

THE WALL STREET JOURNAL.

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What's News

Business & Finance

♦ Intel was allocated up to \$7.87 billion to help fund new semiconductor plants in four states, the largest award in the Biden administration's program aimed at reviving American chip-making. **B1**

♦ Major U.S. stock indexes advanced, with the S&P 500 and Dow rising 0.6% and 0.3%, respectively, to records and the Nasdaq gaining 0.6%. **B1**

♦ Fed officials earlier this month discussed potentially slowing or pausing interest-rate cuts if progress on lowering inflation stalled, minutes show. **A2**

♦ Five U.S. airlines collected \$12.4 billion in seat fees from 2018 to 2023, according to a Senate subcommittee report released after a yearlong look into carriers' practices. **B1**

♦ Banco BPM said a \$10 billion-plus bid from UniCredit undervalues the business, a day after Italy's second-largest bank by assets made a surprise move on its smaller rival. **B3**

♦ Alphabet's Google proposed further changes to the way its search results work in Europe to satisfy requests from competitors and regulators. **B4**

♦ Roche agreed to buy San Diego-based Poseida Therapeutics in a deal valued at up to \$1.5 billion, as the company seeks to expand its pipeline and support growth. **B4**

♦ Kohl's, hurt by missteps in its recent quarter, cut its guidance ahead of the holiday shopping season and before the transition to a new CEO. **B2**

World-Wide

♦ Israel approved a cease-fire with Lebanon that is intended to bring a halt to more than a year of fighting with Hezbollah and could help defuse a broader regional crisis that has threatened to ensnare the U.S. and other world powers. **A1**

♦ Trump's new tariff pledges send a clear signal that he wants to rewrite the terms of North America's free-trade pact and follow through with plans to hit China with tariffs. **A1, A6-8**

♦ Trump's promised duties and tariffs could raise prices for Americans on everything from fresh fruit from Mexico to lumber from Canada and Chinese electronics. **A7**

♦ A trade war involving retaliatory tariffs between the U.S. and Europe would harm all sides, the European Central Bank's vice president said. **A8**

♦ Trump selected Kevin Hassett, a longtime adviser, to lead the National Economic Council and trade lawyer Jamieson Greer to be U.S. trade representative. **A5**

♦ Dr. Jay Bhattacharya, a prominent critic of pandemic health measures, was named to lead the National Institutes of Health. **A3**

♦ The White House said it is moving to make Medicare and Medicaid cover obesity drugs for people who are obese even if they don't have other diseases like diabetes. **A3**

♦ The IRS's beefed-up enforcement fund, initially intended to last about a decade, could run dry in 2025 after budget cuts and a quirk in congressional funding. **A4**

NOTICE TO READERS

WSJ.com and WSJ mobile apps will publish throughout the Thanksgiving holiday. The print edition won't appear Thursday.

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Israel, Lebanon Agree to Truce

Cease-fire would narrow the fronts in Israeli fighting and defuse a broader regional crisis



Smoke billows over Beirut's southern suburbs after an Israeli strike Tuesday. A cease-fire was set to take effect Wednesday.

Israel approved a cease-fire with Lebanon that is intended to bring a halt to more than a year of fighting with Hezbollah and could help defuse a broader regional crisis that

Prime Minister Benjamin Netanyahu of Israel backed the agreement earlier in the day, saying it would let Israel focus on the threat from Iran, allow the Israeli military to rest and re-arm, and isolate Hamas.

"The continuation of the cease-fire will be dependent on what happens in Lebanon. We will enforce the agreement and respond forcefully to every violation," Netanyahu said.

Prime Minister Najib Mikati of Lebanon welcomed the truce, saying it would bring "calm and stability in Lebanon and the return of the displaced to their homes and cities."

Lebanon's cabinet is expected to meet Wednesday to

approve steps to enforce the cease-fire, including sending government security forces to areas of southern Lebanon near the border with Israel.

Hezbollah has indicated openness to a deal in recent days. "What concerns us are Lebanese national measures and the protection of sovereignty," said Hassan Fadlallah, a member of Parliament affiliated with the group.

The announcements came after a day of heavy bombardment of Beirut while Israeli ground forces advanced deeper into Lebanese territory.

Minutes after Biden spoke, a series of explosions thundered in Beirut. Northern Israel also came under renewed rocket fire.

There was no immediate public comment from Hezbollah on the announced cease-fire.

If implemented, the agreement would be a diplomatic success for Biden in the twilight of his administration, after more than a year in which the White House has tried to fend off the possibility of a wider regional war.

It could also change the landscape that President-elect Donald Trump will face when he takes office in January.

The deal would mark a breakthrough for Israel, which had tried for more than a year

Please turn to page A9

Trump Fires Salvo On North American Trade Pact

Incoming president signals plan to upset the agreement over migrants, fentanyl

President-elect Donald Trump's new tariff pledges send a clear signal that he wants to rewrite the terms of North America's free-trade pact and follow through with plans to hit China with tariffs, demonstrating to allies and adversaries alike that he is serious about renewing confrontation over a global trading system that he believes costs the U.S. dearly.

By Jason Douglas
in Singapore
and Anthony Harrup
and José de Córdoba
in Mexico City

On his Truth Social social-media platform on Monday, Trump said he would levy tariffs of 25% on imports of all goods from Mexico and Canada, accusing both countries of facilitating illegal immigration and fentanyl abuse in the U.S. The Mexican peso fell 1.7% against the U.S. dollar Tuesday, while the Canadian dollar lost 0.5%.

Trump also promised to levy additional tariffs of 10% on Chinese imports, citing what he said is China's failure to regulate the chemicals that

Please turn to page A6

♦ Trump tariff impact seen as widespread..... A7
♦ Mexico fears relations will suffer amid threats..... A7
♦ Heard on the Street: Tariff fears hit Europe..... B12

How Morgan Stanley Courted Dodgy Clients to Build an Empire

Weak anti-money-laundering controls bedevil its giant wealth-management business, a crucial source of profits

BY ANNAMARIA ANDRIOTIS

Morgan Stanley discovered last year that a yearslong brokerage customer had been convicted in 2005 in a U.S. court—for lying about terrorism investigations—and had links to al Qaeda bombings of U.S. embassies.

The bank informed law enforcement and shut down the accounts. By then, at least tens of thousands of dollars had been withdrawn from ATMs in Pakistan.

It wasn't a rare oversight.

In another case, discussed in internal Morgan Stanley documents reviewed by The Wall Street Journal, a self-proclaimed princess claiming to have more than \$5 billion in assets was allowed to engage Morgan Stanley for weeks without the bank carrying out a basic

background check or completing the appropriate due-diligence review.

She gave multiple unusual stories for the source of her wealth—among other things she claimed to be related to the last king of Romania and to be the owner of a drug company worth billions. Finally the bank's global financial crimes unit pushed it to cut ties.

One of the financial crimes employees described the messy nature of the case in an internal company chat log. "Fantastic—it's like the end of a tarantino flick...everyone just murdering everyone."

Morgan Stanley's wealth-management division, which oversees about \$6 trillion of assets, represents close to half the firm's total revenue and has been a crucial source of profits.

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If Marathons Aren't Enough For You, Try the 'Backyard Ultra'

Racers run a four-mile loop every hour—until no one else is still doing it

BY RACHEL BACHMAN

The hottest new event in distance running sounds like a riddle. The fastest runner doesn't always win. It has no finish line. And it can drive adults to eat baby food.

Behold the backyard ultramarathon, or "backyard ultra."

The rules are simple: Run one 4.167-mile loop in an hour. Then do it again and again, each hour on the hour.

The race keeps going—sometimes for days—until there's

only one person

standing. There's no limit on how far the races can go.

Run quickly and you get

more time to eat or nap, but

you also tire out faster. Run slowly and you save energy

but risk missing the start of your next loop and being disqualified.

The idea for a backyard ultra started out in rural Tennessee, and the quirky format has since spread around the world. Backyard ultras can be staged on farmland, parkland or anywhere else someone can sketch out a 4-mile course.

Bo Shelby was 40 hours into last year's Summit Backyard Ultra in Marble Falls, Texas, when he realized that only one other guy

was still going.

Shelby, a then-27-year-old

who lives outside Denver,

thought to himself, "Oh my gosh, I'm about to win."

In reality, he had 16 more

days—until there's

one more time

standing. There's no limit on how far the races can go.

Run quickly and you get

more time to eat or nap, but

you also tire out faster. Run slowly and you save energy

INSIDE



JASON GAY

Brace for sprained ankles: 23 new rules for the family touch football game. **A14**



BUSINESS & FINANCE

Target misfires as shoppers gripe about missing items and long lines. **B1**

China Firms Lure West's Tech Talent With Huge Raises

OBERKOCHEIN, Germany—Executives at Zeiss SMT, which makes indispensable components to build the world's most powerful semi-

By Bertrand Benoit,
Liza Lin,
Heather Somerville
and Kim Mackrael

conductors, got some troubling news last fall. Headhunters from Huawei Technologies, the Chinese tech firm, were trying to poach its employees.

Staff with access to sensitive Zeiss know-how received LinkedIn messages, emails and

calls from Huawei representatives, offering them up to three times their salaries to join the Chinese company, according to people with knowledge of the situation.

The push triggered an investigation by German intelligence officials, who feared it could provide a backdoor for Huawei to access some of the world's most sophisticated intellectual property. The investigation remains open, people familiar with the matter said.

It was the latest sign that talent-poaching has become a crucial front in the battle be-

Please turn to page A9

Medicare Payouts Vary Widely for Same Drug

BY JARED S. HOPKINS
AND JOSH ULLICK

The cost of prescription drugs in the U.S. isn't like the tabs for other products. The price for a single medicine can range by thousands of dollars depending on the drug plan.

It is a symptom of the U.S.'s complicated—and costly—system for paying for medicines.

Medicare is paying wildly different prices for the same drug, even for people insured under the same plan.

As a result, people covered by Medicare can be on the hook for thousands of dollars in additional out-of-pocket costs depending on where they live and which drug plan they choose.

Take commonly used generic versions of prostate-cancer treatment Zytiga. They have more than 2,200 prices in Medicare drug plans. The

generics ring in at about \$815 a month in northern Michigan, about half of what they cost in suburban Detroit, while jumping to \$3,356 in a county along Lake Michigan, according to a recent analysis of Medicare data.

The same is true with other popular medicines such as psoriasis treatment Otezla, blood thinner Xarelto and generic versions of the cancer drug Tykerb, known as lapatinib, which has 460 prices, according to the analysis by 46brooklyn Research, a nonprofit drug-pricing analytics group.

"How would you like to go every year and figure out again what is the best plan?" said Paula Kirk, 70 years old, who switched her Medicare prescription-drug plan since joining the program five years ago to get a better price for Tykerb, reducing her annual

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Please turn to page A4

U.S. NEWS

Minutes Signal Fed to Move Cautiously on Rate Cuts

By NICK TIMIRAO

Federal Reserve officials discussed potentially slowing down or pausing interest-rate cuts if progress on lowering inflation stalled out when they met earlier this month.

Officials thought that if the economy performed in line with their expectations that inflation would continue to decline steadily, "it would likely be appropriate to move gradually toward a more neutral" interest-rate setting, according to a written account of the

Fed's Nov. 6-7 meeting released Tuesday.

The meeting summary indicated that all 19 officials who participated in the deliberations approved of the decision to cut the Fed's benchmark short-term rate by a quarter-percentage point to a range between 4.5% and 4.75%. That followed a larger cut of a half percentage point in September.

Some policymakers saw the risks of a more pronounced slowdown in the labor market or the economy as having diminished since the September

meeting. And many of them flagged greater uncertainty over where, exactly, to set rates for an economy that requires neither stimulus nor monetary restraint.

Those considerations, the meeting minutes said, "made it appropriate to reduce policy restraint gradually."

The minutes suggested officials remain confident that inflation will return to their 2% target because prices of goods and non-housing services were rising at levels consistent with the Fed's goal. Housing prices,

meanwhile, have been stubbornly high, but the rate of increase is expected to slow given a more recent slowdown in the pace of rent increases.

Officials are trying to pull off a delicate balancing act. They want to prevent the aggressive rate increases of the past two years from unnecessarily cooling down economic activity now that price and wage growth has cooled. But they don't want to undo recent progress on inflation by boosting asset prices or spending with rate cuts.

"In discussing the positioning of monetary policy in response to potential changes in the balance of risks, some participants noted that the committee could pause its easing of the policy rate and hold it at a restrictive level if inflation remained elevated, and some remarked that policy easing could be accelerated if the labor market turned down or economic activity faltered," the minutes said.

The Fed's next meeting is Dec. 17-18. Officials have said the decision to cut rates at

that meeting could be a close call, though they have left the door open to one last rate reduction this year.

Separately, the Fed's staff revised up its assessment of the economy's capacity to produce goods and services, or what economists refer to as "potential output," due to recent gains in productivity.

Higher potential growth driven by improvements in productivity, if sustained, could allow for an increase in output without resulting pressure on prices.

Medicare Drug Payout Varies

Continued from Page One
out-of-pocket costs by more than \$2,500.

Kirk dipped into her retirement fund and her husband picked up part-time work to help pay for her prescriptions before switching to her current plan.

"We're just trying to get the cheaper rates for our prescriptions, that's all we're trying to do," she said.

In her county in central Illinois, Kirk's Centene Medicare drug plan priced the cancer drug at \$3,622, while Humana priced the drug double the amount, 46brooklyn found. Lapatinib can cost even more in other parts of the country, including \$10,000 in certain parts of California and more than \$12,000 in the center of Pennsylvania.

Medicare drug benefits usually cover most of the cost of a drug. Depending upon their plan, patients can be on the hook for a portion of the cost, such as a deductible or coinsurance. The wide range in drug prices means patients would have to choose a plan paying a lower price for their prescription to minimize out-of-pocket expenses.

The reason for the huge price differences: The U.S.'s complicated drug-reimbursement system, which uses midlemen to negotiate prices.

To control drug spending, these companies have created a pricing patchwork, negotiating different prices for different plans.

Not only is it confusing and costly for seniors, the wide range of drug prices costs Medicare. The program, which farms out drug-price negotiations to the companies, pays tens of millions of dollars extra for prescriptions.

"It's a broken system. It's really confusing for seniors. It's really confusing for providers," said Dared Price, who owns eight pharmacies in the Wichita, Kan., area, and complains the stores are underpaid. "It's costing the government way too much."

The middlemen, known as pharmacy-benefit managers or PBMs, said they work to negotiate the lowest possible prices for their customers and seniors. They said Medicare prices are affected by factors such as what pharmacies charge Medicare for a drug and the facility where a patient is getting care.

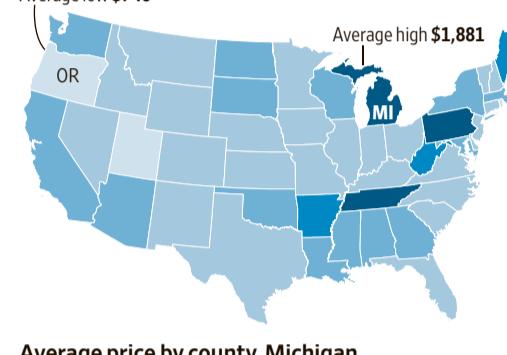
The Pharmaceutical Care Management Association, the PBM trade group, said it isn't unusual for prices to vary for generic drugs in particular, and PBMs determine a fair price by collecting information from drugmakers and wholesalers, surveying local market data and calculating the average cost for prescriptions.

Generic Zytiga (abiraterone acetate)*

This generic version of the prostate-cancer treatment Zytiga has 2,286 unique prices ranging from \$60 to \$7,645, with high price variation in Michigan.

*For oral 250 mg dose, estimated 30-day supply, 2Q 2024.

Average price by state

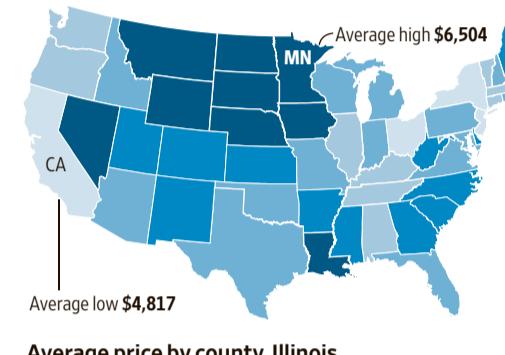


Generic Tykerb (lapatinib ditosylate)*

This generic version of the breast-cancer medication Tykerb has 460 unique prices ranging from \$1,392 to \$12,145, with high price variation throughout the U.S., including Illinois.

*For oral 250 mg dose, estimated 30-day supply, 2Q 2024.

Average price by state

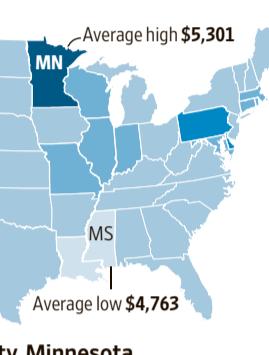


Otezla*

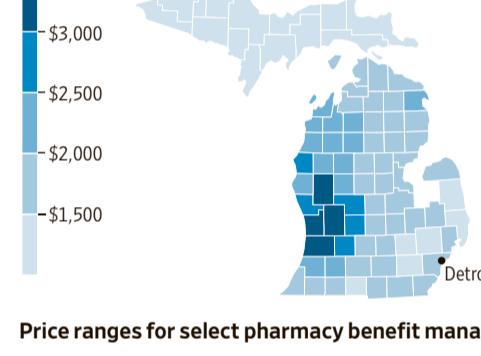
The psoriasis medication has 2,401 unique prices ranging from \$4,301 to \$8,835, with high price variation in Minnesota.

*For oral 30 mg dose, estimated 30-day supply, 2Q 2024.

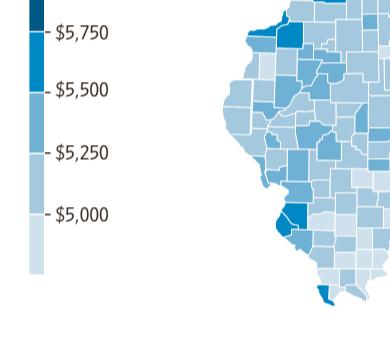
Average price by state



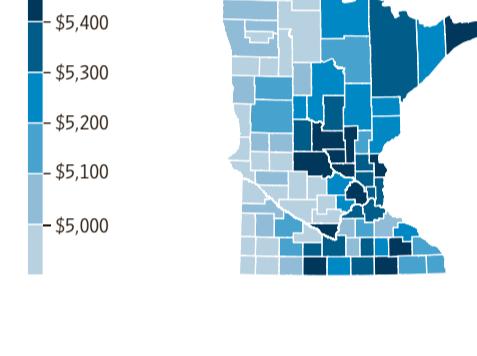
Average price by county, Michigan



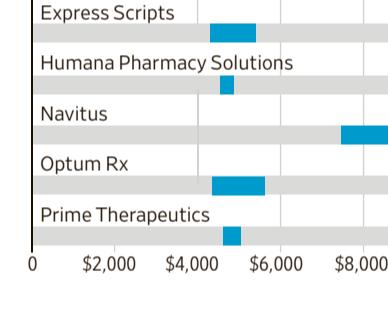
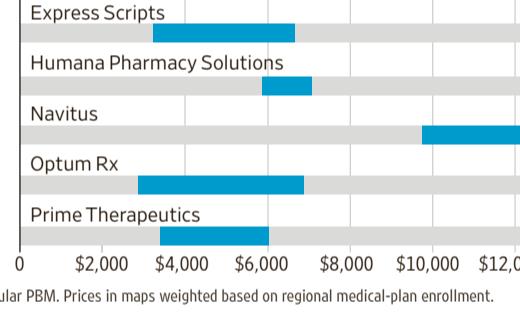
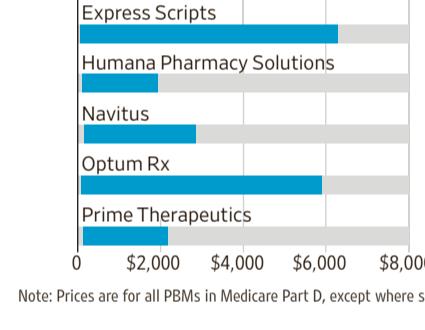
Average price by county, Illinois



Average price by county, Minnesota



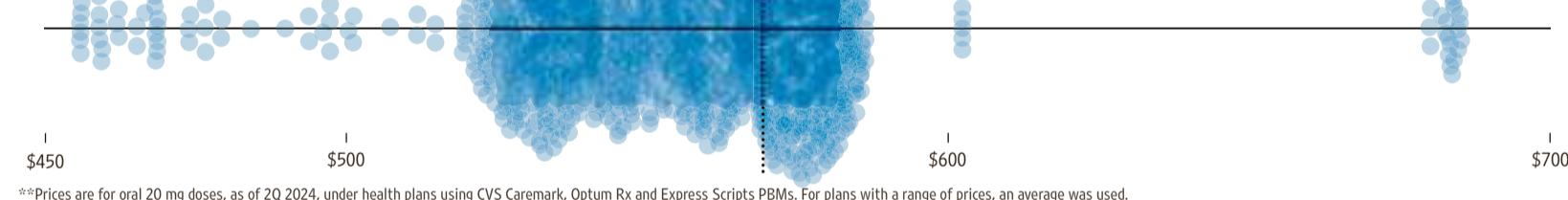
Price ranges for select pharmacy benefit managers



Note: Prices are for all PBMs in Medicare Part D, except where specified for a particular PBM. Prices in maps weighted based on regional medical-plan enrollment.

All Over the Map

The same drug can have wildly different prices. For example, a 30-day supply of Xarelto, a medication that treats blood clots, has 3,553 unique prices.**



**Prices are for oral 20 mg doses, as of 2Q 2024, under health plans using CVS Caremark, Optum Rx and Express Scripts PBMs. For plans with a range of prices, an average was used.

Source: 46brooklyn Research analysis of CMS's Medicare quarterly formulary and pricing files

Print layout by ERIK BRYNLDSEN/WJS

pay for brand-name drugs, and to broker the sum it will reimburse pharmacies for the generic and brand drugs that the pharmacies buy and then sell to patients.

A medicine doesn't usually have a single price because Medicare divides coverage into 34 regions around the U.S. and health plans must submit separate bids for each region.

Critics have said the PBMs can profit off the varying prices because Medicare can't keep track of all the different sums it is paying.

The inconsistent and disconnected way that PBMs arrive at drug prices makes Medicare look less like a trustworthy marketplace intended to yield low, sober prices and more like a casino," said 46brooklyn Chief Executive Antonio Ciaccia.

The Centers for Medicare and Medicaid Services, which administers Medicare, doesn't comment on external analyses, a spokeswoman said.

Like commercial plans, Medicare Part D plans for the elderly and certain people with disabilities enlist PBMs to negotiate with drugmakers the price that drug plans will

pay for brand-name drugs, and to broker the sum it will reimburse pharmacies for the generic and brand drugs that the pharmacies buy and then sell to patients.

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Like commercial plans, Medicare Part D plans for the elderly and certain people with disabilities enlist PBMs to negotiate with drugmakers the price that drug plans will

tween the lowest price and the highest was more than \$1,000.

It didn't matter that the same PBM was negotiating the prices. Prices varied widely among health plans, even if a plan used the same PBM.

The 30 mg dose of Otezla had among the most different prices among branded medicines. It had 633 different prices across health plans that used Express Scripts, while Optum Rx carried 569 different prices and Caremark had 431.

The largest PBMs notched some of the biggest number of different prices for lower-priced copies of Zytiga, which is sold as a generic under the drug's chemical name abiraterone acetate.

Caremark has logged 643 different prices for Zytiga generics, while Express Scripts has 500 and Optum Rx carries 445. By comparison, Capital Rx, a PBM with fewer beneficiaries than the three largest firms, had two prices.

Capital Rx had few prices—either \$106 or \$117—because it pegged them to the benchmark that the U.S. government uses to calculate drug costs, called the National Average Drug Acquisition Cost, which is based on a survey of retail pharmacy prices, said Chief Executive Anthony Loiacono. Capital Rx's prices were much less than the sums that many other health plans reported.

"We don't make money on drug spend, and I do not set prices. I use what CMS gives

us as the starting point," Loiacono said.

To save on the out-of-pocket costs for his blood-thinner prescription, Brian Vaughn, a 76-year-old retired information-technology worker who lives in the Tampa area, tried switching Medicare drug plans four years ago. But the plan he wanted wouldn't cover his prescription at the time.

He has stuck with a plan run by the health insurer Centene because he doesn't want to repeat the experience.

"This stuff is such a black box," he said. "You never really know how much your drugs cost you."

Vaughn is currently taking a daily 10 mg dose of a blood thinner called Xarelto. His Medicare plan, which is run by Centene and uses Express Scripts to manage drug benefits, charges Medicare \$532 a month. It is among 67 different monthly prices that plans in his county charge Medicare.

In the county, Vaughn's drug plan is paying among the lower prices for Xarelto. His prescription costs him a monthly copay of about \$200. But other Medicare plans covering people in Florida are charging less, as low as \$456 a month.

Across Florida, Medicare is paying 262 different prices for Xarelto, up to as much as roughly \$884 monthly for five plans whose drug plans were managed by PBM Navitus Health Solutions.

—Taylor Umlauf contributed to this article.

CORRECTIONS & AMPLIFICATIONS

The name of Concerned Veterans for America, an advocacy organization, was given incorrectly as Concerned Veterans of America in a Page One article on Saturday about Pete Hegseth, President-elect Donald Trump's nominee for defense secretary.

A bike shed outside the Irish parliament cost around \$350,000. A Page One article on Saturday about Ireland incorrectly said the shed cost half a million dollars.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com or by calling 888-410-2667.

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U.S. NEWS

Critic of Pandemic Measures Chosen for Health Post

BY LIZ ESSLEY WHYTE

President-elect Donald Trump has selected Stanford health-policy professor Dr. Jay Bhattacharya, a prominent critic of pandemic health measures, to head the National Institute of Health.

Bhattacharya is both a doctor and economist who became known during the Covid-19 pandemic as a co-author of the Great Barrington Declaration, a document that called for ending lockdowns and isolating the vulnerable so that young, healthy people could get infected and build up immunity in the population.

Other doctors and public-health researchers, including then-infectious disease chief Dr. Anthony Fauci, criticized the document and said its approach was flawed and would lead to unnecessary deaths.

"This is a fringe component of epidemiology," then-NIH Director Francis Collins told the Washington Post in the days following the document's release in 2020. "This is not mainstream science. It's dangerous. It fits into the political views of certain parts of our confused political establishment."

The NIH is a \$47 billion agency that funds much of the nation's basic research into the underlying causes of infectious and other diseases.

Bhattacharya, whose selection was announced Tuesday, had advocated for overhauling the agency. His proposals include encouraging academic freedom among NIH scientists and term limits for NIH leaders.

"Those kinds of reforms, I think every scientist would agree, every American would agree, it's how you turn the NIH



Jay Bhattacharya

from something that is sort of how to control society, into something that is aimed at the discovery of truth to improve the health of Americans," he said on Newsmax this month.

Bhattacharya will have to be confirmed by the Senate. The NIH falls under the umbrella of the Department of Health and Human Services, which Trump has selected Robert F. Kennedy Jr. to lead. Bhattacharya has supported Kennedy's "Make America Healthy Again" campaign.

After his selection was announced, Bhattacharya referred to Kennedy's slogan, saying on X, "We will reform American scientific institutions so that they are worthy of trust again and will deploy the fruits of excellent science to make America healthy again!"

Some public-health leaders expressed hope Bhattacharya could strengthen the agency he has criticized. "Dr. Bhattacharya is a strong choice to lead the NIH," said Dr. Ned Sharpless, a former National Cancer Institute director. "The support of moderate Senate Republicans will be critical to NIH funding, and Dr. Bhattacharya's Covid work will give him credibility with this constituency."



WXYZ/ASSOCIATED PRESS

Tank Near GM Facility Explodes, Catches Fire in Michigan

A tank containing byproducts from oil-drilling operations exploded and caught fire Tuesday near the General Motors Proving Ground in southeastern Michigan, damaging two nearby homes but causing no injuries, a fire chief said.

Fire crews were dis-

patched to the Milford, Mich., site about 6:40 a.m. after the tank exploded, rocking the area and damaging two homes about 500 to 600 feet away, leaving them with shattered windows, said Brighton Area Fire Authority Chief Michael O'Brien.

He said no injuries were

reported following the explosion at the site adjacent to the GM Proving Ground about 45 miles northwest of Detroit. No one was working at the site at the time of the explosion, O'Brien said.

Video footage shows flames soaring above the site, where oil-drilling equip-

ment was in operation. Local television stations reported that residents felt the explosion miles away.

GM said in a statement: "Thankfully, no one was injured, and no facilities were damaged."

O'Brien said the site where the explosion and fire oc-

curred is leased by a third party, and that the cause of the explosion remains under investigation.

He said he understands the tanks contain natural gas byproducts of oil drilling and hold a mixture of water, a combustible liquid and brine.

—Associated Press

Medicare, Medicaid Plan Expands Obesity Coverage

BY LIZ ESSLEY WHYTE
AND PETER LOFTUS

The Biden administration is proposing that Medicare and Medicaid pay for popular obesity drugs such as Novo Nordisk's Wegovy and Eli Lilly's Zepbound for people who are obese, even if they don't have other diseases like diabetes.

Currently, Medicare pays for the drugs only if an enrollee has diabetes or heart disease.

Some state Medicaid programs pay for the drugs for people who are obese, but most programs don't.

The administration said its proposed rule would extend coverage to an estimated 3.4 million Americans insured by Medicare and an additional four million by Medicaid.

Yet with the drugs costing more than \$1,000 a month, the move would add tens of billions of dollars in outlays by the programs. The proposal, which would have to be finalized by the Trump administration, faces uncertain prospects.

A federal law blocks Medicare coverage of drugs used for weight loss, though the Biden administration said it has found a way to expand payments by classifying obesity as a disease.

The Trump administration, which has vowed to cut federal spending, could resist putting

the expensive plan in place.

By issuing the proposal in its waning days, the Biden administration is leaving Trump health officials with the political dilemma of whether to go ahead with an expensive proposal popular with some supporters or to cancel plans while the administration pursues tax cuts.

The proposal would also force President-elect Donald Trump's choices for leading health-policy positions to confront conflicting views on the weight-loss medicines.

Robert F. Kennedy Jr., the selection for Health and Human Services secretary, has said he wants to tackle obesity but believes the healthcare system should promote healthy eating rather than pharmaceutical treatments.

"There's a huge push to sell this to the American public," he said of the obesity drugs on Fox News. "They're counting on selling it to Americans because we're so stupid and so addicted to drugs."

Meantime, Mehmet Oz, the choice to run the Centers for Medicare and Medicaid Services, has said on X that the drugs "can be a big help. We need to make it as easy as possible for people to meet their health goals, period."

Today the drugs are in heavy demand after studies found they cut significant amounts of weight and had other benefits, such as reducing the risk of heart attacks and strokes.

Lilly and Novo Nordisk have pushed to boost insurance coverage of the drugs, by both private and government health plans. But many plans, employers and lawmakers have balked at the potential costs.

Novo Nordisk said the new plan to expand coverage in Medicare and Medicaid is a "positive step forward for people living with obesity and the healthcare professionals partnering on their care."

Eli Lilly said the plan would improve access to obesity medicines and could save money for patients and the government by averting costs to treat obesity-related diseases.

Covering treatment for a tenth of Medicare patients who could qualify for the medications would cost more than \$26 billion annually, or about a fifth of the federal insurer's annual drug spending, according to a New England Journal of Medicine study published in March 2023.

