government that is still hostile to the free flow of information.

An Obama Home Run

If all Barack Obama had to do as U.S. President is pick generals, his approval rating probably would be flying high. Last week defense Secretary Robert Gates announced that Marine General James Mattis would succeed David Petraeus as head of U.S. Central Command, which includes Afghanistan, Iran and Iraq.

Notwithstanding the Rolling Stone crackup, Mr. Obama's choice of Stanley McChrystal last year to lead his fight in Afghanistan was the right one. As was the decision to replace him with General David Petraeus.

All three of these senior officers have something important in common: They hate to lose. That is, they fight to win. In particular, Jim Mattis knows the importance of winning against the U.S.'s current, unrelenting enemy—Islamic terrorists. He served as a lieutenant colonel in both Operation Desert Shield and Operation Desert Storm. He commanded a Marine brigade in Afghanistan after the attacks of September 11, 2001. Two years later, he led a Marine division into Iraq.

Most famously, he helped to lead the U.S. Marine effort in 2004 to regain control of Fallujah in Iraq's Anbar province. General Mattis's experience in these theaters made him one of the earliest proponents of the counterinsurgency strategy later deployed with success in Iraq by General Petraeus.

Every news story on the Mattis appointment is going to highlight his 2005 remark that "it's a hell of a lot of fun to shoot them." The suggestion is that this might cause problems at confirmation. Seriously? He was talking about enemies who beat up women for not wearing veils, who behead and mutilate captives and civilians. Remind us again what Lincoln said about Grant.

Which brings us back to President Obama. He leads a fretful Democratic Party. Its Senate Armed Services Chairman, Carl Levin, spent most of his confirmation hearing for General Petraeus demanding assurance that the U.S. will get out of Afghanistan by next July.

Any U.S. President needs better than that in his foxhole, and it is to Mr. Obama's credit that he has chosen to draw a line from Iran to Afghanistan with the one-two punch of Petraeus and Mattis.

America's Pro-Business President

The big political news out of Washington is that the White House wants you to know that President Obama is not antibusiness. That reassuring word comes in a dispatch from Politico.com quoting senior White House aides that they have launched "a coordinated campaign to push back against the perception" that their agenda is hostile to business.

How in the world did anyone get that idea? Perhaps the feeling set in sometime between the President's public trashing of the Chrysler bond holders and his use of the insurer Wellpoint as a piñata to pass ObamaCare. Or maybe it was sometime after his Administration's fifth or sixth tax increase proposal, its disdain until recently for trade promotion, and its unleashing of new regulations across any industry you want to name.

For a summary of the Administration's antibusiness agenda, consult the Business Roundtable's recent 54-page compendium. But don't read it before you go to bed because you'll wake up with nightmares if you're an employer.

Our guess is that the timing of this White House campaign has a lot to do with the Roundtable's broadside, which has shaken even some of the President's media friends. When even Newsweek columnists and The Atlantic start to turn on this Administration, you know things are bad.

Another motivator must be last week's Washington Post story detailing that Wall Street and the financial industry have stopped writing as many checks to Democratic House and Senate candidates after two years of White House banker bashing. Big Labor can't pay for every TV ad, and nothing concentrates the political mind so much as the lack of campaign cash.

However, our favorite line from the Politico.com story is this one: "And it is more than just politics: Obama's aides believe confidence in the general direction of White House policy has an effect on the willingness of corporations to hire, invest and push the economy toward a more solid recovery."

However late the revelation, we suppose it's progress if Democrats are figuring out that business confidence is crucial to nurturing a fragile economic recovery into a durable expansion. U.S. companies have an estimated $2 trillion in cash that they could deploy to create new jobs or buy equipment, but they aren't about to do so until they know what their costs will be. We warned the White House about this early on when we wrote about the dangers of a "capital strike."

The problem for Mr. Obama at this stage is that business will need more than words to conclude there's been a real political change. He'll have to make some major policy shifts, such as calling off next year's big tax increase. More important still, no one in business will trust any of this as long as Nancy Pelosi and Harry Reid run Congress.

Notable & Quotable

Janet Daley writing in Britain's Telegraph on July 10:

[Health Secretary] Andrew Lansley will apparently propose sweeping away the command-and-control structure in which clinical decisions are taken and hospital procedures commissioned by Primary Care Trust administrators, rather than by general practitioners. . . .

The U.S. government, meanwhile, is galloping doggedly in the opposite direction, bizarrely determined to occupy precisely the ideological ground which Britain is abandoning. Barack Obama has, indeed, appointed a man as head of the American public health-care programs who professes a passion (no other word will do) for some of the most discredited features of our NHS. Dr. Donald Berwick is to head the Centers for Medicare and Medicaid Services, which effectively means that he will be in charge of Obamacare. . . .

Dr. Berwick professes a love (which he describes in ecstatic terms that will have a tragicomic ring to most British ears) of just those evils of a national health system with which we are exasperated: The calculated rationing of treatment, and the ruthless enforcement of uniform cost limits, which often puts the most advanced medication and procedures out of reach of patients whose lives might have been extended or transformed by them. Dr. Berwick thinks that our own dear National Institute for Clinical Excellence (Nice)—which is scarcely ever out of the headlines for denying some poor suffering victim a remedy that is available in other countries—is simply wonderful. . . .

[W]e have—and America is apparently about to embrace—an approach to health funding which is inherently self-limiting. Rationing is what happens when you do not have enough of something to go around. And health care that is paid for entirely by taxation creates shortages where they need not exist.

Pepper . . . and Salt

THE WALL STREET JOURNAL

"Read 'em and weep."

OPINION

South Africa: After the Vuvuzelas Go Quiet

By Matthew Kaminski

Johannesburg

Rejoice, the Beloved Country, toot your own *vuvuzela*.

Their beloved Bafana Bafana didn't make it past the first round, but South Africans consider themselves the winners of the 2010 World Cup. "We wanted to show Africa could do it," President Jacob Zuma told a lunch crowd of investors Tuesday, "to challenge all the stereotypes."

They did it. South Africa put on an impeccably organized, racially harmonious and—all the horror stories about its murder and rape epidemics notwithstanding—safe party. The world got a long look at Africa's only modern economy, the glinting airports and stadiums and a sophisticated and dynamic society. On the new express "Gautrain" from Johannesburg airport to the Sandton business district the other day, a conductor's voice came on, "We're now moving at 160 kilometers an hour." Think about that next time you're in a cab on the congested and potholed Van Wyck Expressway from JFK into Manhattan.

But in the post-apartheid era, Alan Paton's "beloved country" is also the bipolar country. Now it's on a World Cup high. "We all love each other!" laughs writer and television personality, Justice Malala. But the party ended Sunday, and today the hangover looms. Looking beyond, the mood darkens.

Crime tops day-to-day concerns. The thugs were scared away by the additional 40,000 policemen deployed in town centers

Associated Press

A lot is riding on whether the country can capitalize on its World Cup success.

or distracted by soccer. Pessimists assume the police will disappear with the last Cup tourist.

Over the townships and squatter camps hangs the fear of another wave of violence against the *makwerekwere*—slang for outsiders, immigrants from neighboring African countries. Rumors and leaflets warn of pogroms come July 12. Rioting armed gangs attacked migrants in 2008. The xenophobia speaks to the frustrations among South Africa's black poor—as well as to the state's failure to provide security and press neighbors, Zimbabwe's Robert Mugabe above all, to clean up their acts so their people don't need to flee to find a better life.

Where political stability was the selling point of the virtual one-party state led by the ruling African National Congress, the country now has political paralysis and uncertainty. The ANC is riven by factionalism. Mr. Zuma tries to keep everyone happy, from the ANC's hard-left to the pro-business clans, but he avoids hard decisions and effectively controls nothing. A succession struggle is under way behind the scenes ahead of the 2012 ANC congress to choose the next party leader. Mr. Zuma may not last longer than a single term.

The head of the ANC's Youth League, Julius Malema, works hard to stir up racial nationalism, scaring whites and the multiracial capitalist class. He wants the state to confiscate mines and banks. Twenty-nine and bombastic, Mr. Malema is an African Hugo Chávez in the making. He's already an accomplished kingmaker, helping lead the hard-left revolt inside the ANC that brought Mr. Zuma to power in 2008. Nationalize the mines and capital will flee.

Helen Zille, the leader of the opposition Democratic Alliance and premier of the Western Cape, offers this nightmare scenario: "A closed crony society for comrades only," as in so many other African states.

But scratch a little, and Ms. Zille, the daughter of German immigrants and a former anti-apartheid activist, gives reasons to think the World Cup glow may linger. The media, church and NGOs—bedrocks of a healthy civic society—are vibrant; the constitution and courts remain strong; and throughout the transition, an autonomous private business sector has played the critical behind-the-scenes role in guiding the formerly Marxist ANC toward policies that stimulate growth and attract investment.

Ms. Zille's own experience shows that political pluralism is also putting down firmer roots. In 2006, she was the first opposition politician to win a major mayor's seat, in Cape Town. During her tenure, crime fell 90% in the city center. Voters saw an alternative to ANC rule in practice, and last year she became the first non-ANC premier of one of South Africa's nine provinces since the first multiracial elections in 1994. "I don't think anymore that the national government believes we're hostile to South Africa," she says, referring to the Democratic Alliance. Count that as progress: The ANC had tried, by hook or by crook, to stop her from taking power as mayor.

Sports helps unify a scarred nation. Clint Eastwood's "Invictus" depicted (and slightly exaggerated) the importance of the 1995 Rugby World Cup in South Africa, won by the host. The old ruling Afrikaners saw the nation embrace their favorite pastime, helping make them feel part of this new construct. In this World Cup, black, white and in-between—including in diehard Afrikaner areas—proudly flew the national flag and cheered their team. This was new. "It's a good feeling that we're all rooting for the same side," says Ms. Zille.

From Mr. Zuma on down comes the message that South Africa must not squander the warm vibes and new confidence. Greece felt good after the 2004 Olympics; look what happened later. Here the stakes go beyond recouping the 40 billion rand ($5.2 billion) it cost to put on this show. Will South Africa build up a free market democracy, or will cronyism, corruption and poor governance take it down the road to a failed state?

Though in many ways a case apart from the rest of Africa, success or failure here will aid or impede the continent's awakening. Its financial, physical and intellectual infrastructure make South Africa the natural gateway to this frontier market of 900 million people.

"Nation-building is a process," says Ms. Zille, "it is not an event." After this World Cup, "we might swing back a little but not all the way back."

Mr. Kaminski is a member of the Journal's editorial board.

Britain Needs Structural Reform

By John Llewellyn

Many governments in Europe, and particularly the United Kingdom, see no alternative to cutting government expenditure. They're right. But to stop there would be to do only half the job.

Britain's fundamental problem is that it has been spending beyond its means for too long. There are two ways to bring expenditure into line with resources: One is to reduce expenditure; the other is to increase resources. And the way to achieve the latter is to embark on a set of structural-policy reforms that raise the growth of the economy's productive potential. These measures would not be simple or painless, but the payoff could be great.

U.K. policymakers could, as I explain in my report published this week by the Center for Policy Studies, reasonably expect to raise the rate of growth in potential output by at least half a percentage point per year on average over the coming decade. The gains could translate to as much as three quarters of a percentage point. This would be worth (in today's prices) a cumulative £82 billion ($135 billion) to £124 billion-odd by 2020 in additional GDP.

This is not an area that particularly interests most academic economists. It involves little economic theory and certainly no advanced theory. It involves no erudite mathematics. And on the other hand it requires much detailed information about the structure, and particularly the incentive structure, of a wide range of individual policies. In short, this is the stuff not of faculties of economics, but of departments of state and international organizations—most notably the OECD.

Structural policies operate in four basic ways. Some increase the quantity of available inputs; some increase the quality of those inputs; some increase the ability of the economy to adapt to change; and some increase the economy's resilience to shocks.

The U.K. measures up well in some areas of structural policy: competition policy (it has the least restrictive product-market regulations amongst OECD economies); investment policy (the U.K. has fewer barriers to foreign direct investment than any OECD economy); and labor-market flexibility (the U.K. has the lowest level of employment-protection legislation of all OECD economies other than Canada and the U.S.).

No matter how much the government cuts, its economy can't afford not to grow.

In other areas though, the U.K. fares less well, and some of these are amongst the most important. In respect of active labor-market policies, for example, which actively seek to retrain and otherwise equip unemployed people for the world of work rather than passively handing them welfare, the U.K. scores low in international comparison: Only the US, Korea, and Japan score lower.

The U.K. has also not yet addressed its demographic issues. The baby-boom generation is, in the U.K. as in many other OECD countries, about to start turning 65. This has been the official age of retirement since the 1950s. Had that age been indexed to (healthy) life expectancy, it would now be 80. Given that people who remain in work tend live to longer, a structural policy that obliges people to retire simply on grounds of age both places a greater burden on those who are still working, and shortens the lives of those who retire.

Moreover, a large proportion of people retire even before the official retirement age—often the unintended consequence of final-salary pension schemes. Whereas in the 1960s, 90% of British men between the ages of 60 and 64 were in work, today that figure is only 60%. In New Zealand, a culturally similar country, 75% of men in that age group are working.

Simply addressing these two demographic and labor-market issues could increase the U.K.'s potential rate of growth by around half a percentage point per year.

Another area where the U.K. ranks poorly is education. British 15-year-olds rank well below top performers in reading, science, and mathematics. The gap between the highest and lowest performers in science is larger in the U.K. than in all other countries except the U.S. The U.K. also has a lower-than-average proportion of its population with upper-secondary and post-secondary but non-tertiary education. Perhaps as a result of this, social mobility is low in the U.K.

There are other areas too where the U.K. ranks poorly: Infrastructure investment, and particularly transport infrastructure, has been specifically identified by the OECD as an area that needs improvement in the UK.

None of this is to say that reforming structural policies is easy. Structural policies are complex and difficult; individually each structural reform typically has only a small effect—they operate slowly, and they interact with one another. To produce a worthwhile effect, therefore, a range of structural policies is needed, as is a degree of mettle—the politics of structural reform are not easy.

There is clearly a lot to play for. The cross-country evidence painstakingly compiled by the OECD could usefully be the starting point for the new British government in constructing a set of interlocking, reinforcing, structural policies for the U.K. No matter how much spending the government cuts, its economy can't afford not to grow.

Mr. Llewellyn was head of OECD international economic forecasting and policy analysis, and is a partner in Llewellyn Consulting.

OPINION

Iraqi Electrical Access Can't Wait

By Hamish H. McNinch

Two senior resignations will have caught the keen attention of Gen. David Petraeus last month. Clearly the case of Gen. Stanley McChrystal has had a bigger and more immediate impact on Gen. Petraeus's life. But he will also have noted with concern the resignation of Karim Waheed from his post as minister of electricity in Iraq.

In successfully dealing with the Iraq insurgency, it was knowledge and understanding of matters other than the purely military that frequently allowed Gen. Petraeus to surprise visitors. He correctly identified the paramount importance of electricity for the well-being of Iraqis and how an increased supply would reduce support for the insurgency while stimulating the economy at the same time.

Adequate power for civilians will be key to maintaining stability once U.S. troops leave.

Gen. Petraeus and U.S. Ambassador Ryan Crocker constantly and forcefully reminded the Iraqi leadership of the importance of electricity and the need to expand its availability. Their advice was backed up with resources, technical advice, and unique powers of influence. As a result the system was stabilized, a growth plan developed and, as generation output steadily increased, there was great optimism.

But progress in the last 18 months has not been sustained, and many Iraqis still get less than six hours of electricity per day. Mr. Waheed's resignation came only a short time before he would likely have been replaced anyway, amidst the current efforts to form a new Iraqi government. Yet Iraq's leadership still does not seem to have grasped the gravity of the electricity situation. Following Mr. Waheed's resignation, Prime Minister Nouri al Maliki gave a press conference where he attempted to explain the size of the problem the country faces, and reportedly declared that things wouldn't improve for two years while "the power stations being constructed by GE and Siemens were completed."

The even more grim truth is that neither GE nor Siemens are building power stations in Iraq. Both companies have significant orders for generators from the government. But the cost of the generators takes up only about 50% of the total cost of a power station, and the generators are the quickest part to procure. The construction and commissioning of the full power plants is the real challenge. That's a job for consulting engineers and construction companies, none of whom have yet been selected, let alone contracted, to start the work.

Were all such contracts signed tomorrow and work was to proceed at all possible speed, it would remain a tall order to get the additional power on the grid within two years. With the Ministry of Electricity's siting plan still subject to revision; with no decisions yet on how to provide the power plants with fuel; and with a general unwillingness to maintain or improve the plants Iraq already has, there is little prospect of progress.


Associated Press

Baghdad has wasted too much time in untangling supply problems.

Meanwhile the people of Iraq have just struggled through the hottest June for many years. And, in a country where only about 7,000 megawatts of electricity are generated daily against a demand at least double that, the equivalent of 4,000 megawatts of gas continued to burn in flares in the southern oilfields, while politicians argued about whether to ratify a two-year-old deal with Shell to capture it.

Mr. Waheed prevaricated and postured, but failed to make the decisions and commitments necessary to transform Iraq's electricity situation, despite the advice and support he had from Western experts. He was indecisive and mercurial, apparently incapable of strategic thought, mired in detail, unwilling to delegate, and seemingly terrified of being taken advantage of by the very contractors he had to rely on. Despite being a highly qualified engineer in his own right and having a genuine desire to improve conditions for the Iraqi people, he possessed neither the organizational, managerial nor leadership skills to succeed.

Nevertheless there is still potential for a turnaround if a new minister is willing to make the right choices. Generators (and a huge number of them) are on order. The Ministry of Oil's announcement to build modern refineries in Iraq, its proposed increase in oil production, and the recent announcement that the Shell gas-capture project will finally proceed, should eventually deliver copious quantities of gas—the fuel of choice for electricity generation in Iraq. In the Kurdish region, two large power stations of the sort that are envisaged for the rest of country were built and brought on line within 20 months using private contractors, showing what can be achieved. And the U.S. government, in perhaps its last substantial gift to the Iraqi electricity ministry, has commissioned an electricity master plan.

Appointing "best of class" consulting engineers to oversee the construction projects is a priority. This, and a willingness to take heed of the expert advice that is still available to them, would allow an Iraqi government to make a dramatic improvement in the country's electricity supply by the summer of 2012, and could conceivably make Iraq a net exporter of electricity by 2020. Any government that committed itself to such a program and then achieved it (and it is entirely achievable) should be guaranteed a landslide at the next election. The stimulus that such a plan would give the economy should be enough to pay for all the work.

Mr. Waheed was repeatedly told this but did not, or could not, act on it. And Mr. Maliki's government failed to listen to those who told them that Mr. Waheed was not going to succeed if he maintained his posture.

Securing adequate electricity access for civilians may be the single most important factor to keep peace and stability in Iraq once U.S. troops start to draw down. In this vital mission, the Iraqi government has lost too much time already; they can't lose any more.

Mr. McNinch is a former British Army engineer, and served as principle energy advisor to Coalition military commanders in Iraq in 2008 and 2009. He remains engaged in helping Iraq to develop its energy infrastructure.

Lessons From the Swedish Welfare State

By Andreas Bergh and Magnus Henrekson

Americans are debating whether to substantially expand the size of their government. As Swedish economists who live in the developed world's largest welfare state, we urge our friends in the New World to look carefully before they leap.

Fifty years ago, Sweden and America spent about the same on their government, a bit under 30% of GDP. This is no longer true. In the years leading up to Sweden's financial crisis in the early 1990s, government spending went as high as 60% of GDP. In America it barely budged, increasing only to about 33%.

While America was maintaining its standing as one of the world's wealthiest nations, Sweden's standing fell. In 1970, Sweden was the fourth richest country in the world on a per-capita basis. By 1993, it had fallen to 17th.

This led us to ask whether Sweden's dramatic increase in the size of government contributed to its sluggish growth. Our research shows that it did.

We surveyed the existing literature looking at the trade-offs between government size and economic growth throughout the world. While results vary, the most recent research, by Diego Romero-Avila in the European Journal of Political Economy (2008) and by Andreas Bergh and Martin Karlsson in Public Choice (2010) find a negative correlation between government size and economic growth in rich countries.


Corbis

The weight of the evidence demonstrates that when government spending increases by 10 percentage points of GDP, the annual growth rate drops by 0.5 to 1 percentage point. This may not sound like much, but over 30 years this would result in the loss of trillions of dollars each year in an economy as large as America's.

To put it in personal terms, the average American's per capita income in 2009 was $46,405. A dip of 1% in the economic growth rate (to 2% from 3% for example) would mean an individual income loss of $464 in the first year. Over 30 years, a one percentage point difference in the growth rate translates to roughly $354,000 in lost income per person.

We also investigated the claim that Sweden is proof that big government does not harm the economy. While Sweden has done very well compared to other developed countries in the last 15 years, it has also implemented sweeping pro-market reforms. Examples include a national system of free school choice based on vouchers up through senior year of high school, a financially stable public pension system that can adjust payouts if contributions to the system fall for some reason, and comprehensive tax reform that has lowered marginal tax rates enormously.

Even if Sweden's government still spends some 20% of GDP more than the U.S. on average, the Swedish economy is now much more market oriented and government spending is down by almost 10% of GDP since the early 1990s.

Sweden's recent growth is thus the result of opting for free-market solutions instead of growing government. By comparison, the U.S. already has a relatively free economy, and therefore does not have as much potential for further market-based reform in order to offset the negative growth effects of a larger government.

Also, in Sweden, high personal tax rates encourage people to do work around the house that Americans pay others to do for them. Americans eat out more and hire people to clean their homes, take care of their children, or mow their lawns. Swedes, who have less money to spend after taxes, will do such work themselves. Raising government spending and taxes would cause Americans to behave more like Swedes, hurting the entire U.S. service sector and throwing many—mainly working class Americans—out of a job.

Many Americans argue that the U.S. could safely increase its spending share from roughly 32% of GDP to 37%–38% of GDP. The evidence suggests otherwise. The U.S. needs to acknowledge the trade-off between government size and economic growth. A larger government sector may decrease some economic inequality, but will ultimately leave Americans sharing smaller pieces of a smaller pie.

Mr. Bergh is an associate with the Research Institute of Industrial Economics, Lund University and the Ratio Institute in Stockholm. Mr. Henrekson is the CEO of the Research Institute of Industrial Economics in Stockholm. They are the authors of "Government Size and Implications for Economic Growth" (AEI Press, 2010).

THE BIG READ

Mass leak of large client data rattles Swiss banking world

Two employees of HSBC are at center of controversy over use of data to bring tax evaders to justice

BY DAVID GAUTHIER-VILLARS AND DEBORAH BALL
Nice, France

THE anonymous emails carried a tantalizing subject line: "Tax evasion: client list available." The messages, sent two years ago to tax authorities across Europe, made an audacious claim: The sender could provide a large client list of a Swiss-based private bank, plus access to its computer systems. The emails were sent to Germany's secret police, the French police and the U.K.'s tax authorities and foreign ministry.

The emails came from the computers of Hervé Falciani and Georgina Mikhael, two employees of **HSBC Holdings** PLC, people familiar with the matter say. The caper has landed the two at the center of a controversy over whether governments should use data obtained by dubious means to bring tax evaders to justice.

HSBC officials allege that Mr. Falciani copied thousands of files of wealthy clients of its Swiss private-banking arm. Swiss authorities are investigating whether Mr. Falciani, 38 years old, stole bank records and violated banking secrecy laws.

Mr. Falciani, a Franco-Italian computer engineer, and Ms. Mikhael, 35, went on a border-hopping odyssey to offer the data to governments and other banks in Europe and the Middle East, according to people familiar with the investigation. To do that, they allege, he and Ms. Mikhael set up a virtual company, with Mr. Falciani using an alias.

Mr. Falciani admits being in possession of the data and confirms contacting governments about it. But he and Ms. Mikhael both deny breaking any laws. The emails sent regarding the data didn't ask for money. He says his goal wasn't to profit from the data, but rather to expose secrecy in banking practices.

"I am not a Robin Hood, I'm not a mercenary," Mr. Falciani said in an interview. "I acted like a citizen."

Whatever the case, his plan rocked the banking world.

Copies of the HSBC data did wind up in the hands of French tax authorities, who are now using it to chase alleged tax dodgers with money stashed in Switzerland. The French say they didn't pay for the trove, which includes the names and account details of thousands of customers from 180 countries.

The French acquired it when police raided Mr. Falciani's home in southern France 18 months ago at the behest of Swiss authorities, who had launched an investigation into allegations of violations of bank secrecy. France sent copies of the data to Switzerland, but kept the original files for itself, to pursue possible tax cheats.

Mr. Falciani, who remains in France, denies preliminary allegations by the Swiss authorities of breaching banking secrecy and stealing banking records. Ms. Mikhael is being investigated on similar preliminary allegations, Swiss prosecutors say, which she denies. French authorities aren't investigating the two.

Switzerland strenuously objects to foreign authorities using the HSBC data to pursue tax dodgers and has warned it won't cooperate with any investigation stemming from what it regards as stolen data. An HSBC spokesman said the bank had no comment on the use of the data by foreign tax authorities.

France has said it would use the data to pursue tax cheats. "We obtained those data in a legal manner," then-budget minister Eric Woerth said in February. "France isn't on the line for fraud, tax evaders are."

In a twist, it is the French government that is now making the data available, promising to hand it over to other governments in pursuit of tax cheats.

In June, Spain's tax authorities said they had received some of the HSBC data from France and had started examining it. In May, Italian tax officials said they received from the French details on some 7,000 Italian account holders, involving nearly $7 billion in assets, and are sifting through the records.

The size and scope of the HSBC case is acutely alarming to Switzerland's $2 trillion offshore banking industry. Swiss bank-secrecy laws date to 1934, when the country made disclosing bank data a crime. "If governments are in the market of buying illegal data, that changes the world," **UBS** Chief Executive Oswald Grubel said recently.

In another case two years ago, Germany paid €4.2 million ($5.3 million) to a bank employee to buy stolen data from a Liechtenstein bank to chase tax evaders.

Mr. Falciani was 28 when he joined the private banking arm of HSBC in his native Monaco in 2000. He held a degree in computer programming and wrote security software for the bank. He was promoted several times and, in 2006, he was transferred to HSBC's private banking headquarters in Geneva to improve database systems and security.

Around that time, according to HSBC and people familiar with the Swiss probe, Mr. Falciani copied thousands of files onto personal storage devices and began considering ways to monetize the information.

Mr. Falciani said that in Monaco and Geneva, he copied data onto personal computers and remote servers as part of his routine work, essentially for backup purposes. He denies that he considered selling or tried to sell data. HSBC says bank policy forbids employees from storing client data on personal computers.

In early 2007, Mr. Falciani began consulting experts on how to set up a company to sell customer bank data, according to people approached by him. During these meetings, Mr. Falciani claimed the data came from his expert mining of open, public sources, these people said.

"Yet, he said he needed a helping hand to understand whether his data were legal," said Guillaume Brachet, a Monaco-based fiscal consultant who dealt with Mr. Falciani's request. "Each time I asked how he got them, he grew nervous, and I couldn't catch his explanations."

Mr. Falciani says he and Mr. Brachet

Data dive

Countries that have acknowledged requesting or receiving a trove of leaked HSBC data from French authorities.

Records French authorities say they have

1,500 — **U.K.**
March 2010: U.K. tax authorities ask the French to forward details of British taxpayers with HSBC offshore accounts in Switzerland.

7,000* — **Italy**
May 2010: Italian tax police say they have received details of Italian account holders at HSBC with a total of nearly $7 billion. Italian authorities begin sifting through the lists in search of tax dodgers.

3,000* — **Spain**
June 2010: Spain says it is investigating accounts held by Spaniards at HSBC in Switzerland for possible tax fraud. Tax authorities say they have contacted the account holders and asked them to clarify whether the money is tax-compliant.

*HSBC contests the figure, saying that the number of any accounts coming from any single country is no more than about 2,000.
Source: WSJ research

Cracks in Swiss bank secrecy

June 2008-August 2009
U.S. authorities accuse UBS of having helped thousands of American taxpayers evade taxes by hiding money in secret Swiss accounts. After a bruising battle, UBS agrees to hand over the names of 4,450 U.S. taxpayers to the IRS by August 2010.

April 2009
The OECD puts Switzerland on a so-called gray list of uncooperative tax havens, raising the specter of sanctions against the Alpine country. The Swiss government subsequently agrees to relax bank secrecy laws.

September 2009- April 2010
Italy launches a tax amnesty aimed at luring tax dodgers to come clean by paying a very low penalty on offshore accounts. The move spurs Italians to declare nearly €100 billion, with two-thirds of that from Switzerland alone.

January 2010
A confidential informant offers to sell to Germany stolen Swiss account data containing details on alleged German tax cheats. The price tag: €2.5 million.

March 2010
HSBC alleges a 'serious data theft' by former employee Hervé Falciani of account details of 24,000 current and former clients of its Swiss private bank. Mr. Falciani denies having stolen the data.

Source: WSJ research

THE BIG READ

Hervé Falciani, a former employee of HSBC, is at the center of a dispute between France and Switzerland over bank data.

Agence France-Presse/Getty Images

must have had "a misunderstanding," because "my plan wasn't to set up a company." Mr. Falciani said his goal was to expose security gaps at the bank, which he thought could harm clients and governments.

Mr. Falciani says he alerted his bosses at HSBC in 2006 about flaws in data storage that could affect client confidentiality, but no one listened. HSBC officials said they found no such warnings by Mr. Falciani.

Around that time, Ms. Mikhael, an HSBC colleague, entered the picture. A Franco-Lebanese computer programmer, she joined HSBC in Geneva on a temporary contract in 2006, but had no access to sensitive data, the company says. Soon after arriving at the bank, Ms. Mikhael and the married Mr. Falciani began a romantic relationship, which has since ended, according to their respective lawyers.

The pair set up Palorva, a virtual company that had a website with the motto: "Business is the art of extracting money from another man's pocket without resorting to violence."

