

THE WALL STREET JOURNAL.



WSJ. MAGAZINE
IN TOMORROW'S PAPER
CAREY MULLIGAN

Boxing's Biggest Big-Money Bout
ARENA | D1

DOW JONES News Corp ***** **FRIDAY, MAY 1, 2015** - VOL. CCLXV NO. 101 **WSJ.com** ★★★ \$3.00
DJIA 17840.52 ▼ 195.01 1.1% **NASDAQ** 4941.42 ▼ 1.6% **NIKKEI** 19520.01 ▼ 2.7% **STOXX 600** 395.79 ▼ 0.4% **10-YR. TREAS.** ▼ 3/32, yield 2.046% **OIL** \$59.63 ▲ \$1.05 **GOLD** \$1,182.40 ▼ \$27.40 **EURO** \$1.1223 **YEN** 119.38

What's News

- Business & Finance**
- ◆ **Stocks slumped**, capping a month in which bets on the dollar, oil and bonds backfired. The Dow slid 195.01 points to 17840.52. **A1, C4**
 - ◆ **Exxon, Shell and Conoco** saw their earnings battered by the plunge in crude prices, even as refiners benefited from the lower cost of oil. **B1**
 - ◆ **U.S. labor costs** accelerated last quarter, a sign the job market may be tightening and starting to generate a long-awaited pickup in workers' wages. **A2**
 - ◆ **LinkedIn slashed** its forecast for the year, citing a stronger dollar and weaker demand for traditional ads. Its shares plunged 21% after hours. **B1**
 - ◆ **Apollo is embarking** on an unusual campaign to improve its image with debt investors following a series of spats. **C1**
 - ◆ **T. Rowe Price is sending** a portion of its orders each day to Virtu Financial, in a test of high-frequency trading. **C1**
 - ◆ **Time Warner Cable and Charter** have separately held preliminary talks about a possible Bright House deal. **B2**
 - ◆ **GM outlined** \$5.4 billion in U.S. investments in advance of contract talks with the UAW. **B3**
 - ◆ **Banks are using** a loophole to avoid an SEC ban on selling certain products in the wake of enforcement actions. **C2**
 - ◆ **Airbus reported** a rise in earnings, bolstered by the sale of a stake in French combat jet maker Dassault. **B6**
 - ◆ **Chinese locomotive makers** are considering buying a controlling stake in Bombardier's train business. **B7**
- World-Wide**
- ◆ **Navy warships** have begun accompanying U.S.-flagged ships in the Strait of Hormuz following Iran's seizure of a cargo ship there this week. **A1**
 - ◆ **Costly drugs** for serious diseases account for over a quarter of Medicare Part D spending, despite being used by relatively few patients. **A1**
 - ◆ **The House approved** a GOP plan for deep spending cuts over the next decade, even as lawmakers sought to ease spending curbs this year. **A4**
 - ◆ **Sen. Sanders said** he would seek the Democratic presidential nomination with a campaign focused on what he called an unfair economic system. **A2**
 - ◆ **Obama and GOP leaders** pushed to win votes for a fast-track trade bill after warnings of insufficient support. **A4**
 - ◆ **NATO's military chief said** Russia-backed forces appear to be preparing for a potential offensive in eastern Ukraine. **A14**
 - ◆ **The ECB indicated** that it could help Greece ward off a temporary cash crunch if a creditor deal was in sight. **A14**
 - ◆ **Baltimore police said** they had concluded their probe into Freddie Gray's death. **A3**
 - ◆ **Rescuers in Nepal** freed a few quake survivors who were buried under rubble for days. **A6**
 - ◆ **The White House said** it isn't a policy violation for federal agents to facilitate ransom payments for hostages. **A7**
 - ◆ **Nine Florida hospitals** and an ambulance firm agreed to pay \$75 million to settle allegations of Medicare fraud. **A5**

Red Alert in Southern Chile as Volcano Erupts Again



STRIKE THREE: The Calbuco volcano erupted on Thursday for the third time in eight days, spewing clouds of ash and sparking evacuations.