The law governing Medicare's prescription-drug benefit excludes weight-loss drugs, since lawmakers around the time of the law's passage viewed them as cosmetic treatments.

The Biden administration proposes circumventing that provision by considering the popular medications as treatments for the disease of obesity, rather than simply weight-loss drugs, said a Department of Health and Human Services spokesman. Some patient advocates have argued that an exception could be made in the same way that the George W. Bush administration allowed Medicare to pay for weight-gain drugs for patients with AIDS.

The changes couldn't happen before President Biden leaves office, the Health department spokesman said.

The prohibition on Medicare coverage of the drugs began to crack open earlier this year, when the Medicare agency said plans could begin covering weight-loss drugs that are also approved for a second health benefit, such as preventing heart attacks and strokes.



Drugs like Novo Nordisk's Wegovy would be covered even for people without other diseases under the proposal.

SOPHIE PARK FOR WSJ

Amgen Drug Cut Weight in Midstage Study

BY JOSEPH WALKER

A highly anticipated obesity-drug candidate from biotech Amgen helped patients shed a significant amount of weight in a midstage study.

Subjects taking Amgen's MariTide lost 20% of their body weight compared with those who received placebos, Amgen said Tuesday. Analysts had generally expected the drug to achieve weight reduction of 20% or more.

The drug's most common

side effects included nausea and vomiting.

Some analysts say the obesity-drug market, now dominated by Eli Lilly and Novo Nordisk's GLP-1 drugs, could eventually reach more than \$100 billion in annual sales worldwide, with Amgen taking as much as 10% to 15% of the pie.

The Biden administration said it is proposing that Medicare and Medicaid expand coverage of the drugs, a change that would further boost the

market if the Trump administration enacts it.

Amgen has been among the firms trying to gain entry, along with heavyweights like Pfizer and smaller companies.

MariTide is likely still years away from coming on the market. Amgen first has to complete its planned late stage, or Phase 3, study of MariTide, which analysts expect to start sometime next year.

The drug works by targeting two hormones, widely known as GLP-1 and GIP, that play a

role controlling blood sugar and appetite.

Investors have been waiting for results from the 52-week midstage, or Phase 2, trial because of the commercial opportunity if the drug is found to work. They have also been concerned that side effects, such as loss of bone density, could tank the drug's prospects.

Amgen said it didn't find, in the Phase 2 study, an association between the drug's use and bone-density changes.

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U.S. NEWS

Big Chunk of IRS Enforcement Funding Is on Ice

About \$20 billion of agency's remaining \$22.4 billion is stuck in Congress logjam

BY RICHARD RUBIN

WASHINGTON—The Internal Revenue Service's beefed-up enforcement fund—initially intended to last about a decade—could run dry in 2025 after budget cuts and a quirk in congressional funding that Biden administration officials are hoping to address before they leave office.

Because of language in the current law governing federal spending, about \$20 billion of the agency's remaining \$22.4 billion in enforcement funding is effectively frozen

now, beyond an earlier bipartisan agreement that clawed back a separate \$20 billion in enforcement funding, the Treasury Department said. Deputy Treasury Secretary Wally Adeyemo said it was essential that Congress resolve that problem quickly in its next spending bill by allowing the IRS to have access to the frozen funds.

"Our concern right now is that because of this risk to the IRS and the uncertainty of it, the IRS is going to potentially have to make dramatic decisions about stopping hiring," he told reporters Tuesday. "They are running low on enforcement dollars today."

Congress faces a late December deadline to fund the federal government, with lawmakers expected then to pass

stopgap legislation kicking the deadline into next year. Clarifying the fate of the IRS's frozen \$20 billion could become a sticking point in talks between President Biden, who is on his way out of office, and congressional Republicans, who will have even more power next year to reduce IRS funding when they control both the Senate and House as well as the White House.

Without the enforcement money, the IRS would likely do 2,000 fewer audits of large corporations over the next five years and 6,000 fewer audits of high-income individuals, Adeyemo said.

The IRS money was already likely under threat as Republicans prepared to take control of the government, but

that threat is now accelerating, and the dispute is now in the mix for this year's lame-duck session of Congress.

In 2022, when they controlled the House, Senate and White House, Democrats passed nearly \$80 billion in IRS funding on top of the agency's annual budget. The money was intended to last about a decade, letting the agency hire auditors, revamp its technology and improve taxpayer service. Most of the money—\$45.6 billion—was dedicated to enforcement, the most politically controversial part of the IRS.

Once Republicans took over the House last year, they started trying to pare back the money, arguing that the tougher enforcement would be too intrusive. They suc-

ceeded in deals with Biden, getting \$1.4 billion clawed back and then \$20 billion in fiscal 2024, which ended Sept. 30. Republicans and Democrats didn't agree to any further cuts, and that left about \$24 billion in the enforcement bucket. The IRS has been spending that money gradually as it brings on new staff. As of June 30, it had used less than \$1 billion of the enforcement funding, according to an inspector general's report, and the agency was planning to spend \$20 billion from fiscal 2026 through 2029.

Unless Congress explicitly exempts the \$20 billion cut, it would be part of future fiscal 2025 temporary spending bills, Adeyemo said. A full-year spending bill, which Congress is likely to write eventually, would need to explicitly specify any cuts.

Because of the Senate filibuster, which requires 60 votes to pass most legislation, Democrats will still have clout next year in congressional spending fights. But there are only so many demands they can make.

ment. Last year a race in Long Island, N.Y., gave out "DNF" magnets to every nonwinner, race director Mike Petrina said, "and they were putting them on their car as they left the parking lot."

The experience of Meghan McDonnell, a 46-year-old music teacher from the Columbus, Ohio, area, illustrates the wild ride of the backyard ultra. McDonnell ran one in Southern Ohio in 2019, covering nearly 80 miles in 19 hours. She remembers getting supportive hugs from strangers, but also hearing dogs barking menacingly in the darkness after night fell.

As the hours ticked on, her body's complaints grew deafening. At one point, McDonnell recalled, "I was like, 'I can either pee or I can run this loop.'" She attempted to do both, quickly darting off the trail. Soon after, she dropped out with a sore leg. (The races have port-a-potties but often just at the starting line.)

Although the backyard ultra world championships have grown in prestige (Cantrell hosts team and individual races in alternating years), they're not exactly lucrative for runners.

Last month at Big Dog's Backyard Ultra team championships, Megan Eckert, a 38-year-old middle-school special education teacher in Santa Fe, N.M., made it 362.5 miles. That's more than three days of continual running—alleviated by, she said, a grand total of two hours of sleep—"at most." The distance gave Eckert the women's world record by more than 50 miles.

For her trouble, Eckert received \$0 in prize money. In fact, it cost her \$250 to enter the race.

"I've never been a super-fast 5K runner," she said. "But I'm really stubborn, and I really like just seeing how far my body will go—and how far my mind will go, too."

Backyard Ultra Races Keep Going

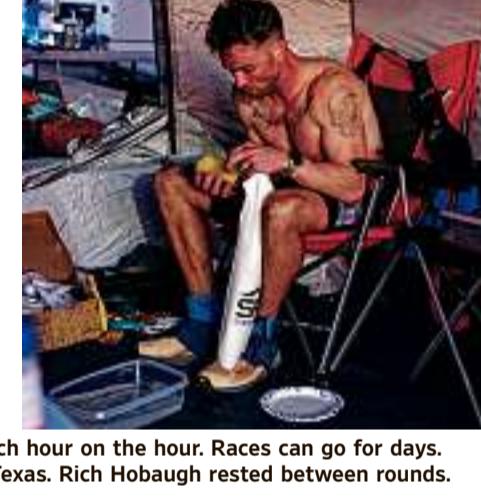
Continued from Page One
hours to go. The other guy was Greg Fall, a 42-year-old father of three from Carlsbad, Calif., and an experienced runner of 50- and 100-mile races.

Like many other backyard ultra runners, Shelby had planned ahead. He brought a tent for resting in and a stash of food: canned chicken, ramen noodles, chips and honey buns. Shelby took to eating blueberry-banana baby food "just 'cause it goes down easy and tastes pretty good." But its high fiber content caused uncomfortable bloating. "It was a bad strategy," he said.

By mile 200, Shelby was in his tent crying tears of exhaustion and insisting to the couple of friends there supporting him—including massaging his feet—that he was done. They coaxed him to start the next lap. He did, then plopped down on a tree stump and dialed his dad to complain. When Shelby reached his dad, the elder Shelby told him he could drop out after he finished the loop he was on, but that, "You finish what you start."

Shelby rebounded. He finished the loop. His buddies blasted music. One friend played him a video of Mel Gibson's speech from "Braveheart" and "got in my face like a football coach."

Over in Fall's tent, his parents and wife cheered him on while his 1-year-old daughter kicked a soccer ball. As day turned to night and day broke again, Fall started hallucinating. "Rocks were forming into people," he said. But he kept going.



Competitors run one 4.167-mile loop in an hour, then do it again and again, each hour on the hour. Races can go for days. Megan Smyth, right, won this year's Summit Backyard Ultra in Marble Falls, Texas. Rich Hobaugh rested between rounds.

"He kept the same pace through the entire race," Shelby said. "I was like, 'This guy's a machine.'"

Finally, with his leg in serious pain, Shelby tapped out. Fall finished a final loop, as backyard ultra rules dictate, to secure the win. He had run nearly 242 miles over nearly 2½ days.

In backyard ultras, men and women compete in the same event. At this year's Summit Backyard Ultra, which started Saturday and ended Monday, 40-year-old Megan

Smyth of Dallas overcame gusting winds to become the first woman to win the race.

The backyard ultra was created in 2011 by a former distance runner, retired accountant and part-time stone mason named Gary Cantrell, to bring friends and a few dollars to his farm in Bell Buckle, Tenn. Cantrell named the event for his pit-bull rescue: Big Dog's Backyard Ultra.

The odd 4.167-mile distance per loop was 100 miles divided by 24 hours. The since-deceased Big Dog

now looks down on a kingdom of backyard ultra races spanning across the U.S. and stretching as far as Spain and Tasmania.

"It's like a dream," said Cantrell, 70, speaking by phone while on a daily walk that averages 10 miles. "I'm just some old hillbilly that lives in the woods."

Cantrell—better known as Lazarus Lake, a name he used on an early email address—also operates the grueling Barkley Marathons. That legendary five-loop race more

than 100 miles through the Tennessee mountains draws some of the world's fittest runners.

Backyard ultras, by comparison, have proved enticing to hard-cores and newcomers alike. Last year in Marble Falls, a father and daughter did two loops and called it a day, race director Tucker Edwards said.

In most races, "Did Not Finish" is a mark of shame. In a backyard ultra, where non-finishers make up 99% of racers, it's a badge of achieve-



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U.S. NEWS

Trump Chooses Hassett to Lead Economic Council

Picks also made for trade representative and director of domestic policy unit

BY BRIAN SCHWARTZ
AND ANDREW RESTUCCIA

WASHINGTON—President-elect Donald Trump rounded out his economic team on Tuesday, selecting Kevin Hassett, a longtime adviser, to lead the National Economic Council and trade lawyer Jameson Greer to be his U.S. trade representative.

Trump also chose Vince Haley, who served as a speech-writer and adviser during his first term and his presidential campaign, to lead the Domestic Policy Council.

From 2017-19, Hassett was the chairman of the Council of Economic Advisers, a three-member panel that analyzes economic data on behalf of the president. As head of the National Economic Council, Hassett will have a more expansive portfolio that will likely put him at the center of the administration's internal policy debates about trade, taxes and deregulation.

Greer served as chief of staff to Robert Lighthizer when Lighthizer was trade representative during Trump's first term. The trade representative acts as the government's chief trade negotiator and will play a central role in shaping Trump's tariffs on U.S. imports. Bloomberg earlier reported that Greer was expected to be chosen for the crucial job.

As director of the Domestic Policy Council, Haley, an influential aide to the president-elect, will oversee a range of issues, including healthcare, immigration and education.

The heads of the Domestic Policy Council and the National Economic Council can be appointed to their roles without Senate confirmation.



Kevin Hassett

Trump's trade-representative nominee would need to be approved by the Senate.

Last week, Trump chose veteran investor Scott Bessent to be Treasury secretary. Bessent was one of the Wall Street favorites to lead the Treasury Department and has recently been advocating for Trump's tariff policies. Trump said he would nominate Howard Lutnick, the chief executive of financial-services company Cantor Fitzgerald, as commerce secretary.

Trump's policy team is made up of officials who are deeply loyal to the president-elect. Trump hasn't yet brought into his administration outside advisers who are known to be the biggest advocates of protectionist trade policies.

Peter Navarro, who served as a trade adviser to Trump during his first term and is a vocal advocate of putting in place stiff tariffs on Chinese imports, is under consideration for a senior adviser role, people familiar with the situation said. It remains unclear if

Lighthizer, a key architect of Trump's tariff proposals, will land a job in the incoming administration. His absence would mean that one of the president's most aggressive trade hawks would be sitting on the sidelines.

The personnel announcements come after Trump made clear that he will impose steep tariffs on American allies and adversaries alike. Trump wrote on social media Monday that, after being sworn in as president, he will put in place a 25% tariff on imports from Mexico and Canada until he sees a sharp reduction of migrants crossing the border illegally and fentanyl also coming across. He also threatened to impose an additional 10% tariff on imports from China.

Natalie Andrews and Ken Thomas contributed to this article.

Transition Team Probes Epshteyn Over Payments

Last week, in the lobby of Mar-a-Lago, Boris Epshteyn came charging across the room to confront Scott Bessent.

By Vivian Salama,
Gregory Zuckerman
and Alex Leary

Bessent, a hedge-fund manager who at the time was being considered for Treasury secretary by President-elect Donald Trump's transition team, tried to keep walking, telling Epshteyn, a top adviser to Trump, to "get away." Epshteyn pursued Bessent, though, raising his voice at him. People watching the scene, including Secret Service agents, intervened—"guys, guys," they said—defusing the situation, people at the scene said.

Now, Epshteyn is the subject of an investigation by Trump's transition team into an alleged pay-to-play scheme and several behind-the-scenes clashes with newer members of Trump's entourage. Trump's lawyers are exploring whether Epshteyn sought to gain financially from his influence with Trump and others in the president-elect's orbit, people familiar with the matter said.

Epshteyn, an attorney and longtime friend of Trump's son, Eric Trump, has been an aide to the former and future president for almost a decade. Trump lawyer David Warrington, who oversaw most legal matters for the campaign, is leading the review of Epshteyn at Trump's request, these people said.

The probe isn't criminal in nature, these people said, but involves incidents in which Epshteyn allegedly backed certain candidates for adminis-

tration positions or offered to connect outsiders with members of the transition team, in exchange for money. One person confirmed that lawyers are reviewing an instance in which Epshteyn is suspected of requesting as much as \$100,000 a month in exchange for his services.

Epshteyn denied the allegations. "These fake claims are false and defamatory and will not distract us from making America great again" he said.

Trump transition spokesman Steven Cheung said "a broad review of the campaign's consulting agreements has been conducted and completed, including as to Boris, among others." He added that the team is "moving ahead together."

The investigation into Epshteyn's conduct, earlier reported by conservative writer and Trump associate John Solomon, adds to the challenges of Trump's transition team, which has worked to impose discipline and enforce processes and procedures not seen in Trump's first administration.

Some people close to Trump, including incoming White House chief of staff Suzy Wiles and Tesla Chief Executive Elon Musk, have been put off by Epshteyn's access to Trump, one person familiar with the dynamics at Mar-a-Lago said.

Epshteyn's relationship with Bessent, which had been cordial, deteriorated amid claims that Epshteyn tried to get Bessent to pay him to promote his name with Trump and other staffers, people familiar with the transition team dynamics said. Bessent declined to make the payments.

The probe isn't criminal in nature, these people said, but involves incidents in which Epshteyn allegedly backed cer-



TRUNK SHOW: People walk around an installation of life-size elephants in advance of Art Basel in Miami Beach, Fla., on Tuesday. The Real Elephant Collective created the works made of invasive weeds around the world to promote conservation.

ECONOMY

House Prices Rose 3.9% Over Year

U.S. home prices continue to lose pace as mortgage rates ease from recent heights.

The S&P CoreLogic Case-Shiller National Home Price Index, which measures home prices across the country, rose 3.9% on year in September, lower than at any point this year. It comes as the average rate for a 30-year fixed mortgage fell continually over the summer and reached a two-year low in late September, according to Freddie Mac.

"Home price growth stalled in the third quarter, after a steady start to 2024," S&P's Brian D. Luke said.

For a fifth straight month, New York City led price increases among 20 major U.S. metropolises where the prices outstrip the national average. Denver booked the lowest increase of those 20 cities.

—Joshua Kirby

FLORIDA

Dolphin Star Hill's Tickets Dismissed

Traffic citations issued to Miami Dolphins star wide receiver Tyreek Hill after a Sept. 8 altercation with police before the team's season opener have been dismissed after the charging officers didn't attend a court hearing.

Hill's tickets for careless driving and failing to wear a seat belt were dismissed after the Miami-Dade Police officers failed to show up for a Monday hearing. The stop escalated and an officer pulled Hill from the car, forced him to the ground and handcuffed him.

Hill said in a Tuesday post on the social-media platform X, "Where all the internet cops now."

The police said the officers' failure to appear was "an oversight" and "the matter will be handled administratively." The department defended issuing the tickets.

—Associated Press

NEW YORK CITY

Theft Ring Is Said To Steal \$2 Million

A shoplifting ring that stole nearly \$2 million in clothes and beauty products from Macy's and other well-known stores in the U.S. and then resold them in New York City and the Dominican Republic has been busted, law-enforcement officials said Tuesday.

Five New Yorkers have been charged with felony possession of stolen property, conspiracy and other related crimes, Queens District Attorney Melinda Katz said. She said the group stole high-end makeup, perfume, beauty products, designer clothing and accessories over a roughly two-year period.

The group's leaders directed crews to steal specific merchandise as they hit stores along the East Coast, she said. They also paid truck drivers to divert products to locations under their control.

—Associated Press

PENNSYLVANIA

Salt Line Advances Amid Drought

Salty seawater is creeping up the Delaware River, the source for much of the drinking water for Philadelphia and millions of others, brought on by drought conditions and sea-level rise, and prompting officials to tap reservoirs to push the unpotable tide back downstream.

Officials say drinking water isn't imminently at risk yet, but they are monitoring the effects of the drought on the river and studying options for the future in case further droughts sap the area.

The farther the salt line moves upstream, the closer it gets to drinking water intakes, which officials have worked for decades to avoid. The Delaware River provides drinking water for some 14 million people, including most of Philadelphia and parts of New Jersey and New York.

—Associated Press

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U.S. NEWS

Trump Fires Salvo at Trade Pact

Continued from Page One
go into fentanyl. Many Chinese products are already subject to average levies of about 15% after the first phase of the trade war that kicked off in 2018, during Trump's first term in office.

President Claudia Sheinbaum of Mexico said her country would retaliate if Trump imposed tariffs, as it did in 2018 when it responded to levies on its steel exports by imposing matching tariffs on U.S. steel and slapping duties on other goods including pork, cheeses, apples and Bourbon. The countries eventually reached a deal to drop those tariffs.

"President Trump, threats and tariffs won't be the way to address the migration phenomenon or drug use in the United States," Sheinbaum said at her daily news conference Tuesday morning. "One tariff will be followed by another, and so on until we put companies at risk," she said, referring to U.S. carmakers such as General Motors, Stellantis and Ford, which she said arrived in Mexico 80 years ago.

Speaking Tuesday, Prime Minister Justin Trudeau of Canada said he held a "good call" with Trump Monday night about the tariffs. "We obviously talked about laying out the facts, talking about how the intense and effective connections between our two countries flow back and forth," a reference to the roughly \$400 billion of Canadian exports to the U.S. per year.

The major question is whether the threats are a negotiating ploy to wring concessions on trade and other policy priorities from U.S. trading partners, or the start of a sustained campaign to reshape global trade and the U.S. economy.

Either way, foreign leaders, business executives and economists are bracing for fresh



A container ship at the Port of Newark in Elizabeth, N.J., earlier this fall.

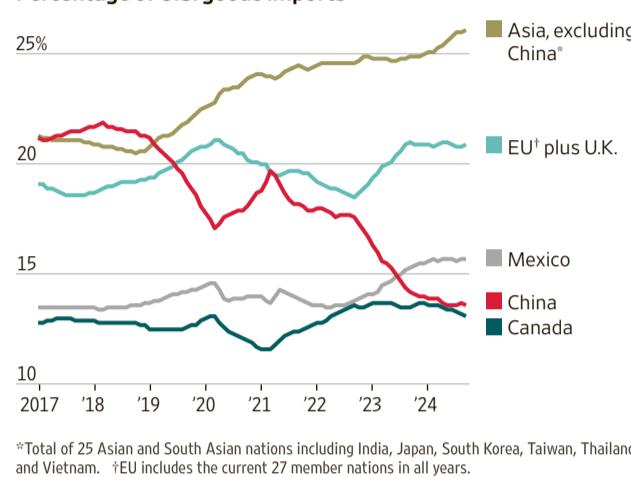
disruption to a world economy that has just emerged from a searing encounter with high inflation and rocketing interest rates, as well as continued friction over trade.

"Trump's statement leaves little doubt that the U.S. stands at the threshold of a new era of trade protectionism," said Eswar Prasad, professor of economics and trade policy at Cornell University, and a former head of the International Monetary Fund's China division. "Trump's clear determination to use tariffs as a tool of international diplomacy will have significant disruptive effects on U.S. and global trade."

A 10% extra tariff on Chinese imports is "an opening salvo," said Joe Brusuelas, chief economist at global accounting firm RSM.

On the campaign trail, Trump, a Republican, said he would hit imports from China with tariffs of 60% or more. Most analysts expect Trump to ratchet up tariffs on Chinese goods, further tighten restrictions on the export of U.S. technology to China and curtail Chinese investment in the U.S. in an effort to drastically reduce economic ties between the U.S. and praised the recent joint efforts by both countries.

"The U.S. side should cherish China's goodwill and uphold the hard-won positive state of U.S.-China counter-



*Total of 25 Asian and South Asian nations including India, Japan, South Korea, Taiwan, Thailand and Vietnam. †EU includes the current 27 member nations in all years.

Note: Based on 12-month rolling sum

Source: Census Bureau

discussions or beginning of negotiations," Michael Hart, the president of the American Chamber of Commerce in China, said in Beijing on Tuesday, on the sidelines of a conference on global supply chains.

China's Foreign Ministry struck a conciliatory note in response to Trump's tariff threat. In a statement on its website, the ministry said it was willing to continue counternarcotics cooperation with the U.S. and praised the recent joint efforts by both countries.

"The U.S. side should cherish China's goodwill and uphold the hard-won positive state of U.S.-China counter-

cotics cooperation," it said.

The threatened tariffs on Mexico and Canada are the bigger surprise and suggest Trump is eager to reopen the U.S.-Mexico-Canada Agreement, a free-trade accord that came into force in 2020. The USMCA replaced the decades-old Nafta pact, which Trump repeatedly described as the "worst trade deal ever made" for widening the U.S. trade deficit and costing the U.S. millions of manufacturing jobs, especially in the auto sector.

The tariff threat suggests Trump is seeking to include immigration, security and drugs in a negotiation that

usually revolves only around trade, as well as accelerate a planned review of the USMCA scheduled for 2026, said Alberto Villarreal, managing director of Nepanoa, a Chicago-based consulting firm that provides services for companies wanting to set up shop in Mexico.

"If Trump follows through with imposing immediate and unilateral tariffs, this would mean 'going nuclear' on USMCA," he said.

Tight economic links between the U.S., Canada and Mexico mean that disrupting trade with tariffs would have far-reaching effects.

Tariffs would likely drive up the price of steel and aluminum in the U.S. because Canada and Mexico are major suppliers of those metals to the U.S. market. The U.S. also buys almost all of Canada's oil.

U.S. automakers including General Motors and Ford Motor have spent decades planning their factory footprints around free trade between the three countries.

About 16% of vehicles that will be sold in the U.S. this year will have been built in Mexico, or about 2.5 million cars, trucks and SUVs, according to a forecast from research firm Wards Intelligence. Vehicles manufactured in Canada will account for about 7% of U.S. sales.

Tariffs could hit the automotive supply base hard, potentially pushing up prices in the U.S. Hundreds of parts suppliers operate in Mexico, feeding both local factories and U.S. plants. Some parts cross the border several times in various stages of production before landing in a finished vehicle, said Mark Barrott, head of the automotive and mobility practice at consulting firm Plante Moran.

"Every time that would be subject to a tariff, those costs are all likely to fall on the consumer," he said Monday, before Trump's posting on the planned tariffs.

If Trump carries out his tariff threat, Mexico should retaliate, leveling tariffs on U.S. corn growers, milk and pork exporters and other sectors that are among the president-elect's most important

supporters, said Ildefonso Guajardo, who served as economy minister and led Mexico's negotiations for the creation of the USMCA.

In 2018, Mexico responded to U.S. tariffs on its steel exports by imposing matching tariffs on U.S. steel. It was also among the first countries to target key Republican districts in retaliation to Trump's tariffs by slapping import duties on other U.S. goods including pork, cheese, apples and Bourbon.

"Trump said he negotiated a North America trade treaty that was the best in history," Guajardo said. "I would use his treaty to retaliate in the same magnitude against his most important backers if he tries to hurt Mexican exports."

Trump has threatened Mexico with tariffs before. During his first term in office, Trump threatened Mexico with 25% tariffs if it didn't stop thousands of migrants from crossing into the U.S. across its southern border. Then-President Andrés Manuel López Obrador deployed thousands of National Guard members to contain U.S.-bound migrants. The tariff threat was dropped.

If Mexico can limit migration and fentanyl trafficking—and discourage Chinese firms from shipping goods to the U.S. via Mexico, another Trump policy goal—then tariffs could be avoided, said Benito Berber, chief economist for the Americas at Natixis.

"The fact that [Trump] is doing it so early is perhaps a sign of wanting to negotiate quickly," said Berber, chief economist for the Americas at Natixis. "Mexico will offer something, which he will accept as soon as he is president."

Canadian Deputy Prime Minister Chrystia Freeland and Public Safety Minister Dominic LeBlanc said late Monday that Canadian law-enforcement agencies were strengthening their ability to detect opioids flowing south to the U.S., a nod to Trump's concern over fentanyl.

—Yoko Kubota, Vipal Monga, John Keilman and Mike Colias contributed to this article.

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Agreement Up for Rewrite

BY VIPAL MONGA

President-elect Donald Trump this week threatened to impose tariffs on exports from China, Canada and Mexico, launching the first volley in what is setting up to be an aggressive trade agenda. The 25% proposed tariffs on Mexico and Canada were higher than many expected and threatened to upend a trade agreement called the U.S.-Mexico-Canada Agreement.

The USMCA is the successor to 1994's North American Free Trade Agreement, which unified the three countries in the world's largest trade bloc. Trump forced Canada and Mexico to renegotiate Nafta and signed the new deal into law early in 2020.

Although Trump called Nafta "the worst trade deal ever made," the USMCA wasn't much different. It maintained largely duty-free trade among the countries, and updated labor and technology rules. For example, the USMCA mandates that 40% to 45% of the materials that go into a car be handled by workers earning at least \$16 an hour, an attempt to ensure that union-scale workers in the U.S. and Canada aren't pushed aside for low-cost labor.

The deal also increased the amount of North American parts required in each vehicle and mandated that steel and aluminum used in a car be purchased on the continent. It also closed Nafta loopholes that allowed manufacturers to get around the content rules.

Nafta also didn't include provisions for digital trade, because the commercial inter-

net was in its infancy when that deal was signed. The USMCA formalizes rules for the free flow of data and exchange of digital services, and adds liability protections for social-media companies and cloud-service providers.

Trade among the three countries has jumped almost 28% since 2018, when they began to renegotiate Nafta, reaching \$1.6 trillion in 2023, according to U.S. government data. Much of that trade has been into the U.S. Its trade deficit with Mexico almost doubled from \$77.7 billion in 2018 to \$152 billion last year. The trade deficit with Canada jumped from \$18.8 billion to \$64.3 billion.

The nonpartisan U.S. International Trade Commission estimated in 2020 that the deal would boost U.S. GDP by 0.35% over several years. It also forecast that the deal would add jobs in the auto sector as companies moved their factories to the U.S. to get duty-free treatment. The ITC also predicted, however, that building cars onshore would be more expensive and the prices of cars would increase.

In a 2023 update, the ITC noted that the U.S. imported fewer vehicle parts between 2020 and 2022, which helped to boost U.S. revenues, employment and wage payments related to car production. But rules requiring North American content in cars and trucks pushed up the price of producing the vehicles in the U.S., said the ITC, which also boosted sales of imports.

Although Trump hailed the USMCA as "the best and most important trade deal ever made by the USA," he has said he wants to reopen the deal in 2026, invoking a provision allowing a review six years after it was signed. Trump has already highlighted areas he wants to focus on.

Trump has often singled out Mexico's auto industry

and its ties with Chinese manufacturers. During the presidential campaign, he threatened to impose duties ranging from 100% to 200% on cars from Mexico, based on the belief that Chinese cars assembled in Mexico were making it into the U.S. The Mexican government has said there are no Chinese carmakers manufacturing in Mexico.

Trump has indicated he is unhappy with nationalistic policies in Mexico's energy sector that benefit its state energy companies at the expense of U.S. investors. Mexico's new president, Claudia Sheinbaum, says her government is open to more private investment in both the power and oil sectors.

U.S. manufacturers are also pushing the U.S. government to punish Mexico for allowing China to use it as a backdoor for steel exports. The U.S. also wants Mexico to lift restrictions on genetically modified corn.

Nick Iacovella, a spokesman for Coalition for a Prosperous America, a group of manufacturers, farmers and labor groups that supports higher tariffs, said Mexico has significantly increased the amount of steel it is sending to the U.S. going against a 2019 agreement. "We have had members have to close factories in multiple cities because of this steel surge," he said.

The U.S. has also long chafed at limits on access to Canada's dairy and poultry markets. It has also objected to a new 3% tax on revenue of companies that provide digital services to Canadian users.

The negotiations will go beyond trade, however. Trump's recent comments tying tariffs to Canada and Mexico's border policies suggest he wants to bring in non-trade issues like security, immigration and drug-trafficking enforcement.

—Anthony Harrup and Greg Ip contributed to this article.

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Trump Tariff Impact Seen as Widespread

Consumer prices could rise on items from fresh fruit to autos to lumber

The duties that President-elect Donald Trump threatened against the U.S.'s neighbors and big trading partners, along with the additional tariffs he promised against China, could raise prices for Ameri-

By Justin Lahart, Chao Deng and Rachel Wolfe

cans on everything from fresh fruit from Mexico to lumber from Canada and Chinese electronics.

Import-reliant businesses—especially automobile manufacturers—could face significantly higher costs that they would then pass on to consumers. Farmers and other exporters could face retaliatory tariffs.

Trump's promise to impose 25% tariffs on Canada and Mexico and an additional 10% on Chinese imports on the first day of his presidency could lead to higher prices, just as the country appears to be turning a corner on inflation. Many Americans said they voted for Trump precisely because of brutal price increases they blamed on the Biden administration.

The tariff threat upends the forecasts of many economists who have been assuming that the duties Trump will impose wouldn't be nearly as high as what he pledged on the campaign trail.

Whether a negotiating tactic or an opening salvo in a bid to rework global trade, Trump's tariff threat represents a ratcheting up of his rhetoric.