The duo also had business cards presenting Ms. Mikhael as a public-relations manager and Mr. Falciani as a sales manager, but under the alias of "Ruben Al-Chidiack." The website claimed it could help banks recruit new wealthy customers by combing through public data bases.

In February 2008, Mr. Falciani and Ms. Mikhael flew to Lebanon, where according to their lawyers they met Beirut representatives of five banks: **BNP Paribas**, **Société Générale de Banque au Liban**, **Blom Bank**, **Audi Bank** and **Byblos Bank**.

According to officials at the banks familiar with the meetings, Mr. Falciani, who was still employed by HSBC, introduced himself as Ruben Al-Chidiack and made a short marketing pitch. He evaded questions about how he obtained the data he offered to sell, these people said.

Mr. Falciani, in the interview, said the idea of marketing data was just a cover. He said he was acting on a request by a foreign intelligence service—which he declines to name. He says his assignment was to identify potential enemies of HSBC clients, within or outside the bank.

"When we went to Lebanon, I was on a mission," he said.

Through her lawyer, Thierry Montgermont, Ms. Mikhael said she didn't know how Mr. Falciani had gotten hold of the data he displayed in Beirut. Ms. Mikhael simply designed and registered the Palorva website, her lawyer said. Ms. Mikhael thought she was working on an independent project during the trip to Lebanon, the lawyer said.

After a week in Lebanon, Mr. Falciani and Ms. Mikhael returned to Geneva. In March 2008, they appeared to shift direction, sending anonymous emails to European governments, according to people familiar with the Swiss probe.

A message sent to Germany's secret service, Bundesnachrichtendienst, was signed by Ruben Al-Chidiack and claimed access to a list of 127,311 customers, with "all the clients' details of the HSBC Private Bank SA."

Mr. Falciani said he approached "several" foreign services as part of his attempt to expose security weaknesses in bank computer systems. He said he also instructed Ms. Mikhael to contact Germany and the U.K.

Through her lawyer, Ms. Mikhael denies sending messages to foreign governments, claiming Mr. Falciani often used her computer. U.K. authorities said they found no record of having received emails about HSBC data. German authorities declined to comment.

But France engaged Mr. Falciani. In 2008, Mr. Falciani says he met several times with French officials, including with a psychologist who probed his personality. He says he provided documents to help establish that he was a "credible source."

After checking Mr. Falciani's background, French officials say the police referred him to the Direction Nationale d'Enquêtes Fiscales, or DNEF, France's top financial-investigation body.

DNEF investigators understood that Mr. Falciani could lead them to a mother lode of financial records that France could use to prosecute tax dodgers, the French officials say. But DNEF faced a legal obstacle: how to use HSBC's data without infuriating Switzerland?

A door would open eventually for the French. One of the Beirut bank branches that Mr. Falciani and Ms. Mikhael visited posted an alert of suspicious activities on a website managed by the Swiss Bankers Association. The notice said someone had been trying to sell "data on clients of various Swiss banks."

Swiss Federal Police, who monitor the site, opened a probe and soon homed in on Ms. Mikhael, who had traveled to Lebanon using her real identity.

On the morning of Dec. 22, 2008, soon after she told HSBC she planned to end her contract with the bank and return to Lebanon, Swiss police took her into custody for questioning. Ms. Mikhael instantly unmasked Mr. Falciani as the mysterious Mr. Al-Chidiack, her lawyer said.

Later that day, Swiss police handcuffed Mr. Falciani at his HSBC office, seized his work computer and searched his Geneva home.

In a bedside cupboard, they found pieces of paper with the addresses of police contacts in France and Germany, according to people familiar with the Swiss probe.

After being interrogated for hours, Mr. Falciani was released on the condition that he return the next day for further questioning. Instead, he rented a car and drove to France, according to Mr. Falciani and people familiar with the Swiss probe.

Once in southern France, he said, he immediately began downloading the HSBC data he had stored on remote servers and saved them on a computer.

"I needed to prepare my defense," he said. He says he told Swiss authorities that he would come back after the Christmas break, but hasn't returned to Switzerland since.

In January 2009, acting on a request from the Swiss prosecutor, Nice prosecutor Thierry de Montgolfier searched Mr. Falciani's parents' house on the French Riviera, where he was staying. There, the police seized a smart phone, a notepad, a laptop and a personal computer, the prosecutor said.

"Before deciding whether to hand all this to the Swiss, we had to look inside," Mr. de Montgolfier said.

With Mr. Falciani's help, French authorities found thousands of accounts and bank-transfer details. Stripping out names that appeared twice or couldn't be read, the files contain data on about 79,000 clients and 20,000 companies, according to the Nice prosecutor. The list includes more than 8,000 French, about 1,500 Americans and as many British residents, according to Mr. de Montgolfier. He promptly shared the trove with France's tax authority.

François Baroin, who became France's budget minister in March, said recently that inquiries launched on the basis of HSBC data had allowed his ministry to recoup €1 billion in unpaid taxes and penalties.

HSBC disputes the number of clients outed by the French. It says the data are for 24,000 past and current clients. HSBC currently counts about 100,000 private-banking clients world-wide.

Mr. de Montgolfier, who keeps Mr. Falciani's computers in a safe, said he wasn't interested in tracing the origin of the data. "What matters to me is whether the data are genuine and reliable," he said. "So far, I have no doubt that they are both."

WSJ.com

ONLINE TODAY: Watch an interview with Nice prosecutor Thierry de Montgolfier at **WSJ.com/World**

> Mr. Falciani admits being in possession of the data and confirms contacting governments about it. But he and Ms. Mikhael both deny breaking any laws. The emails sent regarding the data didn't ask for money. He says his goal wasn't to profit from the data, but rather to expose secrecy in banking practices.

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Cap and No More Trade

Market-based environmental programs can work well.
But as the U.S. acid-rain market shows, they need clear rules set by the government.

By Mark Peters

After more than a decade of slashing air pollution from power plants, the original U.S. cap-and-trade market has ground to a halt. The final blow likely was delivered by new federal pollution rules announced last week.

The acid-rain market has been in a state of disarray for the past two years as utilities, states and investors waited for the Environmental Protection Agency to issue new rules.

Now those rules are out, and they set strict new limits on emissions. But they also reduce utilities' ability to trade allowances to meet those tighter standards. As a result, the value of the allowances already on the market are expected to fall to zero, causing a complete collapse of trading.

Hopes are few that the market will recover. And that holds a warning for policy makers hoping to establish a similar market-based approach to curb emissions of carbon, which scientists have linked to global warming. Though they've worked well for years, market-based approaches to reducing air pollution are extremely vulnerable to government actions. And just like in markets in general, investors—and utilities in this case—hate uncertainty.

The cap-and-trade approach was first used to curb pollutants causing acid rain. European carbon markets followed, modeled in part on the acid-rain market's early success. But a federal court in 2008 rejected a complex 2005 plan by the EPA to expand U.S. environmental markets. In response, prices for the pollution allowances that drive emission reductions plunged. Utilities held off on projects to clean up their plants.

Limiting Trading

Now, the rules just issued will restrict trading by utilities further. The changes aren't a signal that the EPA has soured on market-based programs to combat pollution, according to an agency official. But because of the court ruling, the new regulations will require utilities in upwind states to cut their pollution outright in order to ensure that downwind states meet federal air-quality standards. Limited trading will be allowed by utilities to comply as well, but the new rules are far more restrictive than they were in the Bush administration plan.

Under the new rules, only a slice of required emission reductions can come from buying allowances, with the rest coming from changes at the plants themselves. And millions of allowances that utilities now hold can't be used under the new program, which will issue its own allowances.

"It is tragic," says Gary Hart, an analyst at ICAP Energy LLC based in Birmingham, Ala., who has worked on environmental markets for two decades. "It is something that worked so well."

The U.S. acid-rain trading program is often cited as the first, large-scale effort by a country to combine environmental goals with a market system. Starting in 1995, the U.S. government put a limit on sulfur-dioxide emissions—essentially the cap in cap and trade. That limit affects mostly coal-fired power plants.

Then officials created a market by handing out a set number of emission allowances to utilities. Plants surrendered one allowance for each ton of sulfur dioxide they emitted into the atmosphere. If utilities cut emissions by switching to low-sulfur coals, increasing efficiency or adding emission-control technology, they could capture new revenue by selling any leftover allowances or avoiding the cost of buying new ones. That's the trade in cap and trade.

Effects of acid rain in Great Smoky Mountains National Park

Cap and Fade

The once-robust market in sulfur-dioxide allowances, a key part of the effort to curtail acid rain, has taken a tumble. Spot prices over the past five years:

Source: Evolution Markets Inc.

Drop in Emissions

An EPA study shows sulfur-dioxide emissions in 2008 were 52% below 1990 levels. Similar reductions came from a regional program the agency later started to cut emissions of nitrogen oxide, a major contributor to smog.

But in 2005 the EPA, with the backing of many utilities and environmental groups, announced changes that sought major new reductions in smog-forming and soot-producing emissions, and expanded the reach of the cap-and-trade system in more than two dozen, mostly Eastern, states.

The new EPA orders, known as the Clean Air Interstate Rule, sought to achieve bigger cuts in part by slashing the future value of allowances handed out to utilities. Under the new rules, starting in 2010 utilities would have to use two allowances instead of one to emit a ton of pollutants.

This was basically an attempt by the Bush administration to tighten the cap on pollutants—by cutting the supply of allowances—without having to write new legislation. Democrats in Congress were pushing for much tighter caps. The utilities knew they were going have to accept something, and they approved of the market-based approach. So, the industry for the most part threw its support behind the rule changes.

Promising Start

Prices of sulfur-dioxide allowances more than doubled soon after the changes were announced, hitting $1,600 a ton in late 2005. State programs to control pollution and other factors such as growing electricity demand also helped to drive emission-allowance prices up. At the same time, the utilities increased investment in pollution controls to prepare for the start of the new rules in 2009 and 2010.

But in 2008, in response to lawsuits filed by a handful of utilities and North Carolina, the U.S. Court of Appeals for the District of Columbia Circuit ruled that the EPA had overstepped its authority in expanding the markets and that parts of the new rules were in conflict with existing Clean Air Act regulations. The court allowed the expansion of the market to take place, but it ordered the EPA to rewrite its rules to comply with existing law. Prices of allowances fell in response, and trading dwindled.

With the release of those revisions last week, curbing trading and enacting strict new state caps, the acid-rain market isn't likely to recover. Requiring utilities to take new steps to cut sulfur-dioxide emissions will cause an already large surplus of allowances to balloon further. Using those allowances from the acid-rain market to meet the limits won't be allowed under the new rules.

"It really feels like prices are going to zero quickly," says Peter Zaborowsky, a managing director of Evolution Markets Inc., a White Plains, N.Y.-based provider of environmental brokerage services for utilities and investors.

U.S. Sen. Thomas Carper, a Democrat from Delaware, has proposed new legislation that would use the existing markets to achieve similar reductions, but the bill faces a Congress focused on broader energy legislation.

Keeping Faith

Utilities and environmental groups generally haven't lost faith in a market-based approach to the problem of air pollution.

John Walke, clean air director at the Natural Resources Defense Council, says that the 2008 appeals court decision remained silent on the larger question of the effectiveness of environmental markets, and that the new EPA rules shouldn't be viewed as an abandonment of cap-and-trade. "The acid-rain market continues to be relevant to the debate over CO2 because it is a successful model," he says.

Mr. Peters is a reporter for Dow Jones Newswires in New York. He can be reached at mark.peters@dowjones.com.

THE JOURNAL REPORT: ENVIRONMENT

Man vs. Fish

As the appetite for seafood soars, restaurant companies are pressed to promote sustainable solutions

By Paul Ziobro

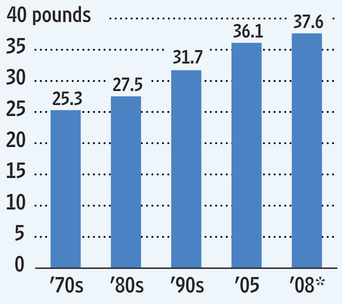
The world's rising appetite for seafood is on a collision course with its shrinking wild fisheries, leaving restaurant companies and other big buyers caught in the middle.

Amid reports suggesting that the world's oceans are being emptied of fish, companies such as **McDonald's** Corp., Long John Silver's owner **Yum Brands** Inc. and Red Lobster parent **Darden Restaurants** Inc. have embraced a growing movement toward more eco-friendly seafood-buying practices. They are working with scientists and groups like the independent, nonprofit Marine Stewardship Council to ensure the fish they buy is "sustainable," meaning it is caught in a way that doesn't damage the ability of the species to reproduce.

"We know if we go raping and pillaging it today, there's nothing left for tomorrow," says Ken Conrad, the second-generation owner of the chain of 10 Libby Hill seafood restaurants in North Carolina and Virginia and chairman of the National Fisheries Institute, a seafood-industry trade group.

On the Menu

Average annual world seafood consumption per capita



*Preliminary figure

Source: United Nations Food and Agriculture Organization

Experts say their efforts are coming none too soon.

A recent United Nations study predicts that unless something changes, nearly all commercial fisheries will collapse by mid-century, meaning they will be producing less than 10% of their onetime potential. Already, almost 30% of fish stocks fall into that category.

Disappearing Cod

Production by wild fisheries has remained fairly steady over the past decade, totaling about 90 million metric tons annually, says the United Nations' Food and Agriculture Organization. But annual seafood demand is expected to rise to at least 150 million metric tons by 2030, creating a shortfall that will need to be filled.

Population growth and the public's heartier appetite for seafood are only part of the problem. Mismanagement, a lack of government enforcement of fishing quotas, and illegal fishing also have hurt some wild fisheries.

One glaring need for reform came from North Atlantic cod, the only fish McDonald's used in its Filet-o-Fish sandwich until the late 1980s. Newfoundland cod fishing grounds became so overfished that the fishery shut down in the early 1990s. Fish suppliers and harvesters "destroyed the whole fishing area," says Gary Johnson, senior director of McDonald's global supply chain. McDonald's now uses five different whitefish species in the sandwich.

McDonald's, which buys 50,000 metric tons of whitefish a year, now judges fisheries on three factors: how closely they are monitored to ensure that, for example, fishing boats don't cheat on their quotas; whether enough fish are left to allow the stock to rebound each season; and the toll taken on the environment from the fishing methods being used. McDonald's says the vast majority of its fish now comes from sources that meet sustainability guidelines, such as those given by the Marine Stewardship Council.

In 2007, McDonald's stopped using Eastern Baltic cod because it was skeptical that the number of fish being caught were being recorded correctly. This year, after suppliers improved their reporting standards, McDonald's once again began buying Eastern Baltic cod, underscoring how large buyers can force change.

Not all of the large chains can easily force change. Darden, which buys 100 million pounds (45.4 million kilos) of seafood annually, decided shortly after it bought the Capital Grille chain in 2007 to take Chilean sea bass off its new chain's menu because it couldn't find a suitably sustainable source from which to buy it.

"We swallowed hard about taking it off, but we're such a small player that we would not be able to have an influence," says Bill Herzig, senior vice president of purchasing and supply-chain innovation.

Farming the Oceans

Some species, such as haddock and Atlantic sea scallops, have recovered from previous declines, after the U.S. government began enforcing certain aspects of the federal fisheries conservation act in the mid-1990s, says Ray Hilborn, a professor of aquatic and fishery sciences at the University of Washington.

Still, wild fisheries clearly won't be able to meet the world's seafood demands, so aquaculture—or raising seafood in enclosed, controlled environments—is being counted on to make up the shortfall.

But aquaculture poses its own set of challenges. Farm-raised seafood is exposed to more pesticides and antibiotics in captivity, and some fish, like salmon, are given dye additives to give their flesh an orange hue. Most farm-raised fish are also given feed that comes from the sea, depleting the wild supply.

Darden works with the nonprofit Global Aquaculture Alliance on global standards on sustainable aquaculture. Darden also is pioneering new practices, including incorporating more grains into the diets of captive fish to reduce the reliance on seafood-based feed.

Greenpeace says that while restaurants and other large seafood buyers have become more mindful of the environmental impacts of their purchases, some are still looking too narrowly at sustainability.

For instance, large-scale harvesting of the Alaskan pollock, one of the fish McDonald's uses, affects the food supply of Steller sea lions and fur seals, says John Hocevar, Greenpeace's ocean-campaigns director. He encourages the large chains to invest in new methods of aquaculture that don't upset the environment.

McDonald's say it buys only Alaskan pollock that comes from sources certified by third parties as sustainable.

"The state of global fisheries is such," Mr. Hocevar says, that the big chains "don't have a sustainable source. They've just found a less bad source."

Mr. Ziobro is a reporter with Dow Jones Newswires in New York. He can be reached at **paul.ziobro@dowjones.com**.


Getty Images

A haddock caught in the North Atlantic

Where Does the Water Go?

In most American cities, it runs off into nearby lakes, rivers and streams. And that's a problem.

Bureau of Environmental Services, Portland, Oregon

Rainwater flows into a sidewalk planter from a street in Portland, Ore.

By Willa Plank

American cities are coming up with new ways to deal with an old problem: storm-water runoff.

In the past, the solution was pretty straightforward. Cities would build and maintain drainage systems that could quickly collect storm water and transport it away from developed areas and into nearby rivers, lakes and streams. But with urban runoff increasingly being blamed for dirtying American waters, the search is on for solutions that involve filtering or soaking up rainwater where it falls.

Thomas Ballestero, a civil-engineering professor at the University of New Hampshire, is the lead scientist at UNH Stormwater Center, which is exploring new methods for dealing with urban runoff. He says many developers and regulators aren't familiar with new technologies aimed at soaking up rainwater.

"People may not be up to speed," Mr. Ballestero says. "There is folklore that [these technologies] are either too expensive or they are impossible challenges."

Among the innovations his group is investigating is permeable pavement, which is made from material that allows water to flow through it and into the ground below.

Runoff occurs when land is covered with buildings, streets and parking lots. Rainwater runs off these hard surfaces, picking up chemicals, sediment and other pollutants and sending them into local waterways. The rush of water from drainage pipes can cause erosion, and warmer runoff in the summer can change water temperature, hurting fish, plants and animals.

In cities such as New York and Chicago that have systems that carry sewage and storm water in the same pipe to be treated, too much rain can flood the system, causing an overflow of sewage into water sources.

In New York City, more than 27 billion gallons of raw sewage and polluted storm water a year are discharged into the New York harbor estuary and its tributaries from combined sewer overflows. Combined pipe makes up about 65% of New York's sewer system, and although the city has spent billions of dollars on traditional storm-water controls such as temporary storage tanks, it still has impaired waters from runoff.

Uneven enforcement of the federal Clean Water Act—which aims to make the nation's waters swimmable, drinkable and fishable—hasn't helped the situation. The Environmental Protection Agency this summer plans to send questionnaires to owners and developers of newly developed and redeveloped sites, asking them what they are doing to combat runoff as it moves to strengthen storm-water regulations by November 2012.

In the meantime, cities like New York—faced with aging infrastructure and pressure from environmentalists—are taking steps to reduce the amount of storm water that needs to be drained.

New York, for example, is transforming certain paved areas of the city into vegetative street spaces filled with trees, shrubs and ground cover that can absorb water. The goal of the Greenstreets program, a joint effort of the city's parks-and-recreation and transportation departments that began in 1996, is to have almost 2,800 of these projects completed by 2017.

The parks department also is constructing "green roofs" on 10 recreation centers, and testing green-roof systems on its administration building on Randall's Island. Green roofs are covered with soil and low vegetation that slow the rate of runoff.

Meanwhile, the city is finalizing plans to test porous concrete and bioswales at a public-housing property in the Bronx consisting of about 1,200 housing units. The concrete allows filtration of water through soil and bioswales, which are gently sloped drainage paths filled with vegetation.

Portland, Ore., a leader in low-impact development, has had regulations, initiatives and incentives in place since the early 1990s to keep runoff at bay. In addition to building rain gardens and bioswales at schools to absorb as much rainwater on-site as possible, the city has promoted green-street structures such as landscaped curb extensions and vegetated roof systems.

Portland requires any new development or redevelopment over 500 square feet (46.4 square meters) to have a system in place for managing storm water on-site, so Todd Liebow placed a green roof on his new 5,000-square-foot retail building in the Sellwood neighborhood.

Mr. Liebow didn't want to use up land space with other methods like a drywell, or a perforated pipe that collects and infiltrates water to the ground. And the state did not allow for a holding tank underneath the building.

Mr. Liebow's green roof includes a waterproof membrane, soil and low-maintenance sedum plants. "It's a pretty spectacular garden," Mr. Liebow says, adding that birds and bees frequent the roof, which was completed in January. Portland provides incentives for green roofs—$5 per square foot—so the cost of Mr. Liebow's roof was cut almost in half, to about $26,000.

San Francisco, meanwhile, recently passed its own rainwater-runoff regulations. On April 22—Earth Day—the mayor signed an ordinance that requires 50% of front yards in new projects to be permeable.

This can be accomplished by adding vegetation, or by using permeable pavement such as porous concrete, porous asphalt or permeable pavers, which allow water to pass through the voids between interlocked stones. The ordinance, which took effect May 24, also expanded the tree-planting requirement.

Chicago has taken permeability to its streets with its Green Alley program, begun in 2006. The program aims to retrofit some of the city's 1,900 miles (3,058 kilometers) of public alleyways with permeable pavement in an effort to reduce runoff. Chicago's alleys are prone to flooding because they typically aren't connected to the city's combined sewer system.

Ms. Plank is a staff reporter for The Wall Street Journal in New York. She can be reached at **willa.plank@wsj.com**.

POWER PLAYS

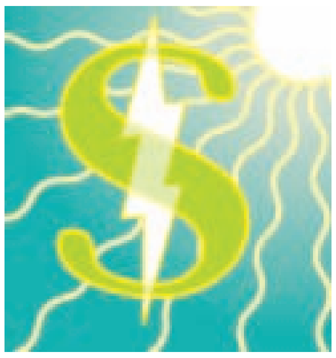
Sun and Battery Power

News on alternative-energy deals from Dow Jones VentureWire

New Sources for BrightSource

BrightSource Energy Inc. raised $150 million in a Series D round of capital as it prepares to start construction of a large-scale solar plant in California later this year.

The company, based in Oakland, Calif., is working toward receiving $1.37 billion in loan guarantees from the U.S. government. The Department of Energy made a conditional commitment to provide the money to support the construction of BrightSource's 400-megawatt solar project in California.



Carl Wiens

To qualify for the federal money, BrightSource has to secure additional funds from its investors. The company won't disclose how much equity it needs to receive the Department of Energy loan guarantees, which can be used to finance up to 70% of the project.

BrightSource's technology involves concentrating sunlight via mirrors on a tower where liquid is heated and turns into steam. The steam then powers a turbine to produce electricity. The company has a number of contracts to sell power to utilities in California.

The Series D round included new investors **Alstom** SA, which provided $55 million, and the California State Teachers' Retirement System, as well as returning investors **VantagePoint Venture Partners**, **Morgan Stanley** and Draper Fisher Jurvetson. Previous investors Black River Asset Management (an investment arm of Cargill Inc.), BP Alternative Energy, **Chevron Technology Ventures**, DBL Investors, **Google.org** and **Statoil** ASA also returned for this latest round.

The company has now raised more than $300 million in equity.

—Yuliya Chernova

Battery Charged

International Battery Inc., which designs and builds lithium-ion batteries for hybrid vehicles and large energy-storage systems, raised $35 million in Series C funding as it ramps up production for potential customers like the U.S. military and power companies.

Carl Wiens

The round was led by previous investor **Digital Power Capital**, an affiliate of **Wexford Capital**, and joined by all previous investors, says Mark Mills, co-founder of Digital Power Capital and chairman of International Battery, which is based in Allentown, Pa.

The U.S. Army is testing the company's batteries for a range of armored vehicles, Mr. Mills says. The company also plans to ship batteries to utility company **American Electric Power** Co., which aims to test the batteries for their capacity to store energy.

The new capital will help International Battery increase production to meet any increase in demand that follows pilot tests by customers.

—Timothy Hay

Power Plays provides a look at alternative-energy deal news from reporters for Dow Jones VentureWire, a daily newsletter covering venture-capital investing and start-up firms. Ms. Chernova can be reached at **yuliya.chernova@dowjones.com**. Mr. Hay can be reached at **timothy.hay@dowjones.com**.

THE JOURNAL REPORT: ENVIRONMENT

Looking to Litter

Energy company sees a future in chicken manure

By Ann Carrns

Poultry farms in the U.S. generate roughly 17 million tons of chicken manure annually, creating a huge disposal problem. Some energy researchers believe they have a solution: use that manure to create electricity.

Many farmers use chicken litter—a mixture of manure and bedding—as a fertilizer, either spreading it on their own croplands or selling it to other growers. But the litter increasingly is being blamed for phosphorus-laden runoff that chokes waterways in heavy poultry-producing areas, and environmentalists are pushing the federal government to set limits on its use.

Fibrowatt LLC, a unit of privately held Homeland Renewable Energy, based in Langhorne, Pa., says it has an answer. The company wants to erect litter-fueled power plants in big poultry-producing states such as Georgia, Arkansas and North Carolina.

Fibrowatt is an offshoot of the company that developed the first such plants in the U.K. in the 1990s. It built the U.S.'s first poultry-waste-to-energy plant in 2007 in Minnesota, the nation's largest turkey-producing state. The $200 million Minnesota plant burns 500,000 tons of turkey litter each year. The process creates steam to turn turbines in a 55-megawatt power plant, providing electricity for about 40,000 homes, according to Fibrowatt.

The company says progress on its proposed projects in other states has been slow because it has to negotiate power-purchase agreements with utilities, work out contracts with farmers for litter and obtain state permits before starting construction.

Fibrowatt also has run into opposition from critics, who worry that power plants fueled by poultry litter will emit high levels of pollutants such as nitrogen oxide, carbon monoxide and particulates, even with state-of-the-art pollution-control devices.

"It's a dirty form of fuel," says Louis Zeller, science director of the Blue Ridge Environmental Defense League, which in May helped scuttle a Fibrowatt project proposed for Surry County, in western North Carolina.

Fibrowatt's vice president for public and environmental affairs, Terry Walmsley, says sound combustion practices and pollution-control systems keep carbon-monoxide and sulfur-dioxide emissions at safe levels.

But in December, Minnesota's environmental agency, citing "numerous" permit violations, fined Fibrowatt $65,000 and ordered it to upgrade the sulfur-dioxide monitor at its Minnesota plant. Mr. Walmsley says the plant's recent report to state regulators showed pollutants in 2009 were well below allowable limits.

Fibrowatt says its poultry-litter plants can produce power at a cost of about nine to 13 cents per kilowatt-hour, including federal subsidies. Conventional coal, by comparison, costs about 10 cents a kilowatt-hour to produce without subsidies, according to the federal Energy Information Administration's latest analysis of average electricity-generation costs for new plants. Helping Fibrowatt's case in North Carolina is the fact that the state has ordered utilities to begin using electricity produced specifically from alternative sources such as poultry litter beginning in 2012.

Fibrowatt isn't the only organization working on technology for turning chicken manure into energy. **REM Engineering** Inc. of Roswell, Ga., has patented gasification technology for burning chicken litter in industrial settings. Last year at a chicken-feed mill in Fairmount, Ga., a test system burned some 15 tons of raw litter a day, creating gas that heated a boiler to produce steam used in making feed pellets. A full-size unit would burn at least 75 tons daily. The ash residue, says engineer Doug Latulippe, can be used to make fertilizer that contains phosphorus that isn't water soluble, which helps prevent runoff.

North Carolina State University is slowly toasting chicken manure in a special oven, a process known as torrefaction. The process creates gases that can be recycled and used to power the oven, as well as "biochar," a charcoal-like substance that captures carbon, slowing its release into the atmosphere. Biochar can then be used to improve soil quality.

And a team under Virginia Polytechnic Institute engineering professor Foster Agblevor is using a technology known as pyrolysis on a farm in Dayton, Va., to rapidly heat poultry litter to a high temperature, creating biochar, as well as vapors that are condensed into "bio-oil," a liquid being tested for use as a potential fuel oil.

Early findings, however, suggest the oil needs significant refinement to work as well as petroleum products.

Ms. Carrns is a writer in Arkansas. She can be reached at reports@wsj.com.

Abundant Resource

Chicken and manure production in the 10 leading chicken-farming states in 2009

State	Chickens (in millions)	Litter (in millions of tons)
Georgia	1,322	2.6
Arkansas	1,051	2.1
Alabama	1,002	2.0
Mississippi	793	1.6
North Carolina	760	1.5
Texas	669	1.3
Kentucky	307	0.6
Maryland	292	0.6
Virginia	241	0.5
South Carolina	238	0.5

Note: Chicken figures are for production of broiler, or meat, chickens. Litter figures are estimates based on an average of 4 pounds of litter per bird annually. Litter comprises bird manure plus feathers and bedding such as rice hulls or sawdust swept out with it.

Sources: Economic Research Service and Natural Resources Conservation Service, U.S. Department of Agriculture

Poultry litter at Fibrowatt's plant in Minnesota is burned to generate electricity

Fibrowatt

MARKETS LINEUP

Moving the markets

At right, Europe's benchmark stock indexes and stocks Friday. 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. 5132.94

▲ **0.54% or 27.49**

The index surged 6.1% for the week, its best weekly showing in a year. Even so, the benchmark is down 5.2% for 2010. Antofagasta led blue-chip gainers on Friday.

Stock	Volume in millions	Close In pence	Change Net	Change %
Lloyds Banking	**151.88**	61.71	1.01	1.66
RoyalBnkofScot	**72.46**	44.25	−0.11	−0.25
VodafoneGp	**67.07**	143.50	0.20	0.14
BP	**50.04**	364.80	−2.20	−0.60
Barclays	**48.35**	300.45	−1.55	−0.51

DAX

Germany 6065.24

▲ **0.49% or 29.58**

Lufthansa jumped 1.2% after well-received passenger data for June. Infineon increased 1.5% after reports said it is close to selling its mobile-phone chip unit to Intel.