Turnaround Rattles Markets

April ends on bitter note as bets that had worked early in year backfired; Dow takes a tumble

By **TOMMY STUBBINGTON** AND **CHRISTIAN BERTHELSEN**

April proved a cruel month for investors in financial markets, many of whom had bet the U.S. dollar would continue its march higher, oil prices would fall further and the rally in bond markets around the

world would gain steam. Instead, the trades that had proven winners in recent months backfired, as an accumulation of negative economic data dimmed the outlook for the U.S. economy and prompted many investors to push back their expectations for when the Federal Reserve will raise interest rates. The return of Greek troubles as a disruptive force and flare-ups in the Middle East made it harder to predict where markets were headed. The euro strengthened 4.5% against the dollar in April after tumbling 11% in the first quarter.

The U.S. benchmark crude-oil price soared 25% after declining 11% in the first three months of the year. The Nasdaq Biotechnology Index fell 2.8% in April after jumping 13% in the first quarter. Yields on German government bonds bounced higher after nearing zero last week. The turnaround month ended with an exclamation point Thursday. The Dow Jones Industrial Average dropped 195.01 points, or 1.1%, to 17840.52, dragged down by suddenly vulnerable technology stocks. Shares of Twitter Inc. tumbled

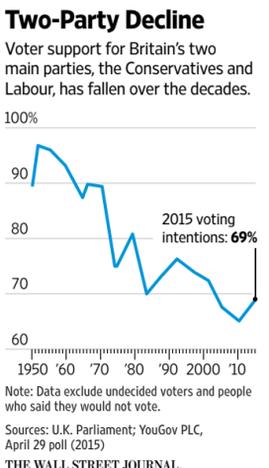
22% in April, a selloff that came mostly after the social-media company's disappointing first-quarter earnings Tuesday. In the first quarter, Twitter's stock rallied 40%. For investors, the reversals highlight how quickly markets can swing, especially when many traders have piled into the same bets. The rapid ascent in global stock and bond markets has stoked worries about pricey valuations, making them vulnerable to a selloff. A slowdown in U.S. Please see **INVEST** page A2

DISGRUNTLED U.K. VOTERS RALLY TO SMALL PARTIES

May 7 election could deny either Labour or Conservatives an outright majority

By **JENNY GROSS** AND **NICHOLAS WINNING**

LONDON—Britain faces its most unpredictable election in a generation next week as voters threaten to defect to newly popular small parties. For decades, the Conservatives and Labour vied for government, creating a stable two-party landscape much like the U.S. Republican-Democrat duopoly. In the 2010 parliamentary election, however, a fall in support for the two main parties brought Britain its first peacetime coalition government since the 1930s. Going into an election on May 7, growing disenchantment with the political establishment, fueled by years of weak economic growth, has led to a surge in support for smaller parties that could spell political change in the U.K. for years to come. Opinion polls signal a close race between the center-right Conservative Party and center-left



Labour, with neither party currently looking likely to win outright. There are four parties with at least 5% support in polls. A fifth and sixth aren't far behind. The picture is made even more complicated by the remarkable rise of the Scottish National Party, which has seen its membership surge since it led Scotland's independence drive last year. Even though the effort failed, it rallied Scots who felt disillusioned and disconnected with mainstream parties, which had pleaded with voters to reject independence. Some forecasters are predicting the SNP will win 40 or more seats, up from its current six, helping to block Labour from securing a majority. One poll published Wednesday by Ipsos-Mori suggested the SNP, a left-leaning party, could win all of Scotland's 59 seats, which would deprive Labour of the 41 it had held. Among the alternative parties, the U.K. Independence Party, could win all of Scotland's 59 seats, which would deprive Labour of the 41 it had held. Please see **PARTIES** page A10

Wages Finally Show a Pickup

Gauges of worker compensation suggest a long-awaited turnaround may be at hand.



RAISE: Labor costs accelerated in early 2015, a sign of tightening in the job market, laying the groundwork for a long-awaited recovery in wages. **A2**