On Tuesday, economists at the Budget Lab at Yale re-worked their estimates of how tariffs under Trump might af-

fect the economy.

Tariffs of 25% on Canada and Mexico, and 10 percentage points added to existing tariffs on China, with those countries imposing retaliatory tariffs, would raise U.S. consumer prices by 0.75% next year, according to the Budget Lab. That estimate drops to 0.65% if households substitute purchases toward domestically produced or lower-tariff imported options. That would amount to more than \$1,000 in lost purchasing power per household, in 2023 dollars.

If the tariffs against Chinese goods were layered on top of the 60% Trump has already threatened, versus existing tariffs, the estimated inflationary effect would be higher. Beyond raising the prices that Americans pay for goods, higher inflation could lead the Federal Reserve to cut interest rates less than expected in the year ahead. That would keep rates on credit-card balances and other loans higher than they otherwise might have been.

During the campaign, Trump said that he would place tariffs of 60% or more on Chinese goods, and tariffs of 10% to 20% on imports from other countries. In their forecasts, many Wall Street economists have been reckoning there would be stiff tariffs against China, but that other increases would be only incremental.

Winners and losers

Tariffs can create winners and losers. Domestic industries that compete with lower-cost foreign manufacturers can experience greater demand for their products, while the government takes in additional revenues.

But consumers and other purchasers of imported goods aren't able to buy as much, and both economic theory and the historical record show that

they tend to lose more than the winners gain. Moreover, when a country imposes tariffs against another country, the other country often responds with tariffs of its own. Mexican President Claudia Sheinbaum on Tuesday said that Mexico would retaliate if Trump carries out his threats.

That said, the economic benefits of trade don't fall across the country equally, and Trump's successful 2016 and 2024 campaigns tapped into the frustrations of Americans who felt they were at the losing end of trade with China, in particular. President Biden sharply raised tariffs on electric vehicles and an array of other products from China.

Trump voter Rafael Garcia said Tuesday he felt blindsided after hearing about the incoming president's plans to impose tariffs on Mexico and Canada. "I thought we were all in agreement that he was imposing tariffs on other countries," the 56-year-old said of his belief that they would be concentrated on China. "I am concerned. We don't know if the economy is going to continue growing."

Still, he said the knowledge wouldn't have changed his decision at the polls. "I still trust his decisions and how he's going about things," said Garcia, who works in road safety in Miami.

Garcia isn't particularly concerned about how his household budget could be affected.

American consumers will feel price increases not only after the tariffs are imposed but also in the run up, as stores and businesses rush to preorder nonperishable goods, said Kimberly Clauzing, an economist at UCLA School of Law. Lumber from Canada is an example of how that would play out.

"If I were a lumber yard, I'd be placing big orders today. Those extra orders will drive



DAVID PAUL MORRIS/BLOOMBERG NEWS

New tariffs could add \$3,000 to the price of a car, according to analysts at Wolfe Research.

Price Effect Would Vary; Border Areas Face Job Risks

Precisely how tariffs affect consumer prices could vary, economists say. On the one hand, both U.S. businesses and the importers they purchase from might absorb some tariff costs. On the other, there could be a ripple effect, as competing suppliers outside of Canada, Mexico and China take advantage of the opportunity to raise prices.

The Peterson Institute for International Economics, a think tank in Washington, D.C., estimates that under Trump's new possible tariffs, prices would rise by 1%. It additionally estimates that by 2026 gross domestic product would be 0.6% lower than it otherwise would have been, and that total U.S. employment would be 1% lower.

Border communities such as Laredo, Texas, could see the unemployment rate soar to the double digits, says Marcus Noland, a senior fellow at the Peterson Institute.

"That's where the trucks cross the border. If the jobs are to intermediate trade and there's no trade, they are going to be out of work," he said.

up prices," said Clauzing. Among the ripple effects of lumber prices will be high bills for American households planning home renovations.

Employment in agriculture would be hard hit, too, according to the analysis, coming in 3.1% below where it would have otherwise been. Employment in durable manufacturing—the building of cars and other long-lasting goods—would be 5.4% lower.

Auto industry costs

Automakers, in particular, might be at risk. They have become reliant on a network of factories and parts suppliers that span the U.S., Mexico and Canada since the North

American Free Trade Agreement came into effect 30 years ago, followed by its successor, the U.S.-Mexico-Canada Agreement.

Tariffs of 25% on imports from Mexico and Canada could add \$3,000 on average to the price of a car, according to analysts at Wolfe Research. The firm estimates that about \$97 billion worth of auto parts are imported to the U.S. from the two countries each year, and four million vehicles are shipped in—about three million from Mexico and one million from Canada.

Added costs from the potential levies also would hammer the bottom lines of General Motors, Ford Motor and Jeep-maker Stellantis, which

all produce vehicles south of the border and rely on parts shipments from there.

The National Retail Federation

said the timing of the proposed tariffs in January would have an outsize impact on fresh fruits and vegetables, of which the U.S. sources less at that time. U.S. importers will pay 25% more on \$10 billion worth of Mexican avocados, tomatoes, raspberries, strawberries and peppers alone; and a 25% tax on \$10 billion worth of Mexican beer, tequila and mescal imports, said David French, senior vice president for government relations at the industry group.

◆ European car stocks fall amid tariff pledges..... B11

Mexico Fears Relations Will Suffer Amid Threats

President-elect Donald Trump's plans to slap a 25% tariff on Mexico's goods unless it stops fentanyl trafficking and illegal migration risk setting the trade partners on a collision course over an in-

By José de Córdoba in Mexico City and Vera Bergengruen in Washington, D.C.

tractable challenge for both countries.

Ahead of the new trade negotiations, Mexico's greatest weakness has been the country's historic inability to confront the powerful drug gangs that control about a third of the country. Mexico has had success stopping immigration over the past year, but ending drug smuggling might be an impossible ask, in part because of strong demand in the U.S.

Fentanyl is cheap to produce, and easily smuggled. In some large areas of Mexico, organized crime groups dominate local and state officials. Different attempts to fight the gangs, sometimes with U.S. support, have led to violence at home without making any dents on the drug business.

Under former President Andrés Manuel López Obrador, the Mexican government largely shied away from a strategy of direct confrontation with the country's criminal organizations and tried to address the inequality and poverty that he said was the reason for the violence. The strategy, known as "hugs, not bullets" failed to stem the flow of drugs to the U.S. as well as the violence in Mexico.

His successor, Claudia Sheinbaum, who took office last month, will face domestic pressure not to capitulate to Trump's threats. "We negotiate as equals, there is no subordination here," she said on Tuesday.

Trump's threat of imposing what would amount to economic sanctions on its largest trading partner without a bilateral strategy to deal with

the powerful drug gangs, can only add volatility to an already fraught relationship. Bilateral cooperation would be an opportunity for both countries, but unilateral action by the U.S. will be seen as a threat by Mexico, said Eduardo Guerrero, a Mexico City security consultant.

"Of the three issues up for negotiation, migration, trade and security, security is the most complex," Guerrero said. "It can be seen as a threat because it can affect Mexico's territorial sovereignty. It is a historical issue."

Sheinbaum's response comes as more Republicans in recent months have joined Trump in proposing increasingly drastic measures such as U.S. military action in Mexico against drug cartels.

"We don't produce the weapons, we don't consume the synthetic drugs, but unfortunately, we are the ones who suffer the deaths due to crime in response to the drug demand from your country," Sheinbaum said, reading from a letter addressed to Trump that will be delivered on Wednesday.

Security is a bigger problem for Mexico's relationship with the U.S. than China or immigration, said Jorge Castañeda, a former Mexican foreign minister and expert on the bilateral relationship.

He questioned whether Sheinbaum's response would be successful with Trump.

Trump's tariff threats and Sheinbaum's response raise the risk that "some miscalculation on one or both parts, in terms of the rhetoric, could slip out of control," said Craig Deare, who served early in Trump's administration as senior director for Western Hemisphere affairs at the National Security Council.

Even the prospect of U.S.

military action would upset the sensitive security partnership that both countries rely on, current and former U.S. officials say.

During the 2024 campaign, Trump promised to take down Mexico's powerful cartels, which the U.S. holds responsible for smuggling most of the fentanyl that has killed tens of thousands of Americans.

In 2019, Trump said he would impose tariffs of 25% on all imported goods from Mexico unless the government took measures to curb the flow of migrants to the U.S. border. Mexico buckled to Trump's pressure and deployed thousands of National Guard members to contain the migration wave. This time, the playbook might not work, security experts say.

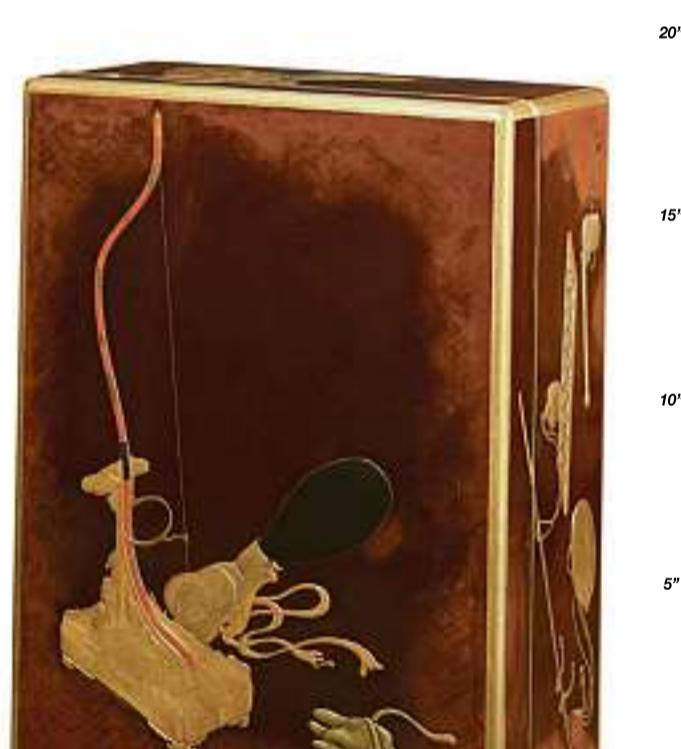
Unilateral U.S. military action would plunge relations between the two countries into an unprecedented crisis imperiling the deep economic and security partnership the once mutually suspicious neighbors have built over the last three decades.

"If we think things are bad in terms of drugs and immigration, now intervene in Mexico and watch what happens," said Deare, the former Trump administration official. "You can launch a hundred, a thousand drone strikes. And our demand is going to ensure the continued flow of drugs into the country."

Trump's trade threats might also throw a wrench into recent U.S. efforts to establish a better working relationship with Sheinbaum's administration than it had with her predecessor.

Some lawmakers in Trump's own party have expressed optimism about building stronger security ties with Mexico under Sheinbaum.

Ending drug smuggling may be an impossible ask.



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WORLD NEWS

Friends, Foes in Trump's Sights

Second term likely will be defined by economic, diplomatic fights on all fronts

BY ALEXANDER WARD

WASHINGTON—President-elect Donald Trump's brandishing of tariffs on Canada, Mexico, and China marks the turning point of one era to another: Partnerships are out, and coercion is in.

Trump is showing his second term will be much like his first, defined by the economic and diplomatic fights he picked with friends, as well as foes. His use of tariffs as a punitive measure until others bend to his will is a far cry from the pains the Biden administration took to forge agreements and build consensus on policy in Europe and Asia.

Trump has long taken strong positions with the goal of cowing negotiating partners. It is an extension of the playbook he used during his first term to confront Iran's aggression and North Korea's nuclear program—a policy known as "maximum pressure." The strategy produced mixed results: Iran was strangled financially but continued supporting proxies in the Middle East, and North Korea grew and advanced its nuclear arsenal.

"His whole worldview is maximum pressure, it's that simple," said a Trump adviser under consideration for a senior foreign policy position. "Scare your negotiating partner into thinking you will do what most think is unthinkable."

Trump on Monday night announced his plans to compel countries to stop the flow of migrants crossing the border illegally and fentanyl entering the U.S., by placing 25% tariffs on Canadian and Mexican goods, and increasing existing duties on Chinese products by 10%.

The moves, if implemented as planned in an Inauguration Day executive order, could up-



A Chinese official in Washington said neither side 'will win a trade war or a tariff war.' A worker at a steel plant in China.

end global trade and raise prices for U.S. consumers. Trump's allies say his goal is to gain leverage in negotiations, whether with allies or foes.

"Tariffs on allies are a more benign option than sanctions

on adversaries, but both are designed to achieve the same end, which is to increase American negotiating leverage in order to find an agreement that advances American interests," said Mark

Dubowitz, chief executive of the Foundation for Defense of Democracies think tank, who often speaks to senior incoming Trump administration officials.

Trump will re-enter the Oval Office with the world far more

dangerous than when he was first president. Russia's invasion of Ukraine and the introduction of North Korean troops complicates efforts to negotiate an end to the war. In the Middle East, Israel's retaliation for the Oct. 7 attack by Hamas has seen tens of thousands of Palestinians killed. And Iran, which has been launched in a cycle of escalating attacks with Israel, has moved closer to obtaining the weapons-grade fuel needed for a nuclear weapon.

But members of Trump's team are saying the president-elect's strength is already having global effects, with incoming national security adviser

Mike Waltz giving his boss credit for the Biden administration-brokered cease-fire between Israel and Hezbollah. "His resounding victory sent a clear message to the rest of the world that chaos won't be tolerated," he posted to X.

Under most administrations, major foreign-policy decisions out of the White House usually come after intense reviews featuring senior aides, counselors, lawmakers, even allies. But Trump turned the traditional process on its head in his first term, often announcing policies before formal considerations took place, and in some cases sidestepping Congress, leading to a scramble within his team to implement the directive.

In this case, Trump is still weeks from taking office, and his transition team has yet to finalize the executive order he

would use to impose the tariffs, but his statements sparked a backlash from Mexico. "For every tariff, there will be a response in kind, until we put at risk our shared enterprises," President Claudia Sheinbaum, wrote in a letter to Trump.

Liu Pengyu of China's embassy in Washington said neither side "will win a trade war or a tariff war."

European allies believe they soon could be locked in a trade war with the U.S. The European Union has discussed countermeasures, including targeting products made in Trump-friendly districts. But the warnings and signals from abroad may not convince Trump to back down, especially on an issue so central to his political career.

—Vivian Salama and Santiago Perez contributed to this article.

ECB VP Warns of 'Lose-Lose' Trade War

BY ED FRANKL

U.S. tariffs could set off a "lose-lose" trade war with Europe, the European Central Bank's vice president said.

"When you impose tariffs, you need to be prepared for the other side to retaliate, which can start a vicious circle. Eventually, this could turn into a trade war, which would be extremely detrimental to the world economy," Luis de Guindos said in an interview Tuesday with Finnish newspaper Helsingin Sanomat.

President-elect Donald Trump's tariff policy for Europe isn't yet clear, de Guindos said, so an assessment of the impact is difficult. During his campaign Trump said he could impose tariffs of up to 20% on all goods coming into the U.S. On Monday he declared on his Truth Social platform that on his first day as president he would impose a 25% tariff on products coming in from Mexico and Canada and an additional 10% tariff on products from China.

Last week ECB President Christine Lagarde said the European Union is especially exposed to threats to free trade should the global trade environment becomes tougher.

U.S. fiscal policy will also need to be in focus, de Guindos argued. "By reducing taxes but maintaining public spending, fiscal policy becomes more expansionary, which, paired with a very high fiscal deficit and public debt ratio, could cause fiscal sustainability issues," he said.

Growth remains fragile in the eurozone, with the European Commission forecasting just 0.8% growth in 2024. The ECB will offer its own projections at its next meeting in December.

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WORLD NEWS

AFRICA

Interpol Reports**Cybercrime Sweep**

Interpol arrested 1,006 suspects in Africa during a two-month clampdown on cybercrime, the global police organization said Tuesday. The joint operation with Afripol, the African Union's police agency, ran from Sept. 2 to Oct. 31 in 19 countries.

Interpol counted 35,000 victims and nearly \$193 million in financial losses. In Kenya, the police made nearly two dozen arrests in a case of online credit-card fraud linked to losses of \$8.6 million. In Senegal, officers arrested eight people, including five Chinese nationals, for a \$6 million online Ponzi scheme. Other dismantled networks included an international criminal group in Angola running an illegal virtual casino and a cryptocurrency scam in Nigeria, the agency said.

—Associated Press

UNITED KINGDOM

Mystery Drones Afflict U.S. Bases

The U.K. military deployed about 60 personnel to help protect U.S. military bases in East Anglia after mystery-drone sightings. The drones were first spotted on Nov. 20 and then again on Monday night. The U.K. official said their appearance was being treated as suspect. The sightings began shortly after Ukraine first fired long-range U.S. ATACMS missiles deep into Russian territory. British-made Storm Shadow cruise missiles were also fired into Russia around the same time.

However, officials said it was too early to attribute the activity to a state-backed actor. The bases—RAF Lakenheath, RAF Mildenhall and RAF Feltwell—are owned by the British military but largely house U.S. personnel and equipment.

—Max Colchester

MYANMAR

Rebel Group Takes Key Border Town

A powerful rebel group has seized a trading town on the Chinese border, witnesses say, taking control of a lucrative rare-earth mining hub in another setback for Myanmar's military-led government.

Losing Kanpaiti to the Kachin Independence Army would leave Myanmar's military in control of only one town with a border crossing, and deprives it of potential profits from the mines that provide China with rare-earth minerals. Neither the KIA nor the military responded to several requests for comment, but several local media outlets reported that Kanpaiti fell last week. The civil war and military restrictions make travel for journalists nearly impossible, but the reports were confirmed by witnesses by telephone.

—Associated Press

WORLD WATCH



CFOTO/DOP/ZUMA PRESS

COLD START: Scooter operators fought the chill in the Chinese city of Huai'an on Tuesday.

Lebanon, Israel Agree To Truce

Continued from Page One to get the Iran-backed Hezbollah militia to drop its demand that a cease-fire in Lebanon could come only after there was an end to fighting in Gaza. Until recently, those conflicts seemed to be pushing the Middle East toward a larger war.

"We are dealing with a region where there are more constraints now and a greater tendency toward de-escalation," said Aaron David Miller, a senior fellow at the Carnegie Endowment for International Peace.

The cease-fire deal follows months of diplomacy by the U.S. and France, the former colonial power in Lebanon, which also pushed for an agreement. Biden thanked France in his remarks Tuesday.

The deal calls for a two-month period to allow the Israeli military to withdraw from southern Lebanon and for Lebanese security forces to deploy in the area. It also calls for international monitoring of the cease-fire, including by the



Sources: Le Beck International (areas of operation); United Nations Interim Force in Lebanon (U.N. Resolution zone)

U.S. and France. And the agreement calls for Hezbollah to remove its military forces from areas near the Israeli border in keeping with a United Nations resolution that ended a previous war in 2006, according to Lebanese officials.

Hezbollah, which is also a political party, began striking at Israel the day after the Hamas-led attacks on Israel on Oct. 7 of last year, saying it was doing so in solidarity with its Palestinian ally. The Hezbollah attacks made northern Israel nearly uninhabitable, forcing 60,000 Israelis to flee the area and killing scores of civilians. Since the attacks began, thousands of

people have been killed in Lebanon by Israeli strikes, and large areas in southern Lebanon destroyed.

The U.S. had unsuccessfully tried for more than a year to get a cease-fire in the parallel war between Israel and Hamas in Gaza, hoping it would lead to an end to the fighting in Lebanon and help calm the region. The war resulted in the first direct exchanges of fire between Israel and Iran.

After a year of tit-for-tat attacks between the two sides, Israel launched in September an escalation of its campaign that included killing most of Hezbollah's senior leadership, taking out much of its missile

capabilities and launching a ground offensive to root out militants and infrastructure along the border. Together, those attacks marked the most devastating setback the group has suffered in decades. In recent weeks, Hezbollah finally acquiesced to the demand to negotiate a truce separate from a Gaza deal, paving the way for Tuesday's cease-fire.

"This is the moment," a senior U.S. official said. "If anyone in Hamas thought that there was broad support for their cause, I think today they have learned that that is not the case."

The truce signals the potential for reduced conflict. The agreement "sets the precedent of Israel settling, which many people have looked for a sign of in Gaza for more than a year," said Jon Alterman, a senior vice president at the Center for Strategic and International Studies and a former State Department official. "It represents Israel locking in durable gains against Hezbollah."

A cease-fire would bring relief to millions of people in Lebanon, where the war has uprooted people from their homes in swaths of the country. More than 3,700 people have also been killed in Lebanon, most of them since Israel escalated the campaign against Hezbollah in Septem-

ber, according to the Lebanese health ministry.

The war has piled more stress on Lebanese institutions already buckling under the weight of a 2019 economic crisis.

In Israel, calm could facilitate the return of tens of thousands of Israeli civilians to their homes. Hezbollah has fired more than 16,500 rockets and missiles at Israel since the start of the war, according to Israel's government.

In the hours before the cease-fire announcement, Israel launched intense airstrikes in Beirut and said its forces advanced in southern Lebanon. The Israeli military also said its forces reached the Litani River, a significant marker in the war. Israel has demanded Hezbollah pull its forces back north of the river.

Powerful explosions shook central Beirut, while the Israeli military said it had launched 20 strikes in two minutes. Sirens, gunfire, blasts, and the buzzing of Israeli surveillance drones created a din throughout the city.

At least 19 people were killed by Israeli strikes across the country, according to statements from the Lebanese Health Ministry.

The Israeli military said the strikes were aimed at various Hezbollah targets, including

the group's supplies of cash and branches of a U.S.-sanctioned bank that is part of its social services arm. Earlier, the military said it launched 30 strikes targeting the group in southern Lebanon.

Hezbollah continued to fire rockets at northern Israel through Tuesday night, including at Israel's third-largest city, Haifa.

The cease-fire deal narrows the fronts of the war and allows the Israeli military to focus its resources and manpower on the war in Gaza, where Hamas has survived despite more than a year of bombing and a land invasion that has reduced much of the enclave to rubble.

After more than a year of war, the cease-fire will give respite to Israeli troops. Israel is facing a decline in reservist soldiers reporting for duty in recent months.

Israeli security officials and analysts said prolonging the war could only work in the militant group's favor.

"We reached the point of diminishing returns in terms of the military situation," said Eitan Shamir, director of the Begin-Sadat Center for Strategic Studies and former head of National Security Doctrine at the Office of Strategic Affairs.

—Brett Forrest and Laurence Norman contributed to this article.

China Lures Tech Talent From West

Continued from Page One between China and the West for tech supremacy.

As Western governments make it harder for China to access sensitive technologies—a trend expected to continue under the administration of President-elect Donald Trump—many Chinese companies are trying to get ahead by luring away top engineers in areas such as advanced semiconductors and artificial intelligence.

Chinese firms are focusing on several tech hubs, including Taiwan, parts of Europe and Silicon Valley. Some obscure their Chinese origins by forming local ventures that hire the employees to avoid drawing attention from local officials, authorities said.

The push is forcing officials in the U.S. and Europe, many of whom view recruiting as an ordinary business activity that shouldn't be restricted, to confront whether they need to do more to police the practice, and if so, how.

Clamping down

Taiwan, which has strict rules on Chinese recruitment, said in September that it launched a crackdown, accusing eight mainland-Chinese tech companies of illegally poaching talent from the island, threatening Taiwan's competitiveness.

South Korean authorities are toughening punishments for individuals who illegally transfer sensitive technologies to foreign countries. The country is grappling with several cases, including one in which an ex-Samsung Electronics executive was charged with illegally obtaining Samsung's factory blueprints to build a copycat chip plant in China.

The U.S. and Europe remain fairly open for most Chinese companies to recruit. But European intelligence officials



ASML/ZUMA PRESS

Zeiss workers outside giant vacuum chambers in Germany where optical systems are tested.

said they have been watching with concern as China-linked actors try to lure experts from the continent's high-tech companies. U.S. intelligence agencies said in their latest threat assessment that they believed China is trying to use talent recruitment as one of the ways to become a science and technology superpower.

Western security officials are especially concerned about China's efforts to target ASML Holding, among the world's most important tech companies, and its suppliers, including Germany's Zeiss. The Dutch firm is the only one capable of making sophisticated machines needed to print structures smaller than 1/10,000 of the width of a human hair onto chips for advanced AI and other applications.

It took ASML decades to master such lithography machines, known as EUV scanners. Without them, China can't make chips at the cutting edge. The Dutch government prevents ASML from shipping its EUV machines, which also could have military applications, to China.

Since 2021, Huawei has hired dozens of engineers and other staff based in China who were working on lithography and optics for companies including ASML and other West-

ern firms, data from LinkedIn and Chinese job-networking site Maimai show. A Chinese engineer who left ASML about a decade ago with knowledge of some of its software later set up a rival company in China, according to corporate registrations and ASML.

One former Taipei-based employee of ASML said he got inquiries from Chinese recruiters every month for two years after he left the company in 2020.

The engineer said Huawei was particularly persistent, with repeated efforts to connect on LinkedIn. He said he never responded.

ASML said it had no indication of unusual recruitment activity toward its employees, and the rate at which employees leave is very low in the Netherlands and globally.

China's Foreign Ministry said it wasn't aware of the examples of talent poaching, adding that China's interaction with foreign talent is no different from other nations. Huawei didn't respond to requests for comment.

China has made clear that

recruiting is a priority, especially for competitive technologies such as AI.

A government blueprint for AI development in 2017 called for attracting the "sharpest" talent, including "international top scientists" in areas such as machine learning, automatic driving and intelligent robots.

Luring foreign engineers

can provide a valuable short-

cut for Chinese companies because their experience can't easily be duplicated or stolen, said Paul Triolo, a partner at business-consulting firm DGA Group.

Governments now care more about this," he said, though determining where to draw the line on acceptable recruitment will be "a very difficult task and difficult to enforce."

Many governments have restricted academic and business partnerships with China or introduced investment-screening programs for Chinese acquisitions. State funding for Chinese companies allows them to offer salaries beyond what Western compa-

nies can pay.

Many engineers are reluctant to entertain such offers, citing reputational risks and concerns about fitting into Chinese corporate culture. Yet, Chinese companies make so many approaches—a strategy one former Huawei recruiter described in an interview as "spray and pray"—that inevitably some say yes.

Often, they bring trade secrets with them. Last year, the chief executive of California semiconductor company FemtoMetrix testified to Congress that his firm's trade secrets were stolen when three employees left to start a semiconductor company in China, bringing thousands of FemtoMetrix files with them.

Alon Raphael, FemtoMetrix's CEO, said in his testimony it was an example of China's "playbook for the theft of American intellectual property." In an interview, Raphael said his company is "barely" still in business, and he hasn't been able to raise substantial funding since the theft.

China's Foreign Ministry said reports of alleged intellectual property stealing are baseless slander.

Taiwan's troubles

In Taiwan, home to Taiwan Semiconductor Manufacturing, the world's largest contract chip manufacturer, officials said they started seeing an increase in Chinese talent poaching and trade-secret theft around 2015. Frustrated, they approved new rules in 2022 that bar anyone from leaking technology critical to national security and Taiwan's industrial competitiveness to foreign countries.

Offenders face up to 12 years in prison and a fine of up to the equivalent of about \$3 million. Taiwan also strengthened penalties for domestic firms that act as fronts for Chinese companies to hire talent.

"The know-how is in their brains, and in some cases, a whole team could be poached by a Chinese company," said Sun Chen-yi, deputy director general of the investigation bureau at Taiwan's Ministry of

Justice. Between 2020 and July 2024, the ministry investigated about 90 cases of talent poaching, most related to semiconductors, electronics and machinery, Sun said.

Several years ago, Liang Mong Song, a former senior Taiwanese engineer at TSMC and Samsung, joined China's largest contract chip maker, Semiconductor Manufacturing International. Liang is often credited with the rapid ascendance of Shanghai-based SMIC, which last year helped Huawei produce its most advanced smartphone processor.

In Taiwan's latest crackdown, authorities said they raided 30 locations and questioned 65 individuals across four cities. Among the eight companies accused of illegally poaching talent was a large Chinese chip toolmaker.

Some Chinese chip firms try to obscure their origins, working with headhunters based in Singapore and Hong Kong. They also pair up with Taiwanese to open companies on the island to hire local engineers, investigators said.

German connection

German authorities also are concerned about China's efforts to lure engineers from its ASML suppliers.

Zeiss SMT's specialized mirrors form the centerpiece of ASML's elaborate EUV systems, which are sometimes the size of a bus. Zeiss's technologies are considered so advanced that its headquarters are off-limits to most visitors.

When Zeiss employees flagged Huawei's poaching attempts last fall, they shared recruiters' profiles with their managers, according to people with knowledge of the situation. Although no employees jumped ship, the head lobbyist for Zeiss's parent company raised the matter with government officials, triggering the German-intelligence investigation, people familiar with the matter said.

Zeiss and Germany's domestic intelligence agency, the Federal Office for the Protection of the Constitution declined to comment.

FROM PAGE ONE

Morgan Stanley's Flawed Unit

Continued from Page One

The Journal has previously reported the Justice Department, Federal Reserve, Securities and Exchange Commission, the Treasury Department's Financial Crimes Enforcement Network and others are probing the bank's vetting procedures to determine whether it has sufficient anti-money-laundering controls.

The new cache of internal documents, including emails, internal chat logs and reports, as well as interviews with nearly 20 current and former employees and executives, illustrates the day-to-day operations of the bank that appeared to fall short of regulatory standards.

The bank wooed clients from countries known for financial corruption and drug trafficking, including Venezuela. Federal investigators are looking into whether the bank allowed accounts to be used for money laundering funds gained through corruption that were connected to a former government minister there.

Documents warned the bank's risk had increased because of its exposure to Russia and a sanctioned Russian bank—Morgan Stanley received a caution for it from the Treasury. In one problem account, the SEC has been probing the bank's work with a billionaire with ties to Russia who was sanctioned by the U.K. after Russia's invasion of Ukraine.

Overall, bottlenecks in the bank's anti-money-laundering procedures held up the vetting of thousands of accounts, which were allowed to proceed in the meantime.

Despite the focus on international customers, some employees who were supposed to assess client risk didn't know the necessary languages, and used Google translate to make sense of foreign documents. Staff who vet customers were laid off even as Morgan Stanley gobbled up international wealth businesses from other banks. Simple checks, such as Google searches on names that would reveal suspicious activities or other red flags, often didn't occur.

Thousands of accounts within wealth management displayed high-risk characteristics for money laundering, tax evasion or other potentially illegal behavior, according to a 2023 document.

The accounts are spread across Morgan Stanley's empire of financial advisers who manage money for wealthy people and its E*Trade digital trading platform.

The 2023 document showed that 24%, or 46,572, of Morgan Stanley's international wealth-management accounts were designated by the firm as "High/High+" risk for money laundering. The firm also labeled at least 25,000 international E*Trade accounts as being in high-risk areas.

The document said the bank considered its anti-money-laundering controls to be "weak" because of "longstanding issues globally" with the enhanced due-diligence processes.

Morgan Stanley said it has made progress on improving its anti-money-laundering and other processes. "Over the past several years, one of our top priorities at Morgan Stanley has been to make significant investments in people, processes and technology [related to anti-money laundering, vetting and due diligence] to keep pace with the growth of our industry-leading business," Morgan Stanley said in a statement. "We are now realizing material results from these efforts. Indeed, the prioritization and scale of our investments in our onboarding processes is rapidly transforming these functions into an organizational strength."

Jed Finn, Morgan Stanley's head of wealth management, told employees in meetings early this year that fixing issues in wealth, which would include improvements in vetting clients and back-office procedures, increased staffing and upgraded technology, is his top priority.