Stock	Volume in millions	Close In euro	Change Net	Change %
InfineonTch	**14.17**	5.08	0.08	1.52
DeutscheTel	**14.12**	9.97	0.00	0.02
Commerzbank	**7.83**	6.29	0.00	0.06
E.ON	**5.64**	22.74	-0.11	−0.46
DeutscheBk	**3.92**	49.25	0.24	0.48

CAC-40

France 3554.48

▲ **0.46% or 16.23**

This market surged 6.2% for the week, aided by relief over Europe's pending bank stress tests and stronger-than-expected domestic industrial output for May, reported Friday.

Stock	Volume in millions	Close In euro	Change Net	Change %
Alcatel Lucent	**12.69**	2.140	−0.012	−0.56
CreditAgricole	**8.45**	9.264	−0.106	−1.13
FrTelecom	**8.21**	14.945	−0.080	−0.53
ArcelorMittal	**6.89**	23.660	0.555	2.40
AXA	**6.15**	13.290	−0.050	−0.37

FTSE MIB

Italy 20478.98

▲ **1.16% or 235.25**

Banks drove the gain on Friday as the index continued to benefit from rising confidence ahead of the results of stress tests on EU banks. UniCredit jumped 3.2%.

Stock	Volume in millions	Close In euro	Change Net	Change %
UniCredit	**394.28**	2.05	0.06	3.17
IntesaSanpaolo	**91.03**	2.43	0.03	1.38
TelecomItalia	**46.56**	0.95	0.01	1.06
Pirelli&C	**33.65**	0.48	0.00	0.63
Enel	**31.42**	3.66	0.02	0.55

European stocks in the news

Bureau Veritas

France €47.40

▲ **3.0% or €1.40**

Credit Suisse raised the stock to 'neutral' from 'underperform.'

Price-to-earnings ratio			**20**
Earnings per share, past four quarters			**2.34**
Dividend yield			**1.77%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Indus Gds & Svcs	**0.2%**	5.4%	38.8%
Bureau Veritas	**3.0%**	7.0%	45.2%

UniCredit

Italy €2.05

▲ **3.2% or €0.06**

Shares surged 14% in four sessions as Europe's pending stress tests reassured investors.

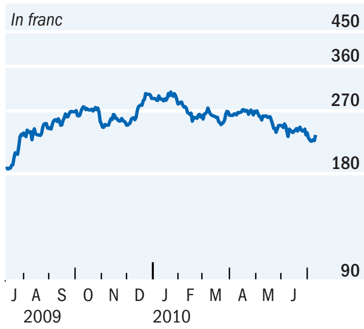
Price-to-earnings ratio			**21**
Earnings per share, past four quarters			**0.10**
Dividend yield			**1.46%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Banks	**0.3%**	9.6%	9.4%
UniCredit	**3.2%**	12.5%	30.7%

Straumann Hldg

Switzerland CHF231.10

▲ **3.7% or CHF8.30**

The firm's CFO, Wolf-Ruediger Daetz, announced that he would depart in the fall.



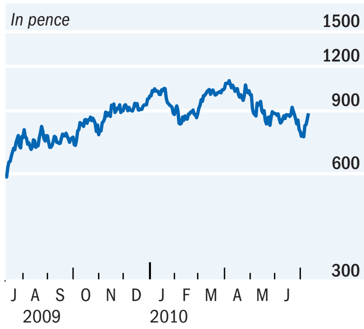
Price-to-earnings ratio			**25**
Earnings per share, past four quarters			**9.38**
Dividend yield			**1.62%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Health Care	**0.3%**	2.8%	13.3%
Straumann Hldg	**3.7%**	3.0%	24.4%

Antofagasta

United Kingdom 886.00 pence

▲ **4.1% or 34.50 pence**

Citigroup talked up the copper miner's stock.



Price-to-earnings ratio			**21**
Earnings per share, past four quarters			**41.91**
Dividend yield			**0.71%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Basic Resources	**1.2%**	6.5%	37.9%
Antofagasta	**4.1%**	14.0%	50.7%

Transocean Ltd.

Switzerland CHF54.70

▲ **5.3% or CHF2.75**

A U.S. court again rejected a ban on deep-water drilling.

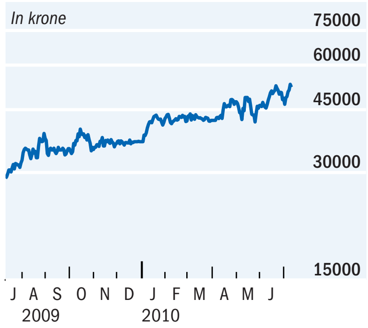
Price-to-earnings ratio			**6**
Earnings per share, past four quarters			**9.50**
Dividend yield			**None**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Oil & Gas	**...**	6.5%	-1.9%
Transocean Ltd.	**5.3%**	6.0%	81.4%

A.P. Moller-Maersk B

Denmark DKK52,040.00

▼ **1.8% or DKK960.00**

A seven-day winning streak came to an end.



Price-to-earnings ratio			**None**
Earnings per share, past four quarters			**-1677.00**
Dividend yield			**0.62%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Indus Gds & Svcs	**0.2%**	5.4%	38.8%
A.P. Moller-Maersk B	**-1.8%**	7.1%	80.1%

Sulzer

Switzerland CHF106.40

▼ **1.9% or CHF2.10**

Even with the loss,the equipment firm is still up 5.55% on the week.

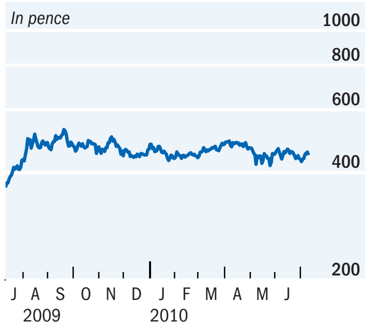
Price-to-earnings ratio			**13**
Earnings per share, past four quarters			**7.99**
Dividend yield			**2.63%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Indus Gds & Svcs	**0.2%**	5.4%	38.8%
Sulzer	**-1.9%**	5.5%	70.8%

British Land

United Kingdom 447.50 pence

▼ **2.0% or 9.10 pence**

Friday's drop snapped five days of gains.



Price-to-earnings ratio			**3**
Earnings per share, past four quarters			**132.00**
Dividend yield			**5.81%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Financial Services	**0.03%**	5.0%	9.4%
British Land	**-2.0%**	2.6%	23.1%

Banco Espirito Santo

Portugal €3.55

▼ **3.5% or €0.13**

Shaers pulled back after a three-day, 13% jump.

Price-to-earnings ratio			**7**
Earnings per share, past four quarters			**0.52**
Dividend yield			**3.94%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Banks	**0.3%**	9.6%	9.4%
Banco Espirito Santo	**-3.5%**	8.2%	-11.4%

Gemalto

France €29.81

▼ **5.7% or €1.79**

The security firm's stock closed at its lowest level since May 28.

Price-to-earnings ratio			**21**
Earnings per share, past four quarters			**1.39**
Dividend yield			**0.84%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Indus Gds & Svcs	**0.2%**	5.4%	38.8%
Gemalto	**-5.7%**	-2.7%	24.2%

Pound/Euro 0.8362 ▼ 0.02% | **Yen/$** ¥88.47 ▼ 0.12% | **Global Dow** 1794.46 ▲ 0.89% | **Gold** 1209.60 ▲ 1.15% | **Oil** 76.09 ▲ 0.86% | **3-month Libor** 0.52681 | **10-year Treasury** ▼ 10/32 yield 3.056%

Anshu Jain ranks first among Europe's most influential bankers

BUSINESS & FINANCE 24

Gazprom looks good for a short-term romance

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BUSINESS & FINANCE.

Monday, July 12, 2010 THE WALL STREET JOURNAL. europe.WSJ.com

Greek test: Single sale of T-bills is Tuesday

By Emese Bartha

Greece will auction its first Treasury bills Tuesday since accepting a bailout in May, marking a test of whether international investors are willing to buy its debt.

But in a sign that the government isn't willing to pay any price for funds, it is auctioning only 26-week bills, rather than both 26- and 52-week bills.

Greece doesn't need the cash to pay its bills, given the €110 billion ($139 billion) support package it is receiving from the International Monetary Fund and European Union. But the government has said it wants to maintain a presence in the market and to establish a benchmark for instruments.

The auction comes at a time when other Greek short-term bills yield as much as 7.3% and foreign investors are avoiding the market.

The country's Public Debt Management Agency said Friday that it will auction €1.25 billion ($1.59 billion) of 26-week T-bills.

The amount could reach €2 billion because it can raise the amount by 30% of noncompetitive bids both on the auction day and again two days later.

The debt agency didn't proceed with plans to auction 52-week T-bills, as it normally does, because of the high costs of funding a one-year issue. One-year Greek T-bills currently carry a yield of between 6.0% and 6.5% in the market, well above what it would pay the EU and IMF.

Under those terms, Greece can borrow at a floating rate that is currently around 4% for 12 months, said a person familiar with the deal.

"Why should we pay up?" the person said. "There is no point in paying out 12-month market rates if we have already secured that duration."

The government is betting that it will pay substantially less for six-month funds than for 12-month funds. Buyers are likely to be primarily Greek banks, and strong demand, as at recent sales, could push down yields.

At the previous auction in April, 26-week T-bills were sold to yield 4.55%, well below the peak of 10% yield in the market at the peak of Greece's financial woes around the same time. Friday, yields on those bills diverged widely depending on whether they were trading in Athens or elsewhere in Europe.

Those bills traded to yield between 3.90% and 4.30% in Athens, compared to between 3.60% and 7.80% elsewhere in Europe.

—Alkman Granitsas contributed to this article.

Herd instinct takes over

By E.S. Browning

Stocks are trading in lock-step more than at any time since the 1987 crash, and the trend has some analysts concerned.

In recent weeks, stocks in the Standard & Poor's 500-stock index have shown an increasing tendency to move in the same direction at the same time. Last week, those stocks' tendency to move in the same direction as the index hit

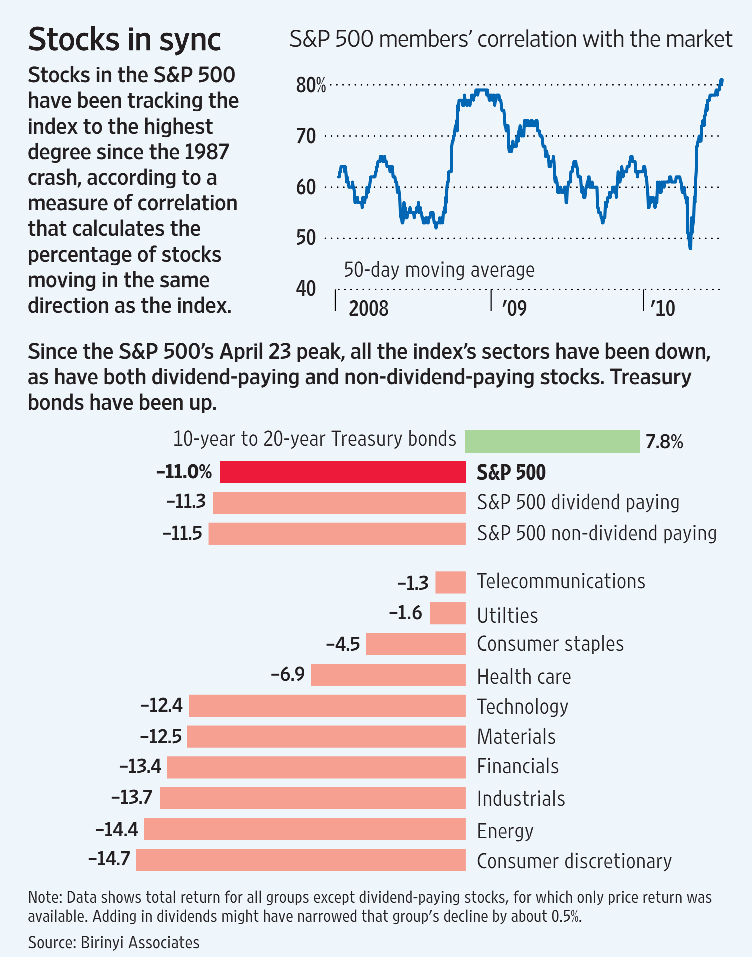
ABREAST OF THE MARKET

an extreme not seen since October 1987, according to research by investment group **Birinyi Associates** in Westport, Conn.

The market's flock-like behavior is one more reflection of the growing influence of investors using broad-based strategies to buy and sell large blocks of stocks. Instead of picking individual stocks to hold over a period of time, they trade in and out of the market using broad indexes. Often, these investors use exchange-traded funds, which trade as easily as a single stock but contain many different stocks that may belong to the S&P 500, the Nasdaq 100 or another index.

Heavy trading in exchange-traded funds means that more stocks are likely to move in the same direction on any given day. Analysts call that correlation, a mathematical term meaning similarity of behavior. Correlation is on the rise, to the frustration of investors who are trying to analyze stocks based on their underlying strengths and weaknesses.

"It is an indexing market and not a market for stocks. On good days everything goes up and on bad days everything goes down. Everyone talks about baskets or sectors," says Jeffrey Yale Rubin, research director at Birinyi Associates. "It is harder for individual investors and even for



mutual-fund managers to distinguish themselves by doing individual stock picks. They might get the product right and the earnings right, but the market goes down and the stock is going to go down as well."

Every day, Birinyi measures the 50-day average correlation between the direction of the S&P 500 and that of its member stocks. In this case, correlation is a measure of the degree to which one stock tracks the movement of the index. A correlation of 50% means that half the index's component stocks are moving in the same direction as the index. A perfect correlation would be 100%, with all stocks tracking the index. The average correlation since 1980 has been 44%. This particular methodology doesn't allow for a negative correlation or a correlation of zero, since at least some component stocks must move in the same direction as the index. Some stocks almost always move in a different direction than the index. The the average of their moves, usually weighted for each stock's total market value, equals the index's return.

Earlier this year, when stocks were on the mend and investors were less anxious, the correlation between the S&P 500 and its stocks fell below 50%, suggesting that investors were looking for individual stocks to own rather than just buying large indexes.

But by mid-June, the correlation had jumped back above 70%, as investors stopped looking for winners and just sold broadly. Last week it surpassed its 2008 high of 79% and hit 81%, the highest level since the 1987 crash, when it touched 83% for one day. That means that on most days recently, the great majority of stocks in the S&P 500 were moving in the same direction, up or down.

Correlation typically goes up during volatile periods, reflecting investors' tendency to dump stocks wholesale rather than try to pick out stocks that once were viewed as refuges, such as those that pay dividends.

Many money managers have been moving to entirely different asset classes, such as bonds or cash, says Jack Ablin, chief investment officer at Harris Private Bank, which oversees $57 billion in Chicago. Early last month, his firm shifted hundreds of millions of dollars out of stocks and other risky assets, such as commodities, and into Treasury bonds and high-grade corporate bonds.

In a typical customer account that might normally have 55% of its money in risky assets such as stocks and 45% in bonds, Mr. Ablin has flipped the ratio. Stocks have gone

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Apple opens its second store in China

By Loretta Chao

BEIJING—Hundreds of people lined up Saturday to be among the first to enter **Apple** Inc.'s newest store in China.

The 1,500-square-meter underground space in Shanghai, China's wealthiest city, marks the start of a major retail expansion in a country where the company so far has had a relatively meager presence.

Apple—which has one other Chinese store, in Beijing—has said it plans to open 25 stores in China by the end of next year, including a second store in Shanghai.

Apple's flagship stores, which like the Shanghai outlet often sport eye-catching architecture, are a key part of the Cupertino, Calif., company's branding strategy.

China is the world's largest handset market and second largest personal-computer market after the U.S. But while other PC makers such as **Hewlett-Packard** Co. have rushed to expand retail channels in China in recent years, Apple has moved ploddingly.

It opened the Beijing store two years ago and otherwise relies on a network of authorized resellers for distribution.

Apple has been slower than rivals to expand overseas, even as it has grown rapidly at home and is now the world's biggest technology company by market value.

Research firm IDC said Apple PCs made up less than 1% of total PCs shipped in China as of the first quarter. In the U.S., Apple claimed

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Associated Press/Xinhua

Hundreds of shoppers waited to enter Apple's store in Shanghai on Saturday.

Tech firms push shake-up in online ads

BY JESSICA E. VASCELLARO

SUN VALLEY, Idaho—As media companies voice doubts about whether they can build their digital businesses on advertising alone, technology companies are trying hard to persuade them to think more creatively.

ADVERTISING

In a range of interviews here last week on the sidelines of Allen & Co.'s annual gathering of media moguls, companies ranging from upstarts to Internet giant **Google** Inc. touted the promise of new ad formats they said would outperform banner and search ads, the digital-ad industry's current staples.

Google Chief Executive Eric Schmidt championed "interactive video ads," which he said are on the way. Such ads, which could appear anywhere on a Web page, not just inside a video, would be like mini-Web pages. That means they could allow Web users to watch a video, leave a comment and see real-time updates within the ads that are more customized to their interests.

Mr. Schmidt said in an interview Thursday that he has pushed Google's ad teams to think about the potential for such ads, which he suggested would eventually become prevalent, but he didn't comment on any specific plans for them.

Helping small businesses reach new customers is one of the key markets being chased by big Internet companies like Google, **Yahoo** Inc. and **AOL** Inc., as well as startups like **Groupon** Inc.

Andrew Mason, CEO and founder of Groupon, whose email newsletters offer subscribers a heavily discounted, or even free, deal of the day on goods or services, said Groupon is talking to media companies about reinventing local advertising. Groupon's strategy is to let businesses design an offer, such as half-price theater tickets, and email it to consumers together with commentary, such as a review of the play.

Mr. Mason said he believes offering customers a daily deal, and packaging it with related commentary from Groupon's staff of 70 full-time writers, is a more compelling approach than traditional banner ads, which he said are forgettable and don't help a businesses win loyalty.

"We look at Groupon as the evolution of the ad" format, said Mr. Mason, who spoke to conference attendees Saturday in a plum spot reserved for the relatively small number of entrepreneurs invited to the conference.

Others ventures are focusing on persuading media companies to change how they buy and sell online ads, hoping to expand the market by brokering ads across a broader range of websites, or even media.

Konrad Feldman, CEO ad-technology company **Quantcast** Corp., said in an interview Friday that the media bosses attending the Sun Valley conference are accustomed to buying ads through a broadcast model, purchasing blocks of TV shows or websites.

But Quantcast is among several companies trying to persuade marketers they can get a better return by buying online, mobile and even, eventually, TV ads targeted at specific types of consumers, such as people who have bought certain products or visited certain websites.

"Everyone sees the promise," Mr. Feldman said. "They realize that the traditional ways don't scale."

The tech companies are trying to win over two different groups within media companies. They include business-development specialists skeptical that they can make significant money by turning over their content to Web services solely in exchange for advertising, and marketing units, which are concerned about experimenting with new formats that may not work.

Both sets of concerns threaten to cap the growth of online advertising. While growing faster than most forms of advertising, online-ad growth was slowing even before the recession.

In 2009, U.S. spending on Internet ads, totaled $22.7 billion, or about 17% of the combined market for TV, magazines, newspaper, radio and Internet ads, according to PricewaterhouseCoopers.

The Interactive Advertising Bureau reported that U.S. online-ad revenues were up 7.5% from a year earlier in the first quarter of 2010, more than in recent quarters but down from years of double-digit gains.

Media executives say they are intrigued by new ad offerings, but they appear reluctant to put all their faith in online advertising.

Last week Mr. Schmidt answered a question from a reporter about whether Google's YouTube unit would launch a product that would allow content owners to sell their content to consumers once and have it accessible across a range of devices, such as computers and mobile phones, Mr. Schmidt said the company had looked at that model carefully.

But, he said that rather than paying for content directly, Google prefers to help media companies earn money through ads.

"There is a revenue valley from the old model to the new model," he said, describing how content owners would risk losing revenue through such a system. "We could bridge that model by writing very large checks, but we have chosen not to do that."


Reuters
Google co-founder Sergey Brin, left, talks to reporters, as co-founder Larry Page, center, and CEO Eric Schmidt listen.

China renews Google's license to use Web address

BY LORETTA CHAO
AND AMIR EFRATI

Chinese authorities said they renewed a license needed by **Google** Inc. to continue using its Chinese Web address, despite months of tensions over censorship requirements.

The Ministry of Industry and Information Technology approved the renewal application by the operator of Google's China website, **Beijing Guxiang Information Technology** Co., after the company pledged to "abide by Chinese law," and "ensure the company provides no law-breaking content," according to a report by China's state-run Xinhua news agency on Sunday. The report said Guxiang also "accepted that all content it provides is subject to supervision of government regulators."

The decision preserves the search giant's toehold in the country with the most Internet users. But it won't end the uncertainty around Google in China because Beijing can revoke the license at any time or block access to Google's services.

"Our operations in China are completely at the discretion of the Chinese government. I don't want anyone to be confused about that," Google Chief Executive Eric Schmidt said at a news conference Thursday.

Google in March began redirecting queries from mainland China to a version of its search engine it doesn't censor hosted in Hong Kong. But Google stopped the automatic redirect two weeks ago after the Chinese government indicated it wouldn't renew its license if the company continued the practice.

Google's Chinese site, google.cn, now requires visitors to click to be redirected to the Hong Kong site for Web searches. Recently, the company has made several services accessible from google.cn itself, including its music-search and translation services.

The move won't end uncertainty around Google in China since the license can be revoked at any time.

"We look forward to continuing to provide Web search and local products to our users in China," Google's chief legal officer, David Drummond, said on a company blog.

"What's interesting is that the Chinese government would make this decision after a private company challenged its censorship policy before the eyes of the Chinese people," said Xiao Qiang, a journalism professor at the University of California-Berkeley. "This is the beginning" of what will be a protracted struggle between Google and China," said Mr. Xiao, who previously ran a human-rights group.

It is unclear whether Google, which handled 31% of searches in China in the first quarter according to Analysys International, will lose Web traffic or advertisers.

Google has lost some search share in China to rivals such as **Baidu.com** Inc. during its standoff with Beijing, though other services including its Gmail email service remain popular, analysts said.

And while Google doesn't censor its Hong Kong site, the government takes measures to limit access to certain content on the Internet. Other Google services, such as video site YouTube, have long been blocked by China.

Separately, Australia's privacy regulator Friday said Google had violated a national privacy law but the government couldn't impose a sanction. Law-enforcement bodies across the world have been investigating Google's disclosure that its Street View vehicles had inadvertently collected personal data from unprotected wireless networks.

—Kersten Zhang and Jessica E. Vascellaro contributed to this article.

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BUSINESS & FINANCE

Market view: Only a slow recovery

By Daisy Maxey

Money managers world-wide are optimistic about prospects for the U.S. and Asian stock markets over the next 12 months, but they nevertheless project a slow recovery in global economic growth, according to a new survey.

The impact of inflation is a fear, indicated the 102 global mutual-fund, hedge-fund and private-equity managers who responded to the survey, commissioned by RBC Capital Markets, the corporate and investment banking arm of Royal Bank of Canada, and released Monday. The respondents, who manage about $4.1 trillion in combined assets, also expressed skepticism about commercial real estate.

The data on asset managers' views was compiled as part of a larger survey of 440 senior corporate and finance executives world-wide conducted April 28 to May 25.

Global economic growth over the next two years will resume, but at a pace lower than that of the 2003 to 2007 period, nearly half of the money managers surveyed indicated. Just 11% indicated they expect a prolonged period of economic weakness and 5% that they expect growth at the same or higher levels than from 2003 to 2007.

"The majority of people certainly understand that for the foreseeable future we're going to be in a subpar environment," said Marc Harris, co-head of global research at RBC Capital Markets. That translates into what is being seen in the stock market, he said. "At the first sign of economic numbers being a little disappointing, it's really taken the market down by a significant degree."

U.S. markets will improve in the year ahead, 66% of respondents indicated. Just 19% indicated they expect U.S. markets will move lower. Still, 57% indicated they believe that the risks associated with stocks in general is higher this year than last.

Asian stock markets will rise over the next 12 months, 69% of those surveyed believe, but only 38% expect European stock markets to rise, and 40% indicated they expect European stock markets to decline in the period.

But Mr. Harris said it is important to note that the asset managers chose those markets over others, and aren't wildly optimistic. "People are not jumping and trampling over each other to get their hands on U.S. assets; it's more that people have to be invested and where do they feel less exposed, where do they feel safe to be," he said.

Asked to evaluate how their perception of risk has changed over the past year, 57% of respondents indicated they consider stocks to be riskier this year than last, 56% said they saw currencies as riskier, while 51% indicated corporate debt was seen as riskier.

Yet 38% of respondents indicated currencies was the asset class they would most likely increase over the next year in light of the sovereign-debt crisis, while 37% chose stocks and 35% chose commodities. Just 17% indicated they plan to increase their allocation to U.S. Treasurys, and 21% said they plan to increase non-U.S. sovereign debt allocations in the coming year.

Inflation poses a greater threat to portfolio performance than deflation, 45% of respondents indicated. ust 34% indicated they expect deflation to be the greater threat.

New Detroit takes shape in South India's Chennai

By Eric Bellman

CHENNAI, India—This Indian port city, built around a former British fort, in many ways resembles Detroit circa 1910.

The metropolis of about five million people is booming as scores of international car makers and suppliers have set up shop. **Ford Motor** Co., **Hyundai Motor** Co, **Nissan Motor** Co., **Renault** SA, **Daimler** AG and **BMW** AG all have converged here.

They are spending billions of dollars to make Chennai one of the world's biggest hubs of small cars for export as well as for increasingly affluent Indians. Soon, the city will turn out close to 1.5 million autos a year, more than any single U.S. state made last year.

Car-parts suppliers also are placing big bets on the city, formerly known as Madras. Tire company **Michelin** SA and window maker **Saint-Gobain** SA, both of France, are setting up some of their biggest factories globally in Chennai. Germany's Daimler, meantime, is building a multimillion-dollar test track.

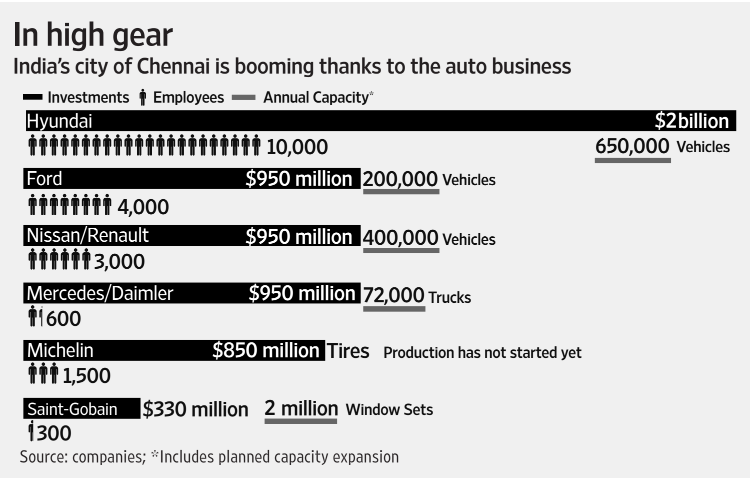
The investment has generated jobs for more than 200,000 people and accounts for 12% of the economic output of Tamil Nadu state.

The kind of manufacturing being done in Chennai is what India needs to bridge the gap between its agricultural work force, which makes up 60% of its population, and high-end services industries, such as outsourcing, that employ relatively few.

Unlike China, India hasn't been able to attract as many foreign investors to set up factories because of bureaucratic barriers and volatile politics.

But Chennai's boom is a sign that India can create a productive environment when economic circumstances are right and demand is there. India's economy is expected to grow 9% this year and Tamil Nadu has worked to minimize barriers to investment.

Hyundai has invested $2 billion here, and recently expanded to be able to produce 650,000 cars a year. The South Korean company was attracted not only to inexpensive factory-floor labor, but also to an abundance of low-wage engineers to program the robots that help churn out vehicles.



Across town, Ford has invested close to $1 billion, deploying production-line technology it doesn't even use in the U.S., including car-painting robots and a deep-water testing pool to ensure cars won't leak during monsoon floods.

Michael Boneham, the Chennai-based managing director of Ford's India operations, said educated labor, a consistent industrial policy, access to a port and government financial incentives played a role in luring the U.S. car maker to the city.

"India is now on the radar as one of the two most important markets for Ford strategically world-wide," the other being China, he said.

Ford, among the first foreign firms here, recently announced its best-ever quarter in India. Sales more than tripled in the second quarter from a year earlier to 22,858 vehicles thanks to its recently expanded Chennai facilities.

Tamil Nadu has been better than most Indian jurisdictions at providing the land, roads and electricity that the car industry needs. It also set up a single office for companies to obtain the dozens of government approvals and licenses required to start or expand a business.

Big projects in India too often run into problems when local governments change parties. But when the state government was taken over by the DMK from the AIADMK in 2006, auto executives said they noticed no change in how they were treated.

The influx of foreigners and foreign money is altering this historic city. In the largely vegetarian region there is little meat for sale. But the Seoul Restaurant is packed with Korean families grilling beef at their tables.

The student population at the Chennai American School has quadrupled to close to 800 as new pupils have arrived from the U.S., Japan, Europe and Korea. A sprawling amusement park across the street from the Hyundai factory, a French bakery, evangelical Korean churches and Japanese grocery stores have popped up in recent years.

"The city has really changed," said R. Sethuraman, the Chennai-based senior vice president of finance and corporate affairs at Hyundai's India unit. "We used to only have South Indian food."

New malls and apartments are being built to serve the growing middle class of auto workers.

The state's technical institutes, known for producing computer programmers and engineers, are switching focus to skills useful at car makers.

The growth of the car industry hasn't been without problems. Hyundai unions have staged several strikes to demand better treatment of workers, traffic has become more congested and rents in some of the best neighborhoods are now out of reach of the average Indian.

But Chennai's production capacity is set to rise even further. Japan's Nissan just started making cars here in May after investing close to $1 billion, and it plans to ramp up to more than 400,000 cars a year. Its Indian-made subcompact, the Micra, will hit roads around the world in October.

—Arlene Chang contributed to this article.