Small Number of Drugs Drive Big Medicare Bill

By **JOSEPH WALKER** AND **ANNA WILDE MATHIEWS**

Costly drugs for diseases like cancer and multiple sclerosis account for more than a quarter of spending on prescriptions for America's elderly and disabled, despite being used by relatively few patients, according to newly released data from Medicare's prescription-drug program. The data, which cover prescription-drug claims paid in 2013, showed that out of nearly 3,500 drugs prescribed that year, roughly 400 with a cost of \$3,000 or more per beneficiary added up to \$26.5 billion. The drugs, which include Celgene Corp.'s blood cancer treatment Revlimid and Teva Pharmaceutical Industries Ltd.'s multiple sclerosis drug Copaxone, accounted for 26% of total spending but just 1% of claims. A Teva spokeswoman said Co-

paxone's cost is competitive with other MS treatments. Celgene didn't immediately respond to requests for comment. The prescription program, called Medicare Part D, began in 2006 and helps pay for most drugs sold through retail and mail-order pharmacies for roughly 36 million elderly and disabled Americans. Part D drug spending totaled \$103.7 billion in 2013, according to the data, which include outlays by the government, insurers and patients. The data don't include rebates paid by pharmaceutical companies, the Centers for Medicare and Medicaid Services said. Total government spending on Part D was \$69.7 billion in 2013. Pharmaceutical Research and Development **DRUGS** page A5

◆ **Florida hospitals, ambulance firm** in Medicare-fraud settlement... **A5**

Before the Derby, Horse 'Detective' Rates Herd Mentality

Mr. Thomas probes equine minds for winners; twitches, tics, flickers

By **PIA CATTON**

Before placing their Kentucky Derby bets, handicappers will consult any and all data: the horse's pedigree and past performances, as well as wind and even soil conditions at Churchill Downs. Some bettors just wait for Kerry Thomas, who has positioned himself as a researcher in equine athletic psychology. Four years ago, Mr. Thomas began posting data-driven assessments of Derby horses' psychological states. His accuracy has earned him believers: The

last four Derby winners were among the horses he rated highest for their sensory abilities. Pure numbers-based horse players largely ignore Mr. Thomas. "People try to use it to handicap, which is a bunch of hooey," said Jerry Brown, whose company Thoro-Graph rates horses according to race data such as time, wind speed and position on the track at key points. But even he was impressed

with Mr. Thomas's horse sense when they met. "The guy is not a crackpot," Mr. Brown said. Mr. Thomas's hobby handicappers, as well as millionaires and royalty, who have sought his advice when buying race horses, calming show ponies or returning a stallion to "his happy place," Mr. Thomas's euphemism for a stud's libido. Jordan's Princess Alia Al Hus- Please see **DERBY** page A10



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FROM PAGE ONE



An early-April debate heading into the U.K.'s election featured the leaders of seven parties, in a reflection of the splintered electorate. Four parties have at least 5% support in polls, and two more aren't far behind.

PARTIES

Continued from Page One

pendence Party, which advocates Britain's departure from the European Union and was once a fringe group, has jumped to 12% support in opinion polls from the 3.1% of the vote it drew in 2010, pollster YouGov PLC said Thursday.

British polling suggests that even a two-party combination may not be enough to form a governing majority after the vote, meaning one of the main parties might have to draw on support of two or more small parties for a minority government or a coalition. Such a splintered electorate could leave Europe's third-largest economy with the prospect of potentially messy coalitions and the fractious multiparty politics often seen in Continental countries.

The situation risks unnerving financial markets, economists say. Volatility in the pound sterling has picked up, suggesting some investors are nervous about exposure ahead of the vote.

"The big uncertainty is whether any government will have sufficient authority to be able to tackle problems that arise in the next Parliament," said Andrew Hawkins, chairman of polling company Communicate Research Ltd. Among issues facing the next government are a hefty budget deficit and the U.K.'s relationship with the EU.

Prime Minister David Cameron maintains the election still represents a traditional choice between his Conservatives and Labour.

"When you have a difficult economic situation—such a deep recession—it's not surprising that people start looking at alternatives and other answers," Mr. Cameron said in a March interview with The Wall Street Journal. His message for voters: "There are two choices in this election campaign." Mr. Cameron said portraying the contest as a two-horse race would be an increasing focus in his party's campaign.

Labour leader Ed Miliband has taken a similar tack. "It is definitely the case that there is a

great degree of skepticism about Westminster politics," Mr. Miliband said in an earlier Journal interview. Even so, "there's either going to be a Labour government led by me or a Conservative government led by David Cameron. It is the same ultimate choice of governments."

In a sign of the fragmented landscape, however, Messrs. Cameron and Miliband faced off against five other party leaders in a televised debate in early April. It was the first time the stage in such an event was shared with a string of small parties, which included the Greens and a Welsh party, Plaid Cymru. Broadcasters said they agreed to include a wider range of parties to reflect change in voting patterns.