Assets in the door

Wealth emerged as a key driver of Morgan Stanley's recovery from the 2007-08 financial crisis. The firm transformed into one of the largest wealth-management providers in the U.S. under James Gorman, its former longtime CEO and cur-



Morgan Stanley's office in Times Square in New York. The wealth-management division oversees about \$6 trillion in assets.



Presented a fix-it plan in 2022 to the Fed, which had repeatedly asked for improvements in vetting foreign wealth-management clients. It is still being implemented.

Andy Saperstein, Morgan Stanley's co-president

rent executive chairman.

The unit, beefed up with a series of acquisitions, including Smith Barney and E*Trade, has helped offset volatility in the bank's dealmaking and trading businesses.

International clients are seen as an engine for growth. In early 2022, however, a Morgan Stanley risk team found that 60% of international accounts that financial advisers were trying to open had errors, including missing documents and overstated income.

"For Morgan Stanley, the international business is a blessing and a curse," a former longtime executive said. "It's a growth business but the risk is enormous, and they have grown too fast."

The U.S. government relies on banks and broker dealers to help detect and prevent offenses such as money laundering. They are required to verify customers' identities, complete checks into their backgrounds and source of wealth, ensure they aren't sanctioned by the U.S. and monitor their transactions.

For international accounts, the firm usually runs a background check and completes a due-diligence process before accepting the person as a client and receiving their funds.

At other banks, a financial adviser also meets a prospective client in person to help determine whether their funds come from a valid source; that wasn't always the case at Morgan Stanley, documents and interviews show. Financial advisers there said the emphasis was on speed and getting assets in the door.

In April 2021, a Canadian woman claiming to have a net worth of over \$5 billion and to have been born a Romanian princess began speaking with the bank.

Within a few days, she was approved for four accounts, although no bank employee had ever met her in person. She said she was in Monaco, and while video meetings had become common since the pandemic, no video meeting took place.

Soon after the accounts were approved, an executive overseeing financial advisers approved a low-interest-rate loan of \$100 million for the woman, which she intended to use for derivatives trading.

At the end of May, an individual identified as the client's employee wanted to transfer more

than 50 million euros into the woman's accounts using what the bank viewed as an outdated wire-transfer protocol.

The client's reluctance to use the Swift system that the bank wanted rang alarm bells, according to the internal bank emails and chat logs.

Morgan Stanley, it turned out, hadn't run a background check, verified the woman's source of funds or completed an enhanced due-diligence review.

"There's reg risk to...opening the account and accepting the funds before we complete the KYC," shorthand for "know your customer," a staffer wrote in the chat log. Another said: "Our risk here is 1) these are stolen funds 2) funds will come in used as leverage to harm the Firm."

A staffer, warning of the potential for fraud, wrote in an email that it was "very important" that someone meet the client face-to-face.

The client shared more information about herself, but this only raised more red flags. A Morgan Stanley financial adviser wrote an email saying the woman said she was the beneficiary of a family trust held in Switzerland; was related to the last king of Romania; that her family's wealth came from an oil-and-gas empire, insurance companies, art and real estate in Europe and the U.S.; and was

selling a drug company that she owned 93% of and that had been valued at around \$3 billion.

Midlevel executives argued the bank should jettison the client. One wrote about the case in the chat log, "Oh boy...I went down the rabbit hole...and it's getting dark." He later wrote in an email, "We need to kill this."

The head of private wealth management wrote in an email that she would accept dropping the client, but also wrote in another email that more time was needed to verify the client's source of wealth. She said that if

the client needed the accounts to be active immediately the bank couldn't help, but "if they can give us more time and/or wait until they have sold their company, we would like to continue

to work with them," she wrote.

It wasn't until June 2021 that Morgan Stanley made plans to cut ties to the woman, amid requests to do so by the bank's global financial crimes unit. It had found the individual trying to transfer the client's money to Morgan Stanley had "significant" tax liens, which is a red flag for the bank. The client's accounts were never funded and the loan wasn't paid out.

Morgan Stanley also realized it had erroneously approved the woman as a U.S. customer, when she held a Canadian passport and should have undergone the

same vetting process as U.S. citizens.

The lack of fluent Spanish speakers among vetting staff was a problem. Since at least 2019, Morgan Stanley enlisted

temp agencies to hire Spanish speakers to review documents for accounts that had already been approved.

They found cases in which clients who brought in millions of dollars to the wealth-management division hadn't provided documents that fully explained the source of the wealth, according to people familiar with the matter.

Some clients, for example, cited property sales as a source of their funds. But the paperwork submitted to Morgan Stanley included deeds and titles showing the cli-

ents owned the properties in the past, and documents showing the value and sale of the properties weren't on file.

There were delays of more than two months in completing enhanced due-diligence reviews on more than 4,000 accounts in the Americas, according to a January 2024 document. The accounts had restrictions placed on them, or were new and hadn't been funded.

Morgan Stanley had pushed to attract business in Venezuela, despite that country's reputation for corruption. Some former financial advisers at the bank told the Journal they worried government officials in Venezuela involved in the drug trade or other illegal activities were teaming up with people who had no government or criminal ties to open accounts.

Since at least 2021, the Justice Department, the SEC and other federal agencies have been probing whether Morgan Stanley allowed Luis Mariano Rodriguez Cabello, a Venezuelan businessman, to help a former Venezuelan oil minister launder money through the bank, the Journal previously reported.

Morgan Stanley's quality-assurance team found errors or other problems in 27% of the reports it reviewed from employees in global financial crimes tasked with reviewing cases of possible money laundering, according to a January 2024 document. The errors included incomplete suspicious activity report filings that were sent to regulators.

While Morgan Stanley was pushing for growth overseas, it also was snapping up new businesses, such as E*Trade, which allows people to buy and sell stocks and other investments.

The deal closed in October 2020, and just over a year later, nearly all of E*Trade's executive management team responsible for anti-money-laundering procedures had left. Some said they were aghast at Morgan Stanley's paper-heavy method of vetting clients.

To develop client-risk profiles, Morgan Stanley employees did research on clients by hand, kept paper in manila files and passed them from one person to another, and the bank didn't have much technology to analyze customer risk.

E*Trade, in contrast, had used a centralized data system that compiled information about a customer. The data included alerts on suspicious activities, negative developments about clients that would be in the public record, and a log of a customer's transactions so that atypical moves could be flagged and assessed for risk.

Morgan Stanley dropped much of E*Trade's automated vetting procedures. By spring 2021, it had turned off E*Trade's risk-based score that would alert to higher risks associated with an account or when suspicious activities occurred. The capability wasn't turned back on until early this year.

By summer 2022, there were roughly 30,000 transaction-monitoring alerts waiting to be cleared—caused by being under-staffed and by using a paper-heavy vetting process. The alerts, which can be triggered by a range of activity and can often be false alarms, were finally cleared by April 2023 with help from outside consultants.

Fix-it plan

In 2022, Andy Saperstein, the firm's co-president, presented a fix-it plan to the Fed, which had repeatedly asked for improvements to risk-management controls for vetting foreign wealth-management clients.

Some executives became concerned and flew to Latin America to meet the clients. Among other issues, one client disclosed over dinner that he was hiding money from his country's government in a European bank.

Back in New York, bank staff

were instructed to cut ties with some clients.

For those they didn't know,

the executives said the advisers

didn't always meet them in person before they became clients.

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PERSONAL JOURNAL.

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THE WALL STREET JOURNAL.

Wednesday, November 27, 2024 | A11

BY JOE PINSKER

After Andrew Poelstra smashed his car's side-view mirror on his garage wall early this year, a dealership quoted him \$1,000 to replace it. He resigned himself to paying the hefty bill until he found a part online at a fraction of the cost.

"I thought, you know what? For 50 bucks, versus \$1,000, I think I should at least give it a shot," said Poelstra, a 33-year-old mathematician in Austin, Texas.

As car maintenance and repair costs ballooned 28% in the past three years, according to Labor Department data, more car owners are considering a do-it-yourself approach. With even minor fixes climbing into the thousands of dollars due to all of the technology packed into newer cars, many drivers groan and pay up. Others roll up their sleeves and cue up instructional YouTube videos—as a financial necessity or a matter of principle.

In the first half of 2024, about 30% of drivers said that if their vehicle needed a repair immediately, they would likely try doing the repair themselves, up from 26% of drivers in 2020, according to IMR, an automotive market-research firm.

Newly motivated DIYers say they are succeeding. Mostly.

Poelstra said that replacing the mirror on his Honda CR-V required a screwdriver, a wrench and only 40 minutes. He said it doesn't look like a DIY job, although the paint color is slightly mismatched and the new mirror doesn't have a built-in turn signal like the original did.

"Other than that, you would not know," he said.

Screwdriver's license

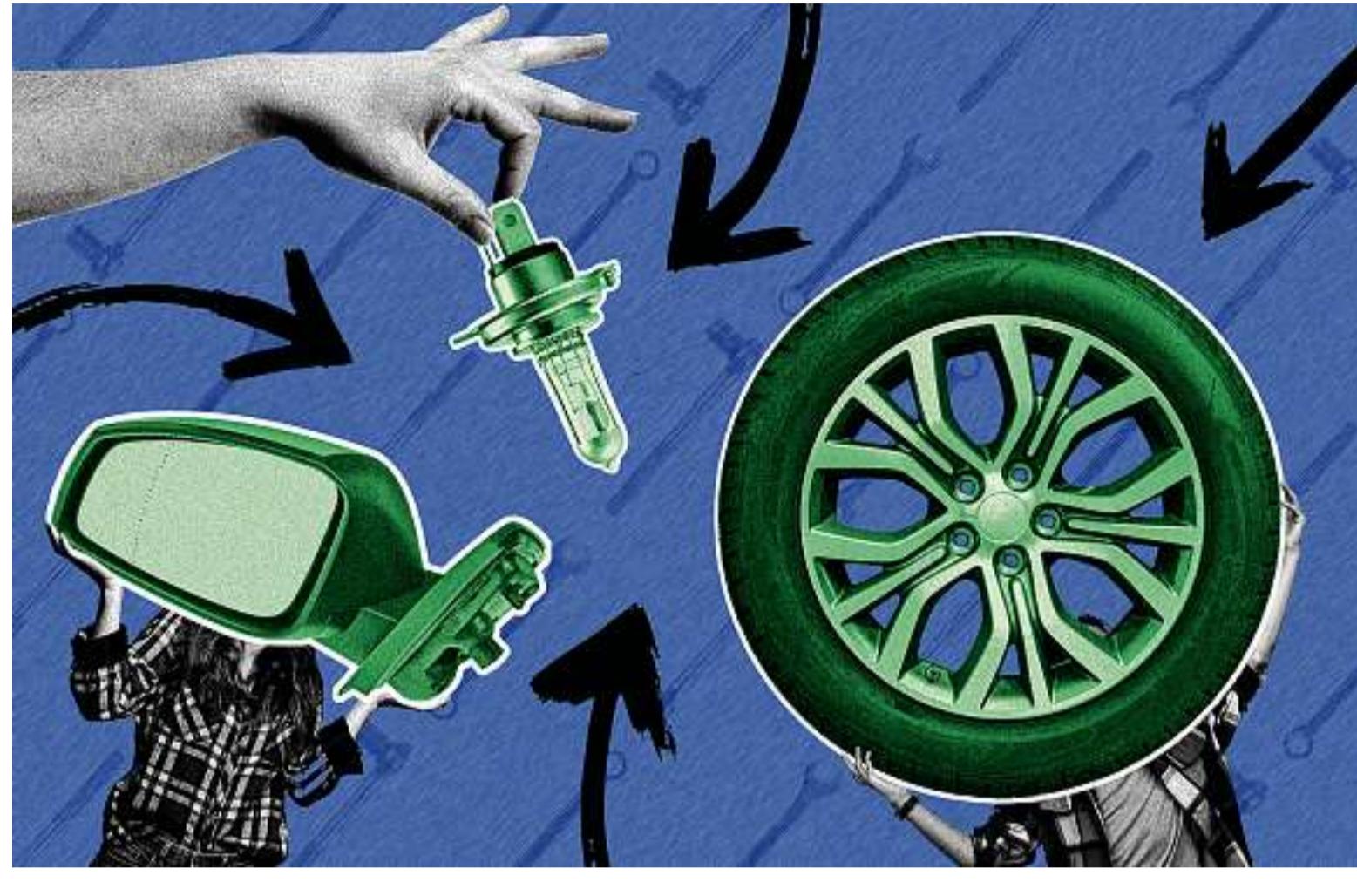
Drivers can purchase repair guides for specific vehicles, but some mechanics also praise YouTube as a learning resource. Bo Fader, who provides consumers' advice at the website RepairPal, said that professionals sometimes turn to how-to videos themselves when working on an unfamiliar model.

Roughly 25% of drivers delayed service or a repair in 2023, up from about 18% in 2020, according to the Auto Care Association, a trade group. Their most commonly cited deterrent was cost.

But trying to save money can come at the cost of time and frustration.

Lauren Leeman drove around with a burned-out headlight for two months because she feared what a repair shop might charge her to fix it.

At night or in the rain, the 36-year-old fundraiser in Denver used her Toyota RAV4's high beams instead, which prompted at least one driver to give her the middle finger. "I would



Rising Costs Drive Amateurs To Try to Fix Their Own Cars

Deterred by staggering repair quotes, some drivers save with a few tools and YouTube videos

rather be safe and annoy people than have them not see my car," she said.

Botching higher-stakes fixes can be dangerous and ultimately more expensive, Fader said. When he worked at a repair shop, customers who bungled at-home repairs occasionally drove up in cars whose brakes barely functioned. One vehicle that arrived had burst into flames.

Others would show up with bags of parts and no vehicle and

▼ Andrew Poelstra said that replacing the mirror on his Honda CR-V required a screwdriver, a wrench and only 40 minutes.



admit, "I just took this off my car and I don't know how to put it back on," Fader said.

Doing it yourself

People who work on their own cars tend to be younger. About 21% of Gen Z drivers needing maintenance or repairs did so or enlisted a friend in 2024, versus 7% of baby boomers, according to J.D. Power.

Kevin White recently turned a staggering repair quote into a family reunion.

White, a 52-year-old in Honolulu who serves in the military, needed to replace a catalytic converter on his GMC Sierra. He was told by the dealership the cost for the part alone would be \$2,000.

After a phone call with his dad, a mechanic in Dallas, he determined that it would be cheaper to have his dad buy universal catalytic converters in Texas (\$600), fly him to Hawaii (\$550) and purchase welding equipment (\$400) so that his dad could do the work in his garage.

White set up his dad's visit to coincide with his daughter's fall break at school. The family had some fun and went to a luau before father and son tackled the job.

"Priceless," White said.

Car owners are capable of more

clearing error codes can require a software subscription or tools that dealers have.

Paint job

Paint is one area of car repairs that many say is best left to the professionals, but Menachem Lehrfield, a 29-year-old accountant in New York City, found a low-budget workaround.

A repair shop told him it would cost \$2,500 to get rid of various minor scratches. As a friend suggested, Lehrfield contacted a local store that supplies paint to body shops, asking if they would sell him a small amount to match his black Toyota Avalon.

A spray can each of paint and gloss cost \$90, and Lehrfield also bought scouring pads for \$4.

His handiwork was good enough that the car's paint didn't raise any questions when he later decided to trade it in for a new one.

"I just don't want to pay for something that I can do myself with a couple of YouTube clips," Lehrfield said.



▲ Kevin White saved money by flying his father to Hawaii to replace his catalytic converter.

than they think, said Rushit Hila, the founder of an educational repair shop called Youcanic outside of Baltimore. He said that replacing a wheel-speed sensor, a job that could cost \$800 or more, is easier than an oil change.

Many would-be tinkerers are intimidated by the electronics threaded throughout newer cars, but Hila said they don't need to be.

The bigger obstacle, he said, is that diagnosing problems and

FROM TOP: PARKER ESHMAN/VISI; STOCK: ANDREW POELSTRA; KEVIN WHITE

How to Beat the Holiday Travel Chaos

BY JACOB PASSY AND ALLISON POHLE

Holiday travelers should expect some extra curveballs this year and budget their time accordingly.

Stretches of inclement weather are raising the risk of flight delays and cancellations in many cities ahead of Thanksgiving. Construction projects across the country are likely to further clog roadways in and out of airports and make navigating terminals more of a challenge.

The Port Authority of New York and New Jersey is warning travelers going to John F. Kennedy International Airport by car to expect new traffic patterns as a result of the airport's redevelopment. Officials are encouraging those reaching the airport by car to navigate to a nearby AirTrain station and take the free service to their terminal rather than drive directly.

But travelers can also get some time back using new tools at their disposal, including a program that reduces steps at security.

The Transportation Security Administration projects the Sunday after Thanksgiving will be the busiest day of the week for passenger traffic, and one of the busiest in U.S. history, with more than three million travelers.

Prepare for detours

Significant construction projects are under way at airports from coast to coast, including terminal expansions

and renovations, upgrades to transportation systems and new parking and rental-car facilities.

Other airports undergoing major construction projects include those in San Diego, Denver, Seattle and Sacramento, Calif.

Some airports, including Dallas-Fort Worth International, have planned construction around the holiday season to reduce potential disruptions.

Staffing shortages could also contribute to potential hiccups for travelers.

Expect weather

Rain and snow west of the Rocky Mountains, in the Upper Midwest and across the Northeast could lead to flight delays and cancellations leading up to Thanksgiving.

The Transportation Department's new airline-refund rules are in effect for cancellations and significant delays. The DOT now defines a significant delay as three hours for domestic flights and six hours for international flights.

Remember: You only get that refund if you don't take the flight.

And if you're stuck on the tarmac, you aren't entitled to compensation.

If your flight is overbooked and your airline asks for volunteers to switch to a different flight, don't take the first offer. Negotiate for additional upgrades or food and hotel vouchers by asking the gate agent what else they can offer.

During such hectic travel days,



finding a customer-service agent in person can be a fool's errand. Instead, turn to your phone. Download your airline's app and sign up for text updates. If you decide to call someone, get the number directly from the airline's website to avoid being swindled by scammers.

If your flight is tardy or gets canceled, look for QR codes or phone banks by the gate that link you to a virtual airline agent.

Consider biometric

Fliers with TSA PreCheck have new options to reach the gate

more quickly. The optional TSA PreCheck Touchless ID program lets travelers use their faces for identity verification at the security checkpoint, no boarding pass or driver's license required.

Touchless ID is available at these nine airports for travelers flying Delta and United: Los Angeles International, Ronald Reagan Washington National Airport, Chicago's

O'Hare, Newark, Atlanta, Salt Lake City, Detroit, and New York's LaGuardia and JFK.

United offers the biometric bag drop technology at Newark, O'Hare and LAX. Delta travelers can use the tech at seven airports.

Bag drops with Delta Digital ID take under 30 seconds, compared with about two minutes for typical transactions, says Gregory Forbes, Delta's managing director for airport experience.

Airport parking continues to vex travelers. More airports now have services where travelers can reserve a parking spot and check how full lots are ahead of time.

Respect boarding policies

Line-cutters, beware: You're more likely to be shamed for not respecting your boarding group. American Airlines has implemented a new alert system that sounds whenever a passenger attempts to board the plane too early.

While you're at it, save yourself—and everyone in line behind you—the frustration and make sure you aren't overloaded with carry-ons. Airlines are increasingly cracking down on travelers who try to sneak extra items onto flights in excess of the standard limitations.

KAMIL KRZACZYNSKI/AF/GETTY IMAGES

PERSONAL JOURNAL.

Bitcoin Is Surging—and the IRS Is Watching Closer Than Ever

Crypto enthusiasts face strict rules when deciding what to do with their holdings come tax time



By ASHLEA EBELING

Cryptocurrency holders are cashing in on a surge in bitcoin prices. Don't think the Internal Revenue Service isn't paying attention.

Some bitcoin owners are making gifts to friends and family or donating coins to charity. Others are simply selling parts or all of their holdings, where the returns can be huge. One bitcoin bought in 2022 at \$16,000 and sold at its peak on Monday would mean a gain of more than \$80,000.

In all of these cases, a warning is needed. The IRS is stepping up oversight, and any taxes owed will need to be paid. Tax audits and criminal cases are happening more often, and new rules starting next year mean the IRS will know even more about

your crypto stash.

"The thing to do now is to clean up your digital books and records. The reporting regime is coming," said Mark Howe, a tax lawyer who specializes in financial products at Cadwalader, Wickersham & Taft in Washington, D.C.

Crypto sales are taxable

Bitcoin topped \$98,000 on Monday. It has risen from about \$70,000 on Election Day as President-elect Donald Trump has called for stripping back regulations on the crypto industry and building a national reserve of bitcoin.

For tax purposes, the IRS considers crypto as property. This means that the rules for gains or losses work much like they do for stocks.

If crypto is held in a taxable account, then net profits from a

sale are typically taxed as long-or short-term capital gains. If you use crypto to buy something, a new Tesla or a \$6.2 million banana and duct tape art piece, then the transaction typically generates a taxable event that the buyer has to report to the IRS.

There is also a benefit to this type of tax treatment. If bitcoin and other cryptocurrencies plunge, like they did in 2022, taxpayers can look for opportunities to harvest losses.

Enforcement is real

Since 2019, the IRS has required all taxpayers to check a box on their tax return to say yes or no whether they received or disposed

of a digital asset. Howe, the tax lawyer, says sophisticated cryptocurrency investors are particularly at risk of difficult audits.

In extreme cases, the Justice Department is also cracking down on crypto tax fraud, even

when it isn't related to another crime such as money laundering.

An early crypto investor from Austin, Texas, Frank Richard Ahlgren III, pleaded guilty in September to filing tax returns between 2017 and 2019 that falsely reported his crypto gains. He under-reported his capital gain on a \$3.7 million sale in 2017, and he failed to report bitcoin sales on later tax returns, according to the Justice Department.

Superhuman Women Fight For Power In 'Dune'

By ESTHER ZUCKERMAN

The actresses Emily Watson and Olivia Williams were walking through the National Portrait Gallery in London, looking up at the imposing portraits of Mary, Queen of Scots, and her cousin Elizabeth I. They had recently been cast as sisters Valya (Watson) and Tula (Williams) in "Dune: Prophecy," HBO's new sci-fi television series, and Watson had the idea to visit the 16th-century relatives who had been embroiled in a struggle for the throne.

At the museum, Williams said, the artwork spawned a "very, very serious meditation on the nature of family and power." The sci-fi series, which premiered this month, is set thousands of years in the future, but they saw parallels between the portraits and their roles in the cabal of superhuman women known as the Bene Gesserit.

Taking place 10,000 years before the events of "Dune," which was recently adapted into two blockbuster feature films by director Denis Villeneuve, the series follows the group, then known as the Sisterhood, as it tries to maintain its status as a power broker in the galaxy. The members deploy abilities as Truth-sayers, who help the ruling families as advisers who can determine when people are lying and genetically engineer their ideal leaders.

The performers, as well as showrunner Alison Schapker, looked to real-world inspiration through history, from the Tudors to nuns, and a blend of spiritual cultures.

"The idea that you can be sisters in this incredibly powerful dynasty, both love each other and depend on each other and be deadly enemies at the same time," Williams said.



"And all the complexity that can either be in the Tudor court, 10,000 years in the future, or over the breakfast table tomorrow morning: These politics are universal."

If the Bene Gesserit with its ornate, habit-like headwear reminds you of Catholic nuns, Frank Herbert, who created "Dune," modeled the fearsome sisterhood in part after his Irish Catholic aunts. The inspiration resonated for Schapker: Her father was a Jesuit priest who left the church to marry her mother, a nun.

"Dune," first published in 1965, used other religious touchstones, most notably from the Muslim world, to craft its narrative about a group of desert people, known as Fremen, rising up against imperialism. According to "Dreamer of Dune," the biography of Herbert written by his son Brian Herbert, the author also drew from the practices

The performers in the sci-fi series 'Dune: Prophecy' looked to real-world inspiration of women through history and a blend of spiritual cultures.



In the show, sisters Valya (Emily Watson, left) and Tula (Olivia Williams) deal with a threat to their power in the form of a soldier from Arrakis.

of Jewish Kabbalists and Native Americans, among others.

The fact that "Gesserit" sounds like "Jesuit" is not a coincidence, Brian wrote in the biography. And like Catholic nuns, Schapker said, the ladies of the Bene Gesserit

have the "trappings of a convent," use the term "Reverend Mother" and wear habit-like garb. Unlike nuns, they are not celibate and they don't worship a deity.

There is a long tradition of film and television depictions of ominous nuns and their strict customs, such as this year's horror films "The First Omen" and "Immaculate."

While the Bene Gesserit women are more commanding than frightening, Schapker said that Herbert had "reshaped" the familiar tropes.

"There's a suspicion of religion and power of religion, but also the

fact that maybe these people are not as good as their uniform is purporting to make them," Schapker said.

Williams said that the "Dune" mythology also tapped into people's fears about women in positions of power throughout time.

"Men are still terrified of what women get up to behind closed doors," she said, pointing out that the book was first published in the 1960s.

The television show was mainly inspired by Brian Herbert and Kevin J. Anderson's 2012 book "Sisterhood of Dune." It includes a new story line about Valya and Tula in middle age dealing with a threat to their power in the form of a soldier (Travis Fimmel) from Arrakis, the mysterious desert planet known as Dune.

Williams grew up in the Catholic church and understood the Bene Gesserit's rigorous rules as a way for members to elevate themselves to a higher plane.

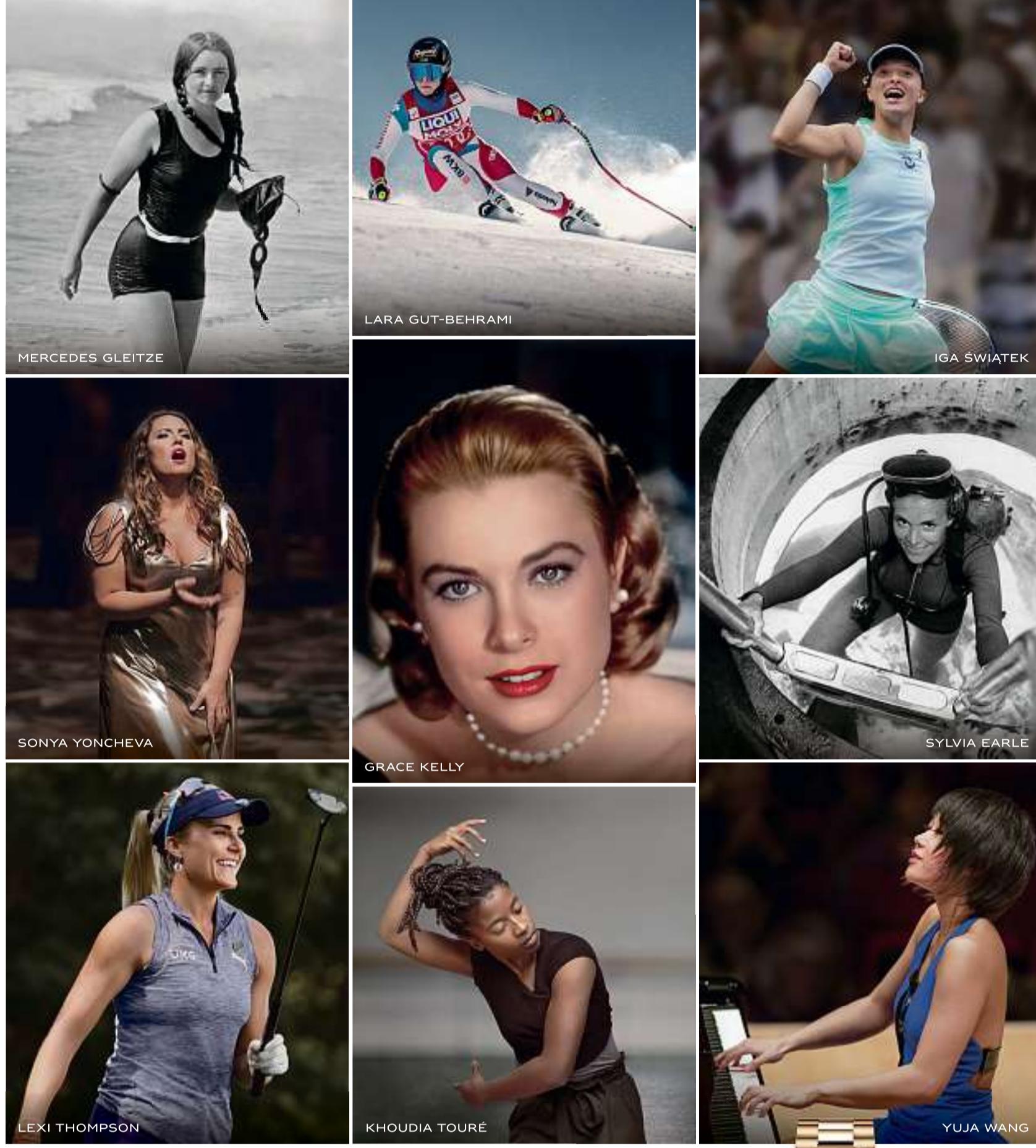
"It's very familiar territory that you gain some form of control over your body when you live a very ascetic, focused and what looks like a chaste life," said Williams. "And the more you deprive yourself of worldly pleasures and exposure, the more access you have to a kind of existential truth."

Morality is another theme running through the series—the Sisterhood believes its work is in service of making humanity thrive in a period after war. The question is: What harm are the women willing to cause for the greater good?

"These women are the main protagonists, but they are not good people, necessarily," Watson said. "They are complex, very driven. They've got a very messed up family, a messed up past. They think they're doing the right thing. They are trying to guide mankind down the best path, but the end justifies the means, and we know where that leads."