Anshu Jain now leads the FN100

In another year of flux, Financial News's list of top players sees plenty of exits and entrants

Financial News named **Deutsche Bank** AG's Anshu Jain to the top of its annual FN 100 list of the most influential people in European financial markets.

Over three months, Financial News drew up lists from 10 categories: chief executives, regulators, investment banking, mergers and acquisitions, capital markets, fund management, hedge funds, private equity, pensions and market infrastructure. All nominees had to be based in Europe, the Middle East or Africa, and FN excluded central bankers and those in government (except in a regulatory capacity). Candidates were then assessed for influence over their area, leadership within their sector, performance over the past year, and their capacity to shape their business and/or industry over the year to come. The list was then whittled down to 100.

Only two-fifths of last year's FN100 kept their places on this, the sixth annual list. A year earlier, only 25 people managed to return to the list. Financial News, like The Wall Street Journal, is published by News Corp.'s Dow Jones unit.

The biggest name to have dropped off the list is last year's No.1, Bill Winters, former co-chief executive of investment banking at J.P. Morgan, who left in September. Although Mr. Winters remains potentially influential as a member of the British government's Banking Commission, he is succeeded in the No. 1 spot by h Mr. Jain, who secured that slot for the first time after five years of circling the top of the list.

Agence France-Presse/Getty Images

Anshu Jain controls the profit engine of Deutsche Bank and is considered the frontrunner to succeed Josef Ackermann.

The FN100

- The full list of the FN100, its methodology and more-detailed profiles of its members can be found at www.efinancialnews.com/fn100

1. Anshu Jain
Head of corporate and investment banking, Deutsche Bank

Mr. Jain, Deutsche Bank's heir apparent, has good reason to smile. Not only has his closest rival for the top job, Michael Cohrs, dropped out of the running, he controls Deutsche's profit engine and his pay is roughly on a par with that of Chief Executive Josef Ackermann, who is due to retire in 2013. This month, Mr. Jain became sole head of corporate and investment banking following the retirement of Mr. Cohrs.

2. Mario Draghi
Governor of the Bank of Italy, chairman of the Financial Stability Board

Mr. Draghi, a former Goldman Sachs managing director, identified 2010 as a critical year for the FSB, which was forged last year by the Group of 20 industrialized and developing nations to replace the Financial Stability Forum and which coordinates at the international level the work of national financial authorities and international standard-setting bodies. It is pressing ahead with ambitious regulatory efforts to bolster bank capital and liquidity standards, improve incentive structures and transparency, improve the derivatives markets and cut the risk of moral hazard in systemically important financial firms as part of its broader effort to promote financial stability.

3. Brady Dougan
Chief executive, Credit Suisse Group

Under Mr. Dougan, Credit Suisse continues to chart a steady course. The bank was relatively untarnished by the financial crisis. With one of the highest Tier 1 ratios around, the bank is better placed than many rivals to handle the tougher capital requirements likely to become the norm in the years ahead. However, Mr. Dougan, who became CEO in May 2007, won't be able to rest on his laurels: Credit Suisse's great rival UBS AG appears to have overcome the worst of its problems and looks ready to steam ahead.

4. Keith Skeoch
Chief executive, Standard Life Investments Ltd.

As chairman of the Institutional Shareholders' Committee, an umbrella body for insurers, pension plans and asset managers, Mr. Skeoch lit a fire under the institutional financial-services industry by calling for an investigation into investment-banking fees. His demand helped push the U.K. Office of Fair Trading into a formal probe of fees paid by companies seeking equity financing on the stock market.

Mr. Skeoch, who continues to cajole his asset-management peers into engaging as owners of companies, earning praise in February from Lord Myners, then financial services secretary to the Treasury, also is extending Standard Life's global reach, with strong new asset flows this year.

5. Mervyn King
Governor, Bank of England

If the answer is 23, what is the question? That was the riddle Bank of England Governor Mervyn King posed at the annual Bankers' Dinner at Mansion House. The answer, he later revealed, is the difference in age between Mr. King and the Chancellor of the Exchequer, George Osborne, who has expanded the governor's role. Under the coalition government's plans, the Bank of England will have power over macroprudential, or system-wide, regulation, while the new prudential regulator, headed by Hector Sants, will be folded into the Bank of England. Mr. King also is a likely candidate for the position of deputy governor of the soon-to-be-created European Systemic Risk Council.

6. Josef Ackermann
Chief executive, Deutsche Bank

Deutsche Bank remains the European benchmark in equity and debt capital markets, and it continues to impress rivals in mergers and acquisitions. Mr. Ackermann, who has run the bank since 2002, has maintained a steady hand on the tiller. Under his watch, the bank has yet to suffer a compensation backlash. Succession continues to be an issue: Mr. Ackermann agreed last year to stay on until 2013 but has admitted to being in "intensive talks" about what happens then. He also will have to manage the changed dynamic at the investment bank, for which Mr. Jain is taking sole responsibility.

7. Oswald Grübel
Chief executive, UBS AG

Whisper it discreetly, but it looks like UBS may have put the worst behind it and once again be about to mount a significant challenge in Europe. When Mr. Grübel took over in February last year, the bank was at a low ebb, hit by huge write-downs and departures of some of its most senior executives. After a round of job cuts, the investment-banking division is gaining ground, and there are signs that client outflows at the wealth-management unit have bottomed out. Analysts still stress that there is a mountain to climb before the bank regains normality.

8. John Varley
Group chief executive, Barclays PLC

John Varley was the best-value banking chief executive last year, according to Financial News and Dow Jones data comparing CEO pay with bank profits. Having weathered the financial crisis without state aid and reaping the benefits of buying Lehman Brothers' North American operations, all eyes are on Mr. Varley's next move. Could another big U.S. acquisition be in the cards?

9. Alan Howard
Co-founder, Brevan Howard Asset Management LLP

Mr. Howard, the low-profile trader at the helm of Europe's largest hedge fund by assets, is notoriously risk averse.

He won't ski during the peak season, and his traders operate within tight risk limits. Brevan Howard, whose flagship fund was up 19% last year and is now closed to new investors, is under pressure to prove that he can maintain its performance despite its size. The firm now manages over $30 billion, having benefited from inflows to blue-chip managers.

Mr. Howard is the only non-American to sit on the Investor Advisory Committee of the New York Federal Reserve, and last month moved from London to Geneva to avoid an increase in U.K. taxes.

10. Xavier Rolet
Chief executive, London Stock Exchange Group PLC

Mr. Rolet is embracing the daunting task of turning the London Stock Exchange into a modern, technology-led business by cutting costs, reorganizing management and overhauling technology. The LSE has the largest trading volumes in Europe and the U.K., but new multilateral trading facilities are attracting liquidity with faster systems and lower fees. In response, Mr. Rolet bought Sri Lankan technology group MillenniumIT to replace the LSE's trading platform. H

e acquired Turquoise to help provide a multi-asset, pan-European trading platform, using aggressive fees to attract high-frequency traders, and is challenging Eurex and NYSE Liffe's dominance in European exchange-traded derivatives.

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11. Stuart Gulliver, CEO of global banking and markets, HSBC Holdings PLC
12. Michael Dobson, CEO, Schroders PLC
13. Nout Wellink, chairman, Basel Committee on Banking Supervision
14. Miles Millard, global head of debt capital markets, Deutsche Bank
15. Michael Platt, co-founder, CEO and head of trading, BlueCrest Capital Management
16. Hector Sants, CEO, Financial Services Authority
17. Carsten Kengeter/Alex Wilmot-Sitwell, co-CEOs, UBS Investment Bank
18. Martin Halusa, CEO, Apax Partners
19. Bjarne Graven Larsen, chief investment officer, ATP
20. Michael Sherwood, co-CEO of Goldman Sachs International
21. Michel Barnier, member of the European Commission, Internal Market and Services
22. Peter Clarke, CEO, Man Group
23. Johannes Huth, head of Europe, Kohlberg Kravis Roberts
24. Luigi de Vecchi, co-head of global investment banking, Credit Suisse
25. Edouard Carmignac, founder and CEO, Carmignac Asset Management
26. Franck Petitgas, global co-head of investment banking, Morgan Stanley
27. Rajeev Misra, joint global head of fixed income, currencies and commodities, UBS
28. Yngve Slyngstad, CEO, Norges Bank Investment Management
29. Viswas Raghavan, head of international capital markets, J.P. Morgan
30. Simon Dingemans, managing director in European M&A, Goldman Sachs
31. Edward Bonham Carter, chief executive, Jupiter Fund Management
32. Richard Boath, co-head of global finance, Emea, Barclays Capital
33. Eddy Wymeersch, chairman, Committee of European Securities Regulators
34. Baudouin Prot, chief executive, BNP Paribas
35. Dominique Cerutti, president and deputy CEO, NYSE Euronext
36. Jonathan Moulds, president of Europe, Middle East and Africa, Bank of America Merrill Lynch
37. Wim Borgdorff, managing partner, AlpInvest Partners
38. Emilio Saracho, chief executive of investment banking, Emea, JP Morgan
39. Pierre-Henri Flamand, founder, Edoma Capital
40. Giuseppe Monarchi, head of the mergers and acquisitions group, Emea, Credit Suisse

BUSINESS & FINANCE

How cellphones generate mixed signals

[The Numbers Guy]

By Carl Bialik

More bars in more places? As **Apple** Inc.'s blunder with its iPhone signal-strength display revealed, the number of bars on a phone has more to do with handset manufacturers' whims than it does with hard calculations about network coverage.

There is no standard industry definition of what the number of signal bars shown on a cellphone should represent. Consumers who switch from one model or brand to another might find that the maximum number of bars has changed from four to five, and that seeing a maximum signal means something totally different on the new handset. Many wireless companies and phone manufacturers won't reveal the math they use to convert signal strength to bars, calling the information proprietary. And last week, after some consumers noticed that holding the iPhone a certain way made the number of signal bars decline, Apple disclosed that the formula it has been using was "totally wrong," causing the display to overstate cell signal strength.

"It's just a rough graphical presentation," Branimir Vojcic, professor of engineering and applied science at George Washington University, says of signal bars.

In theory, the bars represent the power of a phone's connection to its wireless network. Only a tiny amount of power is needed to complete a call or download data, yet most phones will get reception over a wide range of signal strength. A strong signal obtained, say, when a caller is standing near a cell tower, could be about 10 billionths of a watt, according to wireless engineers. (Thus it would take 10 billion such connections to power a 100-watt light bulb.) At the other end of the spectrum, a signal of 10 quadrillionths, or 0.00000000000001, of a watt could be enough to complete a call. So a phone still could work when it shows one bar, even though it has one-millionth—and not one-fifth—the signal strength of that same phone when it shows five bars.

A tiny jolt

Cellphone calls require so little additional power to connect to a wireless network that it would take at least 10 billion such connections to power a 100-watt light bulb.

	Power, in watts
Cellphone, strong signal	10 billionth of a watt
Toaster oven	1,225
Laptop	120
Flat-screen TV	120
Clock radio	50

Note: Cellphone power is the connection to the network, not the power of the device's battery.

Sources: Energy Department; WSJ research
Photo: Getty Images

That one bar of signal strength might suffice, but it could lead to dropped calls, poor data transfers and other headaches. Cellphone users' ability to interpret the signal bars has been hampered by companies' varying definitions and a lack of full transparency about what the bars mean.

Apple hasn't disclosed details of the calculations it used or the new formula it plans to adopt based on the recommendations of its U.S. network provider AT&T Mobility, the wireless unit of AT&T.

(An AT&T spokesman referred questions to Apple, and an Apple spokeswoman didn't respond to a request for comment.)

Several tech enthusiasts, though, have tested their iPhones and reported that the company was showing four bars out of a maximum of five even with relatively weak signals. For instance, tech Web site AnandTech reported that signal strength as low as 80 quadrillionths of a watt corresponded to four bars. IPhoneRoot.com, an independent website for all things iPhone, ran separate tests and concluded that four bars could correspond to signal strength as low as 13 quadrillionths of a watt.

The Google Android, by contrast, shows three bars out of four only when signal strength is above 200 quadrillionths of a watt. That is roughly 2.5 to 16 times stronger than the threshold for iPhone to show four bars out of five.

Comparing the iPhone's formula with other devices is difficult because most manufacturers don't share their calculations either. The Android's software is available on the Internet, but representatives for **Motorola** Inc., Samsung Electronics Co., **Research In Motion** Inc. and **Nokia** Corp. all declined to disclose the formula their handsets use or didn't respond to requests for the information. Representatives for the four major U.S. carriers—AT&T, Verizon Wireless, **Sprint Nextel** Corp. and Deutsche Telekom AG's T-Mobile USA—also declined to share formulas, with some saying it was left up to the handset makers.

"This was an extreme example," Simon Saunders, director of technology for Real Wireless Limited, a consultancy in Pulborough, U.K., says of Apple's misleading signal bars. He says he understands why a cellphone maker would show the maximum number of bars for all but the weakest signals. "For the majority of that range, everything sounds the same to you," Dr. Saunders says. The problem with that approach is that the consumer wouldn't know that a call is at risk of being dropped, something that is more likely with weaker reception.

Even the raw signal-strength number doesn't tell wireless users everything they need to know about reception. Other factors—such as interference with other cell towers, the type of wireless network and how many others are using the network—also are important. "The reasons calls get dropped are much more varied than simple signal strength," says Spencer Webb, president of AntennaSys Inc., an antenna-design company in Pelham, N.H. "We have done nothing to make this whole thing more quantitative."

Representatives for the Federal Communications Commission and CTIA, the wireless-industry trade group, say they have no rules or standards for signal bars. Matt Larson, marketing manager for wpsantennas.com, which sells antennas to boost cellphone signals, says he would like to see that change. "What if your battery indicator said it was full and all of a sudden it dropped to zero?" Mr. Larson asks.

Learn more about this topic at WSJ.com/NumbersGuy. Email numbersguy@wsj.com.

Apple expands in China with opening of Shanghai store

Continued from page 21

6.4% of PC shipments, IDC said.

"Apple is definitely a laggard when it comes to focusing on China," said Shaun Rein, managing director of Shanghai-based consulting firm China Market Research Group. "Apple needs to make China a priority market" or risk seeing an impact on its sales growth, he said.

Apple has said it is accelerating its push overseas. Just 62 of Apple's 283 retail stores at the end of December were international outlets, but the company has said that more than half of the 40 to 50 new stores it plans to open in the current fiscal year, ending in September, will be outside the U.S.

Apple's plan to open more stores in China shows it recognizes "the importance of these markets outside of the Western world," said Bryan Ma, analyst for IDC in Singapore.

He added that the company's plan to start international sales of the iPhone 4, the latest version of its popular smartphone, more quickly than with previous models is also a sign of greater focus outside its home market.

Apple has said it will release the device in dozens of countries by September, although it hasn't specifically set the timetable for China.

Despite its relatively small presence in China, Apple enjoys high brand awareness among wealthier consumers here. Its products are seen by many in first-tier cities as status symbols.

At the Shanghai store opening, one Apple fan, holding a homemade poster of Chief Executive Steve Jobs, said he flew to Shanghai from Jilin province, more than 1,000 kilometers to the north, to attend the opening, and lined up for five days.

By Friday night, the crowd at the Shanghai store had grown to about 150 people, some wearing iPhone 4 T-shirts. Several people there said they hoped to be able to buy the iPhone 4 or iPad, which also hasn't started selling yet in China. But neither of those products was in showrooms, though the earlier version of the iPhone was in stock.

Apple has been slower than its rivals to expand overseas, even as the U.S. technology company has grown rapidly at home.

Apple declined to say when the iPhone 4 and the iPad will be available in China, though Apple's current Chinese partner for the iPhone, state-owned carrier **China Unicom (Hong Kong)** Ltd., has said it is in talks to sell the new model.

Analysts say a delayed release, among other factors, slowed authorized sales of the existing iPhone models in China, as users go to the "gray market" to buy unauthorized imports of Apple products.

IDC estimates 760,000 Unicom iPhones were sold in the first two quarters of its official release in China, accounting for 2% of China's smartphone market as of the first quarter, and less than 1% of China's overall handset market. Apple sold 8.4 million iPhones world-wide in the first quarter alone, according to research firm Gartner.

Consulting firm BDA China Ltd. estimates about 2 million to 3 million iPhones have been purchased in China via the gray market. But even that is a relatively small share of the total. China has more than 780 million mobile accounts.

Mr. Ma of IDC said Apple's market share is growing, and he doesn't think it's too late for Apple. IDC expects the Chinese PC market will grow more than 20% annually over the next five years, and smartphone penetration is seen increasing as well, which will create more opportunities for Apple.

"I wouldn't say the game is over yet," Mr. Ma said.

—Juliet Ye in Shanghai contributed to this article.

Sipa Press

Apple has said it plans to open 25 stores in China by the end of next year,

BUSINESS & FINANCE

Tuan Le (3)

Ryan Carlson demonstrates traders' hand signals on his website. Left to right: the old Shearson Lehman (cutting 'shears'), the old Refco ('reefer') and Goldman Sachs (touching a wedding ring).

Chicago trader has hand in history of trading pits

By Mary Pilon

CHICAGO—Ryan Carlson left the trading pits here in 2005 to trade electronically. But he didn't leave the past behind.

Mr. Carlson set off to record for posterity the dying language of hand signals that traders for decades used to buy and sell everything from pork bellies to wheat.

His pursuit put Mr. Carlson—30 years old and among the last generation to learn trading via open outcry—in the middle of a split between old and new ways of trading.

In 2008, he launched tradingpithistory.com, now featuring 244 trading hand signals, and an accompanying blog, tradingpitblog.com. They are rare caches of financial lore often undocumented by the exchanges or academics, making Mr. Carlson the accidental historian of hand signals and all things trading.

"I think I'm the only person in the world who collects this stuff," says Mr. Carlson, poring through photos of trading pits, trading jackets and century-old badges and handbooks in his condo here.

Even before the financial crisis, open-outcry trading was fading out as electronic trading rose. Electronic trading has made markets more efficient, Mr. Carlson says, and he enjoys the flexibility and ease of trading remotely, which he does now for his own account.

In the trading pits, traders used hand signals to communicate orders, allowing orders to be relayed above the roar. The hand signals also let traders see what others were trading and in what quantities and prices. Some traders who remain in the pits still use hand signals but also may use computers to execute orders.

Mr. Carlson, a native of Topeka, Kan., started at trading pits in Kansas City, Mo., at 18, skipped college and moved to the Chicago pits 1 1/2 years later in 1999. He has been trading only electronically since 2005.

"He's preserving part of our financial history," says Richard Sylla, chairman of the Museum of American Finance and professor at New York University's Stern School of Business.

CME Group Inc., the world's largest derivatives-exchange operator, offers some guidance on hand-signaling basics in its visitors gallery in Chicago, but Mr. Carlson sees that as the Webster's Dictionary to his UrbanDictionary.com, the popular slang website.

Bull horns, his site says, mean "Merrill Lynch." A bear claw signifies "Bear Stearns." Holding one's index finger and thumb to the mouth, as if smoking, signals the now-defunct financial-services firm "Refco" because "it sounded like 'reefer' to the traders," Mr. Carlson says.

The signal on his site for Deutsche Bank AG is a reference to Adolf Hitler's mustache. He says he received a request to pull it down, but didn't. "It's slang," says Mr. Carlson. "Like it or not, that's how some of these people communicated in the markets back then."

Traders in Singapore may have different signs from traders in London or Chicago or New York. The sign for "April" in Singapore, Mr. Carlson says, is "apple" because of the similarity between the two words.

He trolls trader message boards, online auction sites and antique shops for books and memorabilia. A fan of the site in London emailed that some yellow Barings Bank trading jackets that had been in a crate for 15 years were up for sale. However, they had to be picked up in person. Mr. Carlson's wife, Shauna, made the trek.

Currently, he is trying to hunt down obscure signals from the London International Financial Futures and Options Exchange (now part of NYSE Liffe, owned by **NYSE Euronext**), which closed its pits a decade ago. "I haven't even scratched the surface," Mr. Carlson says. "The deeper I go, the more I get."

LEGAL NOTICES

PUBLIC NOTICES

STATE OF RHODE ISLAND SUPERIOR COURT
PROVIDENCE, SC
IN RE: GTE REINSURANCE COMPANY LIMITED. C.A. NO.: PB 10-3777

NOTICE OF HEARING ON PETITION FOR LEAVE TO CONVENE A MEETING OF CREDITORS

TO ALL CREDITORS OF GTE REINSURANCE COMPANY LIMITED ("GTE RE"), INCLUDING REINSURANCE CEDENTS, BROKERS WHO PLACED BUSINESS WITH GTE RE AND ANY OTHER INTERESTED PARTIES:

PLEASE TAKE NOTICE THAT GTE RE proposes to enter into a Commutation Plan with its Commutation Plan Creditors, pursuant to Rhode Island Statute 27-14.5, and has filed a Petition for Implementation of a Commutation Plan in the Superior Court in and for the State of Rhode Island.

PLEASE TAKE FURTHER NOTICE THAT the hearing on **GTE RE's application for leave to convene the Meeting of Creditors to vote on the Commutation Plan (the "Application") is scheduled to take place on July 21, 2010 at 11:00 AM Eastern before Mr. Justice Silverstein in the Superior Court for Providence County, 250 Benefit Street, Providence, Rhode Island.**

Attendance at the hearing is permitted, but not mandatory. Commutation Plan Creditors who wish to raise any issues in relation to the Meeting of Creditors that GTE RE proposes to convene, or which may affect the conduct of that Meeting of Creditors, should either file a written objection with the Court (with a copy to GTE RE and its attorneys) prior to the date of hearing, or the objecting Commutation Plan Creditor or its attorney should appear at the hearing to present any objection. To the extent that GTE RE receives notice of any issues regarding the constitution of the Meeting of Creditors or which may affect the conduct of the Meeting of Creditors, it will draw the issues raised to the attention of the Court at the hearing of the Application should the Commutation Plan Creditor choose not to appear before the Court.

PLEASE TAKE FURTHER NOTICE THAT any questions regarding the Commutation Plan or the hearing on the Application should be directed to the Commutation Plan Advisor:

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Standard Chartered IPO: Japan or India redux?

[Think Again]

A Second Look at Sectors and Stocks

Bloomberg News

Standard Chartered's Hong Kong HQ

Standard Chartered PLC is planning a listing in an Asian manufacturing titan. StanChart's rationale? Marketing its brand there (the bank doesn't especially need the capital). In a recent interview, Jaspal Singh Bindra, its Asia chief executive, says the bank views a Shanghai listing as more of a marketing push rather than to one to locally fund its working-capital needs.

StanChart's recent experience in India broadly supports its rationale. The bank was the first foreign company to offer Indian Depositary Receipts, and the 24.9 billion rupees ($532.1 million) raised in May was a mere trifle for a bank with a capitalization of £34.70 billion ($52.60 billion).

True, initial investor reaction to the offering was lukewarm due to local investment restrictions and tax implications. But it's nice to be paid half a billion bucks to boost your own customer awareness. Google Insights data shows a clear spike in StanChart news searches out of India in the runup to and in the week of its IDR offering, which should have done its bit to raise the lender's corporate profile among India's burgeoning middle classes. If that can be replicated in China, then an IPO clearly has substantial marketing benefits. For companies thinking "me too," it's worth noting the advantage possessed by StanChart and peer **HSBC Holdings**, also considering a Shanghai listing, with their strong historical ties to India and China And, like all marketing exercises, following through with tangible efforts to build out local business is critical and is the hardest part.

The lessons from Japan, however, are salutary, and a misstep in China is still possible, unlikely as that may appear.

Many foreign companies listed on the Tokyo Stock Exchange in the late 1980s and early 1990s as part of a publicity blitz to get in on the Japanese market and a sense that Tokyo would be the new economic center of the world. When the Topix set a record of 2884.80 in December 1989, 119 foreign firms were listed there. In 1985, there had been just 21. Today, this has slumped to just 12. Very few of the foreign firms that went to Japan generated much revenue there, and many of those that remain, arguably, have little Japan presence and poor liquidity in their shares.

The name of one of those that went to Tokyo? Standard Chartered, which in December 1986 took the plunge. In 1995, it gave up and was one of 17 foreign companies that delisted that year.

—Jamie Miyazaki

Google TV's Implications

It only took a few years for Android to move from being a strange word in the land of tech to a commonplace one on a billboard. In May, Google announced Google TV, built on a open platform like Android and Google Chrome, with hardware partners **Sony**, **Logitech** and **Intel**, no doubt with the aim of repeating the trick on the television screen.

The new platform would allow Google to build up an even more detailed picture of user preferences and make it a better place for advertisers. But perhaps the key is that Google TV would be the wrapper around a TV show, which could, in time, enable intelligent advertising to be inserted around the television program. However, this could bring Google into conflict with satellite and cable operators, which now own the wrapper, and with initiatives such as Canvas, a U.K.-based live streaming of video-to-television initiative.

It's generally accepted that for Google TV to make decent inroads in the market for those who watch TV in their living rooms it would need to have sports, the obvious hit shows, on-demand movies and high-definition capability. The fact that average gap from the time a show is recorded to the time it is viewed is around 30 minutes shows viewers want to watch their favorite show then and there. Access to the programs that customers want varies. In Europe, consumers in U.K. and Germany have the greatest amount of free-to-view services, so Google TV wouldn't need to buy up much (or any) additional programming. In the U.S., however, the free-to-view offering is weak, so Google needs to find a partner or license content. It currently is working with pay-TV provider DISH Network.

It's hard to know at this stage what criteria Google would use to call the initiative a success, but the company has been happy to use M&A when a new service gains traction. In this context, companies that are potentially the equivalent of Doubleclick, which Google acquired in 2008, that manage advertising for the TV world include FreeWheel in the U.S. and Videoplaza in Europe.

—Paul Sharma

Think Again uses material from Dow Jones Investment Banker. For more information, visit www.dowjones.com/banker

MARKETS

Euro should sustain rally as stress tests awaited

By Bradley Davis

With concerns about European sovereign debt receding, the euro has put in a strong showing. This week, it's set to seek to hold on to those gains.

Successful government bond auctions in Portugal and Spain combined with details released on stress tests of European banks and continued belt-tightening plans across the euro zone all have taken pressure off the common currency. On Friday, the euro briefly touched a two-month high against the dollar—rising all the way to $1.2723, a 7% gain in the span of about a month—from its four-year low at $1.1876.

CURRENCY MARKETS

"A lot of it has to do with sentiment," said Geoffrey Pazzanese, co-manager of Federated Investors' $736 million Intercontinental Fund.

With German and French leaders "winning the arguments" for stringent budget cuts and market-soothing stress tests, investors are coming around to the viewpoint that "the euro should look a little bit more like the Deutsche mark," with its solid fiscal backing, Mr. Pazzanese said.

Still, it will take awhile to repair the damage done. Despite this past week's recovery, the euro is down around 11.5% against the dollar since the beginning of the year, with investors keeping a cautious stance on the lingering issues of sovereign debt.

Ahead of the July 23 results of the European Union's bank stress tests, the euro should hold on to most of its recent gains, trading this week between $1.2480 and $1.2725, said Jan Lambregts, global head of financial-markets research at Rabobank International in London.

Mr. Lambregts pinpointed one key risk to the euro's recent rally—leaks of bad news from the stress tests. Thin summer markets tend to be more volatile, with small trades having an exaggerated effect. Late Friday, the euro was at $1.2640, from $1.2692 late Thursday.

The dollar has suffered from the shift in focus from the euro zone to the possibility of slowing U.S. growth. Among U.S. data on tap this week, Thursday's industrial-production figures should go a long way in determining the pace of the U.S. recovery, Mr. Lambregts said.

Uncertainty surrounding Japan's current ruling party could lead the yen to weaken, analysts said.

The ruling Democratic Party of Japan and its junior coalition partner, the People's New Party, on Sunday lost their combined majority in the Upper House. The resulting political uncertainty could hurt the yen against the dollar. The dollar should trade between 88 and 92 yen, analysts said, with the greenback Friday afternoon at 88.63 yen from 88.39 yen late Thursday.

FUND SCORECARD

US Large-Cap Blend Equity

Funds that are fairly representative of the U.S. large-cap equity market. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending July 09, 2010

Leading 10 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US** YTD	1-YR	2-YR	5-YR
NS	**Amundi ETF Leveraged MSCI USA Daily A**	Amundi Investment Solutions	EUR	FRA	**15.29**	78.40	NS	NS
4	**Lyxor ETF FTSE RAFI US 1000 A**	Lyxor International Asset Management	EUR	FRA	**11.93**	49.44	6.46	NS
3	**Allianz Amériques StocksPLUS A/I**	Allianz Global Investors France	EUR	FRA	**9.32**	45.84	4.67	-2.47
2	**CapitalAtWork Amer Eq at Work D**	Capital at Work	EUR	LUX	**12.09**	43.60	10.73	-2.90
4	**Aktia America A**	Aktia Rahastoyhtiö Oy	EUR	FIN	**11.69**	40.43	2.60	-1.00
2	**OP-Amerikka Indeksi A**	OP-Rahastoyhtiö Oy	EUR	FIN	**9.04**	39.74	0.19	-4.61
5	**Lyxor ETF Dow Jones Indl Average A**	Lyxor International Asset Management	EUR	FRA	**10.36**	39.66	7.64	0.14
4	**LINGOHR AM SYSTEMATIC LBB INVEST**	Landesbank Berlin Investment GmbH	EUR	DEU	**5.46**	38.52	0.19	-1.72
2	**UBS (Lux) KSS US Eqs (EUR) P Acc**	UBS (Lux) Key Selection Sicav	EUR	LUX	**5.16**	38.42	2.28	-4.14
NS	**Handelsinvest Nordamerika**	Handelsinvest	DKK	DNK	**11.03**	37.81	NS	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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Stockpickers' lament: herd instinct

Continued from page 21

to 45%, the lowest allowed under Harris's guidelines, and bonds have risen to 55%.

"The easiest thing for us to do is lower our risk" rather than try to pick and choose among stocks, Mr. Ablin explains. "I think we are going to stay with a higher bond allocation than usual for a while. We just think that the market warrants a higher degree of vigilance."