Mr. Cameron has already felt the impact of such change. In 2010, after neither leading party won outright, he formed a coalition with the centrist Liberal Democrats, traditionally Britain's third-largest party. While the arrangement showed coalition government could work, it left the partners scarred by compromises they had to make.

Economic frustrations

The shifting winds are evident in South Thanet on England's southeast coast, where Nigel Farage, leader of the U.K. Independence Party, or UKIP, is standing for election to Parliament. The constituency has traditionally flipped between the two main parties. This time, it is expected to produce a tight three-way race among Labour, the Conservatives and UKIP.

David Luff, a 52-year-old bus driver in South Thanet, said he has backed the Conservatives in the past but plans to vote UKIP this time because he feels the political establishment doesn't understand his concerns about immigration. "Politicians have lost touch with people," he said.

Behind these sentiments is economic frustration that has rippled across Europe. The sharp downturn in 2008 and later years fed anger at established parties and support for alternative groups

pushing anti-immigration, antiausterity or nationalist agendas.

"The backdrop to this election is still the longest and deepest recession that Britain has had in living memory and a recovery from that, but a recovery that inevitably has taken time," Mr. Cameron said in the interview with the Journal.

While Britain in 2014 recorded the strongest economic growth among the leading nations in the Group of Seven, 2.6%, many families have endured a five-year squeeze on their incomes that only recently began to ease. And growth in the 2015 first quarter slowed sharply, casting a shadow over the government's economic record.

Scandals have further fueled discontent, such as one over politicians' abuse of expenses. Some voters say they feel uninspired by the mainstream candidates or see them as elitist.

Messrs. Cameron and Miliband, both London-born and Oxford-educated, have conducted TV interviews in their kitchens in an apparent effort to establish their Everyman credentials. That backfired for Mr. Miliband when it later emerged he had held his interview in the smaller of his two kitchens.

Mr. Cameron drew ridicule last weekend after he forgot which soccer team he supported, a notable gaffe in a country known for its love of the sport. He quickly backtracked and said he had suffered a "brain fade."

Media outlets have mocked both party leaders, showing a photo of Mr. Miliband awkwardly eating a bacon sandwich and footage of Mr. Cameron eating a hot dog with a knife and fork.

"They're all as bad as each other at the moment," said Sarah Collins, a 39-year-old human-resources manager from Staffordshire. She said she has voted both Conservative and Labour in the past but wasn't sure whom to back this time.

The campaign has been chaotic at times. A televised debate on April 16 turned into a five-way shouting match, with Mr. Miliband under attack by smaller parties.

Adding confusion for some viewers was the absence of Mr. Cameron and Liberal Democrat leader Nick Clegg, because the debate was only for opposition candidates.

This political splintering adds to a long-term shift away from class-based loyalties in the U.K. Fifty years ago, working-class voters mostly backed Labour and the middle class heavily supported Conservatives. In a 1951 election, the two parties drew support from 97% of the electorate.

By 2010, that share had fallen to 65%. Membership in the two leading parties, which entails paying an annual fee, has fallen to roughly 200,000 for each, from almost three million for the Conservatives and one million for Labour in the early 1950s.

Many undecided

With a week to go before Election Day, only 65% of voters had decided for certain whom they would back, according to a poll by Ipsos Mori.

Analysts say there remains a possibility, albeit slim, that either the Conservatives or Labour could squeeze out a majority in the election, because voters sometimes revert to conventional opinions on polling day. It is too soon to "write the obituary of the two-party system," former British Foreign Secretary William Hague, a Conservative, said recently.

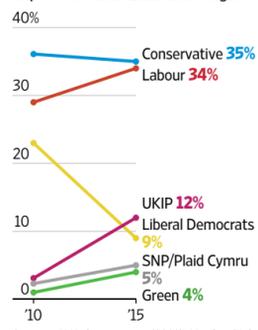
Replacing class loyalty are issue-based politics. For some voters, political preferences are shaped by national-identity concerns such as a wish to distance Britain from the European Union. In an April poll by YouGov, 35% said they would vote to leave the EU.

Mr. Cameron has promised to hold a referendum on EU membership if he remains prime minister.