PARKER ESHMAN/WNET

CLOCKWISE FROM TOP LEFT: HBO/EVERETT COLLECTION; HBO; ATTILA SZAVAI/WNET



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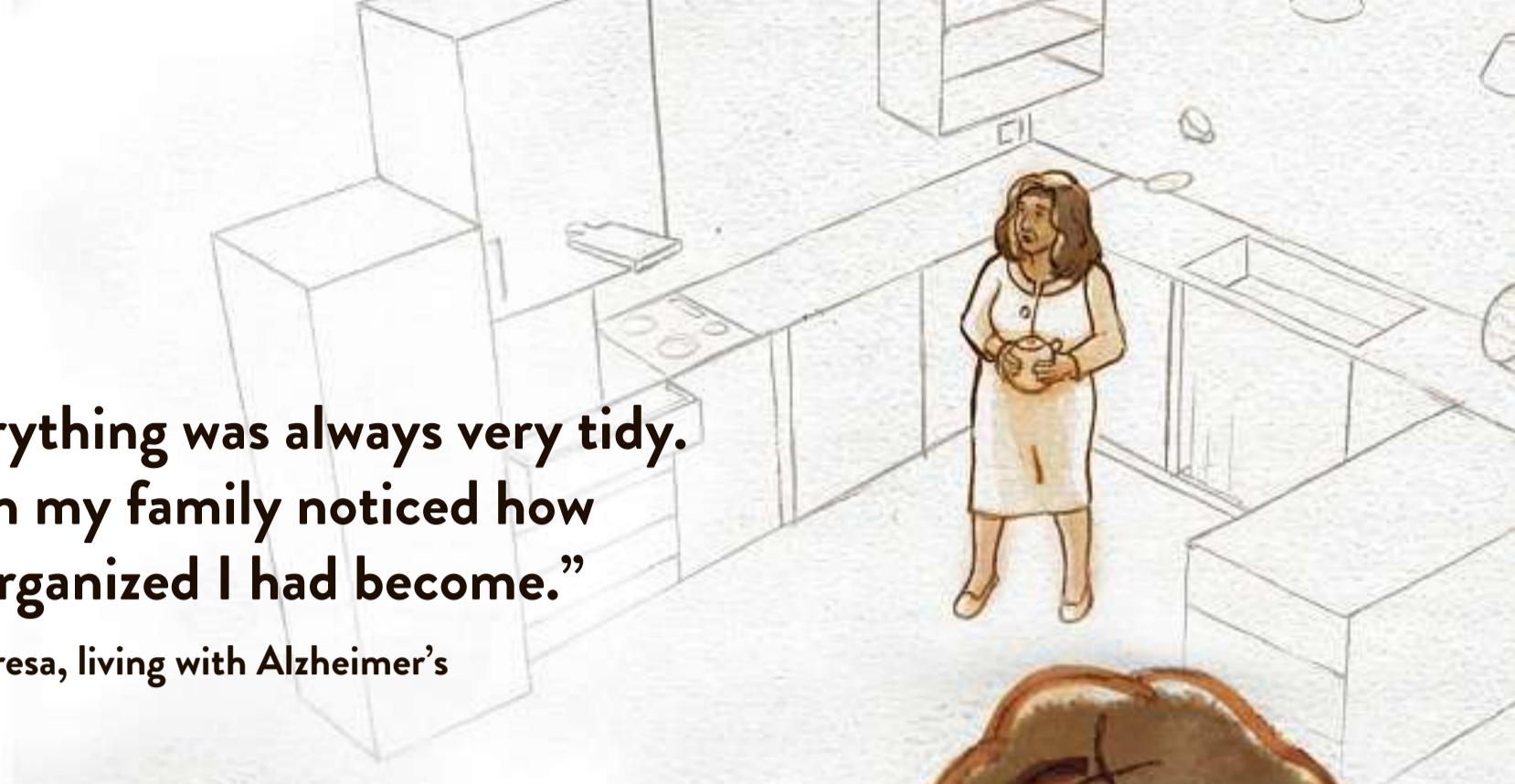
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ARTS IN REVIEW



MUSIC REVIEW | MARK RICHARDSON

Kendrick Lamar Gets Back to Business

The rapper's surprise new album is a powerfully self-reflective work

As of early last week, Los Angeles rapper Kendrick Lamar had already had a productive year and a lot of momentum going into 2025. In March, he appeared on a single, "Like That," with rapper Future and producer Metro Boomin, and it topped the Hot 100. A line in the song from Mr. Lamar about Canadian rapper Drake helped reignite their long-running feud, and in April and May the pair engaged in an unprecedented back-and-forth, releasing a series of songs attacking each other's character and actions in the most vile—and often entertaining—terms. One of those songs by Mr. Lamar, "Not Like Us," became a chart smash, hitting No. 1 and effectively bringing an end to the skirmish. And then, in September, Mr. Lamar was chosen to headline the 2025 Super Bowl halftime show.

All this activity raised a question about when Mr. Lamar would release another album—it had been two years since the daring and uneven "Mr. Morale & the Big Steppers," and new records for Mr. Lamar are major events. He's by far the most acclaimed rapper of his generation—see his 2018 Pulitzer Prize—and he takes full advantage of the broad canvas of the full-length LP, covering a wide range of political and personal concerns and shifting his aesthetic style to fit the material. The question was answered this past Friday, when he issued his sixth studio album, "GNX" (PG-Lang/Interscope), with no prior notice.

The album "GNX" most resembles "Damn," the work for which he received his Pulitzer. Unlike "Mr. Morale" and "To Pimp a Butterfly," it forgoes framing de-

vices—no skits or interludes—and is relatively uniform in terms of its production, most of which is overseen by regular collaborator Sounwave and pop producer Jack Antonoff. On a series of punchy and immediate tracks, Mr. Lamar checks in on where his life is now, provides some personal history, airs a few grievances, and gets in a few digs at his peers. Ultimately, this is an album of individual songs, including a high percentage of very good ones.

On the surface, the opening "Wacked Out Murals" scans like a list of things Mr. Lamar is upset about, but it turns out to be a complex examination of his own notoriety and the lack of community for those who commit so intensely to their craft. The song begins with an image of seeing a mural of his visage vandalized, and from there Mr. Lamar takes stock of where an older rap generation sees him, and notes who has his back and who doesn't. Tracks like this, when done wrong, can descend into self-pity or make the

rapper seem paranoid, but Mr. Lamar keeps a clear-eyed perspective and convincingly argues that he got where he is through hard work: "Miss my uncle Lil' Mane, he said that he would kill me if I didn't make it / Now I'm possessed by a spirit and they can't take it." The fuel for Mr. Lamar's art is competition—not just against other rappers, but also himself and history.

He always has something to prove, even when he's rapping

about romantic love. On "Luther," a duet with R&B singer and former labelmate SZA, Mr. Lamar raps in his melodic lower range while the singer complements him with her distinctive warm and conversational phrasing. They've collaborated before, and they have chemistry. The song is named for R&B legend Luther Vandross and borrows from a duet with Cheryl Lynn, "If This World Were Mine." Mr. Lamar is open-hearted and tender as he riffs on the idea of that title in his verses, offering to "take your dreams and make

'em multiply.' The production throughout is minimalist and efficient. "Man at the Garden" builds rhythmic momentum with just a simple bassline, distant piano and a pinch of electronics, while Mr. Lamar's voice sits heavy at the center of the mix. "Dodger Blue" features Mr. Lamar alongside rappers Wallie the Sensei, Roddy Ricch and Siete7x, all of whom hail from his hometown of Compton, and it's essentially a tribute to the

Mr. Lamar released 'GNX'—his first full-length LP in two years—on Friday without any prior notice.

place that made them. "Don't say you hate L.A. when you don't travel past the 10," he raps, pointing out how different life is on opposite sides of the Santa Monica Freeway. Reinforcing the Southern California setting, the production on the song nods toward Dr. Dre's slow-rolling G-funk sound.

"Reincarnated" might be the album's most impressive song. Mr. Lamar looks at his life as an African-American artist and imagines what it might have been like if he'd come up in another era. He imagines himself as a bluesman like John Lee Hooker traveling north to Detroit in the 1940s and then as a female jazz singer coming up in the Chitlin' Circuit whose talent was derailed by drug abuse. The third verse begins with "My present life is Kendrick Lamar / A rapper looking at the lyrics to keep you in awe" and then he interrogates his own motivations, and wonders if even the best work he's done is for the right reasons. It's a masterpiece of structure and complicated perspective, and ranks with Mr. Lamar's finest work.

At 12 tracks and 44 minutes, "GNX" is the shortest album of his career, and there's little wasted space. A few songs, like the title track and "TV Off," leave a lighter impression, though they work in the context of the whole. Overall, the hit rate and sense of craft is high. It's a less ambitious record than "Mr. Morale" but ultimately a better one.

Mr. Richardson is the Journal's rock and pop music critic. Follow him on X @MarkRichardson.



FILM REVIEW | KYLE SMITH

Choppy Seas Batter 'Moana 2'

In the history of bad advice doled out by blockbuster movies, perhaps nothing can ever top "Love means never having to say you're sorry" from "Love Story," but "Moana 2" steps up with a new competitor: The heroine is advised that the ideal method for finding one's way is to first get lost.

Like everything else in the sea-

faring sequel to 2016's delightful "Moana," the idea bobs along briefly on the surface before sinking pitifully. Auli'i Cravalho returns as the voice of the plucky Polynesian title character, who discovers on an island near Motunui, the one where she lives, a remnant of a neighboring civilization that disappeared after having been cursed by an obstreperous god.

Meanwhile, her mentor, the 3,000-

year-old shape-shifting demigod Maui (Dwayne Johnson), who has been separated from his magical fishhook, struggles to break free of confinement and join her for the voyage. This time he comes across as an unfunny imitator of the Genie from "Aladdin."

According to fellow residents of her village, Moana is the only one

who can go find Motufetū, the lost

island, to revive its people and reunite the two cultures. This seems like a fairly diffuse political goal upon which to construct a movie, but in contrast with "Frozen II" which began with a similar imperative to excavate and alleviate a buried historical trauma, at least the plot doesn't become a socio-cultural bingo card.

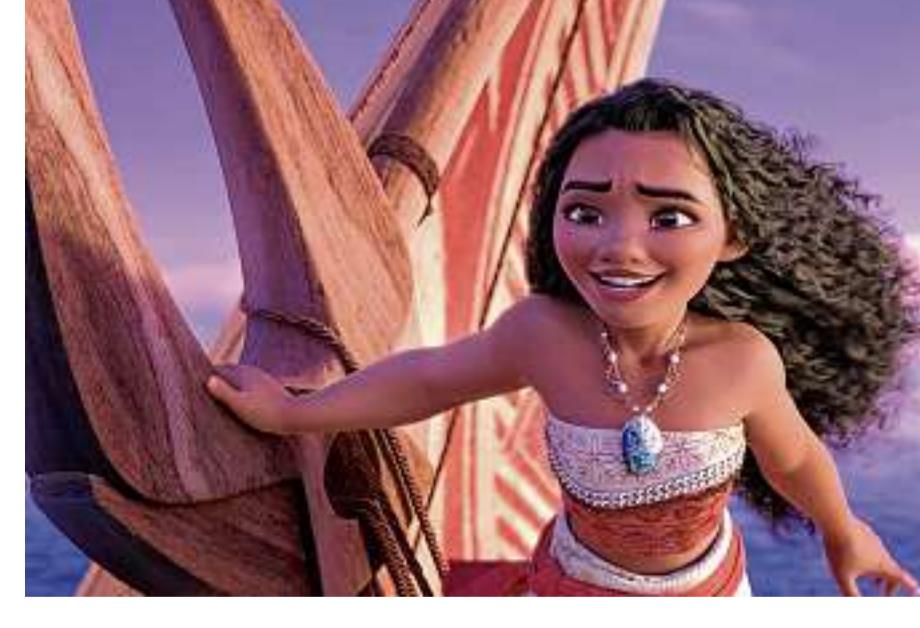
To call "Moana 2" less unbearable than "Frozen II" is, however, to issue

the faintest of praise. As it goes along, the new film seems content to satisfy the barest sense of how a screenplay works without ever venturing into any depth about characters or situations. Nothing takes on any particular dramatic energy,

and it's all pushed

along by witless dialogue that could have been transcribed from the average life-coaching seminar (dream big, you can do anything, and be the main themes).

On Moana's voyage, informed by what look like hallucinogenic visions that come upon her after she drinks a cloudy liquid, she is accompanied by a team, but these subsidiary characters are little more than cheerleaders as she makes all important decisions and leads the



way, even steering the rudder herself with a huge pole. She barely displays a hint of vexation as supposedly terrifying situations are thrown at her. If the protagonist doesn't seem imperiled, though, the audience yawns.

The defining flaw of Disney storytelling these days is that many of its movies set out to flatter a target audience of girls and young women by presenting them with a brilliant, beautiful and indomitable role model. That "Inside Out 2" has proved to be the year's biggest box-office hit so far by capturing a teen girl in the throes of neurotic impulses suggests that comedy works best when it ventures a bit closer to the everyday.

Moreover, the flat depiction of

Moana's island people seems driven

At what ought to be a comic high point that doesn't pay off, Moana and Co. sail into a floating community of tiny coconut-pirates (the Kakamora) who wear fierce tribal makeup and wield poison-tipped blow darts. Without speaking, they inform the voyagers that their home is near the island of Motufetū, and they would like some help getting past a ginormous vertical clam that swallows up visitors like Jonah's whale. Moana winds up inside the beast, but thanks to the intercession of Maui she escapes with hardly an effort. In the meantime she meets a strange captive lady with supernatural powers who has been living in the clam for 1,000 years and gives her the aforementioned advice about how vital it is to get lost, but after an elaborate song-and-dance number this character is cast aside. (The first movie's best songs were by Lin-Manuel Miranda; this time he is absent from an undistinguished slate of Abigail Barlow & Emily Bear plus Opetaia Foa'i and Mark Mancina.)

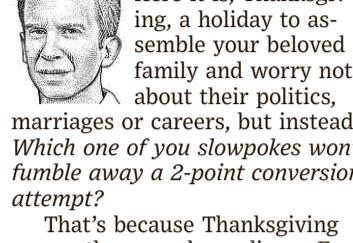
The average 12-year-old will find "Moana 2" predictable and toddlers will be thinking, "Maybe they expected me to be scared by that climax, but I wasn't born yesterday." The more adventurous and bold Moana gets, the more meek and timid the filmmakers.

Timid writing sinks the fun of Disney's animated ocean-going sequel.

SPORTS

JASON GAY

The Only Thanksgiving Tradition That Matters: The Family Touch Football Game



Here it is, Thanksgiving, a holiday to assemble your beloved family and worry not about their politics, marriages or careers, but instead: *Which one of you slowpokes won't fumble away a 2-point conversion attempt?*

That's because Thanksgiving means the annual pre-dinner Family Touch Football game, the sweaty melee of childhood grudges and pulled hamstrings which usually ends on the couch, falling asleep to the Lions game.

This is the 14th edition of these rules. I'm grateful as always for your suggestions, complaints, jokes about my 5-6 Wisconsin Badgers—and your sincere pleas to stop writing a newspaper column and get a job selling sock puppets at the mall.

Let's do this:

1. The first rule of Thanksgiving Family Touch Football is really the only rule: Stay out of the ER.

2. The second rule of Thanksgiving Family Touch Football is: Someone is probably going to the ER.

3. It's never bad to have a doctor in the family for Thanksgiving Touch Football. Or at least someone who *thought* about going to medical school, and knows how to google "fix a separated shoulder."

4. That said, if someone's trying to fix your separated shoulder while smoking a cigar and holding a Coors Light, it's best to see a medical professional.

5. Unlike the NFL, there is no "blue medical tent" on the sideline at a family touch football game. Instead there's a slow smoker that's been smoking a turkey since Halloween 2021.

6. Did you know there's going to be touch football at the 2028 Summer Olympics? (It will be flag football, but close enough.) Now is the time to petition Luxembourg to

Put down those cocktails (or not) and brace for sprained ankles—it's time for the annual pre-dinner Turkey Bowl. Presenting 23 more rules:



see if your family can be their national touch football team.

7. If you're new to a family, remember: There's such a thing as being too good at touch football. Miss a few blocks and drop a couple of passes if you want to be invited back next year.

8. If someone's absent from your Thanksgiving Touch Football game because of a breakup or divorce, don't say breakup or divorce. Just say, "They've entered the transfer portal."

9. A proper touch football field should not be a pristine rectangle of grass. It should have hazards, like a flagpole, or getting into a conversation about UFOs with your Uncle Ralph.

10. For what it's worth: Uncle Ralph was abducted by aliens while on a vacation in New Mexico in 1979. He spent three weeks on a spacecraft, drinking blue milk and circumnavigating the planets with Cleopatra and Vince Lombardi. This is all covered in depth on his blog.

11. Big news: The winner of this year's Thanksgiving Family Touch Football game gets to play three-loss Alabama in the Pop-Tarts Bowl.

12. Ask yourself: Would you rather have an 82-year-old with twin hip replacements as your quarterback, or Aaron Rodgers? This is the same question the New York Jets are asking themselves right now.

13. That man who showed up in a black sleeveless shirt is not here to tow a car: that's Aaron Rodgers's talk show buddy, Pat McAfee. He's brought Bill Belichick—this is chatty media Belichick; not Grumpy Lobster Boat Captain Belichick, who will soon decide if he wants to coach the sad Giants, sad Cowboys, sad Jaguars, or your sad Family Touch Football team, which truthfully is a better job than the New York Giants, and, of course, could turn out to win gold for Luxembourg at the Olympics.

14. There are always a couple of people who take the touch football game a little too seriously. A helpful strategy is to tell them the game starts three hours later than it's actually starting.

15. There is no perfect play for Thanksgiving Family Touch Football, other than hiding in an upstairs bedroom and internet shopping on your phone.

16. Whatever shrub the homeowner points to and says, "Try not to throw the ball into the _____, I just had it planted"—at least two people are going to fall into it, guaranteed.

17. Uncle Ralph's watch says he's already walked 11,000 steps today. Eighteen steps playing touch football—and 10,982 steps going back and forth to the kitchen to eat pecan pie.

18. This year's halftime show is someone under 30 explaining Charli XCX to everyone over 30.

19. There's going to be a moment when you find yourself face-to-face at the line of scrimmage with a cousin who knows you saw him at the train station, and you didn't offer to split a cab.

20. If you hear a player sing, "I think I'll try defying gravity, and you can't pull me down," it doesn't mean they're ready to score a touchdown. It just means they've seen "Wicked" four times.

21. In your touch football game who is lying about having played "a little bit of college football." Fine: It's me. Look at my face. Do I look like I could tackle anyone? I couldn't take down a fern.

22. The best part about having the grand kids and great grand kids at a Thanksgiving Family Touch Football game is the joy on their faces when you tell them they have to do the dishes.

23. Actually, make that the Touch Football trophy. Winners nap. Losers scrub pans.

The WSJ Daily Crossword | Edited by Mike Shenk



TABLE STAKES | By Mike Shenk

Across	
1 Boom follower	34 Speakeasy worry
5 Ukr. applied to join it in 2022	35 "Lohengrin" heroine
9 Spellbound	36 Worker in a colony
13 River from Pittsburgh	37 Soaks up sunshine
14 The fifth element	38 Gloss target
15 Schoolyard scrape	39 Uttered
16 Bottoms of some columns	41 Graham in the Pro Football Hall of Fame
17 Motionless	42 Spots for mutineers
18 Detective Cross in novels by James Patterson	44 *1984 #1 hit for Billy Ocean
19 *Defendants in a 1969 trial	49 *Quesadilla cheese, often
22 Brest bestie	57 Fill fully
23 Scholarly book	60 Canton capital of northern Switzerland
26 *It has more than twice the area of a twin	61 "The Time Machine" people
33 Beat at the board	62 Son of Odin
	7 Ripped

Down	
1 Crunchy pear	63 With 64-Across, Thanksgiving table marker, and a clue to the two halves of each starred answer
2 "Ain't happenin'!"	64 See 63-Across
3 ___ Valley (site of the Reagan library)	65 Traditional Thanksgiving side dish
4 How most maps are drawn	66 Different
5 Forbidden act	67 There are six in a fl. oz.
6 Father of Phobos and Deimos	21 Pilot's guess, for short
7 Ripped	24 Gibson of "Doctor Who"

Previous Puzzle's Solution



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

Real Madrid Signed Kylian Mbappé. They Somehow Have Gotten Worse.

BY JOSHUA ROBINSON

FOR MUCH OF THE PAST

five years, the worst-kept secret in European soccer was that Kylian Mbappé, the French striker with lightning in his boots, wanted to play for Real Madrid. When he finally signed with the club last summer, the whole thing made perfect sense.

Here was the best player of his generation signing for the most famous club in the world. What could possibly go wrong?

"I knew my destiny was to play for Real Madrid," he said at his unveiling.

What no one had counted on was that the swaggering, destiny-driven Mbappé would land in the deepest crisis of confidence of his career the moment he landed in Spain—or that he would throw the whole club off kilter.

Over the past three months, Mbappé's prodigious scoring has slowed to a trickle and Real Madrid, the defending Spanish and European champion, is markedly worse on the pitch. Madrid currently trails Barcelona in La Liga, got humiliated in the Clásico, and has won just two of its four matches in this season's Champions League ahead of Wednesday's trip to Liverpool.

None of which is supposed to happen when you acquire a player who long seemed to be the heir to Cristiano Ronaldo. But Mbappé's arrival in Madrid as the latest in a long line of *galactico* signings appears to have backfired—at least in the short term. Instead of improving Real's title-winning arsenal, cramming him into the lineup has upset the balance of the team.

After all, this was a squad that already boasted English playmaker Jude Bellingham and the Brazilian forward Vinicius, Jr., which would make for a fine attacking trio if the three of them weren't so often running into the same area of the field. The result is that Mbappé, 25, now plays through the middle of the at-

tack instead of in his favorite position on the left flank. So instead of the Mbappé who averaged nearly a goal per game in each of the past four seasons, Real has a version of him that is stuck on 9 goals in 17 appearances. Three of those came from the penalty spot.

"Mbappé is not a No. 9," said former Real Madrid and France striker Karim Benzema, referring to the number traditionally worn by central strikers. "But the problem is that on the left wing there's Vinicius, the best player in the world in that position right now."

Mbappé's sputtering form has also impacted his relationship with the French national team. Despite being captain of Les Bleus, he has skipped the past two international breaks, citing injury and exhaustion.

What those matches suggest is that for all of his talent, Mbappé still hasn't figured out how to be effective as a central striker. Working in tighter spaces, he has less room to make his speed count in one-on-one situations. He is taking fewer touches per game than he has at any point in his career. And as he figures out where to position himself, Mbappé is being caught off side 22% more often than last season.

The issue became so obvious to anyone who watched Real Madrid that last weekend, Ancelotti finally bowed to the clamor and changed his tactics. Facing lowly Leganes in the Spanish league, he deployed Mbappé on the left and Vinicius through the middle. And it didn't take long to work. When Mbappé opened the scoring in the 3-0 victory, it was his first goal in more than five weeks.



SCOTT POLLACK

MATTHIEU MIRVILLE/ZUMA PRESS

OPINION

Democrats Need FBI Reform Too



BUSINESS WORLD
By Holman W. Jenkins, Jr.

Democrats need to come to terms not only with their lawfare failures against Donald Trump. They need to recognize their stake in cleaning up the Federal Bureau of Investigation.

The eternal problem of intelligence agencies: Empowered to classify information to hide it from America's enemies, they can hide their own misdeeds and blunders from the American public.

Example: using "objectively false" (the Justice Department inspector general's words) and likely fabricated Russian intelligence as a pretext for improper actions in the Hillary Clinton email case, which bumblingly may have elected Mr. Trump in 2016.

Terry McAuliffe—Clinton loyalist, former Democratic Party chief and then-Virginia governor—asked the right questions in the aftermath: Who fabricated an apparently fake email exchange between a liberal activist and Democratic Party official, which was then cited in some kind of Russian document?

In what "cubicle in Moscow," he asked, and with the help of which "treasonous" Americans was this fraud perpetrated to spoof then-FBI Chief James Comey in his chaotic, election-changing actions?

One thing we've learned since 2017: The Russians perhaps weren't involved at all.

Mr. Comey may have seized on flotsam from the internet (handed over by Dutch intelligence) to justify actions designed to "fix" the Clinton email problem.

But a pattern was born, and Democrats shouldn't overinterpret the fact that they benefited from follow-on actions. Using false Russia intelligence in the form of the Steele dossier, the FBI sought to trammel the president it had just helped elect. Using false claims about Russian intelligence, it tried to stop his re-election and assure Joe Biden's victory in 2020 by promoting the laptop lie.

Democrats, these actions weren't in loyalty to your interests but aimed at protecting the FBI, at keeping the world friendly to the intelligence community's current institutional structure and membership. If not for the collusion misdirection, Mr. Comey's original catastrophic 2016 meddling would have been the scandal of the century. A bipartisan Congress would have said "never again" and enacted the clearly indicated legislative reform: Strip the FBI of its counterintelligence mission, which it abused to make itself a rogue actor in presidential politics.

Notice the one dog that never barked. Not once did the Kremlin seek to thwart or contradict its U.S. counterparts in these actions, though it had the information to do so. The Kremlin didn't even rebut the plainly false claims about its laptop role. Instead, Vladimir Putin echoed a Biden campaign line that Hunter did nothing criminal.

Such collegiality is hardly surprising given the *siloviki* nature of Mr. Putin's own government, in which politics and policy are too important to be left to voters and their chosen representatives. All is subsumed in a shadow play of security agencies that have the advantage of being able to deny their actions and hide them from the public.

The collusion and laptop hoaxes were America's 'siloviki' protecting their power.

Power abhors a vacuum. Our age's disinformation opportunities create a big one, and our *siloviki* aren't above trying to fill it. A kind of collusion becomes inevitable. I've given several examples recently but here's another: In the stew of hopes, fears and intelligence advice that has guided Mr. Biden's wavering actions in Ukraine, consider the excessive credence paid to Mr. Putin's repetitive and implausible nuclear threats over a poorly chosen war that he could stop tomorrow at no cost except embarrassment to himself.

These repetitions serve a function. They are leverage for those U.S. officials who, in their "higher" wisdom, judge it in America's interest not to destabilize the Putin regime. (Recall the whispered assurances that the U.S. didn't support the Prigozhin rebellion.)

The biggest irony is that Mr. Trump could have ex-

posed or pre-empted much of this in the White House by declassifying the classified appendix of Inspector General Michael Horowitz's 2018 report as well as other documents related to the "objectively false" intelligence behind Mr. Comey's actions in the Clinton matter. But Mr. Trump is hardly keen on his 2016 election being seen as an FBI blunder, which ironically made him Mr. Comey's most important protector. Maybe this motive can change with Mr. Trump's convincing 2024 victory in the Electoral College and popular vote. The questions raised by Mr. McAuliffe seven years ago aren't going away. They are achingly consequential, not to say redolent of idiocy, incompetence and politicized corruption in the FBI and the U.S. intelligence establishment.

This problem will only get worse unless it's addressed. In the revolving buffet table of Trump appointments, Florida's Pam Bondi is the likely next attorney general; the future of current FBI Director Christopher Wray is uncertain. It would be a revolution in their sensibility but Democrats would be wise to put aside their talking points long enough to cooperate in the job of reforming and disciplining an intelligence community desperately in need of it to protect American democracy.

As an alternative, they can follow the reliably frivolous Rep. Ted Lieu, whose bill would put the FBI in charge of vetting cabinet officials for security clearances, tantamount to sanctifying the rule of America's *siloviki*.

BOOKSHELF | By Meghan Cox Gurdon

Adventure In All Directions

Explorers

By Matthew Lockwood

Norton, 176 pages, \$22

It is said that the fox knows many things while the hedgehog knows one thing. In book terms, Matthew Lockwood's "Explorers" is a hedgehog. Short and snug, it bristles with stories about people who have traversed the earth by land and sea, but every anecdote is in service to a single theme: that the history of human exploration has been—contrary to old narratives—multidirectional.

The idea once prevailed that Europeans had expanded the known world with their discoveries of Australasia and the Americas. The notion of the West having pushed out into the uncharted East, North and South (and into the heart of Africa) is probably still embedded in the way many of us think about the movement of voyagers and pioneers over time.

By example and argument, Mr. Lockwood turns this notion on its head. He shows that explorers—a term he applies loosely—have come from all sorts of places and have gone in every direction. He asks that we refresh our mental picture of what "discovery" means. If, for example, we think that in the late 18th century Capt. James Cook discovered Australia for the English people, ought we not think that some 20 years later Woollarawarre Bennelong likewise discovered England for Aboriginal people?

It's a fair point. It is also, the wary reader may fear, a possible emanation of the tired vogue for "decentering whiteness." Mr. Lockwood is an assistant professor of history at the University of Alabama, and it would not be a surprise were he seeking, in a familiar spirit of grievance, to dethrone the great European explorers.

The wary reader can take heart. Mr. Lockwood is operating largely in a spirit of expansion and appreciation. True, he does a certain amount of throat-clearing about imperialism—the European kind. He refers to the Polynesian settlers of the South Pacific as an "ambitious seafaring people," a generous phrase he'd presumably never apply to the Dutch or the Portuguese. But on the whole, Mr. Lockwood takes a positive attitude, presenting tales of unsung (and under-sung) historical figures.

Some began their journeys in the East and went West, such as the Uyghur monk Rabban Bar Sauma, who in the 13th century, we're told, became the first person from China to visit Europe. Many joined European or American expeditions as trackers, guides or navigators. Mr. Lockwood asks that we "not rob these explorers of their agency or flatten their experiences" by focusing on their subordinate roles but that we consider them as motivated by interest and adventure as those who paid their wages.

He tells of Carlos del Pino, an indigenous man who trekked through the jungles of South America by the side of the Prussian naturalist Alexander von Humboldt on the cusp of the 19th century. Del Pino was "of an excellent disposition," Humboldt wrote, "sagacious in his observations, and led by an unceasing curiosity to notice the productions of the sea, as well as the plants of the country." Exploring the northern regions of the continent, the expeditionists beheld such wonders as pink river dolphins and cactus forests. They also saw the houses on stilts of the Warao people, which, we read, "reminded Amerigo Vespucci of Venice, in his native Italy, and gave Venezuela its modern name."

Another of Mr. Lockwood's stories involves the late-19th-century travels of Ghulam Rassul Galwan, who grew up poor, restless and unschooled on a Himalayan plateau. Rassul, as Mr. Lockwood calls him, was eager to see the world and did so by hiring himself out for caravan expeditions. Working for anthropologists, hunters and cartographers, using ponies, donkeys and yaks, he was able to enter wild landscapes and visit fabled settlements along the Silk Road. In 1895 he got as close to Tibet's forbidden city of Lhasa as anyone in a foreign-led expedition had done in decades.

Soon after Capt. Cook discovered Australia for the English people, Woollarawarre Bennelong discovered England for the Aboriginal people.

Rassul was quite a fellow. Desolated by the death of his first wife, who perished while he was off gallivanting in the Karakoram Mountains, he swore that he'd stay at home with his second. But, as Mr. Lockwood writes, "within days of his marriage and his promise, word arrived . . . about a party of English travelers looking for guides." And Rassul, that incorrigible adventurer, was off again.

Women figure in "Explorers," too. More than 1,000 years ago, the splendidly named Gudrid Far-Traveler joined the second expedition of her former brother-in-law, Leif Erikson, to the North American Viking settlement of Vinland. There Gudrid was delivered of a son, Snorri, who became "the first child of European descent to be born in the Americas," as Mr. Lockwood notes.

We also learn about Mary Wortley Montagu, an English writer who took the opportunity to explore the Ottoman Empire when her diplomat-husband was assigned to the sultanate in Constantinople. Lady Montagu was able to enter female-only spaces and see things that were off-limits to men. One of her discoveries was "variolation," an ancient method of smallpox inoculation unknown in the West. When she returned to Britain, she brought knowledge of the technique and, according to the author, saved millions of lives. Although Lady Montagu's "balanced, empathetic and widely read account of the Ottoman Empire could never fully displace stubborn stereotypes of the Muslim world," Mr. Lockwood writes, "her commitment to exploring the world with an open mind . . . provided a powerful counternarrative that would leave the world a far better, far healthier place."

Near the back of the book, Mr. Lockwood widens his definition of "explorer" to such a degree that he risks stripping it of meaning. Do economic migrants really belong in the same category as Lewis and Clark? It's a bit of a reach. In other respects though, by illuminating the criss-cross nature of peregrination through the stories of people who engaged in it, "Explorers" achieves its hedgehog end.

Mrs. Gurdon, a Journal contributor, is the author of "The Enchanted Hour: The Miraculous Power of Reading Aloud in the Age of Distraction."

THE WALL STREET JOURNAL.

By Sierra Dawn McClain

I live in New York City, but growing up, I was among the less than 2% of Americans who farm. As frozen turkeys pop up in grocery stores ahead of Thanksgiving, I'm reminded of what it was like to raise turkeys when I was young.

I grew up on a ranch in Oregon's McKenzie River Valley.

I can see it now when I close my eyes: The stream snaking across the land. The A-frame barns. The old oaks that seemed to hold the sky in their branches. A line from Rodgers and Hammerstein's "Oklahoma!" captures my feeling about that property:

"We know we belong to the land / And the land we belong to is grand."