The tendency of stocks to rise and fall together may help explain why some conservative, dividend-paying stocks have been turning in disappointing results lately, while some riskier stocks, such as computer-chip makers, are holding up better than expected.

"One of the strategies we run is very defensive and it has not done well in May and June of this year," says Janna Sampson, co-chief investment officer at OakBrook Investments, which oversees $2.1 billion in Lisle, Ill.

Dividend payers in the S&P 500 are down about 11% since that index's April 23 peak—about the same decline as stocks that don't pay dividends, according to research done for The Wall Street Journal by Birinyi Associates. None of the S&P 500's 10 sectors, even the most defensive, shows a gain since the April peak.

Among the few investments showing gains since April 23 are Treasury bonds, investment-grade corporate bonds and gold.

"Stocks aren't moving because of the sector they are in, but because the overall market is down" since late April, Mr. Rubin says.

Exchange-traded funds, high-tech trading strategies and quick shifts to cash permit investors to react quickly to market moves without analyzing individual stocks, but they also mean that professional investors have less need to use traditional defensive stocks as havens.

Ms. Sampson of OakBrook has been especially surprised at the weak performance of stocks like **Microsoft**, which hasn't been behaving as the big, solid, dividend-paying blue-chip to which many investors normally would turn.

Since April, Microsoft has fallen harder than the overall market. Its stock price, as a multiple of its earnings, has been below that of the broad market, something that has rarely been the case in Microsoft's history. Microsoft, of course, has suffered recently from adverse comparisons with Apple, and its status as a blue-chip hasn't offset that.

Another problem for dividend payers is that the group includes some of the market's most volatile stocks, such as financial and industrial shares. Dividend payers in more stable groups, including telecommunications and utility stocks, have held up better, but those groups still are down.

Some analysts believe stock prices could remain sluggish for some time. In that case, they say, investors should buy dividend-paying stocks in hopes that dividends will enhance weak price performance. So far, however, investors don't seem to be heeding that advice much.

Pictet's Dunand: Play commodity currencies

By Tara Loader Wilkinson

Chloé Koos Dunand, economist at Swiss bank Pictet & Cie, talks to The Wall Street Journal about how to profit from commodity currencies.

WEALTH MANAGER Q&A

Pictet

Pictet's Chloé Koos Dunand

The fast pace of industrialization in China, which stimulated interest in commodity currencies, augers well for both commodities and the countries that produce them. The critical factor is not to treat all commodity currencies the same. The Canadian dollar is much less a commodity currency, for example, than the Indonesian rupiah.

Australia exports a diversified array of goods to China and has a sensible monetary policy and fiscal policy mix. Among emerging-market currencies, the Indonesian rupiah looks an outstanding prospect since Indonesia also exports heavily, particularly oil and petroleum products. Domestic investment has risen fast, from 20% to 30% gross domestic product since 2000.

Asia is the destination of about 25% of New Zealand and Chile's exports. The New Zealand dollar benefits from association with the Australian dollar, and Chile is pre-eminent in the copper market.

Canada's exports to Asia are not yet significant but are rising, making the Canadian dollar attractive.

[INTERNATIONAL INVESTMENT FUNDS www.wsj.com/funddata]

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Andfs. Anglaterra	UK	EQ	AND	07/08	GBP	7.65	-7.1	20.2	-2.3
Andfs. Borsa Global	GL	EQ	AND	07/08	EUR	5.99	-7.8	14.4	-13.2
Andfs. Emergents	GL	EQ	AND	07/08	USD	15.73	-9.4	25.1	-6.7
Andfs. Espanya	EU	EQ	AND	07/08	EUR	11.68	-16.0	8.0	-8.4
Andfs. Estats Units	US	EQ	AND	07/08	USD	13.69	-8.8	14.2	-10.7
Andfs. Europa	EU	EQ	AND	07/08	EUR	7.05	-10.1	14.0	-9.9
Andfs. Franca	EU	EQ	AND	07/08	EUR	8.70	-10.6	13.8	-10.3
Andfs. Japo	JP	EQ	AND	07/08	JPY	473.61	-7.3	2.5	-14.7
Andfs. Plus Dollars	US	BA	AND	07/08	USD	9.21	-2.5	8.9	-4.5
Andfs. RF Dolars	US	BD	AND	07/08	USD	11.64	1.8	8.5	1.4
Andfs. RF Euros	EU	BD	AND	07/08	EUR	10.90	0.7	8.7	1.6
Andorfons	EU	BD	AND	07/08	EUR	14.56	0.4	9.7	1.2
Andorfons Alternative Premium	GL	EQ	AND	05/31	EUR	101.35	2.4	7.4	-6.1
Andorfons Mix 30	EU	BA	AND	07/08	EUR	9.37	-2.0	12.6	-5.7
Andorfons Mix 60	EU	BA	AND	07/08	EUR	8.79	-5.2	13.0	-11.6

■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
CAM-GTF Limited	AS	EQ	MUS	07/02	USD	318770.21	16.1	64.0	16.6

■ DJE INVESTMENT S.A.
internet: www.dje.lu email: info@dje.lu phone:+00 352 269 2522 0 fax:+00 352 269 25252

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
DJE Real Estate P	OT	EQ	LUX	07/09	EUR	8.90	0.5	-0.1	-3.3
DJE-Absolut P	GL	EQ	LUX	07/09	EUR	204.80	0.0	16.5	-4.4
DJE-Alpha Glbl P	EU	BA	LUX	07/09	EUR	171.12	-4.0	10.0	-4.7
DJE-Div& Substanz P	EU	EQ	LUX	07/09	EUR	216.68	0.7	20.8	-0.1
DJE-Gold&Resourc P	OT	EQ	LUX	07/09	EUR	187.37	10.0	42.9	1.5
DJE-Renten Glbl P	EU	BD	LUX	07/09	EUR	135.53	3.8	8.5	6.2
LuxPro-Dragon I	AS	EQ	LUX	07/09	EUR	145.84	-7.7	14.1	7.9
LuxPro-Dragon P	AS	EQ	LUX	07/09	EUR	141.55	-8.0	13.5	7.4
LuxTopic-Aktien Europa	EU	EQ	LUX	07/09	EUR	16.79	-5.2	12.1	2.4
LuxTopic-Pacific	AS	EQ	LUX	07/09	EUR	17.86	9.0	37.1	2.5

■ 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	54.7	6.4
Sel Emerg Mkt Equity	GL	EQ	GGY	12/31	USD	207.66	63.0	73.6	-11.3
Sel Euro Equity EUR	OT	OT	GGY	12/31	EUR	96.29	32.6	27.0	-17.7
Sel European Equity	EU	EQ	GGY	12/31	USD	181.94	42.7	49.9	-16.8
Sel Glob Equity	GL	EQ	GGY	12/31	USD	189.25	35.2	42.1	-15.7
Sel Glob Fxd Inc	GL	BD	GGY	12/31	USD	143.46	11.4	15.8	-1.4
Sel Pacific Equity	AS	EQ	GGY	12/31	USD	143.75	68.5	80.5	-7.1
Sel US Equity	US	EQ	GGY	12/31	USD	123.56	24.0	30.0	-14.2
Sel US Sm Cap Eq	US	EQ	GGY	12/31	USD	168.82	30.1	42.6	-14.8

■ 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	07/05	JPY	10029.71	1.1	NS	NS
Prosperity Return Fund B	EU	BD	LUX	07/05	JPY	8867.26	-10.3	NS	NS
Prosperity Return Fund C	EU	BD	LUX	07/05	USD	90.69	-6.0	NS	NS
Prosperity Return Fund D	EU	BD	LUX	07/05	EUR	107.88	10.5	NS	NS
Renaissance Hgh Grade Bd A	JP	BD	LUX	07/05	JPY	10037.82	1.4	NS	NS
Renaissance Hgh Grade Bd B	EU	BD	LUX	07/05	JPY	8814.06	-10.6	NS	NS
Renaissance Hgh Grade Bd C	EU	BD	LUX	07/05	USD	89.54	-6.3	NS	NS
Renaissance Hgh Grade Bd D	EU	BD	LUX	07/05	EUR	104.45	7.3	NS	NS

■ 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	07/08	EUR	20.99	-13.7	-10.4	-35.7
MP-TURKEY.SI	OT	OT	SVN	07/08	EUR	41.20	18.7	59.4	15.4

■ 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	07/08	EUR	14.39	7.6	24.5	1.9
Parex Eastern Europ Bd	EU	BD	LVA	07/08	USD	16.26	11.1	30.5	7.3
Parex Russian Eq	EE	EQ	LVA	07/08	USD	19.97	2.3	42.6	-18.3

■ 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	GL	EQ	LUX	07/08	EUR	124.70	1.5	35.4	NS
Pictet-Asian Eq ExJpn-I USD	AS	EQ	LUX	07/09	USD	165.69	-7.2	19.0	-4.7
Pictet-Asian Eq ExJpn-P USD	AS	EQ	LUX	07/09	USD	157.00	-7.6	18.0	-5.5
Pictet-Biotech-P USD	OT	EQ	LUX	07/08	USD	244.03	-15.3	-8.1	-15.5
Pictet-CHF Liquidity-P	CH	MM	LUX	07/08	CHF	124.12	-0.1	0.0	0.3
Pictet-CHF Liquidity-P dy	CH	MM	LUX	07/08	CHF	93.33	-0.1	0.0	0.3
Pictet-Conv. Bonds-P EUR	EU	BD	LUX	07/08	EUR	99.37	NS	NS	NS
Pictet-Digital Comm-P USD	OT	EQ	LUX	07/08	USD	116.57	-0.9	24.9	3.1
Pictet-Eastern Europe-P EUR	EU	EQ	LUX	07/08	EUR	343.31	8.9	67.2	-6.7
Pictet-Emerging Markets-P USD	GL	EQ	LUX	07/09	USD	498.52	-7.6	24.4	-9.6
Pictet-Eu Equities Sel-P EUR	EU	EQ	LUX	07/08	EUR	408.65	-0.7	24.0	-6.4
Pictet-EUR Bonds-P	EU	BD	LUX	07/08	EUR	397.43	3.4	6.0	5.7
Pictet-EUR Bonds-Pdy	EU	BD	LUX	07/08	EUR	291.44	3.4	6.0	5.7
Pictet-EUR Corporate Bonds-P	EU	BD	LUX	07/08	EUR	151.33	2.3	10.3	8.3
Pictet-EUR Corporate Bonds-Pdy	EU	BD	LUX	07/08	EUR	102.59	2.3	10.3	8.3
Pictet-EUR High Yield-P	EU	BD	LUX	07/08	EUR	152.22	3.5	28.2	7.2
Pictet-EUR High Yield-Pdy	EU	BD	LUX	07/08	EUR	83.44	3.5	28.1	7.2
Pictet-EUR Liquidity-P	EU	MM	LUX	07/08	EUR	136.08	0.1	0.3	1.3
Pictet-EUR Liquidity-Pdy	EU	MM	LUX	07/08	EUR	96.75	0.1	0.3	1.3
Pictet-EUR Sovereign Liq-P	EU	MM	LUX	07/08	EUR	102.41	0.0	0.1	1.1
Pictet-EUR Sovereign Liq-Pdy	EU	MM	LUX	07/08	EUR	99.92	0.0	0.0	1.1
Pictet-Europe Index-P EUR	EU	EQ	LUX	07/08	EUR	100.98	-1.0	25.6	-4.1
Pictet-European Sust Eq-P EUR	EU	EQ	LUX	07/08	EUR	134.75	0.4	27.7	-3.4
Pictet-Glo Emerging Debt-P USD	GL	BD	LUX	07/08	USD	254.49	4.4	16.6	12.9
Pictet-Glo Emerging Debt-Pdy USD	GL	BD	LUX	07/08	USD	165.28	4.4	16.6	12.9
Pictet-Greater China-P USD	AS	EQ	LUX	07/09	USD	324.49	-9.1	12.8	-0.4
Pictet-Indian Equities-P USD	EA	EQ	LUX	07/09	USD	367.39	0.3	35.7	9.4
Pictet-Japan Index-P JPY	JP	EQ	LUX	07/09	JPY	8405.52	-5.4	-0.9	-17.6
Pictet-Japanese Eq 130/30-P JPY	JP	EQ	LUX	07/09	JPY	4267.81	-3.6	1.4	-16.1
Pictet-Japanese Eq Sel-I JPY	JP	EQ	LUX	07/09	JPY	7347.18	-5.1	-1.2	-20.4
Pictet-Japanese Eq Sel-P JPY	JP	EQ	LUX	07/09	JPY	7102.62	-5.4	-1.8	-20.9
Pictet-MENA-P USD	OT	OT	LUX	07/07	USD	44.99	0.3	NS	NS
Pictet-Pac (ExJpn) Idx-P USD	AS	EQ	LUX	07/09	USD	252.44	-8.6	29.7	-3.2
Pictet-Piclife-P CHF	CH	BA	LUX	07/08	CHF	775.54	-2.3	8.2	0.3
Pictet-Premium Brands-P EUR	OT	EQ	LUX	07/08	EUR	74.78	13.4	52.2	12.8
Pictet-Russian Equities-P USD	EE	EQ	LUX	07/08	USD	61.79	-4.2	59.8	-18.6
Pictet-Security-P USD	GL	EQ	LUX	07/08	USD	100.30	0.0	24.4	3.6
Pictet-Small Cap Europe-P EUR	EU	EQ	LUX	07/08	EUR	478.10	4.5	29.4	-3.3
Pictet-Timber-P USD	GL	EQ	LUX	07/08	USD	100.78	-6.3	35.9	NS
Pictet-USA Index-P USD	US	EQ	LUX	07/08	USD	87.45	-4.4	21.6	-6.7
Pictet-USD Government Bonds-P	US	BD	LUX	07/08	USD	535.44	5.6	5.7	5.7
Pictet-USD Government Bonds-Pdy	US	BD	LUX	07/08	USD	382.86	5.6	5.7	5.7
Pictet-USD Liquidity-P	US	MM	LUX	07/08	USD	131.03	0.0	0.1	0.8
Pictet-USD Liquidity-Pdy	US	MM	LUX	07/08	USD	84.85	0.0	0.1	0.8
Pictet-USD Sovereign Liq-P	US	MM	LUX	07/08	USD	101.57	0.0	0.0	0.7
Pictet-USD Sovereign Liq-Pdy	US	MM	LUX	07/08	USD	100.07	0.0	0.0	0.7
Pictet-Water-P EUR	GL	EQ	LUX	07/08	EUR	134.49	7.7	26.8	2.2
Pictet-World Gvt Bonds-P USD	EU	BD	LUX	07/08	USD	165.95	1.0	3.6	4.1
Pictet-World Gvt Bonds-Pdy USD	EU	BD	LUX	07/08	USD	134.58	1.0	3.6	4.1

■ POLAR CAPITAL PARTNERS LIMITED
International Fund Managers (Ireland) Limited PH - 3531 670 660 Fax - 3531 670 1185

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Global Technology	OT	EQ	IRL	07/08	USD	13.55	0.7	29.2	5.7
Japan Fund USD	JP	EQ	IRL	07/09	USD	16.36	3.0	5.0	3.5
Polar Healthcare Class I USD	OT	EQ	IRL	07/08	USD	11.95	-7.6	12.4	NS
Polar Healthcare Class R USD	OT	EQ	IRL	07/08	USD	11.89	-7.9	11.7	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	05/31	USD	109.20	10.8	12.5	12.2
Elbrus USD A	GL	EQ	CYM	06/25	USD	10.42	35.9	-24.7	-17.9
Europn Conviction USD B	EU	EQ	CYM	05/31	USD	135.06	-1.7	0.6	6.4
Europn Forager USD B	EU	EQ	CYM	05/31	USD	226.81	1.3	15.9	4.7
Latin America USD A	GL	EQ	CYM	04/30	USD	14.21	2.2	-4.7	14.7
Paragon Limited USD A	EU	EQ	CYM	11/28	USD	324.09	12.7	12.7	14.2
UK Fund USD A	OT	OT	CYM	04/30	USD	187.82	2.1	6.9	5.4

■ 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	GL	EQ	BMU	07/07	USD	147.21	15.6	59.0	8.1

■ 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
ACTION FRANCE A	EU	EQ	IRL	07/08	EUR	658.57	-6.9	21.4	-7.3
CORE EUROZONE EQ B	EU	EQ	IRL	07/08	EUR	789.65	-5.1	23.0	-5.8
EURO FIXED INCOME A	EU	BD	IRL	07/08	EUR	1315.47	5.7	12.9	4.6
EURO FIXED INCOME B	EU	BD	IRL	07/08	EUR	1409.00	6.0	13.6	5.2
EUROPEAN SMALL CAP A	EU	EQ	IRL	07/08	EUR	1255.35	4.5	35.3	-4.0
EUROPEAN SMALL CAP B	EU	EQ	IRL	07/08	EUR	1348.87	4.9	36.1	-3.4
EUROZONE AGG A EUR	EU	EQ	IRL	07/08	EUR	655.43	-0.1	30.3	-4.2
EUROZONE AGG B EUR	EU	EQ	IRL	07/08	EUR	944.85	0.2	31.0	-3.6
GLB REAL EST SEC A	OT	EQ	IRL	07/08	USD	872.12	-2.7	32.6	-11.1
GLB REAL EST SEC B	OT	EQ	IRL	07/08	USD	901.92	-2.4	33.4	-10.6
GLB REAL EST SEC EH A	OT	EQ	IRL	07/08	EUR	787.70	-2.1	29.9	-11.1
GLB REAL EST SEC SH B	OT	EQ	IRL	07/08	GBP	74.45	-1.7	31.2	-11.2
GLB STRAT YIELD A	EU	BD	IRL	07/08	EUR	1688.40	5.1	25.0	7.8
GLB STRAT YIELD B	EU	BD	IRL	07/08	EUR	1812.28	5.4	25.8	8.5
GLOBAL BOND A	EU	BD	IRL	07/08	EUR	1285.12	16.3	22.8	16.1
GLOBAL BOND B	EU	BD	IRL	07/08	EUR	1372.91	16.7	23.6	16.9
GLOBAL BOND EH A	GL	BD	IRL	07/08	EUR	1471.30	7.0	14.5	7.7
GLOBAL BOND EH B	GL	BD	IRL	07/08	EUR	1566.52	7.3	15.2	8.4
JAPAN EQUITY A	JP	EQ	IRL	07/08	JPY	10962.79	-5.8	-3.4	-17.0
JAPAN EQUITY B	JP	EQ	IRL	07/08	JPY	11721.08	-5.5	-2.8	-16.5
PAC BASIN (X JPN) A	AS	EQ	IRL	07/08	USD	2155.98	-5.7	28.5	2.1
PAC BASIN (X JPN) B	AS	EQ	IRL	07/08	USD	2308.08	-5.4	29.2	2.8
PAN EUROPEAN EQUITY A	EU	EQ	IRL	07/08	EUR	964.57	0.2	30.7	-4.1
PAN EUROPEAN EQUITY B	EU	EQ	IRL	07/08	EUR	1031.31	0.5	31.5	-3.6
US EQUITY A	US	EQ	IRL	07/08	USD	833.27	-4.5	22.5	-8.8
US EQUITY B	US	EQ	IRL	07/08	USD	894.90	-4.2	23.3	-8.3
US SMALL CAP EQUITY A	US	EQ	IRL	07/08	USD	1287.26	-0.1	29.8	-6.9
US SMALL CAP EQUITY B	US	EQ	IRL	07/08	USD	1383.35	0.2	30.6	-6.3

■ SEB ASSET MANAGEMENT S.A.
www.seb.se

■ SEB Fund 1

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Asset Sele C EUR	OT	OT	LUX	07/09	EUR	13.55	-2.4	0.5	6.9
Asset Sele C H-CHF	OT	OT	LUX	07/09	CHF	93.89	-2.5	0.1	NS
Asset Sele C H-GBP	OT	OT	LUX	07/09	GBP	95.43	-2.2	1.0	NS
Asset Sele C H-JPY	OT	OT	LUX	07/09	JPY	9465.43	-2.1	0.6	NS
Asset Sele C H-NOK	OT	OT	LUX	07/09	NOK	109.44	-1.7	1.3	NS
Asset Sele C H-SEK	OT	OT	LUX	07/09	SEK	135.75	-2.5	0.2	7.2
Asset Sele C H-USD	OT	OT	LUX	07/09	USD	95.19	-2.3	0.7	NS
Asset Sele CG-EUR	OT	OT	LUX	07/09	GBP	96.92	-2.1	NS	NS
Asset Sele D H-SEK	OT	OT	LUX	07/09	SEK	125.21	-2.5	0.3	NS
Choice Global Value -C-	GL	EQ	LUX	07/09	SEK	72.76	-5.8	15.0	-9.9
Choice Global Value -D-	GL	EQ	LUX	07/09	SEK	67.87	-5.7	15.1	-9.8
Choice Global Value -I-	GL	EQ	LUX	07/09	EUR	6.84	1.1	33.4	-9.8
Choice Japan Fd -C-	JP	EQ	LUX	07/09	JPY	44.83	-4.3	-3.9	-18.9
Choice Japan Fd -D-	JP	EQ	LUX	07/09	JPY	40.15	-4.3	-3.8	-18.9
Choice Jpn Chance/Risk -C-	JP	EQ	LUX	07/09	JPY	45.83	-10.1	-4.5	-22.2
Choice NthAmChance/Risk -C-	US	EQ	LUX	07/09	USD	3.73	-5.7	19.6	-11.7
Ethical Europe Fd -C-	EU	EQ	LUX	07/09	EUR	1.92	-1.9	25.2	-8.5
Europe Fund -C-	EU	EQ	LUX	07/09	EUR	2.82	-0.3	28.0	-7.0
Europe Fund -D-	EU	EQ	LUX	07/09	EUR	1.51	-0.3	28.0	NS
Europe Index Fund	EU	EQ	LUX	07/09	EUR	4.03	-2.0	24.7	-8.5
Global Chance/Risk Fd -C-	GL	EQ	LUX	07/09	EUR	0.64	4.7	30.9	-1.9
Global Fd -C-	GL	EQ	LUX	07/09	USD	1.97	-7.7	17.1	-12.5
Global Fd -D-	GL	EQ	LUX	07/09	USD	1.22	-7.6	17.1	NS
Nordic Fd -C-	NO	EQ	LUX	07/09	EUR	6.12	NS	NS	NS

■ SEB Fund 2

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Choice Asia ex. Japan -C-	AS	EQ	LUX	07/09	USD	7.19	-4.1	20.6	1.2
Choice Asia ex. Japan -D-	AS	EQ	LUX	07/09	USD	1.26	-4.1	20.6	NS
Currency Alpha EUR -IC-	OT	OT	LUX	07/09	EUR	10.27	-0.3	-2.9	-1.5
Currency Alpha EUR -RC-	OT	OT	LUX	07/09	EUR	10.16	-0.5	-3.3	-1.9
Currency Alpha SEK -ID-	OT	OT	LUX	07/09	SEK	91.72	-0.3	-3.1	-3.6
Currency Alpha SEK -RC-	OT	OT	LUX	07/09	SEK	96.24	-0.5	-3.3	-1.9
Generation Fd 80 -C-	OT	OT	LUX	07/09	SEK	7.96	-0.5	14.1	0.0
Nordic Focus SH A	NO	EQ	LUX	07/09	EUR	84.25	3.3	41.5	0.6
Nordic Focus SH B	NO	EQ	LUX	07/09	SEK	85.64	3.3	41.5	0.6
Nordic Focus SH C	NO	EQ	LUX	07/09	NOK	84.57	3.3	41.5	0.6
Russia Fd -C-	EE	EQ	LUX	07/09	EUR	9.46	7.5	75.0	-6.7

■ SEB Fund 3

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Ethical Glbl Index Fd -D-	GL	EQ	LUX	07/09	USD	0.73	-11.9	14.7	-10.8
Ethical Glbl Index Fd -C-	GL	EQ	LUX	07/09	USD	0.76	NS	NS	NS
Ethical Sweden Fd -D-	NO	EQ	LUX	07/09	SEK	44.30	6.5	32.4	13.1
Index Linked Bd Fd SEK -D-	OT	BD	LUX	07/09	SEK	13.13	2.2	4.8	4.1
Medical Fd -D-	OT	EQ	LUX	07/09	USD	3.07	-7.7	11.7	-5.5
Short Medium Bd Fd SEK -D-	NO	MM	LUX	07/09	SEK	8.56	-0.1	0.0	1.1
Technology Fd -C-	OT	EQ	LUX	07/09	USD	0.20	-5.9	23.0	NS
Technology Fd -D-	OT	EQ	LUX	07/09	USD	2.38	-5.9	23.0	-0.8
U.S. Index Fd -C-	US	EQ	LUX	07/09	USD	1.75	-5.4	21.4	-7.8
U.S. Index Fd -D-	US	EQ	LUX	07/09	USD	1.73	-6.3	20.3	-8.2
World Fd -C-	NO	BA	LUX	07/09	USD	27.86	-2.7	23.0	NS
World Fd -D-	NO	BA	LUX	07/09	USD	2.08	-4.4	20.9	-6.4

■ SEB Fund 4

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Short Bond Fd EUR -C-	EU	MM	LUX	07/09	EUR	1.27	-0.1	-0.2	0.1
Short Bond Fd EUR -D-	EU	MM	LUX	07/09	EUR	0.49	-1.3	-1.4	NS
Short Bond Fd SEK -C-	NO	MM	LUX	07/09	SEK	21.96	0.0	0.3	1.3
Short Bond Fd SEK HNWC	NO	MM	LUX	07/09	SEK	11.11	0.2	NS	NS
Short Bond Fd SEK HNWD	NO	MM	LUX	07/09	SEK	9.95	-1.9	NS	NS
Short Bond Fd USD -C-	US	MM	LUX	07/09	USD	2.48	-0.3	-0.6	0.0

■ SEB Fund 5

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Bond Fd SEK -C-	NO	BD	LUX	07/09	SEK	43.93	2.6	4.1	7.9
Bond Fd SEK -D-	NO	BD	LUX	07/09	SEK	12.30	-1.1	0.4	6.0
Bond Fd SEK HNWD	NO	BD	LUX	07/08	SEK	8.93	2.7	NS	NS
Corp. Bond Fd EUR -C-	EU	BD	LUX	07/09	EUR	1.31	3.0	11.9	5.9
Corp. Bond Fd EUR -D-	EU	BD	LUX	07/09	EUR	0.97	3.1	12.4	5.9
Corp. Bond Fd SEK -C-	NO	BD	LUX	07/09	SEK	13.13	4.3	13.9	4.5
Corp. Bond Fd SEK -D-	NO	BD	LUX	07/09	SEK	9.55	4.3	13.9	4.5
Danish Mortgage Bond Fd EUR -ID-	NO	BD	LUX	07/09	EUR	106.46	6.7	9.3	7.3
Danish Mortgage Bond Fd EUR -RC-	NO	BD	LUX	07/09	EUR	115.77	6.5	8.8	9.4
Flexible Bond Fd -C-	NO	BD	LUX	07/09	SEK	21.32	-0.1	0.1	3.3
Flexible Bond Fd -D-	NO	BD	LUX	07/09	SEK	11.32	-0.1	0.1	3.3

■ SEB Sicav 1

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Choice Emerging Mkts Fd -C-	GL	EQ	LUX	07/09	USD	2.52	-7.3	25.0	-4.5
Eastern Europe exRussia Fd -C-	EE	EQ	LUX	07/09	EUR	2.64	NS	NS	NS

■ SEB Sicav 2

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Choice Asia SmCap exJpn -C-	AS	EQ	LUX	07/09	SEK	31.66	-2.9	19.8	14.0
Eastern Europe SmCap Fd -C-	EU	EQ	LUX	07/09	EUR	2.95	NS	NS	NS
Europe Chance/Risk Fd -C-	EU	EQ	LUX	07/09	EUR	1042.65	0.3	28.5	-8.9
Listed Private Equity -C-	OT	OT	LUX	07/09	EUR	139.21	6.8	51.0	NS
Listed Private Equity -IC-	OT	OT	LUX	07/09	EUR	84.81	10.1	62.8	NS
Listed Private Equity -ID-	OT	OT	LUX	07/09	EUR	81.07	9.9	62.1	NS
Nordic Small Cap -C-	NO	EQ	LUX	07/09	EUR	136.70	0.6	43.7	NS
Nordic Small Cap -IC-	NO	EQ	LUX	07/09	EUR	137.48	0.8	44.5	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	07/09	EUR	97.66	-2.2	-1.2	NS
Asset Sele Defensive GBP -D-	OT	OT	LUX	07/09	GBP	96.92	-2.1	NS	NS
Asset Sele Defensive SEK -A-	OT	OT	LUX	07/09	SEK	76.60	-2.1	-1.0	-14.2
Asset Sele Defensive SEK -C-	OT	OT	LUX	07/09	SEK	97.61	-2.2	-1.4	NS
Asset Sele Defensive SEK -D-	OT	OT	LUX	07/09	SEK	68.52	-2.1	-1.0	-14.2
Asset Sele Defensive USD -C-	OT	OT	LUX	07/09	USD	98.96	-2.0	-1.2	NS
Asset Sele Opp C EUR	OT	OT	LUX	07/09	EUR	94.65	-4.6	NS	NS
Asset Sele Opp C H NOK	OT	OT	LUX	07/09	NOK	98.29	-4.0	0.9	NS
Asset Sele Opp C H SEK	OT	OT	LUX	07/09	SEK	96.22	-4.8	-0.4	NS
Asset Sele Opp D GBP	OT	OT	LUX	07/09	GBP	92.20	-4.2	NS	NS
Asset Sele Opp IC EUR	OT	OT	LUX	07/09	EUR	97.35	-4.6	0.1	NS
Asset Sele Opp ID H GBP	OT	OT	LUX	07/09	GBP	97.63	-4.2	0.7	NS
Asset Sele Opp ID H SEK	OT	OT	LUX	07/09	SEK	96.84	-4.8	-0.4	NS
Asset Sele Original C EUR	EU	BA	LUX	07/09	EUR	99.23	-2.2	0.1	NS
Asset Sele Original D GBP	EU	BA	LUX	07/09	GBP	99.96	-2.0	0.8	NS
Asset Sele Original ID GBP	EU	BA	LUX	07/09	GBP	99.59	-2.0	0.5	NS

■ SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM
A company of Amundi Group

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Bonds ConvEurope A	EU	BD	LUX	07/08	EUR	31.35	5.7	12.3	2.1
Bonds Eur Corp A	EU	BD	LUX	07/07	EUR	23.28	0.8	5.6	4.1
Bonds Eur Hi Yld A	EU	BD	LUX	07/07	EUR	21.21	3.0	22.7	5.6
Bonds EURO A	EU	BD	LUX	07/07	EUR	42.11	2.6	4.7	7.0
Bonds Europe A	EU	BD	LUX	07/08	EUR	40.45	3.4	5.2	6.9
Bonds US MtgBkSec A	US	BD	LUX	04/29	USD	24.41	-4.7	11.9	0.0
Bonds World A	GL	BD	LUX	07/07	USD	42.26	0.6	4.9	4.3
Eq. AsiaPac Dual Strategies A	AS	EQ	LUX	07/08	USD	9.46	-9.3	20.4	-3.8
Eq. China A	AS	EQ	LUX	07/08	USD	21.07	-12.7	8.2	-0.2
Eq. Concentrated Euroland A	EU	EQ	LUX	07/08	EUR	83.47	-10.2	9.0	-12.3
Eq. ConcentratedEuropeA	EU	EQ	LUX	07/08	EUR	26.59	-1.5	22.3	-7.1
Eq. Emerging Europe A	EU	EQ	LUX	07/07	EUR	25.39	7.8	57.7	-15.3
Eq. Equities Global Energy	OT	EQ	LUX	07/08	USD	15.34	-15.4	9.2	-24.5
Eq. Euroland A	EU	EQ	LUX	07/08	EUR	10.02	-7.5	15.6	-11.7
Eq. Euroland MidCapA	EU	EQ	LUX	04/30	EUR	14.61	1.4	-45.7	-33.8
Eq. Euroland Small Cap A	EU	EQ	LUX	07/07	EUR	140.17	-0.7	24.4	-5.5
Eq. EurolandCyclclsA	OT	EQ	LUX	07/07	EUR	17.64	-0.9	22.5	-7.0
Eq. EurolandFinancialA	OT	EQ	LUX	07/08	EUR	9.87	-12.8	13.4	-13.6
Eq. Glbl Emg Cty A	GL	EQ	LUX	07/07	USD	8.26	-14.6	5.5	-14.3
Eq. Global A	GL	EQ	LUX	07/08	USD	25.92	-6.9	19.6	-8.8
Eq. Global Resources A	GL	EQ	LUX	07/08	USD	103.55	-5.2	32.9	-14.4
Eq. Gold Mines A	OT	EQ	LUX	07/08	USD	31.85	5.1	40.8	5.2
Eq. India A	EA	EQ	LUX	07/08	USD	130.93	0.1	32.4	10.2
Eq. Japan CoreAlpha A	JP	EQ	LUX	07/08	JPY	7270.07	0.2	-1.6	-8.6
Eq. Japan Sm Cap A	JP	EQ	LUX	07/08	JPY	1026.35	-4.0	-2.9	-10.9
Eq. Japan Target A	JP	EQ	LUX	07/08	JPY	1641.21	0.2	-7.2	-7.1
Eq. Latin America A	GL	EQ	LUX	07/07	USD	107.80	-7.3	37.6	-10.5
Eq. US ConcenCore A	US	EQ	LUX	07/07	USD	20.99	-7.1	19.0	-4.6
Eq. US Focused A	US	EQ	LUX	07/07	USD	14.71	-7.3	15.1	-18.1
Eq. US Lg Cap Gr A	US	EQ	LUX	07/07	USD	13.94	-8.6	15.2	-13.9
Eq. US Mid Cap A	US	EQ	LUX	07/07	USD	30.01	0.4	35.1	-5.5
Eq. US Multi Strg A	US	EQ	LUX	07/07	USD	20.02	-5.9	19.5	-11.6
Eq. US Rel Val A	US	EQ	LUX	07/08	USD	19.30	-6.3	20.9	-10.8
Eq. US Sm Cap Val A	US	EQ	LUX	07/08	USD	15.14	-5.1	22.4	-14.8
Money Market EURO A	EU	MM	LUX	07/07	EUR	27.44	0.2	0.4	1.6
Money Market USD A	US	MM	LUX	07/07	USD	15.85	0.1	0.2	0.9

■ THE NATIONAL INVESTOR
PO Box 47435, Abu Dhabi, UAE Web:www.tni.ae

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
MENA Real Estate Fund	OT	OT	ARE	07/01	USD	843.35	-12.3	-12.9	-31.6
MENA Special Sits Fund	OT	OT	BMU	05/31	USD	1100.19	1.9	6.7	NS
UAE Blue Chip Fund	OT	OT	ARE	07/01	AED	4.58	-14.0	-14.5	-38.5

■ 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	JP	EQ	IRL	07/09	JPY	8610.00	-9.0	2.2	-19.1
YMR-N Small Cap Fund	JP	EQ	IRL	07/09	JPY	6429.00	-8.3	-3.8	-16.1

■ Yuki 77 Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki 77 General	JP	EQ	IRL	07/09	JPY	5385.00	-12.5	-8.7	-23.7

■ Yuki Chugoku Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Chugoku Jpn Gen	JP	EQ	IRL	07/09	JPY	6166.00	-9.7	-1.9	-19.5
Yuki Chugoku JpnLowP	JP	EQ	IRL	07/09	JPY	7484.00	-0.8	-5.6	-17.3

■ 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	07/09	JPY	4123.00	-11.8	-4.6	-25.0
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	07/09	JPY	4908.00	-6.5	-3.2	-19.8
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	07/09	JPY	4668.00	-8.6	-5.2	-15.9

■ Yuki Mizuho Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Mizuho Gen Jpn III	JP	EQ	IRL	07/09	JPY	3900.00	-11.8	-4.0	-26.6
Yuki Mizuho Jpn Dyn Gro	JP	EQ	IRL	07/09	JPY	4186.00	-10.3	-3.8	-26.4
Yuki Mizuho Jpn Exc 100	JP	EQ	IRL	07/09	JPY	6108.00	-12.4	-1.1	-21.9
Yuki Mizuho Jpn Gen	JP	EQ	IRL	07/09	JPY	7916.00	-8.1	-0.5	-19.2
Yuki Mizuho Jpn Gro	JP	EQ	IRL	07/09	JPY	5794.00	-8.9	-5.3	-21.2
Yuki Mizuho Jpn Inc	JP	EQ	IRL	07/09	JPY	7282.00	-4.6	-0.5	-21.0
Yuki Mizuho Jpn Lg Cap	JP	EQ	IRL	07/09	JPY	4643.00	-10.5	-2.5	-21.5
Yuki Mizuho Jpn LowP	JP	EQ	IRL	07/09	JPY	11001.00	-4.8	-3.8	-14.4
Yuki Mizuho Jpn PGth	JP	EQ	IRL	07/09	JPY	6988.00	-12.2	-7.3	-24.1
Yuki Mizuho Jpn SmCp	JP	EQ	IRL	07/09	JPY	6721.00	-5.8	-0.8	-14.2
Yuki Mizuho Jpn Val Sel	AS	EQ	IRL	07/09	JPY	5272.00	-6.7	-3.1	-18.1
Yuki Mizuho Jpn YoungCo	AS	EQ	IRL	07/09	JPY	2455.00	-9.9	-11.4	-22.7

■ 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	07/09	JPY	4989.00	-8.0	-0.7	-20.2

[ALTERNATIVE INVESTMENT FUNDS www.wsj.com/funddata]

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	20.3	67.1	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	05/31	EUR	99.63	-1.4	0.7	-11.7
D'Auriol Opp F3 EUR	EU	MM	CYM	02/26	EUR	968.47	-1.9	-1.8	-13.3

■ 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	USA	01/31	EUR	187.60	-23.2	-21.7	-7.7
Horseman EmMkt Opp USD	GL	EQ	USA	01/31	USD	194.78	-24.5	-22.7	-9.1
Horseman EurSelLtd EUR	EU	EQ	GBR	06/30	EUR	185.44	-5.0	5.0	-7.3
Horseman EurSelLtd USD	EU	EQ	GBR	06/30	USD	193.17	-4.3	5.3	-7.4
Horseman Glbl Ltd EUR	GL	EQ	CYM	06/30	USD	335.32	-9.6	-18.6	-11.2
Horseman Glbl Ltd USD	GL	EQ	CYM	06/30	USD	335.32	-9.6	-18.6	-11.2

■ 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	GGY	05/13	EUR	1.56	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	06/18	EUR	91.27	-0.6	14.9	NS
Special Opp Inst EUR	OT	OT	CYM	06/18	EUR	86.51	-0.3	15.7	NS
Special Opp Inst USD	OT	OT	CYM	06/18	USD	98.40	-0.2	16.3	NS
Special Opp USD	OT	OT	CYM	06/18	USD	96.06	-0.5	15.5	NS

■ HSBC Portfolio Selection Fund

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GH Fund AP	OT	OT	GGY	04/30	EUR	120.82	3.5	-13.4	-3.8
GH Fund CHF Hdg	OT	OT	GGY	05/28	CHF	110.84	0.1	8.5	-5.3
GH Fund EUR Hdg (Non-V)	OT	OT	GGY	04/30	EUR	109.43	2.9	-15.9	-5.9
GH Fund GBP Hdg	OT	OT	GGY	06/18	GBP	132.30	0.2	7.2	NS
GH Fund Inst USD	OT	OT	GGY	06/18	USD	112.21	0.4	7.8	NS
GH FUND S EUR	OT	OT	CYM	06/18	EUR	128.87	0.7	8.2	NS
GH FUND S GBP	OT	OT	GGY	06/18	GBP	133.73	0.8	8.4	NS
GH Fund S USD	OT	OT	CYM	06/18	USD	151.22	0.7	8.4	NS
GH Fund USD	OT	OT	GGY	05/28	USD	274.56	0.3	9.3	-3.7
Hedge Investments	OT	OT	JEY	06/18	USD	140.42	NS	7.7	NS
Leverage GH USD	OT	OT	GGY	05/28	USD	120.11	-0.2	16.7	-11.4
MultiAdv Arb CHF Hdg	OT	OT	JEY	05/28	CHF	96.27	1.8	10.4	-7.2
MultiAdv Arb EUR Hdg	OT	OT	JEY	05/28	EUR	105.18	2.1	11.6	-6.4
MultiAdv Arb GBP Hdg	OT	OT	JEY	05/28	GBP	113.47	2.2	11.4	-6.7
MultiAdv Arb S EUR	OT	OT	CYM	06/18	EUR	112.96	2.6	10.8	NS
MultiAdv Arb S GBP	OT	OT	CYM	05/28	GBP	118.35	2.7	12.9	-5.5
MultiAdv Arb S USD	OT	OT	CYM	06/18	USD	128.99	2.4	10.9	NS
MultiAdv Arb USD	OT	OT	JEY	05/28	USD	197.96	2.0	11.7	-5.0

■ HSBC Uni-folio

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Asian AdbantEdge EUR	OT	OT	JEY	06/18	EUR	96.61	-2.7	1.0	NS
Asian AdvantEdge	OT	OT	JEY	06/18	USD	177.97	-2.6	1.7	NS
Emerg AdvantEdge	OT	OT	JEY	06/18	USD	162.20	-3.1	4.5	NS
Emerg AdvantEdge EUR	OT	OT	JEY	06/18	EUR	90.02	-3.4	4.1	NS
Europ AdvantEdge EUR	OT	OT	JEY	06/18	EUR	131.64	-0.8	7.7	NS
Europ AdvantEdge USD	OT	OT	JEY	06/18	USD	140.01	-0.7	8.1	NS
Real AdvantEdge EUR	OT	OT	JEY	06/18	EUR	104.66	-3.3	1.2	NS
Real AdvantEdge USD	OT	OT	JEY	06/18	USD	105.16	-2.9	1.7	NS
Trading Adv JPY	OT	OT	GGY	06/18	JPY	9508.09	3.1	-0.7	NS
Trading AdvantEdge	OT	OT	GGY	05/28	USD	144.18	2.4	-1.2	NS
Trading AdvantEdge EUR	OT	OT	GGY	06/18	EUR	130.08	2.1	-1.6	NS
Trading AdvantEdge GBP	OT	OT	GGY	06/18	GBP	138.03	2.5	-1.0	NS

■ 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	06/25	USD	373.77	1.4	37.4	-29.5
Antanta MidCap Fund	EE	EQ	AND	07/02	USD	680.84	-4.1	66.5	-37.4
Meriden Opps Fund	GL	OT	AND	07/07	EUR	46.95	-21.7	-39.0	-33.2
Meriden Protective Div	GL	EQ	AND	09/01	EUR	79.14	NS	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	06/30	USD	1481.20	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	05/31	EUR	92.38	0.0	5.8	NS
Key Europe Long/Short EUR -RC-	OT	OT	LUX	05/31	EUR	91.37	-0.3	5.2	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	05/31	EUR	103.23	1.1	7.1	NS
Key Hedge EUR-RC-	OT	OT	LUX	05/31	EUR	102.23	0.9	6.6	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	05/31	EUR	97.35	0.9	7.1	-0.4
Key Market Independent II SEK -I-	OT	OT	LUX	05/31	SEK	94.44	0.8	6.8	-0.6

■ SEB KEY Recovery

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Key Recovery -IC-	OT	OT	LUX	05/31	EUR	92.51	2.5	12.0	NS
Key Recovery -RC-	OT	OT	LUX	05/31	EUR	91.51	2.3	11.4	NS

■ 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	GL	OT	CYM	05/31	EUR	987.58	6.4	8.4	NS
Winton Evolution GBP Cls G	GL	OT	CYM	05/31	GBP	995.29	6.7	9.0	NS
Winton Evolution USD Cls F	GL	OT	CYM	05/31	USD	1252.64	6.4	8.7	0.1
Winton Futures EUR Cls C	GL	OT	VGB	05/31	EUR	207.14	6.7	9.1	2.3
Winton Futures GBP Cls D	GL	OT	VGB	05/31	GBP	224.13	6.7	9.5	2.8
Winton Futures JPY Cls E	GL	OT	VGB	05/31	JPY	14650.41	8.2	10.3	1.3
Winton Futures USD Cls B	GL	OT	VGB	05/31	USD	736.23	6.8	9.5	2.1

INDICES

■ ARIX ABSOLUTE RETURN INVESTABLE INDEX
Feri Institutional Advisors, www.feri.de

FUND NAME	GF	NAV DATE	CR	NAV	1-WK	1-MO	1-Q	1-YR	2-YR
ARIX Composite Gross USD	OT	OT GBR 06/30.00	USD	1408.74	7.4	-12.7	-6.5		

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: Friday's best and worst...

Company	Country	Industry	Volume	Previous close, in local currency	STOCK PERFORMANCE Previous session	YTD	52-week
Rio Tinto	U.K.	General Mining	6,786,826	3,173	3.22%	-6.4%	66.8%
UniCredit	Italy	Banks	394,276,771	2.05	3.17	-8.3	30.7
ArcelorMittal	France	Iron & Steel	6,886,138	23.66	2.40	-26.5	12.9
BHP Billiton	U.K.	General Mining	6,088,876	1,853	1.84	-7.1	42.8
BASF SE	Germany	Commodity Chemicals	2,627,438	45.75	1.63	5.3	65.4
Societe Generale	France	Banks	5,118,523	38.40	-0.98%	-21.6	7.4
Nokia	Finland	Telecommunications Equipment	16,436,141	6.68	-0.89	-25.1	-33.7
Siemens	Germany	Diversified Industrials	2,617,014	73.22	-0.64	14.0	57.7
BP PLC	U.K.	Integrated Oil & Gas	50,038,000	364.80	-0.60	-39.2	-21.0
France Telecom	France	Fixed Line Telecommunications	8,205,129	14.95	-0.53	-14.3	-3.9

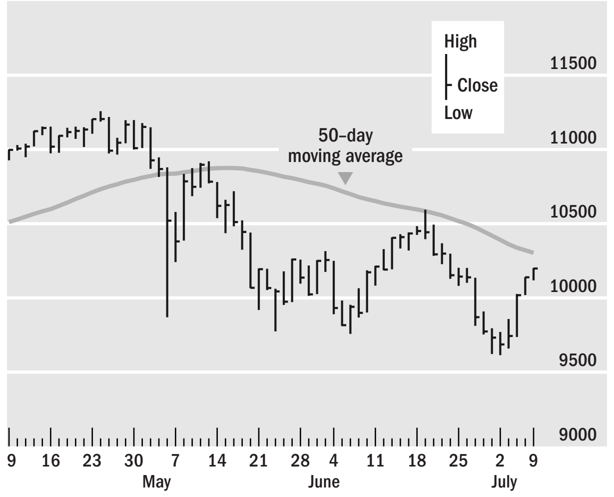
...And the rest of Europe's blue chips

Company/Country (Industry)	Volume	Latest, in local currency	STOCK PERFORMANCE Latest	YTD	52-week
Intesa Sanpaolo Italy (Banks)	91,033,789	2.43	**1.36%**	-23.0%	11.8%
Astrazeneca U.K. (Pharmaceuticals)	3,586,308	3,222	**1.19**	10.7	21.4
Royal Dutch Shell A U.K. (Integrated Oil & Gas)	6,108,657	21.06	**1.18**	-0.2	25.8
ENI Italy (Integrated Oil & Gas)	14,226,721	15.61	**1.17**	-12.3	-1.6
SAP AG Germany (Software)	2,959,519	37.22	**1.14**	12.8	30.3
BNP Paribas France (Banks)	4,540,300	50.09	**1.05**	-10.4	13.7
Banco Bilbao Vizcaya Argentaria Spain (Banks)	29,823,578	9.65	**1.05**	-24.2	11.8
ABB Ltd. Switzerland (Industrial Machinery)	7,027,292	19.73	**0.97**	-1.1	24.9
Roche Holding Switzerland (Pharmaceuticals)	2,298,084	150.30	**0.94**	-14.5	3.4
Sanofi-Aventis France (Pharmaceuticals)	3,581,510	47.54	**0.93**	-13.7	15.2
Assicurazioni Generali Italy (Full Line Insurance)	5,251,408	15.24	**0.93**	-19.0	11.2
Allianz SE Germany (Full Line Insurance)	1,669,716	83.91	**0.89**	-3.7	34.9
Credit Suisse Group Switzerland (Banks)	4,535,067	44.52	**0.88**	-13.0	-6.6
Novartis Switzerland (Pharmaceuticals)	3,751,361	52.25	**0.87**	-7.5	22.8
UBS Switzerland (Banks)	7,594,694	15.13	**0.87**	-5.7	19.8
Bayer AG Germany (Specialty Chemicals)	1,887,275	46.40	**0.86**	-17.1	30.1
Total S.A. France (Integrated Oil & Gas)	5,159,553	38.30	**0.67**	-14.9	6.4
Unilever Netherlands (Food Products)	3,985,985	22.73	**0.66**	-0.1	32.7
Iberdrola Spain (Conventional Electricity)	20,990,013	5.16	**0.64**	-22.7	-4.0
HSBC Holdings U.K. (Banks)	25,029,499	627.10	**0.63**	-11.5	26.7
Deutsche Bank Germany (Banks)	3,916,823	49.25	**0.48%**	-0.3%	12.8%
Anglo American U.K. (General Mining)	4,252,824	2,422	**0.41**	-10.7	46.4
GDF Suez France (Multiutilities)	3,595,335	24.97	**0.40**	-17.6	4.9
Tesco U.K. (Food Retailers & Wholesalers)	26,501,285	395.05	**0.28**	-7.7	10.5
Diageo U.K. (Distillers & Vintners)	2,559,492	1,088	**0.28**	0.4	25.3
Telefonica Spain (Fixed Line Telecommunications)	20,578,365	16.21	**0.25**	-17.0	3.9
Banco Santander Spain (Banks)	60,238,153	9.97	**0.19**	-13.7	22.0
Vodafone Group U.K. (Mobile Telecommunications)	67,071,091	143.50	**0.14**	-0.1	27.8
Daimler AG Germany (Automobiles)	3,677,766	41.64	**0.13**	11.8	71.8
ING Groep Netherlands (Life Insurance)	21,638,919	6.83	**0.12**	-1.0	39.3
Nestle S.A. Switzerland (Food Products)	4,689,489	51.95	**0.10**	3.5	27.0
Deutsche Telekom Germany (Mobile Telecommunications)	14,117,903	9.97	**0.02**	-3.1	25.1
GlaxoSmithKline U.K. (Pharmaceuticals)	14,679,296	1,142	**...**	-13.5	5.2
L.M. Ericsson Telephone Series B Sweden (Communications Technology)	6,065,350	82.35	**-0.06**	25.0	11.9
British American Tobacco U.K. (Tobacco)	2,755,348	2,209	**-0.11**	9.5	30.3
RWE AG Germany (Multiutilities)	1,325,238	54.92	**-0.29**	-19.2	4.0
AXA France (Full Line Insurance)	6,147,421	13.29	**-0.37**	-19.6	15.7
E.ON AG Germany (Multiutilities)	5,640,961	22.74	**-0.46**	-22.2	-0.6
BG Group U.K. (Integrated Oil & Gas)	5,390,354	1,082	**-0.46**	-3.6	10.4
Barclays U.K. (Banks)	48,347,883	300.45	**-0.51**	8.9	4.3

Sources: Thomson Reuters

Dow Jones Industrial Average P/E: 15

LAST: **10198.03**	▲ 59.04, or 0.58%
YEAR TO DATE:	▼ **230.02, or 2.2%**
OVER 52 WEEKS	▲ **2,051.51, or 25.2%**



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	**19.6**	$24.83	0.26	**1.06%**
Alcoa	AA	**21.0**	10.94	0.22	**2.05**
AmExpress	AXP	**8.3**	42.58	0.46	**1.09**
BankAm	BAC	**86.3**	15.11	0.25	**1.68**
Boeing	BA	**3.1**	64.66	–0.07	**–0.11**
Caterpillar	CAT	**6.5**	64.72	1.55	**2.45**
Chevron	CVX	**11.4**	71.84	1.43	**2.03**
CiscoSys	CSCO	**41.5**	22.70	0.15	**0.67**
CocaCola	KO	**6.5**	52.40	–0.02	**–0.04**
Disney	DIS	**8.5**	33.75	0.41	**1.23**
DuPont	DD	**6.0**	36.90	0.61	**1.68**
ExxonMobil	XOM	**26.0**	58.78	–0.03	**–0.05**
GenElec	GE	**46.0**	14.95	0.12	**0.81**
HewlettPk	HPQ	**12.7**	45.25	–0.23	**–0.51**
HomeDpt	HD	**13.5**	28.26	0.11	**0.39**
Intel	INTC	**52.8**	20.24	0.14	**0.70**
IBM	IBM	**3.9**	127.96	–0.01	**–0.01**
JPMorgChas	JPM	**30.4**	38.85	0.69	**1.81**
JohnsJohns	JNJ	**12.1**	60.54	–0.84	**–1.37**
KftFoods	KFT	**6.0**	28.99	–0.04	**–0.14**
McDonalds	MCD	**4.5**	69.22	0.20	**0.29**
Merck	MRK	**12.0**	36.30	0.44	**1.23**
Microsoft	MSFT	**53.8**	24.27	–0.14	**–0.57**
Pfizer	PFE	**32.6**	14.77	–0.05	**–0.34**
ProctGamb	PG	**9.6**	61.75	–0.20	**–0.32**
3M	MMM	**2.8**	82.16	0.94	**1.16**
TravelersCos	TRV	**3.1**	51.15	1.06	**2.12**
UnitedTech	UTX	**2.9**	67.51	0.28	**0.42**
Verizon	VZ	**18.3**	26.65	–0.13	**–0.49**
WalMart	WMT	**11.6**	49.43	0.25	**0.51**

Source: WSJ Market Data Group

Tracking credit markets & dealmakers

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

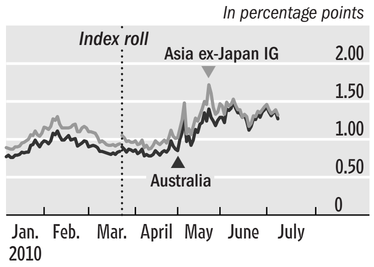
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 13/1	1.18	99.18%	0.01%	1.42	0.75	1.07
Eur. High Volatility: 13/1	1.75	96.61	0.01	2.16	1.11	1.56
Europe Crossover: 13/2	5.33	98.69	0.05	5.88	5.28	5.60
Asia ex-Japan IG: 13/1	1.32	98.52	0.01	1.72	0.87	1.20
Japan: 13/1	1.30	98.56	0.01	1.76	0.85	1.23

Note: Data as of July 8

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
Caja de Ahorros del Mediterraneo	642	**–75**	–87	–40
BP	387	**–49**	–146	–70
Brit Awys PLC	534	**–36**	–66	–133
TUI AG	788	**–34**	–133	–130
Kabel Deutschland GmbH	507	**–27**	–50	–83
Alcatel Lucent	727	**–27**	–40	–78
FIAT	447	**–26**	–45	–75
Wind Acquisition Fin	681	**–26**	–42	–48
Virgin Media Fin	517	**–26**	–41	–80
Codere Fin Luxembourg	785	**–25**	–82	–66

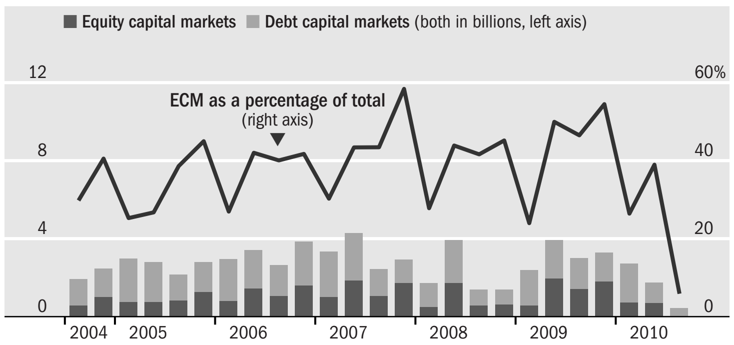
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Pilkington Group	66	**...**	...	–4
Eneco Hldg	54	**...**	...	...
Lanxess	128	**...**	4	–8
Schneider Elec	65	**...**	–3	–6
Linde	62	**...**	1	4
BASF Specialty Chems Hldg	26	**1**	...	...
Debenhams Fin Hldg	176	**1**	–1	1
Tesco PLC	87	**1**	–4	–1
Six Continents	57	**1**	...	–2
Alliander	57	**1**	1	1

Source: Markit Group

Europe: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals



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	395.25	-1.00	-0.25%	705.00	343.25
Soybeans (cents/bu.)	CBOT	953.25	7.25	0.77%	1,555.00	809.75
Wheat (cents/bu.)	CBOT	538.00	-10.50	-1.91	762.75	442.50
Live cattle (cents/lb.)	CME	91.400	-0.725	-0.79	96.900	86.700
Cocoa ($/ton)	ICE-US	2,996	27	0.91	3,522	2,237
Coffee (cents/lb.)	ICE-US	163.85	1.75	1.08	180.95	121.75
Sugar (cents/lb.)	ICE-US	16.61	-0.48	-2.81	22.78	11.79
Cotton (cents/lb.)	ICE-US	74.99	1.00	1.35	100.50	53.87
Crude palm oil (ringgit/ton)	MDEX	2,300.00	11	0.48	2,725	1,665
Cocoa (pounds/ton)	LIFFE	2,385	5	0.21	2,461	1,579
Robusta coffee ($/ton)	LIFFE	1,709	13	0.77	1,795	1,282
Copper (cents/lb.)	COMEX	305.35	3.80	1.26	366.70	166.00
Gold ($/troy oz.)	COMEX	1209.80	13.70	1.15	1,266.50	800.00
Silver (cents/troy oz.)	COMEX	1807.30	20.10	1.12	1,986.50	1,338.00
Aluminum ($/ton)	LME	1,992.00	-0.50	-0.03	2,481.50	1,564.50
Tin ($/ton)	LME	17,695.00	45.00	0.25	19,175.00	12,320.00
Copper ($/ton)	LME	6,709.00	39.00	0.58	7,970.00	4,825.00
Lead ($/ton)	LME	1,830.00	5.00	0.27	2,615.00	1,580.00
Zinc ($/ton)	LME	1,867.00	16.00	0.86	2,659.00	1,490.00
Nickel ($/ton)	LME	19,185	-115	-0.60	27,590	14,405
Crude oil ($/bbl.)	NYMEX	76.09	0.65	0.86	132.70	54.69
Heating oil ($/gal.)	NYMEX	2.0257	0.0204	1.02	3.3990	1.4525
RBOB gasoline ($/gal.)	NYMEX	2.0700	0.0189	0.92	2.4410	1.6910
Natural gas ($/mmBtu)	NYMEX	4.418	-0.002	-0.05	10.810	4.140
Brent crude ($/bbl.)	ICE-EU	75.65	0.63	0.84	108.50	59.80
Gas oil ($/ton)	ICE-EU	647.25	4.75	0.74	755.00	499.00