An issue that has moved to the fore is immigration, following a wave of arrivals over the past couple of decades. The influx has fueled a heated public debate about whether migrants are a spur to economic growth or a

Political Shuffle

In a May 7 U.K. election, several minor parties are expected to improve on their 2010 showings.



Sources: U.K. Government (2010); YouGov PLC, April 29 poll (2015)
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strain on services and the labor market. In any case, almost half of voters say they trust neither Labour nor the Conservatives to manage immigration effectively, a survey by YouGov showed.

Phillip Ward, a 67-year-old in Broadstairs on England's southeast coast, said he was frustrated that politicians weren't listening to demands by the public to curb immigration. "It's been blatantly laid out what people think, and they seem to ignore it," he said. "Everybody's getting fed up."

The dynamics have opened the door for parties such as UKIP, which draws enough support for its antiestablishment and tough-on-immigration positions to threaten the Conservatives in closely fought constituencies. The two seats UKIP holds in Parliament were gained late last year after defections by Conservative lawmakers.

The more votes the SNP siphons from Labour—historically the dominant political force in Scotland—the better chance the Conservatives have of winning the largest number of seats at Westminster. The SNP's rise also raises the possibility that a nationalist party will have a key role in running the U.K.

For decades, the SNP was a tiny party on the fringes of Westminster political life. But in 2011, it won an outright majority in the Scottish Parliament, which paved the way for its referendum bid.

The SNP's new leader, Nicola Sturgeon, has emerged as a star of this year's campaign, outshining opponents in televised debates. Mr. Farage, the leader of UKIP, has also gained attention because of his antiestablishment message. He is regularly photographed in pubs drinking beer with locals and presents himself as an alternative to what he calls Britain's elite career politicians.

While UKIP and the SNP push very different policies, there are parallels. Both decry income inequality between London and the rest of the country.

Mr. Cameron, in a plea to Conservatives considering UKIP, has told them he is aware of their frustrations, and now "it's time to come home." The Conservative Party is ordering lawmakers who have safe districts to campaign

door-to-door in closely contested ones, pushing the message that a vote for any other party is a ticket to political chaos.

In recent days, the campaign has focused on scaring voters about the consequences of a possible Labour government propped up by the SNP. Mr. Cameron said this would be a "match made in hell."

Labour, too, has tailored its campaign to counter the challenge from smaller parties. It has set up task forces to prevent Labour supporters from defecting to either UKIP or the environmentalist and antiausterity Green Party. In Scotland, it is telling people that voting for the SNP would just make it easier for Mr. Cameron to win across the U.K. as a whole.

The Liberal Democrats, the usual beneficiary of a protest vote but now part of the government as junior partner, have seen their support plunge. Some former backers think the party failed to fulfill promises such as scrapping university tuition fees. Recent polls put the Liberal Democrats' voter support at about 9%; they won 23% of the vote in the 2010 election.

The traditional third party has shifted its strategy in response to the rise of others. Its leader, Mr. Clegg, is making an unusual election pitch to voters by positioning himself as the least-bad partner among the smaller parties. "The Liberal Democrats will add a heart to a Conservative government and a brain to a Labour one," he said recently.

The increased popularity of alternative parties is fueling debate about whether Britain's age-old parliamentary electoral system still fulfills its purpose. The top vote winner in each constituency claims the seat even if gaining nowhere near a majority of votes.

This system tends to benefit larger parties and work against small ones with popularity spread across the country, because it is difficult to come in first unless party support is geographically concentrated. Smaller parties like UKIP and the Greens want this "first past the post" system turned into a more representative one and say this election could trigger an overhaul.

Even if it doesn't, the impact of the small parties is likely to go beyond the number of seats they win, by shifting political debate to focus more squarely on issues such as EU membership and Scotland.

A strong SNP showing would mean there will be a new bloc of lawmakers hostile to the main parties' government belt-tightening policies, opposed to Britain's possession of nuclear weapons, and intent on pursuing greater autonomy for Scotland. Ms. Sturgeon has said the current campaign "is not about independence." But she hasn't completely ruled out a second referendum on the issue.

Said Natalie Bennett, leader of the Green Party: "There's a chance that this election will be the point at which British politics breaks wide open and it doesn't look anything like the past."



Prime Minister David Cameron greets voters, as Nicola Sturgeon of the rising Scottish National Party prepares for a helicopter campaign trip.