It was first and foremost a sheep ranch, but on the side

my family raised a menagerie of other livestock and poultry. For a few years, that included turkeys. We raised heritage varieties developed centuries ago—Auburns and Narragansets—known for their hardiness and flavorful

meat. Whether turkey was on the menu at the first Thanksgiving is unclear. Plymouth colonist Edward Winslow wrote only that a hunting party "killed as much fowl as, with a little help beside, served the company almost a week." Regardless, raising

such collegiality is hardly surprising given the *siloviki* nature of Mr. Putin's own government, in which politics and policy are too important to be left to voters and their chosen representatives. All is subsumed in a shadow play of security agencies that have the advantage of being able to deny their actions and hide them from the public.

The collusion and laptop hoaxes were America's 'siloviki' protecting their power.

Power abhors a vacuum. Our age's disinformation opportunities create a big one, and our *siloviki* aren't above trying to fill it. A kind of collusion becomes inevitable. I've given several examples recently but here's another: In the stew of hopes, fears and intelligence advice that has guided Mr. Biden's wavering actions in Ukraine, consider the excessive credence paid to Mr. Putin's repetitive and implausible nuclear threats over a poorly chosen war that he could stop tomorrow at no cost except embarrassment to himself.

These repetitions serve a function. They are leverage for those U.S. officials who, in their "higher" wisdom, judge it in America's interest not to destabilize the Putin regime. (Recall the whispered assurances that the U.S. didn't support the Prigozhin rebellion.)

The biggest irony is that Mr. Trump could have ex-

posed or pre-empted much of this in the White House by declassifying the classified appendix of Inspector General Michael Horowitz's 2018 report as well as other documents related to the "objectively false" intelligence behind Mr. Comey's actions in the Clinton matter. But Mr. Trump is hardly keen on his 2016 election being seen as an FBI blunder, which ironically made him Mr. Comey's most important protector. Maybe this motive can change with Mr. Trump's convincing 2024 victory in the Electoral College and popular vote. The questions raised by Mr. McAuliffe seven years ago aren't going away. They are achingly consequential, not to say redolent of idiocy, incompetence and politicized corruption in the FBI and the U.S. intelligence establishment.

This problem will only get worse unless it's addressed. In the revolving buffet table of Trump appointments, Florida's Pam Bondi is the likely next attorney general; the future of current FBI Director Christopher Wray is uncertain. It would be a revolution in their sensibility but Democrats would be wise to put aside their talking points long enough to cooperate in the job of reforming and disciplining an intelligence community desperately in need of it to protect American democracy.

As an alternative, they can follow the reliably frivolous Rep. Ted Lieu, whose bill would put the FBI in charge of vetting cabinet officials for security clearances, tantamount to sanctifying the rule of America's *siloviki*.

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posed

OPINION

REVIEW & OUTLOOK

The Desolate Wilderness

Here beginneth the chronicle of those memorable circumstances of the year 1620, as recorded by Nathaniel Morton, keeper of the records of Plymouth Colony, based on the account of William Bradford, sometime governor thereof:

So they left that goodly and pleasant city of Leyden, which had been their resting-place for above eleven years, but they knew that they were pilgrims and strangers here below, and looked not much on these things, but lifted up their eyes to Heaven, their dearest country, where God hath prepared for them a city (Heb. XI, 16), and therein quieted their spirits.

When they came to Delfs-Haven they found the ship and all things ready, and such of their friends as could not come with them followed after them, and sundry came from Amsterdam to see them shipt, and to take their leaves of them. One night was spent with little sleep with the most, but with friendly entertainment and Christian discourse, and other real expressions of true Christian love.

The next day they went on board, and their friends with them, where truly doleful was the sight of that sad and mournful parting, to hear what sighs and sobs and prayers did sound amongst them; what tears did gush from every eye, and pithy speeches pierced each other's heart, that sundry of the Dutch strangers that stood on the Key as spectators could not refrain from tears. But the tide (which stays for no man) calling them away, that were thus loath



to depart, their Reverend Pastor, falling down on his knees, and they all with him, with watery cheeks commended them with the most fervent prayers unto the Lord and His blessing; and then with mutual embraces and many tears they took their leaves one of another, which proved to be the last leave to many of them.

Being now passed the vast ocean, and a sea of troubles before them in expectations, they

had now no friends to welcome them, no inns to entertain or refresh them, no houses, or much less towns, to repair unto to seek for succour; and for the season it was winter, and they that know the winters of the country know them to be sharp and violent, subject to cruel and fierce storms, dangerous to travel to known places, much more to search unknown coasts.

Besides, what could they see but a hideous and desolate wilderness, full of wilde beasts and wilde men? and what multitudes of them there were, they then knew not: for which way soever they turned their eyes (save upward to Heaven) they could have but little solace or content in respect of any outward object; for summer being ended, all things stand in appearance with a weatherbeaten face, and the whole country, full of woods and thickets, represented a wild and savage hew.

If they looked behind them, there was a mighty ocean which they had passed, and was now as a main bar or gulph to separate them from all the civil parts of the world.

And the Fair Land

Any one whose labors take him into the far reaches of the country, as ours lately have done, is bound to mark how the years have made the land grow fruitful.

This is indeed a big country, a rich country, in a way no array of figures can measure and so in a way past belief of those who have not seen it. Even those who journey through its Northeastern complex, into the Southern lands, across the central plains and to its Western slopes can only glimpse a measure of the bounty of America.

And a traveler cannot but be struck on his journey by the thought that this country, one day, can be even greater. America, though many know it not, is one of the great underdeveloped countries of the world; what it reaches for exceeds by far what it has grasped.

So the visitor returns thankful for much of what he has seen, and, in spite of everything, an optimist about what his country might be. Yet the visitor, if he is to make an honest report, must also note the air of unease that hangs everywhere.

For the traveler, as travelers have been always, is as much questioned as questioning. And for all the abundance he sees, he finds the questions put to him ask where men may repair for succor from the troubles that beset them.

His countrymen cannot forget the savage face of war. Too often they have been asked to fight in strange and distant places, for no clear purpose they could see and for no accomplishment they can measure. Their spirits are not quieted by the thought that the good and pleasant bounty that surrounds them can be destroyed in an instant by a single bomb. Yet they find no escape, for their survival and comfort now depend on unpredictable strangers in far-off corners of the globe.

How can they turn from melancholy when at home they see young arrayed against old, black against white, neighbor against neighbor, so that they stand in peril of social discord. Or not

despair when they see that the cities and countryside are in need of repair, yet find themselves threatened by scarcities of the resources that sustain their way of life. Or when, in the face of these challenges, they turn for leadership to men in high places—only to find those men as frail as any others.

So sometimes the traveler is asked whence will come their succor. What is to preserve their abundance, or even their civility? How can they pass on to their children a nation as strong and free as the one they inherited from their forefathers? How is their country to endure these cruel storms that beset it from without and from within?

Of course the stranger cannot quiet their spirits. For it is true that everywhere men turn their eyes today much of the world has a truly wild and savage hue. No man, if he be truthful, can say that the specter of war is banished. Nor can he say that when men or communities are put upon their own resources they are sure of solace; nor be sure that men of diverse kinds and diverse views can live peacefully together in a time of troubles.

But we can all remind ourselves that the richness of this country was not born in the resources of the earth, though they be plentiful, but in the men that took its measure. For that reminder is everywhere—in the cities, towns, farms, roads, factories, homes, hospitals, schools that spread everywhere over that wilderness.

We can remind ourselves that for all our social discord we yet remain the longest enduring society of free men governing themselves without benefit of kings or dictators. Being so, we are the marvel and the mystery of the world, for that enduring liberty is no less a blessing than the abundance of the earth.

And we might remind ourselves also, that if those men setting out from Delftshaven had been daunted by the troubles they saw around them, then we could not this autumn be thankful for a fair land.

These editorials have appeared annually since 1961.

Trump Betrays the Truckers

President Trump and I are going to fight for the truckers," JD Vance declared at a Pennsylvania campaign rally this summer. Well, not so much. By tapping Oregon Rep. Lori Chavez-DeRemer as his Labor secretary, the President-elect has sold out truckers to a Teamsters boss who didn't endorse him.

The American Trucking Associations issued a statement Monday pointing out that Ms. Chavez-DeRemer's "anti-trucking policies undermine our essential workforce, threaten the right of independent truckers to choose their own career path, and impede the efficiency of the supply chain."

The group is referring to Ms. Chavez-DeRemer's support for the anti-worker Pro Act, which seeks to reclassify tens of millions of independent contractors as employees who have less flexibility and autonomy. The National Labor Relations Act bars independent contractors from unionizing, so reclassifying them as employees would assist union organizing.

Teamsters bosses blame independent contracting for its declining membership, which is roughly half what it was 50 years ago. But the bigger culprit is the union's costly bargaining demands, which have driven hundreds of companies into bankruptcy.

Take Yellow Corp., once among the country's largest trucking companies. As we detailed last

His Labor nominee's views could cost thousands of jobs.

year, Yellow sought financial concessions from the Teamsters to stay afloat. President Sean O'Brien refused and tweeted the image of a gravestone in a cemetery with "Yellow" on it.

The company declared bankruptcy and some 30,000 truckers lost their jobs.

The main priority of Mr. O'Brien and other union chiefs is compelling Americans to pay union dues whether they want to or not. So it's strange that Mr. Trump would do their bidding by picking Ms. Chavez-DeRemer, who supports nationalizing California's anti-worker and anti-business laws.

The Teamsters championed California's AB5 law, which bars most independent contracting arrangements. A Mercatus Center study this year found the law led to a 4.4% decline in employment in occupations affected by it. Many truckers left the state. Some saw their pay decline because they lost performance bonuses. Less efficient trucking operations contributed to the pile-up of goods at southern California ports in 2021.

The Biden Labor Department this year finalized a rule that mirrors AB5. As Labor secretary, Ms. Chavez-DeRemer could decide the rule's fate and dun truckers for allegedly misclassifying workers. Mr. Vance at the Pennsylvania rally claimed Kamala Harris knew little about the trucking business. Judging by his Labor pick, Mr. Trump doesn't either.

OPINION

LETTERS TO THE EDITOR

Two Replies to Musk and Ramaswamy's Plan

Regarding Elon Musk and Vivek Ramaswamy's op-ed "The DOGE Plan to Reform Government" (op-ed, Nov. 21): Our union, the American Federation of Government Employees, represents more than 800,000 government workers. Federal employees across America inspect our food, protect us from dangerous criminals, patrol our borders, care for our veterans, issue Social Security benefits and preserve our national parks and monuments. More than 642,000 of them are veterans. I'm a veteran of the Army and a retired Defense Department employee.

I don't argue that there's no government waste or inefficiency or that government employees can do no wrong. Any large organization can do better, and 10,000 federal employees are fired every year for that reason.

But let's be honest about where the waste, fraud and abuse is happening. I've seen firsthand the waste resulting from for-profit, private contractors milking the government for all it's worth. The U.S. spent \$759 billion last year on private contractors, an increase of \$33 billion from the year before. That's 3.5 times the budget of the entire Environmental Protection Agency.

These contractors work side by side with civil servants whose compensation totals only a third of that—about \$271 billion annually. While the contract workforce has ballooned each year, the size of the civil service hasn't changed since 1967, even as the U.S. population nearly doubled.

Then there's the estimated trillion dollars in tax the Internal Revenue Service fails to collect each year because of sophisticated tax evasion, the \$72 billion in improper payments by Social Security last year and the \$60 billion a year in Medicare fraud as well. This is what the average, honest taxpayer wants to stop.

Our union is willing to work constructively with DOGE and the Trump administration to cut the real waste, fraud and abuse in government spending. After all, efficiency is more than cuts; it's about making services

better for the Americans who count on them. But let's do so in a way that makes both dollars and sense.

EVERETT KELLEY
President, American Federation of Government Employees Washington

Messrs. Musk and Ramaswamy make clear that they will use their future positions of power to target and attempt to "defund" Planned Parenthood. This reckless move would strip millions of people—especially the most vulnerable—of life-saving health services, including birth control, STI testing and treatment and cancer screenings.

The first Trump administration came with catastrophic consequences for access to healthcare. Now, more than 44% of women of reproductive age—including half of all black women—live in states that bar them from accessing the full range of reproductive healthcare.

The "federal overspending" that Messrs. Musk and Ramaswamy are railing against ensures that thousands of people have access to essential sexual and reproductive healthcare every day. If they get their way, that care will disappear.

Messrs. Musk and Ramaswamy would have you believe Planned Parenthood gets a blank check from the federal government. In reality, like any other healthcare provider, Planned Parenthood affiliates are reimbursed for the health services they provide to patients, ensuring that no one is turned away for care regardless of their ability to pay.

We fought these defunding efforts during President Trump's first term, and we won't back down now. Despite repeated attacks, Planned Parenthood health centers are still standing and serving millions of patients. We will continue to fight to keep health center doors open to all no matter what.

ALEXIS MCGILL JOHNSON
President and CEO, Planned Parenthood Federation of America New York

What to Make of the Gaetz-Bondi Switcheroo

Regarding Kimberley Strassel's "The Lessons of Gaetz's Withdrawal" (Potomac Watch, Nov. 22): Credit one onlooker and kibitzer with the conviction that Pam Bondi has been President-elect Donald Trump's first choice for attorney general from the beginning. Floating the name of Matt Gaetz for a week had the function of bestowing high credit on a friend who was in danger of being decisively discredited.

The move allowed Mr. Gaetz to resign from Congress and make the record of the Ethics Committee a thing to be gently foregone as no longer necessary. That gives Mr. Gaetz the chance to rebound in politics another day. The interval between his withdrawal and Ms. Bondi's nomination could be measured in milliseconds. And with that withdrawal, there was a vast sigh of relief among the Republicans, rising to high celebration. The path to her confirmation was made a breeze.

Was this an example of the most artful staging by a president-elect well-skilled in showmanship? Or did he appoint Mr. Gaetz mainly because

he had a gut feeling to do it? Given a choice, as the saying goes, it may be truer in this case to 'print the legend.'

HADLEY ARKES Washington

Ms. Strassel writes, "A Justice Department that is doing its job is a department that isn't leading every headline, that isn't the source of nonstop drama. Starting with a drama-free nominee would be a great start toward that future." If you replace "Justice Department" with "president," I think she has a winning formula.

CATHERINE LAJEUNESSE Addison, Vt.

Your editorial "The Lessons of Gaetz's Withdrawal" (Nov. 22) points out that the attorney general must restore "the Justice Department's fealty to the Constitution and the rule of law." It's difficult to see how this will happen when Mr. Trump's primary criteria for his nominees is fealty to him, and the rule of law is secondary.

RON MOORE Knoxville, Tenn.

Carson's Late-Night Heirs Are Far Too Political

In all the years I watched Johnny Carson ("Portrait of a Funny Man" by Alex Belth, Bookshelf, Nov. 22), he rarely weighed in on politics, which was fine with me. I would tune in to Carson to be entertained by comedy and nonpolitical interviews.

Fast-forward to Carson's late-night heirs—Stephen Colbert, Jimmy Kimmel, Jimmy Fallon—and it's been almost nonstop jokes and comments about Donald Trump during the election as well as during his first term as president.

While I despise the president-elect, I don't need to be "educated" about his lies and evils or the danger

he poses to society. I would venture to say that most of the viewers of these late-night shows are left-leaning, so they've heard all the Trump stuff before.

Now, with four more years of Mr. Trump, the late-night hosts will have plenty of material. Tune me out.

CHRIS DREDSEN Boise, Idaho

A Gelatinous Partner in War

Regarding your editorial "Lame-Duck BDS in Biden's Washington" (Nov. 23): When it comes to Israel, the Biden administration's support has been as solid as gefilte fish.

DAVID J. GROSS St. Augustine, Fla.

Pepper ... And Salt

THE WALL STREET JOURNAL



The arrival of invasive, non-native species.

CORRECTION

The National Assessment of Educational Progress began in 1969. This was missstated in the Nov. 23 op-ed "Department of Education: A Bad Idea Whose Time Has Gone."

Letters intended for publication should be emailed to wsltrs@wsj.com. Please include your city, state and telephone number. All letters are subject to editing, and unpublished letters cannot be acknowledged.

OPINION

Got Debt? Try Some Fiscal Federalism

By John F. Cogan

Excessive spending has been a way of life for lawmakers in Washington for more than half a century. Since 1969 federal outlays have exceeded revenue every year, except briefly during the high-tech bubble of the late 1990s. Elon Musk and Vivek Ramaswamy's Department of Government Efficiency will attempt to put an end to this fiscal profligacy. Both men will soon discover that the root cause of this problem lies with the federal government's abandonment of federalism in fiscal matters.

We have all been taught that the Constitution limits the federal government's powers—that there is a sharp division between federal, state and local responsibilities. Yet this couldn't be further from the truth in fiscal affairs: It is difficult to think of a single activity that state and local governments spend money on that isn't also financed by Washington's check-writing machine. The feds spend on local roads, social services, police and fire protection and education. Washington also appropriates funds for building and maintaining municipal parks and playgrounds, bike paths and hiking trails, city sidewalks, bus stops, railroad crossings, traffic signs and stop lights, and beautification projects. This is all in addition to its most costly outlays on the plethora of welfare, disability, healthcare and income-support programs.

My analysis of federal budget data shows that the chronic federal budget deficits since the 1950s are due to the federal government's failure to raise tax revenues required to finance its spending on state and local activities. The federal government has instead chosen to take on and finance additional responsibilities by using debt alone. This is a sharp, and dangerous, break from its past fiscal restraint.

The Founders believed that, among its benefits, federalism



would serve as an effective constraint on federal spending and a barrier to structural budget deficits. They figured that a constitutional balanced-budget requirement was unnecessary, and the historical record mainly vindicated them.

From 1789 to the first decade of the 20th century, Congress largely adhered to James Madison's view that the federal spending power was limited to executing the Constitution's enumerated powers. Congress

Musk and Ramaswamy can end Washington's habit of paying for everything from bike paths to bus stops.

repeatedly rejected bills appropriating federal aid to elementary and secondary education, income support for citizens, and state grants for the poor. Notable exceptions were made for the Cumberland Road, waterway clearance projects beginning in the 1820s and cash aid for land grant colleges in 1890. Yet following World War II, and especially during the peak years of the Great Society (1965–74), the federal government greatly expanded its spending on activities

and local activities largely held. The federal government experienced budget deficits only during war and economic recession—and, in other years, ran budget surpluses to pay down any debt it had incurred.

Fiscal federalism started to erode more seriously around World War I. Congress began spending on state and local activities through new programs that matched states' spending on their existing efforts for highway construction, vocational education and rehabilitation, agricultural extension services and maternal and child health. These small programs were inconsequential for the federal budget totals but nevertheless planted the seeds for future expansions.

Policymakers finally abandoned fiscal federalism during the Great Depression. It was initially unclear whether this would be temporary or permanent. The Supreme Court, by concluding in the 1930s that Congress had the authority to spend to promote the "general welfare," ensured the latter.

Following World War II, and especially during the peak years of the Great Society (1965–74), the federal government greatly expanded its spending on activities

that were traditionally regarded as state and local affairs. Federal spending increased from around 18% of gross domestic product in the early 1960s to 21% in 2019 and an estimated 24% in 2024. New expenditures on traditionally state and local activities as a share of GDP accounted for more than the growth in total federal spending during this period. Meanwhile, tax revenues remained mostly between 16.5% and 18.5% of GDP. In other words, the entire increase in national debt is traceable to the federal government's spending on state and local activities.

The consequences for the national debt are mainly unchanged even if we set aside Social Security and the Medicare Hospital Insurance program. Until the last decade, payroll taxes adequately financed both programs. Only in recent years have they contributed to the rise in national debt.

The abandonment of fiscal federalism has affected more than our towering national debt—it has also begun to undermine our security. National defense should be the federal government's highest priority. Yet since the 1950s spending on traditionally state and local affairs has taken its place. Funding these projects has come at the expense of the defense budget, which as a share of the federal total has fallen from around 60% in the mid-1950s to some 13% today. That level is wholly inadequate to meet rising global threats.

The federal government needs to reverse its priorities, prioritizing national defense and returning state and local affairs to their proper place. Sorting out which programs should go first could be a natural starting point for Messrs. Musk and Ramaswamy.

Mr. Cogan is a senior fellow at Stanford University's Hoover Institution and author of "The High Cost of Good Intentions: A History of U.S. Federal Entitlement Programs."

The Defense Industrial Base Won't Deter China

By Seth G. Jones

America is rapidly losing the ability to deter China in the Taiwan Strait and elsewhere due to a weak defense industrial base. The Trump administration can revitalize this base by increasing procurement funds, making defense systems critical for warfighting and deterrence in Asia a priority, and cutting excessive contracting regulations.

This month, my colleagues and I led members of the House Select Committee on Strategic Competition between the United States and the Chinese Communist Party in a simulation of a Chinese invasion of Taiwan. The goal was to understand how the U.S. defense industrial base would perform in a protracted war with China and to assess the implications for deterrence. The results weren't reassuring.

A war game simulation shows we will run out of long-range missiles in a week.

The simulation began with a Chinese amphibious invasion of Taiwan in 2026. Both sides suffered heavy losses, but the U.S. defense industrial base was severely stressed. The U.S. military spent its entire inventory of Long-Range Anti-Ship Missiles by the end of the first week and ran out of Joint Air-to-Surface Standoff Missile-Extended Range missiles after a month. Taiwan used up its entire inventory of Anti-Ship Cruise Missiles after a week. It would be very difficult to sustain a fight without these weapons.

We also found that the U.S. faces significant supply-chain, workforce and contracting challenges. It has too few solid rocket motors, processor assemblies, castings, ball bearings and forgings. These shortages would drastically limit replacement of weapons systems used or destroyed in a conflict. The U.S. also relies on China for advanced battery parts and key raw materials, which could be cut off in a war.

A shortage of engineers, electricians, pipefitters, shipfitters and metalworkers at U.S. factories and shipyards would also cripple the country's ability to win a protracted war. These challenges are already delaying the construction of frigates, submarines, destroyers and other ships.

Reversing these trends will take time. It takes roughly two years to produce critical munitions like the missile systems necessary to support Taiwan in a conflict with China. It could take several years for U.S. defense companies to build new factories, since it takes time to buy property and insurance, obtain permits and build infrastructure.

It also won't be cheap. The U.S. spends roughly 3% of its gross domestic product on defense. This won't cut it in today's landscape where both China and Russia are on a wartime footing and collaborating with Iran, North Korea and other countries.

The Pentagon needs more funding, which should be directed toward nuclear-powered submarines, ships, unmanned vehicles, long-range missiles and other equipment key to deterrence and warfighting in the Indo-Pacific. During the Reagan administration, the U.S. defense budget hovered around 6% of GDP to deal with the Soviet threat. Given how competitive the international landscape is today, the U.S. should aim for a defense budget somewhere between 4% and 6% of GDP.

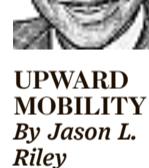
The U.S. also needs to cut defense-contracting regulations to make it easier for commercial firms, including start-ups, to work with the Pentagon. The U.S. has some of the most innovative companies in unmanned systems, sensors and artificial intelligence. But many of their products never make it from prototype to contract because Defense Department acquisition processes are often prohibitively long and burdensome.

Fortunately, there is a growing bipartisan consensus that the U.S. needs to revitalize its defense industrial base. At our simulation, both Select Committee Chairman John Moolenaar and Ranking Member Raja Krishnamoorthi agreed that the country needs to make changes quickly or risk a disastrous war.

The clock is ticking. Xi Jinping has indicated that he would like his military to be prepared for a war with the U.S. in 2027, halfway through the Trump administration. Will America be ready?

Mr. Jones is president of the defense and security department at the Center for Strategic and International Studies.

Trump's Triumph and the Death of Racial Tribalism



Shelby Steele's 2007 book about Barack Obama's first presidential campaign, "A Bound Man," was a provocative examination of identity politics in the first decade of the 21st century. It explained how black Americans grapple with a sort of dual identity—one that is shaped by a history of racial oppression and another that endeavors to transcend that legacy.

"Is America now the kind of society that can allow a black—of whatever pedigree—to become the most powerful human being on earth, the commander of the greatest military in history?" Mr. Steele asked. "Have our democratic principles at last moved us beyond even the tribalism of race? And will the black American identity, still so reflexively focused on victimization, be nullified if a black wins the presidency of this largely white nation?"

Seventeen years later, we know the answers to those questions, but don't expect them to inform the liberal response to Kamala Harris's defeat. So far as many Democrats are concerned, Ms. Harris lost not because she was a poor candidate but because the country is irredeemably racist. "Let's be honest about this. Let's be absolutely blunt about it," said Democratic strategist David Axelrod on election night. "There were appeals to racism in this campaign, and there is racial bias in this country, and there is sexism in this country." Does Mr. Axelrod believe that racism and sexism were nonexistent when Mr. Obama was elected?

When I phoned Mr. Steele this week for his reaction to Donald Trump's victory, he told me it could be evidence that the country had "evolved" politically since the Obama presidency. Ms. Harris couldn't rely on blind racial loyalty from minority

voters or guilt from white voters to the extent that Mr. Obama had in 2008.

"White guilt is a kind of unexamined force in American political life," Mr. Steele said. "Whites do a lot of things—entertain a lot of things—not because they believe them but because it buys them innocence, political innocence from all the evils of Western civilization." If fewer whites were shamed into voting for Ms. Harris based on her ethnicity, bravo. Similarly, he said that if the link between skin color and political preference is severing—if more blacks are starting to vote based on something other than racial identity—"I think it's progress because it's breaking up this idea that race is in itself meaningful, that it has some truth to deliver in political contests."

Mr. Steele said that most people were simply looking for a basic level of competence, and the Democratic candidate came up short. "The inarticulateness, the lack of any sort of familiarity with the issues. I mean, wow! She was kind of an insult to minority voters. You can't do any better than this?"

And he found it "thrilling" to see

so many blacks support Mr. Trump, who won a quarter of all black men and a third of black men ages 18 to 44, according to exit polls. "To me, that's a vote for individualism over group identity. We thought identity was the be-all and end-all, and if we mastered that, everything would be wonderful. It wasn't. We were worse off. I think this election was a real note of progress for black America politically."

Shelby Steele says the election shows that blacks no longer feel beholden to the Democratic Party.

Mr. Steele is hopeful and optimistic that the trend will persist and that blacks will emerge from what the scholar Yascha Mounk calls the "identity trap." The political scientists Ismail White and Chryl Laird have found that social pressure from other blacks is a main driver of black political behavior. Less peer pressure to vote for Democrats could mean

less partisan loyalty going forward as more black voters, like other voters, opt to play the major parties against one another to get better political representation. Liberals want minorities to see race as their defining attribute, but significant numbers of blacks, Hispanics and Asian-Americans ignored that counsel in this year's election. Even in deep blue states that Mr. Trump lost, such as New York and California, the GOP made big gains and Ms. Harris significantly underperformed Joe Biden in 2020.

"I think it's definitely something that will continue when Trump leaves the scene," Mr. Steele told me. "There is this slowly creeping reality that we blacks are in charge of our own fate. And those kinds of ideas—you see more of an openness to that way of thinking. You can go to the deepest pockets of black America, where you would presume that anger defines everything. And you see many blacks now thinking what you and I have been thinking for a long time. That hey, this doesn't work. I believe in the collective perceptivity of black America, that they are going to absorb this."

A Short, Strange Trip to Nowhere

By Brenda Cronin

As a self-appointed language scold, I've had "journey" in my sights for some time. Everything has become a journey. Dieting? It's a weight-loss journey. Unemployment? The journey to your next job. Divorce? Just a stop on the relationship journey. Parenting? That's the long-haul hegira from crib to college.

Above all, illness or injury has become a journey. Until recently, talk of Lyme Disease odysseys and personal growth from long Covid struck me as nonsense.

But I now concede that the label

might be apt. Moving from the first inkling of a scratchy throat to the full-blown agony of a sinus infection—not to mention the glorious finale of antibiotics kicking in and the fever breaking—does feel like a journey. Recovering from injuries or sickness, like travel, has its peaks and valleys. At some point, spirits rise, only to be followed by feverish spells of wondering if you ever will feel normal again.

I completed such a journey recently. Like all good expeditions, this one was full of surprises. I was supposed to travel—but didn't. I set out for the airport at dawn on a Friday from midtown Manhattan, to catch an 8:30 flight. I wasn't feeling 100% but there was no postponing this trip. I was heading to Boulder, Colo., for a funeral Saturday morning. My siblings were all flying in from the east and west coasts. On our family call the night before, I mentioned my aches and pains but said I was sure I would be fine.

And so I thought I was! Because traffic was appalling, I took the AirTrain to JFK's Terminal 5. I breezed through security and headed to the gate. But when queuing to board, I suddenly felt dizzy. My vision began to blur but—thank God for small favors—I distinguished "ladies" from "men," walked in to a restroom—and that is the last I remember.

When I came to, I was on the ladies-room floor, a half-moon of

frightened strangers above me and two kind officials at my side. "You passed out and hit your head," they said.

When the EMTs recommended that we head to the emergency room, I politely resisted: I had fainted, no big deal! But when I tried to get up, I collapsed again and they hustled me on to their stretcher. "We're going to the hospital," they said.

While everything's a 'journey' today, my recent travel attempt deserved the term for another reason.

Of course it was the right call. I had enough wits to be both amused and mortified at being paraded through the airport swaddled in a white blanket, like a soufflé on a dessert trolley. By the time the emergency-room nurses were sticking me with electrodes, I felt fine. The doctor said it was nothing more than a virus—and I shouldn't have left home without breakfast. Before noon, I was walking out of the hospital as if beginning the day anew. Not the trip I had planned but a memorable journey.

Ms. Cronin is an associate editorial features editor at the Journal.

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By EVERNORTH

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BUSINESS & FINANCE

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Target Misfires With Shoppers

Customers gripe about missing items and long lines in retailer's stores

By SARAH NASSAUER

Shoppers are falling out of love with **Target**.

Customers have long bragged about their cheap-chic Target purchases. Now, many are griping about items missing on shelves, long checkout lines and products locked up to prevent theft.

Others say they are shopping at the chain less because they feel that groceries are cheaper elsewhere or that there is a lack of exciting items. Some say they are still upset about a Pride month collection in 2023 that they felt went too far.

"Shopping at Target used to be a favorite activity," said Meaghan Halligan, 48 years old, who lives in San Jose, Calif. Halligan said she used to go to Target frequently to buy



Target's 'Wicked' in-store event, which was held on Nov. 15 in Jersey City, N.J.

cosmetics and other personal-care items. Now, many of those items are locked behind glass, she said.

Waiting for a worker to open a case to look at a single bottle "completely destroyed

the experience of shopping," Halligan said. "You might as well just go online."

Target is in a sales funk and is losing ground to both **Walmart** and **Amazon**. The company's comparable sales

growth—a tally of spending in established stores and from online orders—has lagged behind Walmart, its bigger rival, for 11 straight quarters.

Last week, Target's share price tumbled more than 20%

after the company reported another disappointing quarter and executives lowered financial targets they had set in August. The shares have lost more than half their value since hitting a pandemic peak of around \$266 in November 2021, putting pressure on longtime Chief Executive Brian Cornell to turn things around.

Cornell and his leadership team insist economic conditions, specifically lower spending on discretionary items such as throw pillows and televisions, are to blame for the weak sales.

They have lowered prices on thousands of products this year and say they have lots to entice shoppers this holiday season, such as merchandise from the movie "Wicked" and the exclusive release of a Taylor Swift 'Eras Tour' book on Black Friday.