Source: Thomson Reuters; WSJ Market Data Group

Currencies

London close on July 9

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	4.9733	0.2011	3.9360	0.2541
Brazil real	2.2248	0.4495	1.7608	0.5679
Canada dollar	1.3033	0.7673	1.0315	0.9695
1-mo. forward	1.3037	0.7671	1.0317	0.9692
3-mos. forward	1.3046	0.7665	1.0325	0.9685
6-mos. forward	1.3065	0.7654	1.0340	0.9671
Chile peso	679.22	0.001472	537.55	0.001860
Colombia peso	2372.13	0.0004216	1877.35	0.0005327
Ecuador US dollar-f	1.2635	0.7914	1	1
Mexico peso-a	16.1604	0.0619	12.7897	0.0782
Peru sol	3.5683	0.2802	2.8240	0.3541
Uruguay peso-e	26.661	0.0375	21.100	0.0474
U.S. dollar	1.2635	0.7914	1	1
Venezuela bolivar	5.43	0.184281	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.4441	0.6925	1.1429	0.8750
China yuan	8.5578	0.1169	6.7729	0.1476
Hong Kong dollar	9.8242	0.1018	7.7751	0.1286
India rupee	58.9636	0.0170	46.6650	0.0214
Indonesia rupiah	11429	0.0000875	9045	0.0001106
Japan yen	111.79	0.008946	88.47	0.011303
1-mo. forward	111.75	0.008949	88.44	0.011307
3-mos. forward	111.66	0.008956	88.37	0.011316
6-mos. forward	111.47	0.008971	88.22	0.011335
Malaysia ringgit-c	4.0377	0.2477	3.1955	0.3129
New Zealand dollar	1.7861	0.5599	1.4135	0.7075
Pakistan rupee	108.413	0.0092	85.800	0.0117
Philippines peso	58.417	0.0171	46.233	0.0216
Singapore dollar	1.7469	0.5725	1.3825	0.7233
South Korea won	1513.73	0.0006606	1198.00	0.0008347
Taiwan dollar	40.503	0.02469	32.055	0.03120
Thailand baht	40.882	0.02446	32.355	0.03091

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7914	1.2636
1-mo. forward	1.0000	1.0000	0.7914	1.2636
3-mos. forward	0.9999	1.0001	0.7914	1.2636
6-mos. forward	1.0001	0.9999	0.7915	1.2635
Czech Rep. koruna-b	25.341	0.0395	20.056	0.0499
Denmark krone	7.4548	0.1341	5.8999	0.1695
Hungary forint	279.63	0.003576	221.31	0.004519
Norway krone	8.0445	0.1243	6.3666	0.1571
Poland zloty	4.0691	0.2458	3.2204	0.3105
Russia ruble-d	39.037	0.02562	30.895	0.03237
Sweden krona	9.4677	0.1056	7.4929	0.1335
Switzerland franc	1.3365	0.7482	1.0577	0.9454
1-mo. forward	1.3359	0.7485	1.0573	0.9458
3-mos. forward	1.3345	0.7493	1.0562	0.9468
6-mos. forward	1.3322	0.7506	1.0544	0.9484
Turkey lira	1.9621	0.5097	1.5529	0.6440
U.K. pound	0.8362	1.1959	0.6618	1.5111
1-mo. forward	0.8363	1.1958	0.6619	1.5109
3-mos. forward	0.8364	1.1956	0.6620	1.5107
6-mos. forward	0.8367	1.1952	0.6622	1.5102
MIDDLE EAST/AFRICA				
Bahrain dinar	0.4764	2.0992	0.3770	2.6525
Egypt pound-a	7.1991	0.1389	5.6975	0.1755
Israel shekel	4.8874	0.2046	3.8680	0.2585
Jordan dinar	0.8949	1.1174	0.7083	1.4119
Kuwait dinar	0.3677	2.7197	0.2910	3.4364
Lebanon pound	1897.22	0.0005271	1501.50	0.0006660
Saudi Arabia riyal	4.7386	0.2110	3.7503	0.2666
South Africa rand	9.5872	0.1043	7.5875	0.1318
United Arab dirham	4.6408	0.2155	3.6728	0.2723
SDR -f	0.8446	1.1840	0.6684	1.4960

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	250.09	1.49	0.60%	-1.2%	26.8%
14		Stoxx Europe 50	2430.15	12.51	0.52	-5.8	20.5
27	**Euro Zone**	Euro Stoxx	255.51	1.27	0.50	-7.0	20.3
14		Euro Stoxx 50	2681.20	14.78	0.55	-9.6	17.5
15	Austria	ATX	2333.46	1.91	0.08	-6.5	19.0
8	Belgium	Bel-20	2462.75	6.76	0.28	-1.9	25.4
11	Czech Republic	PX	1147.8	7.0	0.61	2.7	29.2
21	Denmark	OMX Copenhagen	379.05	-0.41	-0.11%	20.1	44.2
15	Finland	OMX Helsinki	6399.45	40.72	0.64	-0.9	19.6
14	France	CAC-40	3554.48	16.23	0.46	-9.7	19.2
12	Germany	DAX	6065.24	29.58	0.49	1.8	32.5
...	Hungary	BUX	22593.71	-60.50	-0.27	6.4	57.7
19	Ireland	ISEQ	2884.23	-10.76	-0.37	-3.0	12.1
14	Italy	FTSE MIB	20478.98	235.25	1.16	-11.9	14.8
18	Netherlands	AEX	324.42	1.80	0.56	-3.3	33.4
11	Norway	All-Shares	398.53	3.79	0.96	-5.1	28.7
17	Poland	WIG	40392.05	18.07	0.04	1.0	36.4
13	Portugal	PSI 20	7317.93	-124.71	-1.68	-13.5	5.4
...	Russia	RTSI	1359.45	3.36	0.25%	-4.7	62.8
10	Spain	IBEX 35	10127.3	46.8	0.46	-15.2	8.4
15	Sweden	OMX Stockholm	320.17	4.03	1.27	6.9	34.7
15	Switzerland	SMI	6210.49	54.77	0.89	-5.1	18.6
...	Turkey	ISE National 100	57150.90	-194.69	-0.34%	8.2	55.4
11	U.K.	FTSE 100	5132.94	27.49	0.54	-5.2	24.4
21	**ASIA-PACIFIC**	DJ Asia-Pacific	119.92	1.04	0.87	-2.5	15.3
17	Australia	SPX/ASX 200	4396.31	39.46	0.91	-9.7	15.9
19	China	CBN 600	22133.25	599.72	2.79	-23.8	-18.0
14	Hong Kong	Hang Seng	20378.66	328.10	1.64	-6.8	15.1
17	India	Sensex	17833.54	181.81	1.03	2.1	32.1
...	Japan	Nikkei Stock Average	9585.32	49.58	0.52	-9.1	3.2
...	Singapore	Straits Times	2917.17	20.02	0.69	0.7	26.4
11	South Korea	Kospi	1723.01	24.37	1.43	2.4	20.6
17	**AMERICAS**	DJ Americas	288.06	2.52	0.88	-2.8	25.9
15	Brazil	Bovespa	63476.32		Closed	-7.5	29.0
16	Mexico	IPC	32004.31	43.67	0.14	-0.4	35.3

*P/E ratios use trailing 12-months, as-reported earnings
Note: Americas index data are as of 5:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Dow Jones Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	PERFORMANCE (euros) Last	Daily	52-wk.	PERFORMANCE (U.S.dollars) Last	Daily	52-wk.
2.35%	16	**Global TSM**				2197.34	0.71%	21.3%
2.41	16	**Global Dow**	1337.40	1.26%	26.8%	1794.46	0.89	14.9
2.92	13	**Global Titans 50**	163.60	0.71	23.9	154.38	0.34	12.2
2.84	16	**Europe TSM**				2330.72	0.22	15.4
2.40	19	**Developed Markets TSM**				2123.69	0.70	19.8
2.26	10	**Emerging Markets TSM**				3988.90	0.85	35.5
3.25	24	**Africa 50**	841.40	0.33	24.3	674.69	-0.04	12.7
2.61	13	**BRIC 50**	468.30	1.50	46.4	563.99	1.13	32.6
3.68	17	**GCC 40**	532.20	0.44	11.8	426.75	0.07	1.3
2.03	19	**U.S. TSM**				11115.64	0.81	24.6
6.08	22	**Kuwait Titans 30** -c				182.19		-12.1
1.71		**RusIndex Titans 10** -c	3239.30	0.56	71.3	5239.78	0.31	46.6
2.06%	9	**Turkey Titans 20 -c**	608.40	-0.25%	73.8%	685.20	-0.56%	57.4%
5.68	15	**Global Select Div -d**	171.80	0.91	42.9	185.77	0.54	29.5
5.96	10	**Asia/Pacific Select Div -d**				254.09	0.84	22.1
4.43	14	**U.S. Select Dividend -d**				318.83	0.73	30.4
2.09	18	**Islamic Market**				1848.58	0.71	19.6
2.62	13	**Islamic Market 100**	1769.60	0.87	23.6	1913.26	0.50	12.0
3.48	12	**Islamic Turkey -c**	1541.20	0.43	47.0	2980.01	0.11	33.2
2.85	15	**Sustainability**	856.90	0.84	30.3	913.98	0.47	18.1
4.51	19	**Brookfield Infrastructure**	1652.60	0.59	38.9	1990.48	0.22	25.9
1.39	22	**Luxury**	996.40	1.36	52.3	1067.20	0.99	38.0
3.15	10	**UAE Select Index**				218.17	0.00	0.4
		DJ-UBS Commodity	138.40	0.84	22.9	126.94	0.47	11.4

*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: DowJones Indexes

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	1.1429	1.7270	1.0806	0.1525	0.0370	0.1795	0.0129	0.2955	1.4441	0.1937	1.1081	...
Canada	1.0315	1.5586	0.9752	0.1377	0.0334	0.1620	0.0117	0.2667	1.3033	0.1748	...	0.9025
Denmark	5.8999	8.9150	5.5780	0.7874	0.1910	0.9267	0.0667	1.5253	7.4548	...	5.7200	5.1621
Euro	0.7914	1.1959	0.7482	0.1056	0.0256	0.1243	0.0089	0.2046	...	0.1341	0.7673	0.6925
Israel	3.8680	5.8447	3.6570	0.5162	0.1252	0.6075	0.0437	...	4.8874	0.6556	3.7501	3.3843
Japan	88.4700	133.6826	83.6438	11.8072	2.8636	13.8960	...	22.8723	111.7863	14.9953	85.7725	77.4068
Norway	6.3666	9.6203	6.0193	0.8497	0.2061	...	0.0720	1.6460	8.0445	1.0791	6.1725	5.5705
Russia	30.8950	46.6839	29.2096	4.1232	...	4.8527	0.3492	7.9873	39.0374	5.2366	29.9530	27.0316
Sweden	7.4929	11.3221	7.0841	...	0.2425	1.1769	0.0847	1.9372	9.4677	1.2700	7.2644	6.5559
Switzerland	1.0577	1.5982	...	0.1412	0.0342	0.1661	0.0120	0.2734	1.3365	0.1793	1.0254	0.9254
U.K.	0.6618	...	0.6257	0.0883	0.0214	0.1039	0.0075	0.1711	0.8362	0.1122	0.6416	0.5790
U.S.	...	1.5110	0.9454	0.1335	0.0324	0.1571	0.0113	0.2585	1.2635	0.1695	0.9695	0.8750

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of July 09, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.60%	15	**ALL COUNTRY (AC) WORLD***	278.86	-1.20%	**-6.9%**	13.9%
2.70	16	World (Developed Markets)	1,084.87	-1.21	**-7.2**	12.5
2.50	16	World ex-EMU	129.73	-1.17	**-5.1**	14.3
2.50	16	World ex-UK	1,085.83	-1.18	**-6.6**	12.8
3.20	16	EAFE	1,410.40	-1.49	**-10.8**	7.9
2.20	14	Emerging Markets (EM)	940.75	-1.12	**-4.9**	23.6
3.60	14	**EUROPE**	86.15	1.03	**-2.4**	20.0
3.80	14	EMU	147.42	-1.48	**-18.3**	2.8
3.50	15	Europe ex-UK	93.25	0.98	**-3.5**	19.2
4.90	11	Europe Value	92.52	1.22	**-7.0**	15.7
2.40	17	Europe Growth	77.73	0.86	**2.1**	24.2
2.40	19	Europe Small Cap	165.38	1.10	**5.2**	31.7
2.30	8	EM Europe	290.95	0.22	**4.4**	43.2
3.80	12	UK	1,512.73	1.81	**-5.9**	19.7
2.90	18	Nordic Countries	148.22	0.06	**8.8**	31.9
2.00	8	Russia	692.25	-0.62	**-7.3**	26.5
2.40	20	South Africa	706.03	0.40	**-0.2**	17.7
2.70	16	**AC ASIA PACIFIC EX-JAPAN**	388.98	-2.07	**-6.6**	20.1
1.90	26	Japan	533.90	2.41	**-6.1**	-6.8
2.30	16	China	59.81	0.90	**-7.7**	8.5
1.00	19	India	713.81	1.00	**0.9**	25.5
1.30	11	Korea	479.13	1.54	**-0.3**	25.3
2.80	23	Taiwan	269.24	1.18	**-9.0**	14.8
2.00	17	**US BROAD MARKET**	1,194.64	-0.99	**-3.4**	17.9
1.40	160	US Small Cap	1,674.83	-1.30	**0.2**	26.3
2.60	14	**EM LATIN AMERICA**	3,850.00	-0.68	**-6.5**	29.4

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

C-SUITE: TECHNOLOGY

Facebook touts friendship for selling

By Emily Steel
And Geoffrey A. Fowler

Facebook Inc. is trying to rev up its advertising business with a little help from your friends.

The social-networking site is aggressively pitching to big advertisers like **Ford Motor** Co. and **PepsiCo** Inc. the latest in a series of ad formats that tell users which of their Facebook friends have expressed interest in the brand or product featured in the ad.

Facebook says it hired Nielsen Co. to conduct a study and found that including information about individuals a person knows in an ad boosts recall of the ad by 68% and doubles awareness of a brand's message.

The so-called social-context ads, which Facebook started rolling out over a year ago, are based on data it collects on the likes and friends of its users. The ads appear on the right side of a user's homepage, with an image and headline from the advertiser. With the ads are the names of any of the user's friends who have clicked on a button indicating they like the brand or ad. The user is also offered a chance to indicate he likes the ad.

"Marketers have always known that the best way to sell something is to get your friends to sell it," says Sheryl Sandberg, Facebook's chief operating officer. "That is what people do all day on Facebook. We enable effective word-of-mouth advertising at scale for the first time."

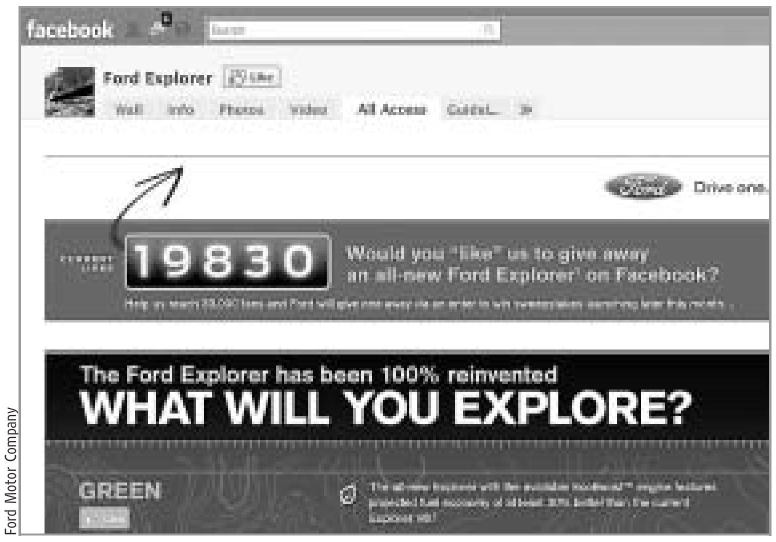
As part of its push to capture a bigger slice of the online-ad business, where it lags behind sites like **Google** Inc. and **Yahoo** Inc., Facebook opened four international sales offices last year and another one this year in Hamburg, Germany. It has more than doubled its ad-sales staff since the beginning of 2009. In March, Facebook hired Google ad executive David Fischer to be its vice president of advertising.

The latest ads mark another attempt by Facebook, which is nearing 500 million users, to make money from personal data it collects about them. Facebook, which has been hammered by privacy advocates and regulators over its privacy policies, hasn't heard concerns from users about social ads, Ms. Sandberg says.

Facebook says the people whose names it picks to feature in the ads have voluntarily indicated they like a brand, and it shares their names only with those they have identified as friends. Still, some users may not realize that clicking a button to indicate they like a brand gives Facebook permission to use their names when the site shows an ad from that brand to their friends.

Facebook gives users the opportunity to opt out of having their likes included in ads by using the application settings on the site. It declines to say how many users have done so.

In earlier efforts at social context ads, Facebook placed the messages directly inside the news feed portion of the site, and also included a small photo of a user's friend, along with his or her name. But Facebook has since discontinued those practices.



Ford Motor Company

A proposed Facebook page for Ford's launch of the 2011 Ford Explorer.

Facebook says it is starting to see results with major marketers, such as a recent deal with **Nike** Inc. to buy ads on users' homepages across 20 countries during a day ahead of the start of the World Cup. Such homepage ads come with a price tag of as much as $100,000. Ads that appear on other portions of the site that advertisers buy via a self-service tool can sell for less than a dollar a click, ad executives say.

Hundreds of millions of people regularly visit social-networking sites, but they haven't been big moneymakers. Facebook attracted 130.3 million unique U.S. visitors in May, according to comScore Inc., and delivered more banner ads to U.S. users than any other site in the first quarter—leaping ahead of Yahoo for the first time. Yet Facebook is expected to bring in more than $1 billion this year in revenues, according to people briefed on the matter. Yahoo earned $6.5 billion in revenue in 2009, mostly from advertising. The average price of display ads on social-networking sites is about one-sixth the price on the rest of the Internet, according to comScore.

For many years, marketers have questioned whether consumers pay attention to ad messages on social-networking sites, and were concerned about having their ads appear next to user-generated content that could range from banal to risqué. Many preferred to use the site's free tools to build up fan bases and communicate with users. "It fundamentally comes down to why people are there on social networks. They are not there to read our ads. They are there to talk to each other," says Scott Monty, head of social media at Ford.

Like many major marketers, Ford long held back on putting big ad dollars behind campaigns on Facebook. Instead, Ford used the site's free options, such as creating fan pages, to build up groups of fans who would share pictures and stories about their cars over the site. Now Ford is in talks to buy social ads to promote the launch of the new 2011 Ford Explorer, which will be unveiled on Facebook later this month, Mr. Monty says. "They made a very attractive case," he adds.

"The social ads are interesting, because you feel that you are connecting to a brand through an endorsement from someone. The ads perform better." says Shiv Singh, director of digital engagement and social media at snack and beverage giant PepsiCo.

But marketing experts say that Facebook faces challenges in building out its business with the social-ad product alone. Many marketers still believe it is more efficient to buy Facebook ads on the cheap using the company's self-service tool that offers detailed targeting options. In addition, media buyers have strong ties to traditional Web portals, and in the relationship-driven advertising business, they say, Facebook is going to need to forge those connections.

New Toshiba laptop is light and speedy

By Walter S. Mossberg

For all the excitement about tablet computers, the traditional clamshell laptop still rules. In fact, the computer industry is working hard to make it smaller, lighter and sleeker.

There have been two broad approaches to this task. One, exemplified by netbooks, has been to shrink the footprint of the machine, so it's lighter and cheaper. But this has meant cramped keyboards and screens, and generally wimpier processors and battery life.

The other, pioneered by the MacBook Air and the Lenovo ThinkPad X300 series, has been to preserve a standard 13-inch screen, a roomy keyboard, and standard processors for decent performance, but to pare thickness and weight. But this has meant much higher prices.

Now Toshiba, long known for making thin, light, laptops, has introduced a standard-footprint machine that is thin and light—and uses the latest Intel processors, with generous memory and storage, and strong battery life. Yet it costs much less than the MacBook Air and X300, with the tradeoff being a bit more bulk. I've been testing this model, which is called the Portege R705. Toshiba said the laptop will be released in the U.K. and the rest of Europe over the course of the summer under the name Portege R700.

Despite a few drawbacks, I like the R705 and can recommend it to consumers willing to pay higher-than-netbook prices for a speedy, standard-size, but easy-to-tote laptop with good battery life.

This new Toshiba has a dark-blue cover and a solid construction, despite feeling very light in the hand. The bright, vivid screen is sturdy, and the roomy, well-spaced keyboard is firm, with a large space bar, delete key, tab, backspace, shift and arrow keys. The touchpad and buttons also are generously sized.

The R705 is thicker than the MacBook Air, at just over an inch thick versus about three-quarters of an inch for the Apple. It's also thicker than the ThinkPad in some places and thinner in others. At three pounds, it's about the same weight as the Apple, though it's slightly lighter than the ThinkPad. Unlike the Apple and like the ThinkPad, the new Toshiba has a built-in DVD drive.

It has a much better selection of ports than the Apple, including three USB ports instead of one. It also has three ports missing entirely on the Apple: a built-in Ethernet port; an HDMI port for direct, high-definition connection to a TV; and a memory-card reader. (The ThinkPad has three USB ports and an Ethernet jack, but no memory reader or HDMI.)

The new Toshiba sports a big 500 gigabyte hard disk and 4 gigabytes of memory to power its 64-bit version of Windows 7 Home Premium. The Apple and Lenovo have just 2 gigabytes of memory and a maximum storage capacity of 128 gigabytes, though both offer solid-state drives versus the standard mechanical hard disk on the Toshiba.

The R705 also has better battery life than the MacBook Air or ThinkPad X300 series. In my tough battery test, where I disable all power-saving features, crank the screen to full brightness, leave on the Wi-Fi and play a continuous loop of music, the R705 got four hours and 29 minutes of battery life. The MacBook Air racked up three hours and 24 minutes in my test, and the X300 just three hours and five minutes.

I estimate that in more-normal use, the R705 could last 5½ hours on a single charge—an impressive figure, though short of the company's eight-hour claim. There is an Eco button, which switches the machine into a low-power mode to get more battery life.

In my tests, the new Toshiba speedily handled common software, such as Microsoft Office, Adobe Reader, Apple's iTunes, and the Firefox and Chrome Web browsers.

The Toshiba has some other benefits. It uses the latest Intel Core processor—albeit the lowest-end version—and incorporates an Intel technology called Wi-Di which wirelessly beams whatever is on its screen to a TV, via an adapter. It also has a couple of nice Toshiba software utilities, including a handy Bulletin Board program for organizing files and another called ReelTime, which lets you quickly find recently used files by date.

So what about the drawbacks? Well, for one, it has a relatively low-end integrated graphics chip. It stuttered repeatedly while streaming high-definition video from the Web, even on a very fast Internet connection. I found scrolling on the touchpad to be a bit jerky. And its start-up and restart times were relatively slow, approaching two minutes. Also, the R705 lacks Bluetooth connectivity. Finally, it includes an obnoxious, prominent "craplet" program from Best Buy that's basically an ad.

Still, overall, this is a very nice laptop whose light, thin body hides a pretty powerful computer.


Toshiba

Toshiba's Portege R705, which is just over an inch thick, has a roomy keyboard with generously sized keys.

Watch Walt Mossberg's review of Toshiba's Portege R705 at WSJ.com/Tech. Find his columns and videos at the All Things Digital Web site, walt.allthingsd.com.

SPORT

Pitch perfect: World Cup's all-time best

Picking top players from a galaxy of stars is a tricky goal, but we give it our best shot

By Jonathan Clegg

The race between Spain's David Villa and Wesley Sneijder of the Netherlands to finish as leading scorer of the 2010 World Cup looked like being the decisive factor in Sunday's final.

It could also establish which of these players, each with five goals apiece, comes to define this tournament and joins the ranks of the World Cup's greatest players.

It would be difficult to dispute that either player deserves such recognition, but in whose exalted company would they stand?

It's a question that is essentially unanswerable because there is no World Cup hall of fame, no soccer version of Cooperstown or Canton.

With that in mind, The Wall Street Journal set out to resolve a debate that will be enacted in bars and pubs across the world on any given night, and which has kept Diego Maradona and Pelé at each other's throats for the best part of two decades: Who are the greatest players in the history of the World Cup?

For a number of reasons, selecting a definitive team of World Cup all-stars is all but impossible.

For one thing, unless you happened to be there, it's a bit difficult to pass judgment on the first World Cup in 1930. The world's most popular sporting event wasn't televised internationally until 1958, and the only footage that survives of that inaugural tournament in Uruguay runs 13 minutes. Total.

But by studying advanced statistics and interviewing a panel of experts including a soccer historian, a former World Cup winner and a renowned sportswriter, we've come up with a regulation squad of 23 players we believe to have been the premier performers during those few weeks every four years that followers of The Beautiful Game hold so dear.

Make no mistake—this isn't a laundry list of all the greatest players ever to kick a ball, as many of this game's biggest names played sparingly at the World Cup, if at all. Also making our task difficult is picking people to play in defense or midfield because of soccer's relative paucity of statistics.

Scoring is limited to a handful of goals in each game, and unlike baseball, say, there's no box score to summarize individual contributions or illuminate the impact of players who win the ball from opponents or set up successful strikes with essential but far-from-glamorous passes.

The absence of meaningful numbers has traditionally made generational comparisons all but impossible, too.

Instead, David Goldblatt, the author of "The Ball is Round: a Global History of Football," says that any all-star list should take into account the wider narrative in which a player's on-field performance takes place. In other words, we should go for the guys with the best stories behind their play.

"We remember those players with the best stories as well as the best play," he said. "The narratives we weave around these players should become a part of how the canon is selected."

MIDFIELDERS

Getty Images

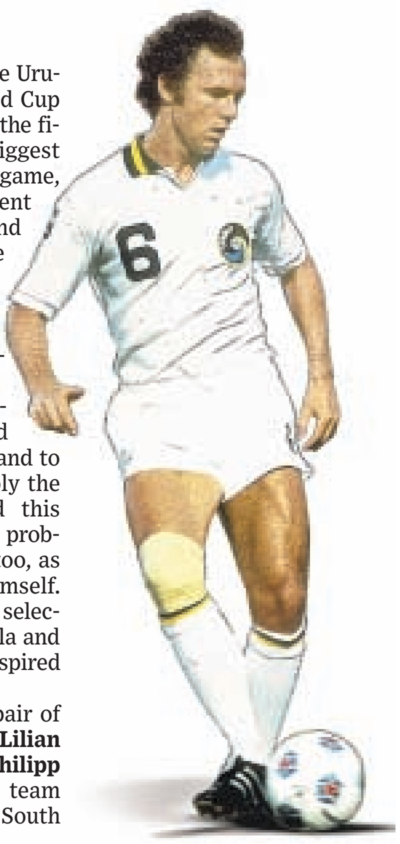
Analysts from Castrol, an official World Cup sponsor, have tracked every touch of the ball in every game since the opening match in 1966 in an attempt to reach scientific conclusions about the beautiful game.

Their results reinforce our impressions about some of the greatest players—despite appearing in only one World Cup, **Johan Cruyff** is the most creative player in the history of the tournament, conjuring a chance from open play every 22 minutes on average—while also illuminating the contributions of some who are overlooked.

One is Poland's **Grzegorz Lato**, the top-scorer in the 1974 World Cup with a goals-to-shots rate of 28%—better than any other Golden Shoe winner. **Martin Peters**, a winner with England in 1966, also earns a nod: The West Ham United midfielder scored a goal in the final, created 12 chances from open play in England's triumphant run, while also contributing 23 tackles.

Alongside Messrs. Cruyff, Lato and Peters in our midfield we've chosen **Diego Maradona** and ▶**Zinedine Zidane**, who need no introduction, as well as the Brazilian pair **Jairzinho**, and **Garrincha**

DEFENDERS



Obdulio Varela was captain of the Uruguay team that won the 1950 World Cup in Brazil, beating the host nation in the final in one of this tournament's biggest upsets. "He was the player of the game, but more than that, when Brazil went ahead, he picked up the ball and walked so incredibly slowly to the center circle that he quieted the crowd," said Mr. Goldblatt. "It was an act of extraordinary front, to take on the crowd like that, especially in front of 200,000 people."

Franz Beckenbauer, ▶ the architect of Germany's 1974 triumph, and **Bobby Moore**, who captained England to its sole victory in 1966, are arguably the finest defenders to have played this sport—in fact, Mr. Beckenbauer was probably one of the finest midfielders too, as he would no doubt remind us himself. They make up two of our defensive selections, alongside Uruguay's Mr. Varela and **Franco Baresi**, the colossus who inspired Italy's 1994 final appearance.

The group is rounded out by a pair of versatile defenders: France's **Lilian Thuram**, a winner in 1998, and **Philipp Lahm**, captain of Germany's 2010 team and perhaps the best right-back in South Africa this past month.

GOALKEEPERS

Signature plays can elevate athletes into the all-star ranks, and such is the case with England's **Gordon Banks**, whose gravity-defying save of a Pelé shot in the 1970 World Cup is a moment that remains etched on our memory. "He was an artist of his kind, the guy who pulled off what was thought to be the finest-ever save against Pelé," said Simon Barnes, a columnist for The Times of London.

Paraguay's **José Luis Chilavert** ▶ —a three-time world goalkeeper of the year—led his nation to the round of 16 in both 1998 and 2002. He was also a goal-scoring threat himself (he famously took direct free-kicks and penalty kicks for Paraguay).

Gianluigi Buffon conceded just two goals (one an own-goal and one from the penalty spot) during Italy's triumphant run to the 2006 trophy. Four years later, he was perhaps the only Italian to emerge untainted from a dismal first-round exit: Mr. Buffon was injured in the first half of the opening game and missed the rest of the tournament.

FORWARDS

The World Cup has made immortals out of some pedestrian players, not least **Paolo Rossi**, who featured little during Italy's run to the 1978 semifinal, but four years later scored six goals and earned a European player-of-the-year award. "That's what can happen when half the planet is watching a single match," said Tony Cottee, a former England player.

Brazil has three forwards in our listy: **Romário**, whose five goals helped win the 1994 tournament; ▶ **Ronaldo**, a champion in 2002 and leading scorer in World Cup history with 15 goals; and Edson Arantes do Nascimento—known to you and me as **Pelé**.

We're also including Cameroon's **Roger Milla**, whose four goals in 1990 helped the Indomitable Lions become the first African country to reach the quarterfinals, and Germany's **Gerd Müller**, who averaged better than a goal per game in two World Cup tournaments

The Count

Press Association

Warwickshire's Jonathan Trott

Tip of the day

Bangladesh secured its first ever victory over England in any form of cricket in Saturday's second one-day international and can clinch a sensational series victory if it can repeat its heroics at Edgbaston on Monday.