DERBY

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sein flew him to Amman to profile her Arabian show horses, one of which seemed to have decided that he was done with the whole pony show.

"He just hated showing, and we didn't know why," said Princess Alia. She said Mr. Thomas determined that the horse was fine, but eccentric, and suggested new handling approaches that contributed to an attitude adjustment.

Jolly in demeanor and physique, Mr. Thomas, 46 years old, is an independent researcher who regularly wears an Akubra, the Australian hat worn by Paul Hogan in "Crocodile Dundee." When he talks about horses, he tosses around phrases like "mental efficiency zone" or "emotional conformation," occasionally prompting his business partner, Pete Denk, a former racing journalist,

to decipher his comments in layman's terms.

One term Mr. Thomas doesn't care for: "horse whisperer."

"It conjures thoughts of an old cowboy or a hippie who talks to the horse. That's not what I do," he said. "I feel like a doctor. Or a detective."

The Thomas Herding Technique, as he calls it, is his method of evaluating equine athletes, to find those that are the most efficient in interpreting external stimuli—anything from loud noises to other horses.

He takes note of herd dynamics and "jostling of hierarchy" when horses are near each other, behavior he learned to pay attention to over hours observing wild horses in Wyoming and Montana. It isn't unlike the way basketball teams size each other up when players shoot rounds before a game, he said.

"You're looking at who is taking shots and who looks more athletic. There is a communication

going on," he said. "You get this vibe: 'I got you. Maybe I'm a little afraid of you.'"

Calm horses rank high on his rating system. "Just like any athlete, the ones who can handle stress and perform under pressure excel on a consistent basis," Mr. Thomas said.

To create a horse's emotional profile, he enters their personal space, or "egg," as he calls the area around a horse that it can easily see. He kneels a few feet away so the animal can see he isn't a threat.

As he approaches the horse, he looks for the sequencing of ear twitches and eye flickers, as well as tics that he says might signal a mental weakness. Before the Derby, he can't meet every horse, though he happened to profile some when they were for sale at auctions over the last few years.

For his Derby analysis, he replays videos of the season's prep races, to see how horses move within the herd.

"He has a very very high herd dynamic in that he is always in self-control," Mr. Thomas wrote in 2011 of Animal Kingdom, who went on to win that year's Derby.

He doesn't always get it right. That year, he was equally high on Dialed In, writing that he "has the emotional command over space to win the Triple Crown."

Dialed In finished eighth in the Derby, then fourth in the Preakness Stakes two weeks later.

"Kerry is not going to be right 100% of the time, and he doesn't say that he will be," said Kylie Bax, a former actress and model who now breeds and races horses in New Zealand.

Those who use his report, which costs \$20, understand he isn't pointing to the fastest of the field. He's trying to find the boldest of the newbies.

That is important in the Kentucky Derby because it is such an unusual race, exposing three-

year-old horses—the gawky teenagers of the equine world—to more distraction than they have ever encountered.

Most haven't heard anything as loud as the roar of 150,000 cheering fans. And after a season of races against roughly six to 10 other horses, they are about to learn to run against 19 others.

The chaos can overwhelm a horse in the mile-and-a-quarter, \$2 million race at Churchill Downs.

"He's not a horse that wastes any emotional energy," Mr. Thomas wrote about one contender. "This horse doesn't panic."

That was his pre-race assessment of I'll Have Another, who won both the 2012 Derby and the Preakness Stakes.

Some longtime observers aren't buying it. "I'm old school," said Churchill Downs's oddsmaker Mike Battaglia. "It's not for me, but it may work for other people."

Mr. Thomas himself doesn't bet and he's not a regular around racetracks.

Based in Cochransville, Pa., about an hour from Philadelphia, he is more likely to be found advising buyers at auctions or in their far-flung barns.

In New Zealand, he profiled broodmares and racehorses for Ms. Bax. She uses Mr. Thomas's advice, along with that of a bloodstock agent, who examines pedigrees, and a veterinarian.

"I want to take advantage of every approach I can," she said. If others doubt Mr. Thomas's approach, that is fine with her, just as it is with Texas-based oil-and-gas magnate Art Preston, another client.

"We measure everything we can measure on a horse," he said. "We need to go to a new dimension."

For Mr. Thomas, that dimension is individuality.

"If they were all the same," he said, "it would be like NASCAR."