"There's some macro short-term headwinds that we've got to embrace and understand" but the company's

Please turn to page B2

Intel Gets \$7.9 Billion U.S. Grant To Build Chip Plants

By THOMAS GRYTA

Intel will receive up to \$7.87 billion in U.S. government grants, the largest award in the Biden administration program aimed at reviving American chipmaking.

The funds are less than the \$8.5 billion estimated for Intel in the preliminary award in March. That is because of previously announced funding of up to \$3 billion to build secure facilities producing microchips for U.S. military and intelligence applications, according to senior administration officials.

The grant money, set aside under 2022's Chips Act, aims to fund a resurgence of U.S. manufacturing to counteract any future supply-chain disruptions such as happened during the Covid era, and address growing geopolitical tensions with China. Much of the world's chip production has shifted to Asia in recent decades, leaving the U.S. with around 12% of the world's manufacturing in 2020.

The funds will be disbursed to Intel based on specific milestones, and Intel will get at least \$1 billion in funds later this year, the administration officials said. Under the funding agreement, Intel has agreed to not engage in stock buybacks for five years, according to the Commerce Department.

Intel, the largest U.S. chip manufacturer by revenue, no longer plans to draw on as much as \$11 billion in government loans under the program but still plans to apply for related tax credits, the administration officials said. The money will go toward new factories and expansion projects in Arizona, New Mexico, Ohio and Oregon.

The \$53 billion Chips Act seeks to end the U.S.'s reliance on foreign-made semiconductors, especially those used by the Pentagon. It is the latest example of the federal government using its cash to remake

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Offices Find New Life After Values Fall

By PETER GRANT

Developer efforts to convert emptying office towers into residential buildings have largely gone nowhere. That may be finally changing.

The prospect of transforming unused office space into much-needed housing seemed a logical way to resolve both issues. But few conversions moved forward because the cost of acquiring even an aging office building remained too high for the economics to pencil out.

Now that office vacancy has reached record levels, sellers are willing to take what they can. That has caused values to plunge for nothing-special buildings in second-rate locations, making the numbers on many of those properties now viable for conversions.

Seventy-three U.S. conversion projects have been completed this year, slightly up from 63 in 2023, according to real-estate services firm CBRE Group. But another 309 projects are planned or under way with about three-quarters of them office to residential. In all, about 38,000 units are in the works, CBRE said.

"The pipeline keeps replenishing itself," said Julie Whelan, CBRE's senior vice president of research.

In the first six months of this year, half of the \$1.12 billion in Manhattan office-building purchases were by developers planning conversion projects, according to Ariel Property Advisors.

While New York, Chicago and Washington, D.C., are leading the way, conversions are popping up in Cincinnati, Phoenix, Houston and Dallas. A venture of **General Motors** and Bedrock announced Monday a sweeping redevelopment of Detroit's famed Renaissance Center

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Huawei Has Eye on Apple With Product Launch



SMARTPHONE SHOWDOWN: Shoppers in Beijing got their first look at the Huawei Mate 70 on Tuesday. The phones from the Chinese tech giant use its most advanced domestically made chips as the company challenges Apple in the home market.

Airlines Reap Billions Charging Seat Fees

By ALISON SIDER

Fees to select seats or to sit in rows with a few extra inches of legroom have become big business for airlines, according to a Senate subcommittee report released Tuesday.

Five U.S. airlines collected \$12.4 billion from such charges from 2018 to 2023, according to the report. Checked bags—the airlines' biggest source of revenue beyond tickets themselves—brought in about \$25 billion over that stretch for those carriers.

Tuesday's report tallied seat fees from United Airlines, **Delta Air Lines**, American Airlines, **Spirit Airlines** and **Frontier Airlines**. Delta's lu-

creative Comfort+, which the airline sells as a different type of ticket, wasn't included in the tally.

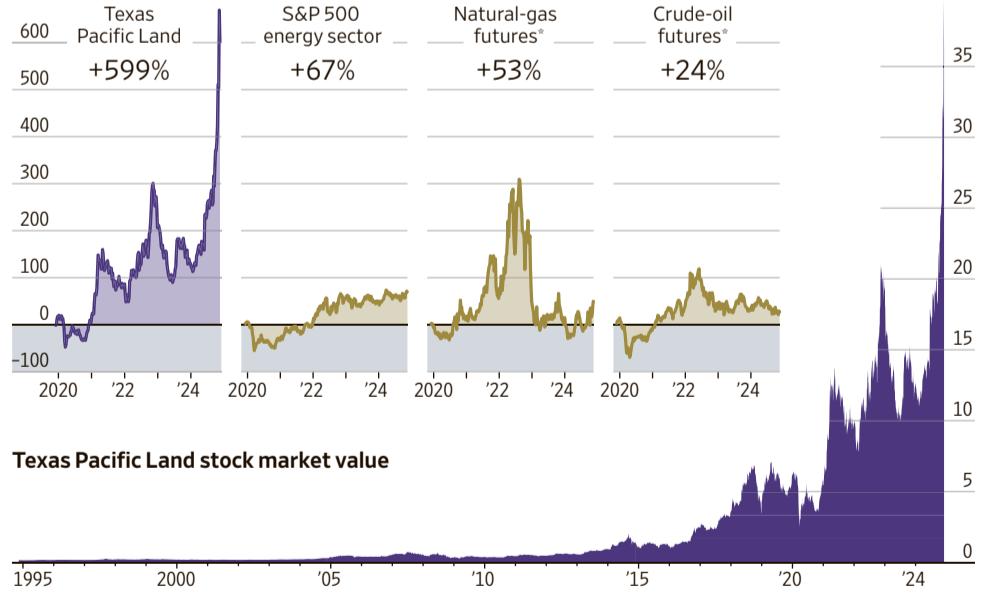
Airlines have become adept at slicing their cabins into narrower niches and offering an ever-expanding menu of a la carte options, even within coach.

That has helped the biggest airlines to serve surging demand for high-end leisure travel while still offering cheap fares for bargain hunters.

But the report, which comes after a year-long look into airline practices, said the proliferation of fees has made the process of buying tickets more opaque.

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Price performance over the past five years, weekly



*Most-traded contract

A Long-Dead Railway Emerges As an Energy-Sector Skyrocket

By RYAN DEZEMBER

The remnants of a railroad that went bankrupt in 1888 have become one of the highest-flying stocks in the oil patch—and one of the top performers in any sector this year.

Shares of **Texas Pacific Land** have roughly tripled in 2024 despite languishing oil prices, thanks to a new approach the 100-employee company has taken to wringing money from its acres in America's most prolific drilling re-

gion, the Permian Basin.

Texas Pacific has built a lucrative business selling water to frackers in the West Texas desert and then giving them places to dispose of the wastewater that rushes to the surface along with oil.

It has also been adding battery firms, wind farms, solar arrays, bitcoin miners and carbon-sequestration projects to its list of tenants.

And it still covers its property taxes by selling hunting and grazing rights over country made famous in novels by

Cormac McCarthy and Larry McMurtry.

Texas Pacific's inclusion in the S&P 500 this week has given another boost to the shares. Its stock market value has swelled to about \$36 billion as the shares have become required holdings of the huge funds that track the broad index.

For most of its 136 years on the New York Stock Exchange, Texas Pacific was a trust, set up to liquidate a failed railway's landholdings. The struc-

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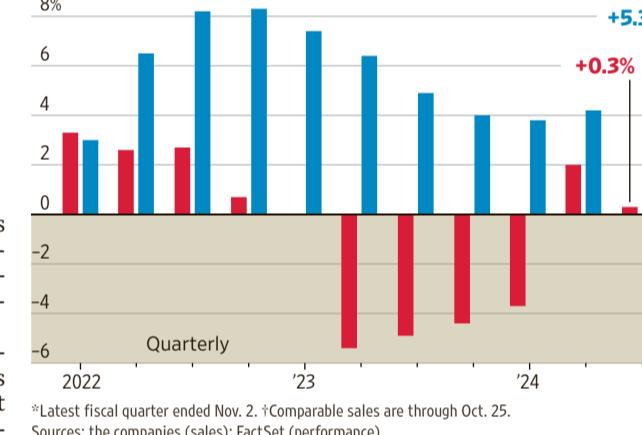
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Target Turns Off Shoppers

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business model—including its mix of categories and distinctive private brands—is a long-term strength, Cornell told investors last week.

Target said that the number of people visiting its stores increased in the latest quarter and that shopper-experience scores are up over last year. Internal customer surveys show that feelings about customer service, checkout wait times, product availability and store cleanliness have improved as well.

Emilie Rasmussen, 25, of Dripping Springs, Texas, gets most goods at her local grocery store or from Amazon but makes time for the 30-minute drive to Target every few weeks for small splurges on wrapping paper or beauty products.



"I'm looking for elegant things, and Target happens to sell elegant things," she said.

Target's current struggles highlight a long-languishing strategic challenge for the company, say former executives: How does a retailer known for its fun, trendy products grab market share when Americans are spending more on essentials like food, rent and child care?

"Since its founding in 1962, Target has been an upscale re-

tailer focused on discretionary items, whereas Walmart is food and necessities," said Jerry Storch, a former Target executive and Toys "R" Us boss.

As it added grocery, Target settled into a strategy that protected sales of higher-margin specialty items but not the grocery business, said Storch, who left Target in 2005 and is now a retail consultant. "Now the gap between Target and Walmart is growing, not

shrinking."

Walmart and Costco have a consistent flow of shoppers because of hefty grocery businesses and a reputation for low prices.

Shoppers looking for clothing or home goods visit a store less often than those looking for groceries. Walmart, the country's largest grocer, generates more than half of its U.S. sales from its grocery aisles. Amazon is also taking market share by offer-

ing speedy shipping on millions of online products.

Most of Target stores don't offer a full grocery-store experience and whether it should be a decadeslong debate inside the company.

It carries far fewer fresh food items than Walmart or traditional grocers. The percentage of Target's total revenue attributable to food and beverage has increased slightly to around 23% in the most recent fiscal year from around 19% in 2019.

Lee Middleton, 68, who lives in Miami Beach, has been going to Target weekly for decades but said many products feel less exciting, checkout lines are longer and the number of out-of-stock products make buying online a better option.

Middleton remembers the excitement of the houseware collections at Target in decades past and the convenience of picking up contactless solution at the same time as a designer teapot.

Now Target "is kind of like an old friend you kind of wander away from—an old friend who has become boring," he said.

This year it has continued to battle to ensure it has the right level of inventory on shelves. In the latest quarter, executives said in-stock levels improved, but the company

also said efforts to accelerate imports ahead of a U.S. port strike left it with elevated inventories and extra costs.

Burlington Stores Reports Higher Sales

By DENNY JACOB

Burlington Stores posted higher sales for the latest quarter and said the holiday selling season has started strong, as the off-price retailer's offerings resonate with consumers looking for deals.

The Burlington, N.J., company reported better-than-expected revenue for the third quarter, even as warmer weather starting in mid-September dented sales of coats and other cold-weather gear.

However, the retailer's fourth-quarter expectations slightly missed Wall Street estimates.

Shares fell 1.6% Tuesday to \$286.94.

Burlington logged net income of \$90.6 million, or \$1.40 a share, for the third quarter ended Nov. 2, up from \$48.6 million, or 75 cents a share, a year earlier.

Stripping out one-time items, earnings were \$1.55 a share, matching analysts' estimates.

Revenue increased to \$2.53 billion from \$2.29 billion. Analysts polled by FactSet had expected \$2.55 billion. Same-store sales rose 1%.

Chief Executive Michael O'Sullivan said that the quarter started out strongly but then suffered due to warmer weather across the country.

Burlington guided for sales to increase between 5% and 7% in the fourth quarter. It

also expects adjusted earnings per share in the range of \$3.55 to \$3.75. Analysts polled by FactSet expect \$3.72 billion in sales, which would equate to a 4.8% increase from a year earlier, and \$3.78 a share in adjusted earnings.

For fiscal 2024, the company predicts adjusted earnings per share will come in between \$7.76 and \$7.96. It had previously forecast adjusted earnings per share in the range of \$7.66 to \$7.96.

Looking ahead into 2025, Burlington expects sales to grow by high-single-digits through new stores, while comparable-sales growth is expected to range between flat and 2% growth.

Abercrombie & Fitch Raises Year's Outlook

By BEN GLICKMAN

Abercrombie & Fitch lifted its full-year sales guidance after double-digit sales growth in both of its major brands propped up results in the third quarter.

The New Albany, Ohio, apparel retailer also named Robert Ball as its next chief financial officer.

Abercrombie & Fitch reported a third-quarter profit of \$132 million, or \$2.50 a share, in the 13 weeks ended Nov. 2, compared with a profit

of \$96.2 million, or \$1.83 a share, a year earlier. Analysts polled by FactSet expected \$2.32 in per-share profit.

Stripping out certain one-time items, the company posted an adjusted profit of \$2.50 a share, ahead of the \$2.39 expected by analysts.

Revenue rose 14% from a year ago to \$1.21 billion, beating the \$1.19 billion expected by analysts. Comparable sales across the company rose 16%.

At the company's namesake brand, sales were up 15% from a year earlier to \$629.8 mil-

lion, or up 11% on a comparable basis. Sales for the Hollister brand rose 14%, or 21% on a comparable basis, to \$579.1 mil-

lion, or up 14% guidance range.

Shares closed down 5.1% on Tuesday, but rose slightly in after-hours trading.

Abercrombie & Fitch also gave details on its next CFO. The company said Ball would continue to report to Chief Operating Officer Scott Lipesky, who was appointed finance chief in 2017 and last year added the additional responsibility as COO. Ball, 45, previously served as its senior vice president of corporate finance, investor relations and treasury, the company said.

I Have My Daughter Because of Cancer Research.

Standard treatment for Kelly's cancer would have saved her life but left her unable to have any more children. Because of a breakthrough clinical trial and research funded by SU2C, she is now cancer free and has a beautiful baby girl.

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STAND UP TO CANCER

Andrea Cercek, MD SU2C funded researcher
Kelly Cancer Survivor
Photo by Mario Morgado



BUSINESS NEWS

Subway's Chief Plans to Leave Sandwich Chain at Year's End

Current executive Carrie Walsh is named interim CEO during search

By HEATHER HADDON

Subway Chief Executive John Chidsey is retiring from the restaurant giant at the end of the year, marking another C-suite change in a tumultuous year for restaurant chains.

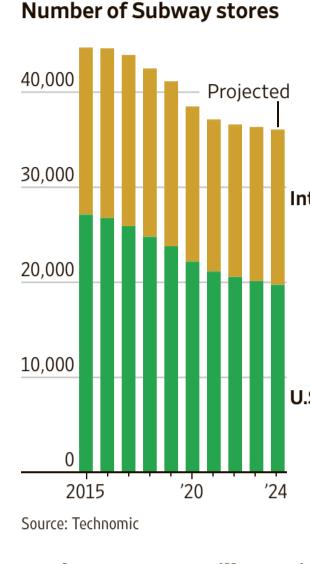
Chidsey, 62 years old, has led the world's largest subway sandwich company since 2019, and helped sell the chain to Roark Capital in a more than \$9 billion deal last year. Subway said Tuesday that he will continue to consult for the chain, focusing on international expansion and signing deals with large global franchisees.

Carrie Walsh, Subway's current president of Europe, Middle East and Africa, will serve as interim CEO while the company conducts a search for a permanent successor, Subway said. Walsh, 48, also previously served as the brand's global chief marketing officer.

Restaurant chains have faced a challenging year, with consumers pulling back on



Subway said Tuesday that John Chidsey will continue to consult for the chain.



Source: Technomic

discretionary spending. Many restaurant chains have replaced their CEOs this year, including Starbucks, Shake Shack, Papa John's International and Wendy's.

Chains are pushing promotions and deals to try to bring back customers, but the strategy hasn't always worked. Subway this week is ending a \$6.99 sandwich meal bundle deal originally planned to run in its stores and online through December, after it didn't meet the company's expectations for profitable traffic, according to a spokeswoman.

Chidsey, a former Burger King executive, in 2019 became Subway's first CEO to come from outside the brand's founding families. He spearheaded a menu overhaul and focused on improving existing U.S. stores.

He moved much of the company's executive functions to Miami, and sought to bring bigger franchisees into the brand. Franchisees run the bulk of Subway's more than 37,000 locations.

U.S. franchisees haven't always agreed with Chidsey's moves, such as pushing for store investments like meat slicers and honoring digital coupons. Subway's U.S. sales edged up 2% last year compared with 2022 levels, according to market-research firm Technomic.

Chidsey also shepherded Subway's sale to Roark last year. At the time of the deal's announcement, Chidsey said in an interview that he intended to stay with the brand for the foreseeable future.

Chidsey was particularly focused on international growth, an area where he will continue to help the company, Subway said. The company said it has franchisee commitments to build 10,000 new restaurants, many of them abroad.

Italy's Banco BPM Rejects UniCredit's Bid

By MAURO ORRU

Italian lender **Banco BPM** said a \$10 billion-plus bid from **UniCredit** undervalues the business, a day after Italy's second largest bank by assets made a move on its smaller rival.

UniCredit on Monday launched an all-stock offer valuing Banco BPM at 10.1 billion euros, or \$10.6 billion, part of efforts to strengthen its foothold in its home country

and gain more market share in northern Italy where Banco BPM has its roots. Banco BPM counts roughly 20,000 staff and 1,400 branches that would embolden UniCredit as it competes with Intesa Sanpaolo.

UniCredit offered a premium of about 0.5% over Banco BPM's share price on Friday and roughly 15% more than where the stock traded on Nov. 6, saying it expected to complete the deal by June.

Banco BPM on Tuesday said the offer didn't reflect its profitability or potential for value creation for its shareholders since it now represents a 7.6% discount on its Monday share price that closed 5.5% higher after news of the bid. It said UniCredit's move creates uncertainty as Banco BPM pursues its own deals.

This month, the bank launched a cash bid for Anima Holding, valuing the asset manager at €1.98 billion. Banco BPM took a 5% stake in Banca Monte dei Paschi di Sienna from the Italian government. Anima holds a 4% stake in Monte dei Paschi, meaning Banco BPM's stake could grow to 9% if it acquires Anima.

The bank said UniCredit's offer hadn't been agreed upon in advance and raised concerns that a deal on the current terms could result in job cuts.

Best Buy CEO Warns Of Higher Prices

By DEAN SEAL

Best Buy comparable store sales, change from a year earlier



Note: Latest quarter ended Nov. 2

Source: the company

shorter holiday selling season, Barry said.

Shares fell 4.9% to \$88.48 on Tuesday. The decline cuts their year-to-date gains down to about 13%.

Best Buy is targeting \$41.1 billion to \$41.5 billion in revenue this year, down from previous guidance for \$41.3 billion to \$41.9 billion.

Comparable sales are projected to fall 2.5% to 3.5%, instead of 1.5% to 3% as previously anticipated.

The company is now guiding for adjusted earnings of \$6.10 to \$6.25 a share, pulling back the upper end of its prior outlook by 10 cents.

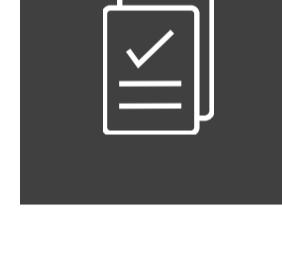


Comparable sales at Best Buy are up 5% so far in the quarter.

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TECHNOLOGY

WSJ.com/Tech

Google Plans European Search Tweak

Company proposes more changes after moving to try to comply with EU law

By DOMINIC CHOPPING

Alphabet's Google proposed further changes to the way its search results work in Europe to satisfy requests from competitors and regulators.

Under the European Union's Digital Markets Act, Google said it had to make substantial changes to the services it can provide in the continent, including redesigning certain features and removing others to ensure its

own services aren't favored over competitors.

The company made several changes to Google Search to boost the prominence of comparison sites in categories like flights, hotels and shopping.

While many of these changes benefited large online travel aggregators and comparison sites, certain airlines, hotel operators and small retailers are losing traffic and struggling to reach customers, with some reporting a 30% drop in direct booking clicks, it said.

To try and mitigate this, Google said it is proposing further changes that will allow users to choose between results that take them to comparison sites and results that



Google said the changes will ensure its own services aren't favored over competitors.

take them directly to supplier websites when they are searching for products, restaurants, flights or hotels.

In addition, it will offer new formats that allow comparison sites and suppliers to show more information about what is on their websites, like prices and pictures, as well as new ad units for com-

parison sites.

"We think the latest proposal is the right way to balance the difficult trade-offs that the DMA involves," Google's legal director, Oliver Bethell, said in a statement Tuesday.

In Germany, Belgium and Estonia, Google also plans to remove a mapping feature

that shows where hotels are with results underneath it as part of a short test to understand how the change would impact both the user experience and traffic to websites.

"We're very reluctant to take this step, as removing helpful features does not benefit consumers or businesses in Europe," Bethell said.

Rivian Set to Receive \$6.6 Billion U.S. Loan

By JIAHUI HUANG

U.S. electric-vehicle startup **Rivian Automotive** received conditional approval for a loan of up to \$6.6 billion from the government to boost its production capability.

The Irvine, Calif.-based startup said the conditional commitment from the **U.S. Department of Energy's** Advanced Technology Vehicle Manufacturing program includes \$6 billion in principal and approximately \$600 million in capitalized interest.

Rivian said the funds will support the construction of its EV plant in Georgia and the production of more midsize vehicles.

The announcement follows Rivian's recent collaboration with Volkswagen on a \$5.8 billion technology partnership earlier this month.

The U.S. company has burned through over \$19 billion since it went public in 2021, with much of the investment focused on developing bespoke hardware and software. That investment has yet to pay off, in part because the company produces too few vehicles—likely less than 50,000 this year—to turn a profit.

The new Georgia plant could help boost its production capacity. Rivian plans to build the facility in two phases, with



Rivian said the funds will support the construction of its EV plant in Georgia and the production of more midsize vehicles.

each phase expected to produce up to 200,000 vehicles annually.

The first phase of the project is expected to begin pro-

duction in 2028 and create around 7,500 operational jobs in Georgia by 2030, it said.

The loan would help strengthen U.S. leadership in

EV manufacturing and technology, Rivian Chief Executive RJ Scaringe said.

It would also enable the company to "more aggressively

scale our U.S. manufacturing footprint for our competitively priced R2 and R3 vehicles that emphasize both capability and affordability," he added.

Intel Gets Billions for Chip Plants

Continued from page B1
an industry it sees as crucial to national security.

The administration is racing to deliver the billions of dollars of promised manufacturing grants to complete a signifi-

cant portion of a favored program of President Biden before he leaves office. More finalized awards are expected in the coming weeks, the Commerce Department said Monday.

Biotech company founder Vivek Ramaswamy posted on X that the new Department of Government Efficiency will review the Chips Acts grants and recommend that inspectors general scrutinize the contracts. Ramaswamy has been tasked along with Elon Musk to lead President-elect Donald Trump's effort to re-

duce government spending. For Intel, the funding gives additional financial firepower to Chief Executive Pat Gelsinger's expensive turnaround effort.

Gelsinger is embarking on a vast expansion of the company's chip-making and opened a new business making chips on contract for outsiders, alongside a multiyear bid to catch up with rivals TSMC and Samsung in making the most cutting-edge chips.

Intel's shares fell 3.3% Tuesday and are down 52% so far this year.

EV manufacturing and technology, Rivian Chief Executive RJ Scaringe said.

It would also enable the company to "more aggressively



A Chandler, Ariz., Intel plant is one of the grant beneficiaries.

In Memoriam

For more information:
wsj.com/inmemoriam

Dr. Richard Schwab

SAN ANTONIO, TEXAS - Dr. Schwab died November 17, 2024, at age 93. He was a 1st generation American, son of John and Anna Marie Schwab, Volga Lutheran Germans who emigrated from Alt Denof, Russia in 1913. Eight siblings predeceased his death.

He is survived by his beloved wife, Sallyann, of 68 years of marriage; children Vicki Seymour (David) and John Schwab (Kathy); grandchildren Tess (Stephen Poulos), Abigail (Scott Savage), and Jennifer Heine (Dalton); three great grandchildren.

Schwab, Professor Emeritus at Capital University (Columbus, Ohio), taught accounting and business law for 35 years. He was the recipient of various awards at Capital including the Praestantia Award, the University's highest award for outstanding and distinguished teaching. He was the first living person to be inducted into the Capital University Hall of Honor.

Upon his retirement, Sally and he enjoyed traveling and participating in civic endeavors. Schwab served very actively as director of his Homeowners Association for eight years. He was successful in having a neighborhood park developed and served as project director and was pleased that the park was named Schwab Park.

In lieu of flowers it is requested that a contribution be made to the Schwab Endowed Scholarship Fund at Capital University, Advanced Services, One College and Main, Columbus, OH 43209.

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Roche to Buy Poseida in Deal Worth as Much as \$1.5 Billion

By ADAM WHITTAKER

Roche agreed to buy San Diego-based **Poseida Therapeutics** in a deal worth up to \$1.5 billion, as the company seeks to expand its pipeline and support growth.

The deal allows the Swiss pharmaceutical company to bring in house its current partner with the aim of developing cell therapies in oncology, immunology and neurology. The move is part of Roche's efforts to replenish its drug pipeline and drive sales growth toward the end of the decade.

Roche said Tuesday that it entered into a definitive merger agreement to acquire Poseida Therapeutics for about \$1 billion, or \$9 a share, with additional performance-related payments worth up to \$4 a share that could take the full deal value to around \$1.5 bil-

lion. Poseida shares closed at \$2.86 on Monday.

The two companies have been working together since 2022 to develop CAR-T cell therapies for patients with hematological malignancies.

CAR-T cell therapies are customized for individual patients and are made by collecting a patient's own T cells, a type of white blood cell, and re-engineering them in the laboratory to fight cancers.

The deal also includes Poseida Therapeutics' other cell-therapy candidates as well as related manufacturing capabilities and platform technologies.

Roche said it aims to create

the next generation of off-the-shelf CAR-T cell therapies with potential for a broader commercial use. The company hopes the next generation of therapies can be delivered at scale with increased potency and improved safety, it said.

The transaction is expected to be completed in the first quarter of 2025, Roche said.

The acquisition fits with Roche's pharmaceutical strategy outlined earlier this year, Vontobel analyst Stefan Schneider wrote in a research note. With first revenue from Poseida expected in 2027, according to FactSet, the deal should support Roche's growth toward the end of the decade, the analyst said.

Difficult For Musk To Buy MSNBC

BY ISABELLA SIMONETTI

Can Elon Musk make a run at acquiring MSNBC? It would be a steep climb. One big reason: it isn't for sale.

Last week, Comcast said it was moving forward with a plan to spin off its NBCUniversal cable networks into a separate company. That news prompted speculation that the **Tesla** chief executive might pursue left-leaning news channel MSNBC.

Musk, who hasn't been shy about his criticisms of MSNBC, calling the network "utter scum of the Earth," fueled that story line in an exchange on X, the social-media platform he owns. When Donald Trump Jr. posted about MSNBC, encouraging Musk to buy it, the billionaire replied: "How much does it cost?"

It is unclear how serious Musk is about MSNBC, but buying the network wouldn't be an easy feat. Comcast isn't interested in selling off individual assets, people familiar with the matter said. It plans for the spinoff company, which will include several other NBCUniversal channels such as CNBC, USA, Syfy and E!, to explore acquisitions of other cable networks.

"We are looking forward to the planned spin of our cable networks, which will create a new company owned by our shareholders—none of these assets are for sale," a Comcast spokeswoman said in a written statement.

After Comcast completes the transaction—a process that is expected to take about a year—the new company will negotiate distribution deals with companies such as **Charter Communications**. MSNBC, with its loyal following, will provide critical leverage in those discussions, the people said.

"They never had any intention of selling things off piecemeal," said Joseph Bonner, a senior analyst in technology, media and telecommunications at Argus Research. "Maybe if the price is right, they would do it."

Comcast's chairman and CEO, Brian Roberts, holds a one-third voting stake in the company, giving him significant sway in major decisions such as the sale of assets. Roberts will also hold a one-third voting stake in the new company, though he won't serve on the board.

That is a far different setup than Twitter, which Musk bought for \$44 billion in 2022, and renamed as X. Musk was its largest shareholder at the time he pulled off the acquisition.

Musk and X didn't respond to requests for comment.

If Musk did go after MSNBC, it likely wouldn't be anywhere near Twitter's price tag: The new cable company's annual revenue, across all its networks, would be about \$7 billion, and its assets are in decline in a media world dominated by streaming.

Once the new company is created, carving MSNBC out of it could be more challenging, because the nature of the transaction—a tax-free spinoff to Comcast shareholders—limits its flexibility to pursue follow-on deals, said Wall Street observers.

"The tax implications are unclear if then [spinoff company] goes selling things off piecemeal," Bonner said.

When Musk bought X, he said he made the transaction to "have a common digital town square, where a wide range of beliefs can be debated in a healthy manner."

MSNBC, which is known for personalities such as Rachel Maddow and Joy Reid, is adjusting to a second Trump administration.

MSNBC's ratings fell after Trump's victory. From Nov. 6 through Nov. 21, the network averaged 527,000 viewers, a 38% drop from the 847,000 it garnered from January through Nov. 4, the day before the election.

Musk's right-wing allies, from Donald Trump Jr. to Joe Rogan, have been egging him on to make a move on MSNBC in recent days.

—Jessica Toonkel contributed to this article.

THE PROPERTY REPORT

Office Conversions See Revival

Continued from page B1
that includes converting one of its office buildings into apartments and a hotel.

In Cleveland, 12% of its total office inventory is either undergoing conversions or is planned for conversion. Many projects there are clustered around the city's 10-acre Public Square. The former transit hub went through a \$50 million upgrade about 10 years ago, adding fountains, an amphitheater and green paths.

"You end up with so much space that you paid so little for, that you can create amenities that you would never build if you were doing new construction," said Daniel Neidich, chief executive of Dune Real Estate Partners, a private-equity firm that has teamed up with developer TF Cornerstone to invest \$1 billion on about 20 conversion projects throughout the U.S. in the next three years.

Conversions won't solve the office crisis, or make much of a dent in the U.S. housing shortage. And many obsolete office buildings don't work as conversion projects because their floors are too big or due to other design issues. The 71 million square feet of conversions that are planned or under way only account for 1.7% of U.S. office inventory, CBRE said.

But city planners believe conversions will play an important part in revitalizing depressed business districts, which have been hollowed out by weak return-to-office rates in many places.

And developers are starting to find ways around long-



The Flatiron Building in New York will be redeveloped into condominiums.

standing obstacles in larger buildings. A venture led by **GFP Real Estate** is installing two light wells in a Manhattan office-conversion project at 25 Water St. to ensure that all the apartments will get sufficient light and air.

Cities such as Chicago, Washington, D.C., and Calgary, Alberta, have started to roll out new subsidies, tax breaks and other incentives to boost conversions.

The projects are breathing new life into iconic properties that no longer work as office buildings. The Flatiron Building in New York will be redeveloped into condominiums. In Cincinnati, the owner of the Union Central Life Insurance Building is converting it into more than 280 units of housing with a rooftop pool, health

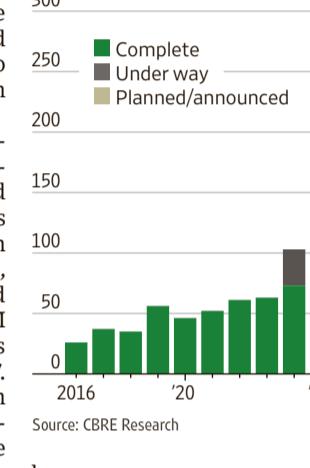
club and commercial space.

In the first couple of years of the pandemic, office building owners were able to hold on to their properties because of government assistance and because tenants continued to pay rent under long-term leases.