The Tigers' bowling attack was largely to thank for the win at Bristol, but the 1/7 available with Totesport for England to win the final one-day international suggests the hosts will be much too strong. Although Andy Flower's team won by six wickets at Nottingham it is difficult to justify backing England at such a short price. Instead, selling the side's spread-betting supremacy at 42 with Sporting Index appeals. Ten points are awarded per wicket won by or one point per run, and with Bangladesh's new-found confidence the final match of the series could be closer than expected.

Jonathan Trott put in a gutsy performance on Saturday but his 94 was unfortunately not quite enough. With Ian Bell missing the finale through injury, the capable Mr. Trott will relish taking center stage and at 5/1 is good value to be England's top scoring batsman.

Bangladesh's bowlers all played their part on Saturday with five taking two wickets each, but Abdur Razzak particularly impressed by taking the key wickets of Paul Collingwood and Eoin Morgan for 10 and one respectively. He has a solid average of one wicket for every 27 runs in his six ODIs against England and should be backed at 4/1 with Betdaq to be the Tigers' top bowler.

1.36

Australian Mark Webber's lead in seconds over Lewis Hamilton as he won his third Formula One victory of the season. With nine races to go, Mr. Hamilton leads the overall standings.

Source: Associated Press

THE QUIRK

(Left to right) Public Affairs party (2); Milan Jaros for The Wall Street Journal

Marketa Reedova, far left, graces the calendar's October page. Karolina Peake poses in parliament, above, and in the calendar, left.

Czechmates: These political figures are starring in their own racy calendar

By Gordon Fairclough
And Sean Carney
Prague

Women won more seats in the Czech parliament than ever before during national elections in late May. To tout its new stars, one upstart party decided to give them special billing—as pin-up girls.

The Public Affairs party is selling a 2011 calendar featuring photos of some of its leading female members, including four newly sworn-in lawmakers, clad in revealing outfits and posed provocatively.

A black-and-white portrait of Katerina Klasnova, a new vice speaker of parliament's Chamber of Deputies, graces the page for January. She has tousled blond hair and is wearing nothing but a black bra and short skirt.

Katerina Klasnova

Ms. December is the party's chief negotiator, Kristyna Koci, pictured peering over her glasses, dark knee-high stockings contrasting with her bare thighs and the strap of her negligée sliding down one shoulder.

The party's racy calendar, which was first released during the campaign, is a sign of the times here. A new generation of Czech women is coming of age that is embracing femininity and sex-appeal while at the same time fighting for, and winning, more equal treatment in the realms of business and government.

"Women's political influence is growing. Why not show we are women who aren't afraid of being sexy?" says Marketa Reedova, a 42-year-old Prague city councilwoman now running for mayor who also appears in the calendar. "Czechs are open-minded."

May's elections, 20 years after the collapse of Communism, swept away a large number of the country's predominantly male, entrenched career politicians. In their place have come a crop of new faces, including more women and twenty-somethings. There are now 44 female members of the 200-person lower house of the Czech parliament. The speaker, Miroslava Nemcova, of the conservative Civic Democratic Party is a woman—the first to hold the post. So are two of her three deputies.

Last month, as the new legislators were being sworn in, one of Mrs. Nemcova's fellow female Civic Democrats noticed the conspicuous number of her flaxen-haired colleagues and dubbed them the "Blond Coalition"—a nickname that has stuck in the national media.

Czech politicians' sense of style is a stark contrast to those in the Hillary Clinton pantsuit school in the U.S., or even many of their former-Soviet Bloc comrades in countries such as Poland, where traditional attitudes and the influence of the Catholic Church have made for more conservative fashions.

On the opening day of parliament, Ms. Klasnova, the vice speaker, and fellow Public Affairs MP Karolina Peake, an anti-corruption campaigner and lawyer who represents a Prague constituency, strode up to the main entrance in form-fitting skirts, black tops, soaring heels and sunglasses.

Not everyone agrees with the Public Affairs approach. And the calendar has sparked a debate about whether the politicians' poses are more likely to break down walls or reinforce stereotypes. The Public Affairs women "should be presenting themselves by showing what they want to achieve, not by showing off their looks," says Zuzana Graczova, a human-resources manager at Czech consulting company Brain Logistics. Ms. Graczova says she doesn't expect much change in government policy despite the greater female representation in parliament.

Lenka Andrysova, 26, another new Public Affairs member of parliament, says she got into politics in part because she admired the many accomplishments of former U.S. Secretary of State Madeleine Albright and current Secretary of State Clinton. Still, she says, she wouldn't look to them for style tips. Ms. Andrysova, who represents a district in rural Moravia, is completing a doctorate in political science. A photo of her reclining on a couch in dark stockings and a clingy knit top appears on the September page of the Public Affairs calendar. "There are different kinds of feminism," she says.

Mrs. Peake, the anti-corruption campaigner, is a 34-year-old mother of two who got into politics fighting Prague City Hall for better municipal services. She says she was surprised herself when she turned up at the photo shoot for the calendar, proceeds of which are being donated to a children's hospital.

"I thought I would be wearing a suit," she says. But once the photographer took over, "I realized I would only be wearing part of it." The calendar's February page shows Mrs. Peake, leaning in a doorway and wearing only a short suit jacket, which exposes almost the entire length of her legs.

Mrs. Peake and others think Czech women's strand of feminism was shaped in large part by the country's experience of Communist rule. Women were ordered to work, and to work in the same kinds of jobs as men—a big step in establishing equality.

But at the same time, women have reacted against the unglamorous trappings and enforced unisex treatment imposed by socialism. Even during the Communist era, women smuggled fashion magazines from the West that included patterns for stylish clothes, in large part because there was nothing like that available in shops. "Now women have more freedom to be themselves, to be women," says Jitka Richtrova, a fashion consultant and columnist for Hospodarske Noviny, the Czech Republic's leading daily financial newspaper. "They don't need to be so tough" and act like they are "men in skirts," she says.

Still, female politicians here have a ways to go. The new Czech cabinet announced last week—the result of lengthy power-sharing negotiations among the Civic Democrats, Public Affairs and a third party, TOP 09—includes no women. Prime Minister Petr Necas, a Civic Democrat, said this was an "unfortunate outcome."

—Leos Rousek contributed to this article.

WORLD WATCH

In Nagoya, sumo tournament opens under cloud of controversy

Associated Press/Kyodo News

Hiroyoshi Murayama, the acting chairman of the Japan Sumo Association (in kimono), and top sumo wrestlers bow to spectators in apology on the opening day of a sumo tournament in Nagoya, central Japan. Murayama, a former senior prosecutor, succeeded former wrestler Musashigawa, who was suspended earlier this month over an illegal-gambling scandal that has ensnared 65 wrestlers.

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Europe

■ **In Bosnia**, tens of thousands turned out to commemorate the 1995 Srebrenica massacre, burying hundreds more bodies as the grim process of identifying remains continues fifteen years later. Around 100,000 people died in the 1992-1995 Bosnian war, which was triggered when the ex-Yugoslav republic's Muslim majority declared Bosnia an independent state, and ethnic Serbs responded by trying to carve out territory for a greater Serbia.

■ **Russia** deported three former KGB officers and a nuclear scientist accused of betrayal, exchanging them in Vienna for 10 agents arrested in the U.S. and completing a whirlwind spy swap that was one of the largest since the Cold War.

■ **Slovakia**, the euro zone's newest and poorest country, has balked at plans for a €750 billion ($948 billion) bailout package for troubled members, delaying the start of the rescue plan. Slovakia's newly appointed prime minister, Iveta Radicova, said she will fly to Brussels on Monday to meet European Commission President José Manuel Barroso and outline her country's objections.

■ **Pope Benedict XVI** appointed a special delegate to take over the Legion of Christ, the powerful Catholic order that has been tainted by a sexual-abuse scandal surrounding its founder, the late Rev. Marcial Maciel Degollado. Italian Archbishop Velasio De Paolis will take the reins of the Legion at one of the most delicate points in its history.

■ **Jean-Claude Trichet**, president of the European Central Bank, appealed to investors and policy makers to ignore warnings of a double-dip recession. "I disagree with the view that reducing public expenditures will hinder economic growth," Trichet said. Instead, stable public finances infuse confidence into households, businesses and investors.

■ **The number of U.K.** companies collapsing has fallen to pre-credit crisis levels as firms and lenders work to manage liabilities and the benefits of the economic recovery show signs of trickling through to businesses, a new survey from financial-services firm Deloitte said. The firm's analysis showed 510 companies went into administration in the second quarter of 2010, 18% fewer than in the first quarter of the year.

■ **Most Britons** expect the U.K. economy to weaken before it starts to recover, and intend to make cuts in spending that could push it back into recession, according to a survey conducted by GfK NOP in the days following the government's emergency budget.

■ **Alan Budd**, the departing head of the U.K. government's new fiscal council, is to appear at the House of Commons' Treasury Committee Tuesday, a person at the committee said. The hearing comes after Budd announced he will step down as head of the Office for Budget Responsibility after just three months in the post.

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U.S.

■ **Oil was spewing** largely unchecked into the Gulf of Mexico as BP crews claimed progress in the first stages of replacing a leaky cap with a new containment system they hope will finally catch all the crude from the busted well. Robotic submarines on Saturday removed the cap that had been placed on top of the leak in early June to collect the oil and send it to surface ships. BP aims to have the new, tighter cap in place as early as Monday.

■ **The U.S. Department** of Justice's civil-rights division will investigate a white transit officer already convicted of killing of an unarmed black man—a verdict that touched off angry protests and more than 80 arrests in Oakland, Calif.

■ **The White House** is contemplating a broad review of government regulations that business leaders have identified as obstacles to job-creating private investment. The Obama Administration is looking for new ways to spur job growth now that it appears less likely Congress will agree to spend significant new sums on government stimulus programs.

■ **White House adviser** David Axelrod defended the recess appointment of Donald Berwick to head the Centers for Medicare and Medicaid Services, and sought to dispel concerns among some Republicans that Berwick favored a nationalized health-care system. "He is not coming to implement the British system," Axelrod said.

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Americas

■ **In Brazil**, an Air France passenger jet headed from Rio to Paris made an emergency landing in the country's northeast due to a bomb threat. All 405 passengers and 18 crew members were safely evacuated, and no explosive was found.

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Asia

■ **Japanese voters** handed a stinging electoral defeat to the ruling party, exit polls showed, rejecting a proposal to increase taxes and handicapping a fledgling government struggling to keep the world's second-largest economy from financial meltdown.

■ **Prime Minister** Naoto Kan's tenure has been possibly shortened by the election. Even if he survives the immediate fallout from the results, he could face pressure from within the Democratic Party of Japan to step aside before the party leadership vote scheduled for September. Having taken office in early June, that would make him Japan's fifth consecutive premier unable to hold the title for more than a year.

■ **China**'s trade surplus rebounded in June to $20.02 billion—its highest level in half a year—despite the debt problems of China's largest trading partner, the European Union.

■ **Chinese authorities** have found dairy products in at least three provinces tainted with an industrial chemical that killed six babies and sickened hundreds of thousands more in 2008, state media said. The discovery suggests toxic milk remains a lingering danger in China despite a crackdown two years ago that saw dozens arrested and two people, a farmer and a salesmen, executed.

■ **Taiwan**'s president urged his Chinese counterpart to work toward improving historically testy ties following the signing of a landmark trade deal. Ma Ying-jeou—who has sought to build better relations with the mainland since taking office in May 2008—said this was an opportunity for the two sides to end decades of mistrust and search for common ground.

■ **The Bank of Korea** unexpectedly raised interest rates from record lows, joining a swell of Asian central banks seeking to preempt inflation as the region leads the global economic recovery. But the BOK stressed it is just nudging rates up from emergency levels after slashing them during the global financial crisis. Economists now expect the BOK to stand pat for at least a month.

■ **In Pakistan**, a suspected Taliban suicide bomber killed at least 55 people in the country's Mohmand tribal region, in a strike aimed at disrupting efforts by authorities to bring normalcy to the war-torn area.

■ **In northern Afghanistan**, insurgents killed 11 Afghan police and assassinated a district chief over the weekend, in a seasonal reprise of violence in the once-peaceful region, officials said. Nine U.S. troops meanwhile died in south and east Afghanistan, where U.S. officials have warned that higher casualties were likely because of stepped-up operations.

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Middle East

■ **A Yemeni** appeals court has upheld death sentences against four al Qaeda militants in deadly attacks that included the assault on the U.S. Embassy and the killing of two Belgian tourists in 2008.

■ **Israel**'s foreign minister said a peace deal with the Palestinians should include handing areas where Israel's Arabs live over to Palestinian control. Avigdor Lieberman said a peace accord should be based on "population exchanges, not land for peace."

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BUSINESS WATCH

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Autos

■ **Fiat** is going ahead with a €700 million ($885 million) plan to shift some car production to Italy from Poland, even though its demands for new working conditions at the plant were rejected by many workers. Fiat announced its decision after its chief executive, Sergio Marchionne, met with union leaders who had accepted the demands. Marchionne urged the only major union to reject the agreement—Fiom-Cgil—to reconsider its position, saying the plan would help Fiat stay competitive at a global level.

■ **Peugeot-Citroën** and China's Chang'an Automobile Group created a joint venture to make and market passenger cars and light commercial vehicles. The move is designed to allow the French company to cash in on the booming Chinese automobile market and make it a major player. It is also part of Peugeot-Citroën's strategy to reduce its dependence on the mature European market for the bulk of its sales and profits.

■ **Toyota** President Akio Toyoda said his company will look for more partners in alternative fuel technology, after buying a minority stake in Tesla Motors last month. Toyota and Tesla are working on a prototype of an electric car, and Toyota is investigating Tesla's use of small low-cost batteries, which differ from the Japanese auto maker's larger-scale batteries, Toyoda said.

■ **Ford and Chrysler** are voluntarily recalling more than a combined 55,800 vehicles in the U.S. due to safety concerns. Chrysler is recalling 22,118 of its 2010 Dodge Nitro, Dodge Ram, Jeep liberty and Jeep Wrangler models over potential defective brake tubes, according to the National Highway Traffic Safety Administration. The tubes could lead to the loss of brake fluid. Ford is recalling 33,728 of its 2010 Transit Connect vans to replace pushpins holding the overhead material in the headliners.

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Aviation

■ **Boeing** submitted its attempt to win a contract to provide the U.S. Air Force with new aerial refueling tankers. Boeing's move comes after rival EADS submitted its own proposal to the Air Force. The winner of the contract stands to gain tanker orders worth a potential $35 billion. This marks the third time the U.S. has sought bids for the tanker, making it one of the longest-running and most controversial Pentagon acquisition projects in recent memory.

■ **U.S. air-safety regulators** ordered stepped-up inspections or replacement of certain cockpit windows that since the 1980s have caused at least 11 fires or smoke incidents on widely-used Boeing jet models. The directive, made public by the Federal Aviation Administration, affects more than 1,200 jets manufactured by Boeing and flown by U.S. airlines.

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Banking

■ **Bank of America** admitted to making six transactions that incorrectly hid from view billions of dollars of debt, following a bid to cut the size of a unit's balance sheet and meet internal financial targets. The disclosure, made in a letter to the Securities and Exchange Commission, comes as the agency prepares to unveil the results of an inquiry into banks' accounting for borrowing deals known as repurchase agreements.

■ **U.S. state and federal** regulators closed four banks in Maryland, New York and Oklahoma, bringing the total of U.S. bank failures this year to 90.

■ **Citigroup** said it has received approval from the Indonesian stock exchange to broker equities in the country. The seat will enable Citigroup to offer local and international clients direct access to the Indonesian stock market. Citi, which started operating in Indonesia in 1968, already has sales and trading in foreign exchange, fixed income, credit and commodities in the country.

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Energy

■ **BP** is in talks with U.S. independent oil and gas producer Apache on a deal worth as much as $10 billion that could include stakes in BP's vast Alaska operations, according to people familiar with the mater. A deal, which would go a long way to helping BP cope with the financial stress of paying for the clean-up of the Gulf oil spill, could be reached in the coming weeks, although there is no guarantee it will succeed, one of these people said.

■ **Calpers**, the biggest U.S. public pension fund, will be conferring with BP officials next Wednesday amid criticism from some institutional investors that the BP board's response to the spill has been too passive. A person familiar with the situation said the California Public Employees' Retirement System is concerned about the "quality and competence of the board" and will urge changes in its make-up. The person described directors' response to the spill as "disastrous."

■ **The heads** of Anadarko Petroleum and Mitsui's oil-exploration unit will testify before a U.S. Senate subcommittee July 22 on their liability in the Gulf of Mexico oil spill. The testimony will be the first time executives of BP's partners in the Macondo well will give lawmakers their view on their responsibility for the recovery from the spill that resulted from the burning and sinking of Transocean's Deepwater Horizon rig.

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Financial services

■ **Rory Tobin**, the chief executive of BlackRock's iShares unit, has resigned, according to a source with knowledge of the situation. Tobin said he was leaving iShares, the largest seller of exchange-traded funds globally, as he had completed the integration of iShares into BlackRock, which bought iShares last June as part of its acquisition of Barclays Global Investors from Barclays. Tobin will be replaced by Mike Latham, the current head of the iShares business in North America.

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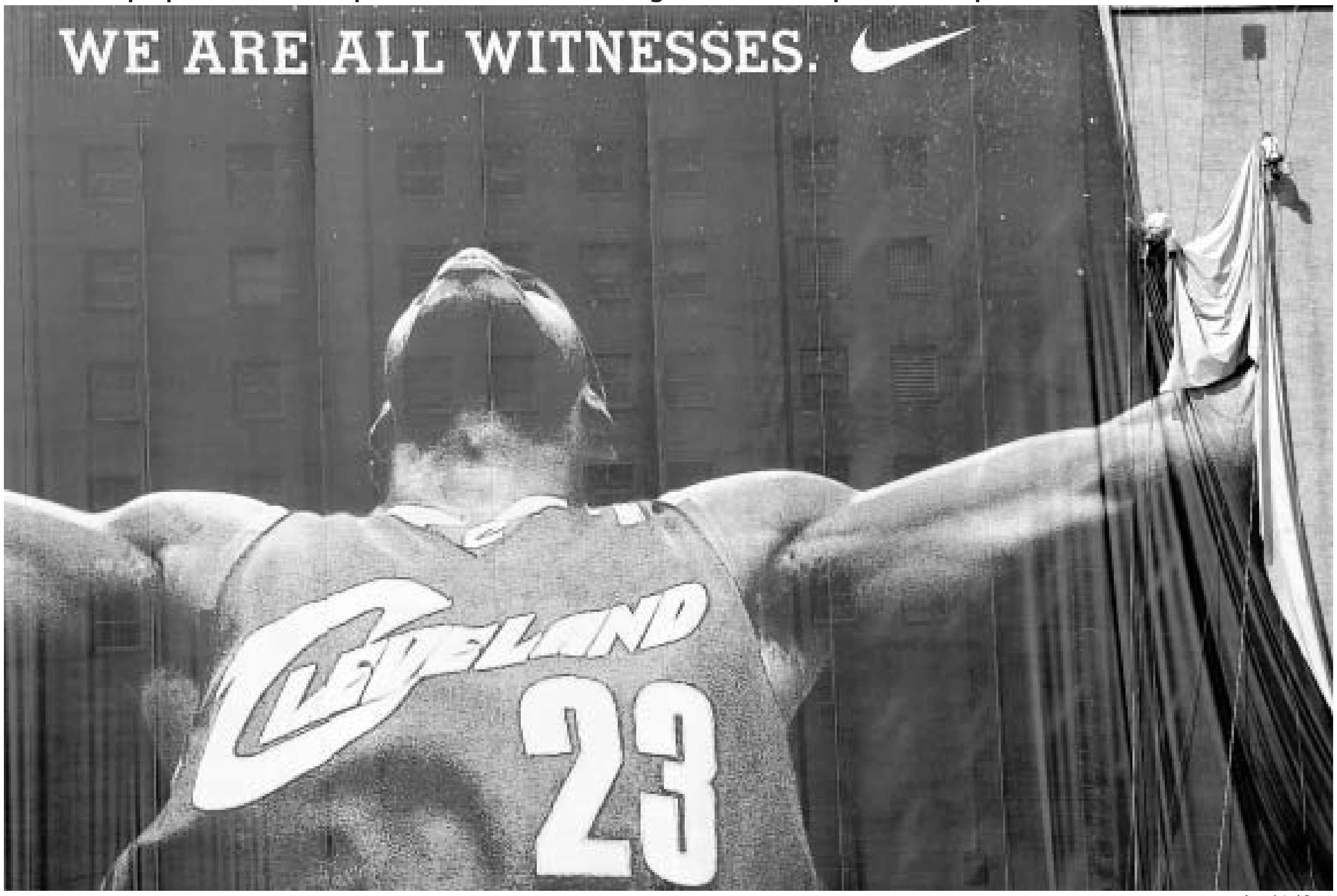
Health

■ **BC Partners** and Silver Lake Partners have agreed to purchase health-care business MultiPlan in a transaction that values the company at $3.1 billion. Carlyle Group and Welsh, Carson, Anderson & Stowe are selling MultiPlan, making the deal the year's largest so-called secondary buyout, in which a company is passed from one private-equity group to another.

Cleveland prepares itself for post-LeBron era following basketball superstar's departure



Associated Press

Workers dismantle the 10-story-tall billboard of LeBron James, a Nike ad that has become a fixture in downtown Cleveland, days after the leader of the Cavaliers basketball team announced in a one-hour TV special that he was leaving town for the Miami Heat, where he will join fellow superstars Dwyane Wade and Chris Bosh. Local perceptions of James, 25, who grew up in nearby Akron, Ohio, and has spent in entire life in the area, have turned him from a hometown hero to villain because of his decision to leave Cleveland before bringing a championship title to the city—a goal that James reiterated as recently as March.

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Pharmaceuticals

■ **FDA staff scientists** continued to question the safety of GlaxoSmithKline's diabetes drug Avandia, agency documents show. The documents were prepared for an FDA advisory panel meeting this week that will discuss Avandia's safety and vote on whether it thinks Avandia should remain on the U.S. market.

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Sports

■ **A.S. Roma**'s owners will put the Italian football club back up for sale after reaching a deal with their biggest creditor, UniCredit, to pay back €325 million ($411 million) of debt. After a final round of talks, the Sensi family agreed to put its stake in the club into a new company for which UniCredit will look for a buyer.

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Technology

■ **Google** said China's government renewed a license the company needed to continue using its Chinese Web address, despite months of tensions over censorship requirements. The decision preserves the search giant's toehold in the country with the most Internet users. But it won't end the uncertainty around Google's future there, because Beijing may revoke the license at any time or block access to Google's services.

■ **Microsoft and Fujitsu** have decided to team up in cloud computing, and will likely announce the tie-up this week, a person familiar with the matter said. The alliance between the U.S. software giant and the Japanese technology service firm comes as IT industry players world-wide are pinning their hopes on the expected diffusion of next-generation computing services that are accessed online.

■ **NTP**, a company founded by Thomas Campana—who NTP claims was the inventor of wireless email—filed a lawsuit against Apple, Google, HTC, LG Electronics, Microsoft and Motorola over eight patents related to the wireless delivery of email to cellphones. NTP, which holds a number of patents but doesn't manufacture any products, in 2006 got a $612.5 million settlement from Research In Motion to prevent a potential injunction of its BlackBerry smartphones.

■ **Apple** opened its second store in China, the beginning of a major retail expansion for the company in a huge market where it has so far had a relatively meager presence. Hundreds of people lined up to be among the first to enter the 1,500-square-meter underground store in Shanghai, China's wealthiest city.

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Telecommunications

■ **BT** said it has reached a new pay deal for staff with its biggest union after weeks of wrangling, ensuring the U.K. telecommunications firm's 23 year strike-free record remains intact.

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HEARD ON THE STREET

Gazprom: A buy, for now

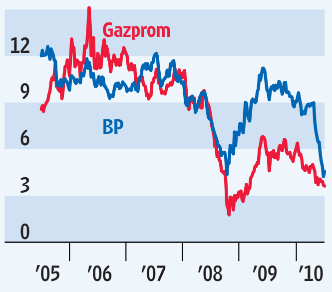
Gazprom isn't feeling the love: At just 3.6 times 2010 earnings, its stock is rated even lower than that of disaster-stricken **BP**. That cheap, the Russian gas giant looks attractive. Just don't make it a long-term romance.

About 40% of Gazprom's gas is exported, mostly to Europe, its most profitable market. But European Union gas consumption fell 6% in 2009. A 13% month-on-month decline in Gazprom's gas production in June suggests demand there remains weak, says Citigroup.

Meanwhile, Europe has been cutting its dependence on Russia by expanding other supply options, notably liquefied natural gas. LNG was 14% of EU gas consumption in 2009, based on BP data, compared with under 8% in 2004. Russia's market share, meanwhile, fell to under a quarter from 28%. Rising LNG capacity and America's glut of shale gas has left cargoes seeking markets.

From Russia, unloved

One-year forward price/earnings multiple, weekly



Source: FactSet Research Systems

Gazprom's export gas price is mostly linked to oil prices, typically with a lag of two or three quarters. Customers have recently shied away from Gazprom's relatively pricey gas in favor of cheaper gas in the open market. Last summer, for instance, spot gas was $4.25 per thousand cubic feet, around Gazprom's price.

This dynamic affects Gazprom at home, where prices are set much lower by the government. Last year, domestic customers paid about one-quarter of European prices.

Gazprom has long pressed for this gap to be closed. Despite progress, however, Moscow keeps delaying energy-price liberalization, worried about inflation. And, with the outlook for European prices now lower, the eventual boost to Gazprom from domestic liberalization looks smaller.

Curiously, Gazprom shares could still gain near term. Futures show the spread between European contract prices and spot prices could close almost entirely next winter, with both at around $8.50 per thousand cubic feet, says J.P. Morgan. This should reduce customers' incentive to shop around, boosting Gazprom's market share. Meanwhile, the recession left Gazprom with spare output capacity of about 3.1 trillion cubic feet last year, says Barclays Capital. That is equivalent to almost a fifth of EU consumption, so Gazprom can take advantage if demand rebounds faster than expected.

Make no mistake, without a major overhaul, Gazprom still looks like a bad long-term investment. It routinely outspends its cash flow. Its cash cow, Europe, is weak and is diversifying suppliers. Domestic market liberalization is slow.

In the near term, however, those investors holding stock in rival Russian gas producer **Novatek** especially should consider switching into Gazprom. Novatek trades at nearly 15 times earnings and is almost entirely exposed to the domestic market.

Its bigger brother, for all its faults, looks more compelling.

—Liam Denning

Arbitragers take haircut on spreads

For some investors, "buying opportunity" is the last thing that comes to mind after the market's recent jitters.

Stocks have tumbled since late April, creating some potential to buy on the cheap. But merger arbitragers, who trade the stocks of acquisition targets, have found things getting ever more expensive.

Take **EV3**, whose shares closed at $22.49 Friday. Assuming a cash offer by **Covidien** closes at the end of July, the implied annualized return is just 4%. Arbitragers say the yield on such a deal would have been at least 50% higher, around 6%, back in March.

The trouble is arbitragers have fewer appealing acquisition targets to choose from. In the first half, strategic buyers made bids worth $260 billion for companies worth over $500 million each, according to Dealogic. These figures exclude private-equity deals, which are considered more risky. That is even less than the $309 million of such deals in the same period of 2009, when confidence was dismal.

Why the deal dry-spell? Financing is a key problem. Shaky bond markets mean some deals that looked possible early this year can't be done now.

So when large deals have closed, such as **Exxon Mobil**'s $25 billion acquisition of **XTO Energy**, investors have had few places to channel the cash.

> Financing is a key problem. Shaky bond markets mean some deals that looked possible early this year can't be done now.

The risk is that arbitragers will make huge bets on the few deals around to keep their capital at work. With many funds piled into the same targets, pushing down expected returns, it would only take a single blowup to cause widespread injury.

—John Jannarone

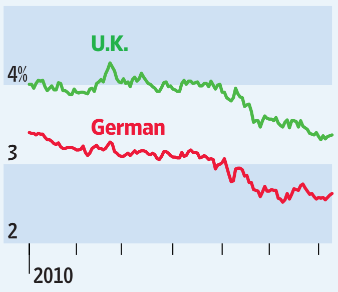
The improbable strength of U.K. government debt (better than Bunds)

Gilts are on a tear. And despite high U.K. inflation, monetary policy that appears unresponsive and huge fiscal challenges, that looks unlikely to change.

While 10-year gilt yields at 3.3% offer little outright value, they reflect a world where regulatory policy, euro-zone troubles and economic uncertainty are driving cash into gilts.

Tracking

Government 10-year bond yields



Source: WSJ Market Data Group

This is a far cry from the start of the year, when yields hit nearly 4.3%. The rally has given gilt investors a gain of 6.08% year-to-date, outpacing even German bonds.

The demand-supply picture is good. Foreign investors bought £42.1 billion ($63.81 billion) of gilts in the three months to April, perhaps diversifying away from troubled southern Europe. U.K. banks also have been buying to build liquidity buffers ahead of new regulatory requirements, soaking up £34 billion in the first quarter, says Monument Securities.

> Today's 10-year yield of 3.3% is a far cry from the start of the year, when yields hit nearly 4.3%.

Meanwhile, prospective supply has fallen to £165 billion and £62 billion has been sold in just over three months.

Inflation, consistently underestimated by the Bank of England, may yet cloud the picture. There are signs of inflation expectations drifting upwards.

But to avoid harming a nascent recovery, rates seem unlikely to rise soon.

The balance between expansionary monetary policy and contractionary fiscal policy may keep gilt yields low until it is clear which side is winning.

One option is to bet on further curve flattening. If rate-rise pressures build, two-year yields should rise more sharply than 10-year rates. If the economy suffers from austerity instead, two-year rates will remain anchored while 10-year yields could fall further.

—Richard Barley