As leases matured and demand remained anemic, landlords began to capitulate and dump buildings at enormous discounts to peak values. In Washington, D.C., for example, Post Brothers last year paid about \$66 million for 2100 M Street, which had sold for as much as \$150 million in 2007.

Washington, D.C., has been particularly hard hit by the office downturn because the federal government has been especially permissive in allowing employees to work from

Office conversions by construction status and estimated year of completion



Source: CBRE Research

home.

"We're able to make it work as a conversion because it was

no longer priced as though it could be repositioned as office," said Matt Pestronk, Post's president and co-founder.

Increasingly, more deals are taking place behind the scenes as converters reach deals with creditors to buy debt on troubled office buildings and then push out the owners. GFP Real Estate reduced costs of its \$240 million conversion of 25 Water Street by buying the debt at a discount and cutting deals with tenants to exit the building before their leases matured.

One of the first projects planned by the venture of Dune and TF Cornerstone likely will be the Wanamaker Building in Philadelphia. TF Cornerstone just purchased the debt on the office space in

the building and is in the process of taking title.

"The banks are foreclosing and doing short sales," said Neidich, Dune's CEO. "There's a ton of it going on."

In Washington, D.C., a conversion of the old Peace Corps headquarters building near Dupont Circle is 70% leased just four months after opening, said developer Gary Cohen. Rents are higher than expected.

"If that's the way to get people downtown, that's what we have to do," Cohen said.

Not all developers agree that the economics of conversions work, even at today's low prices. Miki Naftali, who has converted more than five New York properties over the years, said he has been very actively looking at conversion candidates but hasn't yet found a deal that works financially.

One of the issues facing converters is that even if an office building is dying, it often has a few existing tenants who would need to be relocated. Some buildings would need atriums to ensure that all the apartments have sufficient light and air.

"When you start to add everything up, if your costs get close to new construction, that's when you get to the point that it doesn't make financial sense," Naftali said.

Some landlords are including clauses in leases that give them the right to evict tenants to make room for a major conversion. Others are keeping a small ownership stake when they sell buildings so that they can learn the conversion process for future buildings.

"The world is looking at these assets in a different way," said developer William Rudin, whose company decided to learn the conversion process by keeping a stake in 55 Broad Street, a downtown New York office building it sold last year to a converter.

BUSINESS NEWS

Land Trust Becomes Hot Stock

Continued from page B1
ture meant few funds could own its shares, which had been awarded to Texas and Pacific Railway bondholders.

Even after Texas Pacific became a corporation in 2021, Wall Street ignored it. A lone equity analyst—from a Dallas bank—called in to Texas Pacific's quarterly earnings call earlier this month.

"We don't use banks much," said Ty Glover, Texas Pacific's 39-year-old chief executive. "It's hard to get coverage if you don't use banks."

Texas Pacific has no debt or credit lines, and doesn't employ investment bankers to buy or sell land.

Just one equity analyst called in to Texas Pacific's latest earnings call.

When Glover joined there was reason to be excited. Energy producers had combined horizontal drilling and hydraulic fracturing, and crude production was surging.

The trust's manager was content to sell parcels slowly as El Paso and Midland sprawled deeper into the desert. "There's no real point in hyping or promoting this," he told The Wall Street Journal in 1998.

When Glover joined there was reason to be excited. Energy producers had combined horizontal drilling and hydraulic fracturing, and crude production was surging.

Glover was promoted to CEO in 2016 and got to work modernizing the firm's paper filing system and hiring employees with expertise in energy, law, engineering and hydrology. Texas Pacific started using drones, satellite imagery and change-detection software while dispatching employees into the desert to cut down on trespassing. A billing department replaced its old honor system for collecting royalty and lease payments.

For years, drillers had avoided Texas Pacific because of its skeleton staff. It took the company too long to do anything.

Some started drilling and

installing infrastructure without paying, Glover said.

Just having the proper staff to keep up with the pace that the industry was moving at created a ton of revenue," he said.

Texas Pacific also started a water company to supply oil producers.

That created a new revenue stream and enabled drilling in dry areas. More drilling meant Texas Pacific could lease additional property for access roads, pipelines and power lines. It opened rock pits and sold producers caliche, a natural cement used to build the roads.

"It opened up a lot of acre-



Above, Texas Pacific owns land in America's most prolific drilling region, the Permian Basin; right, an 1873 map shows the land donated to the Texas and Pacific Railway by the state of Texas.



ration, which it did in 2021. That made the stock eligible for indexes.

Hamed Khorsand, principal at BWS Financial, became one of the few stock analysts to track Texas Pacific when it became a corporation. The stock did even better than he expected, and he dropped his coverage in September as it soared beyond his lofty price target.

"It got to the point where I didn't know what to do with it," he said.

The success has sparked imitators. Shares of **LandBridge**, another big Permian property owner, have more than tripled since their initial public offering in late June. LandBridge said earlier this month that it would pay \$245 million for the 46,000-acre Wolf Bone Ranch in West Texas, giving it a total of 272,000 acres.

While oil production has propelled Texas Pacific's rise, investors are looking for natural gas to fuel further growth.

There isn't enough pipeline capacity to carry away the huge volumes of gas unearthed as a byproduct of oil drilling. In recent years, the regional price of the power-generation fuel sometimes has gone negative, meaning that drillers essentially pay someone to take it.

Cheap gas has attracted bitcoin miners, and investors are counting on energy-hungry data centers to follow.

"It's still a little early to say," Glover said. "Where we can create some value there is to package the land with access to power, water and fiber and put that in front of a developer, kind of like what we've done with the oil-and-gas industry."

Continued from page B1

The report recommended the Transportation Department collect more granular data on seat fees like it does for baggage fees.

It also criticized Spirit and Frontier for offering commissions for upselling or catching passengers trying to skirt

give it a greater cut of the oil and gas production, as well as land beyond drilling zones where wastewater can be injected underground.

Shareholders pushed Texas Pacific to convert to a corpo-

ration, which it did in 2021. That made the stock eligible for indexes.

The Biden administration has sought to crack down on so-called junk fees across a range of industries. Airlines have pushed back against some proposals.

Frontier said that its goal was to ensure compliance with bag policies so all customers are treated fairly. Spirit said it is transparent about pricing and disagreed with "numerous statements and conclusions" in the report.

Airlines for America, which represents the largest U.S. carriers, said airlines are giving customers more choices and that ticket prices, even including fees, are at historic lows.

The Biden administration has sought to crack down on so-called junk fees across a range of industries. Airlines have pushed back against some proposals.

A federal appeals court judge in July temporarily blocked a new Transportation Department rule requiring disclosure of fees alongside airfare rather than later in the booking process while the rule is reviewed.

The Senate subcommittee plans to hold a hearing on airline fees next week with representatives of the five airlines mentioned in the report.



Airlines have pushed back against some proposals to cut down on so-called junk fees.

BONDS

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Total return close	YTD total return (%)	Index	Yield (%)			
			Latest	Low	High	
Broad Market Bloomberg Fixed Income Indices						
2111.30	2.3	U.S. Aggregate	4.740	4.100	5.310	
U.S. Corporate Indexes Bloomberg Fixed Income Indices						
3229.61	3.4	U.S. Corporate	5.150	4.640	5.750	
3131.94	4.5	Intermediate	4.970	4.400	5.670	
4268.27	1.2	Long term	5.510	5.070	5.930	
612.60	1.7	Double-A-rated	4.810	4.260	5.330	
878.78	4.1	Triple-B-rated	5.320	4.850	5.950	
High Yield Bonds ICE BofA						
570.00	8.4	High Yield Constrained	7.188	6.975	8.672	
586.66	15.7	Triple-C-rated	11.309	11.247	14.358	
3803.30	7.4	High Yield 100	6.447	6.208	8.161	
496.88	8.9	Global High Yield Constrained	7.003	6.812	8.617	
373.18	7.8	Europe High Yield Constrained	5.712	5.654	7.173	
U.S. Agency Bloomberg Fixed Income Indices						
1843.20	3.3	U.S. Agency	4.530	3.960	5.190	
1631.89	3.5	10-20 years	4.500	3.920	5.190	
3508.44	1.6	20-plus years	4.830	4.240	5.270	
2821.99	3.4	Yankee	4.970	4.380	5.580	

*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds

¹In local currency & Euro-zone bonds

²EMBI Global Index

Sources: ICE Data Services; Bloomberg Fixed Income Indices; J.P. Morgan

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session

Coupon (%)	Maturity, in years	Yield (%)						Spread Under/Over U.S. Treasuries, in basis points	
		Latest (●)	1	2	3	4	5	6	
4.250	U.S. 2	4.251	▼						4.271 4.096 4.957
4.250	10	4.301	▲						4.262 4.232 4.483
0.500	Australia 2	4.032	▼						4.062 3.949 4.263 -22.8 ▲ -69.7
3.500	10	4.455	▼						4.495 4.422 4.558 ▲ 15.0 21.6 8.6
2.500	France 2	2.270	▲						2.249 2.344 3.386 -199.0 -204.1 -157.3
3.000	10	3.028	▲						3.022 3.040 3.204 -127.7 -125.7 -126.7
2.000	Germany 2	2.027	▲						2.020 2.113 3.070 -223.3 -227.0 -188.9
2.600	10	2.191	▼						2.211 2.295 2.646 -211.4 -206.8 -182.5
3.100	Italy 2	2.530	▲						2.510 2.628 3.663 -173.1 -178.0 -129.6
3.850	10	3.459	▼						3.466 3.506 4.396 -84.6 -81.3 -7.6
0.500	Japan 2	0.596	▲						0.589 0.451 0.070 -366.4 -370.1 -488.9
0.900	10	1.070	▼						1.074 0.952 0.778 -323.5 -320.5 -369.3
2.800	Spain 2	2.309	▲						2.300 2.405 3.509 -195.1 -199.0 -145.1
3.450	10	2.933	▼	Market data/commodity					2.981 3.639 -137 -134.1 -83.3
4.125	U.K. 2	4.330	▲						4.328 4.166 4.702 ▲ 7.0 3.7 -25.7
4.250	10	4.355	▲						4.347 4.239 4.284 ▲ 5.0 6.7 -18.7

Source: Tullett Prebon, Tradeweb FTSE U.S. Treasury Close

Exchange-Traded Portfolios | wsj.com/market-data/mutualfunds-etfs

Largest 100 exchange-traded funds. Preliminary close data as of 4:30 p.m. ET

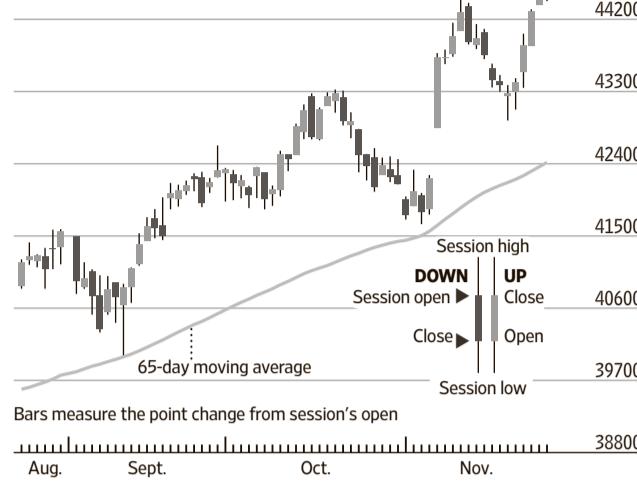
Tuesday, November 26, 2024		ETF	Symbol	Closing	Chg	YTD (%)	ETF	Symbol	Closing	Chg	YTD (%)	
CommSvSPDR	XLC	97.74	0.37	34.5			iShares MSCI EAFE Value	EFV	53.69	-0.74	3.1	
Dimensional	XLS	221.13	0.36	23.7			SPDR S&P MidCap	MDY	108.09	-0.07	-0.3	
Dimensional	DFA	36.35	-0.02	24.4			SPDR S&P Div	SDY	134.47	-0.03	14.8	
EnSolvSectorSPDR	XLE	204.22	-0.14	22.2			SHY	82.17	-0.20	22.6		
FinSolvSectorSPDR	XLF	51.16	0.20	36.5			IWR	95.33	-0.20	22.6		
HealthCareSelSelect	XLV	146.17	0.54	7.2			ISHares Russell 1000	IWW	331.69	0.42	26.5	
IndsSelSectorSPDR	XLI	143.71	0.12	21.2			ISHares Russell 1000 Grw	IWF	397.97	0.93	31.3	
IndsSelSectorSPDR	XLP	68.65	0.59	5.0			ISHares Russell 1000 Val	IWD	199.12	-0.03	20.5	
InvSolvNasd100	XOM	209.63	0.54	24.4			IVW	240.62	-0.73	19.1		
InvSolvOOQI	XOO	509.31	0.54	24.4			IVW	200.62	0.02	18.0		
InvSolvSP500EW	XSP	187.23	0.01	18.7			IVY	142.30	-0.07	22.2		
InvSolvUS	IBIT	51.70	-0.29	2.9			IEF	94.41	-0.21	-2.1		
InvSolvUS	USDY	37.31	-0.17	2.7			IVT	204.72	-0.64	24.5		
InvSolvDivGrowth	DGRD	64.75	0.14	20.3			Vanguard	VIG	159.84	0.48	30.2	
InvSolvMCSICAEFE	IEFA	72.20	-0.54	2.6			Vanguard	VIE	194.40	-0.40	32	
InvSolvMCSICAEFE	IEMG	54.09	-0.33	6.9			Vanguard	VIT	190.10	-0.19	19.9	
InvSolvMCSICAEFE	IEV	68.65	0.59	5.0			Vanguard	VIX	204.23	0.14	19.9	
InvSolvMCSIP500	IVV	138.76	0.59	21.5			Vanguard	VIEW	59.04	-0.56	5.2	
InvSolvMCSIP500	IVV	138.76	0.59	21.5			Vanguard	VTSAX	194.40	-0.40	32	
InvSolvMCSIP500	IVV	138.76	0.59	21.5			Vanguard	VTEW	190.10	-0.19	19.9	
InvSolvMCSIP500	IVV	138.76	0.59	21.5			Vanguard	VTF	204.23	0.14	19.9	
InvSolvMCSIP500	IVV	138.76	0.59	21.5			Vanguard	VTFX	59.04	-0.56	5.2	
InvSolvMCSIP500	IVV	138.76	0.59	21.5			Vanguard	VXU	194.40	-0.40	32	
InvSolvMCSIP500	IVV	138.76	0.59	21.5			Vanguard	VXUS	194.40	-0.40	32	
InvSolvMCSIP500	IVV	138.76	0.59	21.5			Vanguard	VY	194.40	-0.40	32	
InvSolvMCSIP500	IVV	138.76	0.59	21.5			Vanguard	VYD	126.18	-0.52	20.1	
InvSolvMCSIP500	IVV	138.76	0.59	21.5			Vanguard	VXF	204.72	-0.64	24.5	
InvSolvMCSIP500	IVV	138.76</										

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

44860.31 ▲ 123.74, or 0.28%
 High, low, open and close for each trading day of the past three months.



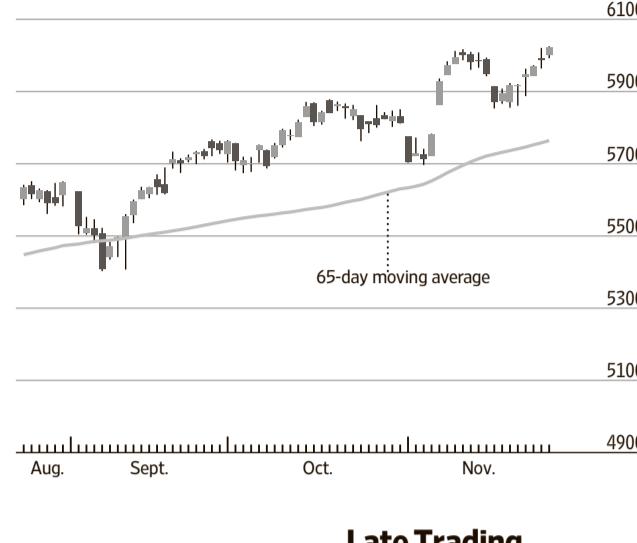
Current divisor 0.16268413125742
 Bars measure the point change from session's open

Aug. Sept. Oct. Nov.

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; Based on Nasdaq-100 Index

S&P 500 Index

6021.63 ▲ 34.26, or 0.57%
 High, low, open and close for each trading day of the past three months.

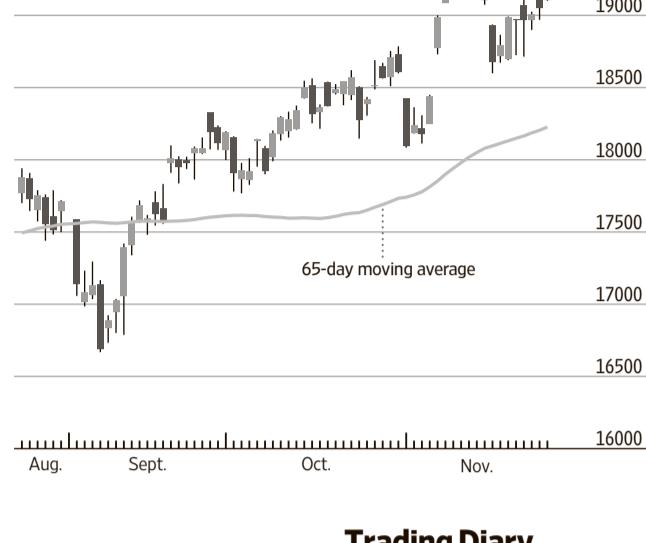


Aug. Sept. Oct. Nov.

*Primary market NYSE, NYSE Arca, NYSE Amer. NYSE Arca only.

Nasdaq Composite Index

19174.30 ▲ 119.46, or 0.63%
 High, low, open and close for each trading day of the past three months.



Aug. Sept. Oct. Nov.

*Primary market NYSE, NYSE Arca, NYSE Amer. NYSE Arca only.

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr.ann.
Dow Jones										
Industrial Average	44903.01	44426.66	44860.31	123.74	▲ 0.28	44860.31	35416.98	26.7	19.0	8.7
Transportation Avg	17746.84	17555.48	17697.09	-57.29	▲ -0.32	17754.38	14781.56	19.4	11.3	3.0
Utility Average	1080.22	1065.87	1079.88	13.93	▲ 1.31	1079.88	829.38	24.4	22.5	6.0
Total Stock Market	60218.71	59915.07	60184.15	244.51	▲ 0.41	60184.15	45220.88	33.1	25.9	8.3
Baron's 400	1356.34	1349.77	1354.69	-2.30	▲ -0.17	1356.99	978.24	38.5	26.3	7.7

Nasdaq Stock Market

Nasdaq Composite	19184.40	19100.73	19174.30	119.46	▲ 0.63	19298.76	14146.71	34.3	27.7	7.4
Nasdaq-100	20944.90	20832.40	20922.90	118.01	▲ 0.57	21117.18	15788.05	30.7	24.3	9.3

S&P

500 Index	6025.42	5992.27	6021.63	34.26	▲ 0.57	6021.63	4549.34	32.2	26.2	9.4
MidCap 400	3384.72	3357.72	3375.28	-14.98	▲ -0.44	3390.26	2539.24	32.9	21.3	6.7
SmallCap 600	1541.53	1522.91	1530.97	-13.69	▲ -0.89	1544.66	1163.97	31.5	16.1	3.6

Other Indexes

Russell 2000	2439.02	2415.92	2424.31	-17.72	▲ -0.73	2442.03	1792.81	35.2	19.6	2.6
NYSE Composite	20235.51	20125.31	20219.42	-0.94	▲ -0.005	20220.36	15929.15	26.9	20.0	6.7
Value Line	656.04	649.71	651.84	-4.20	▲ -0.64	656.04	541.52	20.4	9.8	-0.4
NYSE Arca Biotech	5948.46	5836.53	5947.33	49.55	▲ 0.84	6154.34	4767.72	24.7	9.8	3.3
NYSE Arca Pharma	979.22	965.09	976.88	11.79	▲ 1.22	1140.17	875.93	11.5	7.3	8.1
KBW Bank	138.69	137.43	138.38	-0.40	▲ -0.29	138.78	82.49	67.7	44.1	0.9
PHLX® Gold/Silver	149.92	147.68	149.82	0.68	▲ 0.45	175.74	102.94	21.4	19.2	4.6
PHLX® Oil Service	81.11	79.19	79.67	-1.47	▲ -1.81	95.25	72.67	-3.5	-5.0	15.6
PHLX® Semiconductor	5036.28	4892.05	4927.56	-60.36	▲ -1.21	5904.54	3645.82	32.5	18.0	9.5
Cboe Volatility	15.03	13.88	14.10	-0.50	▲ -3.42	38.57	11.86	11.1	13.3	-21.0

§ Nasdaq PHLX

Sources: FactSet; Dow Jones Market Data

International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World	MSCI ACWI	859.08	1.33	▲ 0.16	18.2
	MSCI ACWI ex-USA	329.75	-1.89	▲ -0.57	4.1
	MSCI World	3790.31	8.52	▲ 0.23	19.6
	MSCI Emerging Markets	1086.93	-5.27	▲ -0.48	6.2
Americas	MSCI AC Americas	2272.78	10.65	▲ 0.47	25.3
Canada	S&P/TSX Comp	25405.14	-5.21	▲ -0.02	21.2
Latin Amer.	MSCI EM Latin America	2074.93	-9.45	▲ -0.45	-22.1
Brazil	Bovespa	129922.38	886.28	▲ 0.69	-3.2
Chile	S&P/IPSMA	3546.42	4.94	▲ 0.14	2.3
Mexico	S&P/BMV IPC	49721.85	-485.33	▲ -0.97	-13.4

Percentage Gainers...

Company	Symbol	Volume (000)	Latest	Session % chg	After Hours High	Low
SPDR S&P 500 ETF Trust	SPY	8,674.2	600.96	0.31	0.05	601.30
Tapestry	TPR	7,647.6	61.24	0.18	0.29	61.25
NVIDIA	NVDA	7,633.9	136.35	-0.57	-0.42	104.34
Cinemark Holdings	CNC	5,150.9	32.84	...	unch.	32.84
iShares Global Infra	IGF	4,760.2	55.36	0.11	0.19	55.36
Intel	INTC	4,677.3	23.92	-0.13	-0.54	24.91
Dell Technologies C1 C	DELL	4,631.5	127.50	-14.24	-10.05	125.65
Vale ADR	VALE	4,416.6	9.90	-0.0001	-0.001	9.90

* Volumes of 100,000 shares or more are rounded to the nearest thousand

† Common stocks priced at \$2 a share or more with an average volume over 65 trading days of at least 5,000 shares. ‡ Has traded fewer than 65 days

§ Primary market NYSE, NYSE Arca, NYSE Amer. NYSE Arca only.

COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Interest
Copper-High (CMX)-25,000 lbs-\$ per lb.							
Nov 4,0395 4,0900	4,0365	4,0390	-0.0525	492			
March'25 4,1655 4,1785	4,1035	4,1185	-0.0405	115,433			
Gold (CMX)-100 troy oz-\$ per troy oz.							
Nov 2625,60 2625,60	2625,60	2620,30	3,50	856			
Dec 2626,20 2624,70	2605,70	2621,30	2,80	75,882			
Jan'25 2638,70 2655,50	2618,50	2644,40	3,80	1,053			
Feb 2650,90 2667,30	2629,70	2646,30	3,70	312,553			
April 2673,00 2687,60	2652,50	2667,20	3,80	42,65			
June 2694,60 2708,60	2674,20	2688,90	3,90	30,143			
Palladium (NYM)-50 troy oz-\$ per troy oz.							
Nov 1025,00 1040,00	1018,00	987,20	7,40	1			
March'25 987,50 1009,50	978,00	996,80	6,30	13,921			
Platinum (NYM)-50 troy oz-\$ per troy oz.							
Nov 979,80 979,80	979,80	923,30	-15,50	7			
Jan'25 944,50 945,70	928,30	929,00	-14,60	75,924			
Silver (CMX)-5,000 troy oz-\$ per troy oz.							
Nov 30,815 30,815	30,345	30,388	0,178	12			
March'25 30,770 31,170	30,455	30,832	0,171	95,354			
Crude Oil, Light Sweet (NYM)-1,000 bbls-\$ per bbl.							
Jan 69,08 70,30	68,05	68,77	-0,17	335,805			
Feb 68,70 69,91	67,73	68,44	-0,14	159,762			
March 68,39 69,60	67,50	68,20	-0,11	168,217			
April 68,23 69,40	67,36	68,03	-0,10	90,025			
June 67,79 69,06	67,10	67,75	-0,08	152,732			
Dec 66,56 67,74	66,04	67,44	0,02	154,803			
NY Harbor ULSD (NYM)-42,000 gal-\$ per gal.							
Dec 2,2425 2,2891	2,2197	2,2404	0,051	23,618			
Jan'25 2,2518 2,2979	2,2271	2,2477	0,036	117,519			
Gasoline-NY RBOB (NYM)-42,000 gal-\$ per gal.							
Dec 2,0000 2,0370	1,9757	1,9918	-0,087	26,040			
Jan'25 1,9523 1,9907	1,9325	1,9485	-0,027	133,277			
Natural Gas (NYM)-10,000 MMBtu-\$ per MMbtu							
Dec 3,330 3,500	3,255	3,431	,062	2,198			
Jan'25 3,434 3,528	3,390	3,467	,024	314,592			
Feb 3,267 3,367	3,238	3,311	,035	139,397			
March 2,984 3,079	2,958	3,040	,045	255,456			
April 2,939 3,028	2,923	2,996	,040	113,542			
Oct 3,426 3,503	3,418	3,485	,032	101,580			

Cash Prices | wsj.com/market-data/commodities

Tuesday, November 26, 2024

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Tuesday	Tuesday	Tuesday
Energy		
Coal,CApLc,12500Btu125S02-r,w	78,650	
Coal,PwdrRvrBsn,880Btu08S02-r,w	14,050	
Metals		
Gold, per troy oz		
Engelhard industrial	2627,00	
Handy & Harman base	2622,10	
Handy & Harman fabricated	29,053	
LBMA Gold Price AM	*2670,40	
LBMA Gold Price PM	*2635,40	
Kruegerand,wholesale-e	2732,40	
Maple Leaf-e	2758,51	
American Eagle-e	2758,51	
Mexican peso-e	3175,55	
Austria crown-e	2578,13	
Austria phil-e	2758,51	
Silver, troy oz.		
Engelhard industrial	30,500	
Handy & Harman base	30,5150	
Handy & Harman fabricated	38,1400	
LBMA spot price	*24,5000	
(U.S.\$ equivalent)	*30,7900	
Coin,wholesale \$1,000 face-a	25182	
Other metals		
LBMA Platinum Price PM	*95,020	
LBMA Palladium Price PM	*99,000	
Platinum,Engelhard industrial	935,0	
Palladium,Engelhard industrial	995,0	
Aluminum, LME, \$ per metric ton	*2616,00	
Fibers and Textiles		
BBL Lithium Carbonate,EWX China,-99.2%-v,w	10700	
BBL Lithium Hydroxide,EWX China,-56.5%-v,w	9325	
BBL Cobalt sulphate,EWX China,-20.5%-v,w	3726	
BBL Nickel Sulphate,EWX China,-22%-v,w	3737	
BBL Flake Graphite,FOB China,100 Mesh,94.95%-v,w	460	
Grains and Feeds		
Bran,wheat middlings,KC-u,w	136	
Corn No. 2 yellow,Cent IL-bp,u	3,9700	
Corn gluten feed,Midwest-u,w	119,2	
Cottonseed meal,Midwest-u,w	458,9	
Cooktop,A'-Index-t	*81,10	
Hides,hvy native steers piece fob-u	n.a.	
Wool,64s,staple,Terr del-u,w	n.a.	
Food		
Beef,carcass equiv.index choice 1-3,600-900 lbs-u	291,36	
select 1-3,600-900 lbs-u	258,36	
Broilers,National comp wtd,avg-u,w	1,2807	
Butter,AA Chicago-d	2,4850	
Cheddar cheese,bk,Chicago-d	164,00	
Cheddar cheese,bk,Chicago-d	169,50	
Milk,fatdry,Chicago,bd	139,00	
Coffee,Brazilian,Comp-y	3,1082	
Coffee,Colombian,NY-y	3,2940	
Eggs,large white,Chicago-u	4,0850	
Flour,hard winter,KC-p	15,20	
Hams,17-20 lbs,Mid-US,fob-u	n.a.	
Hogs,Iowa-No. So. Minnesota	83,81	
Pork bellies,12-14 lb Mid-US-u	1,7154	
Pork loins,13-19 lb Mid-US-u	1,0214	
Steers,Tex-Oka,Choice-u	n.a.	
Steers,feeder,Oka,City-u,w	301,25	
Fats and Oils		
Degummed Corn oil,crude wtd,avg-u,w	n.a.	
Rice,Long Grain,Milled,No. 2 AR,u,w	35,25	
Sorghum,Milo,No 2 Gulp-u,w	n.a.	
Lard,Chicago-u	n.a.	
Soybean oil,crude,Cent IL-u,w	0,4293	
Tallow,bleach,Chicago-h	0,4450	
Tallow,edible,Chicago-u	n.a.	
Beefs,Carcass equiv. index choice 1-3,600-900 lbs-u		
select 1-3,600-900 lbs-u	291,36	
Broilers,National comp wtd,avg-u,w	1,2807	
Butter,AA Chicago-d	2,4850	
Cheddar cheese,bk,Chicago-d	164,00	
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Sorghum,Milo,No 2 Gulp-u,w	n.a.	
Lard,Chicago-u	n.a.	
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Steers,Tex-Oka,Choice-u	n.a.	
Steers,feeder,Oka,City-u,w	301,25	
Fats and Oils		
Degummed Corn oil,crude wtd,avg-u,w	n.a.	
Rice,Long Grain,Milled,No. 2 AR,u,w	35,25	
Sorghum,Milo,No 2 Gulp-u,w	n.a.	
Lard,Chicago-u</td		

MARKETS

Trump Tariff Threat Stirs Some Markets

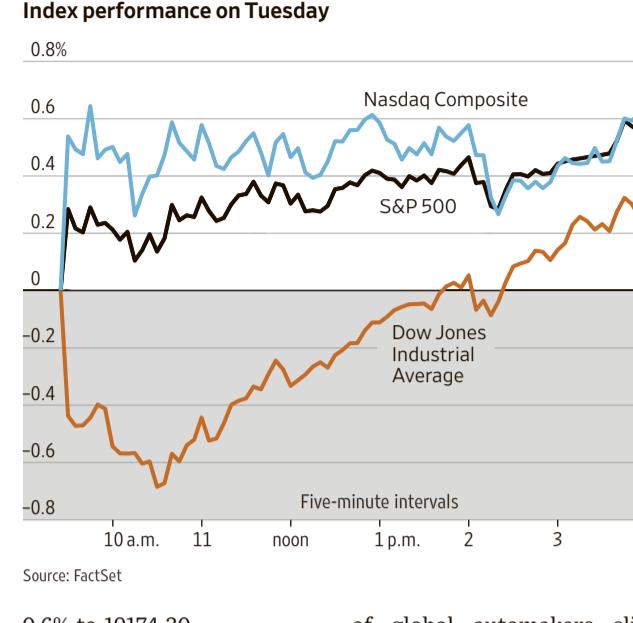
Mexican peso and Canadian dollar weaken vs. U.S. dollar after levies pledge

U.S. markets largely shrugged off President-elect Donald Trump's latest tariff threat.

Stock indexes rose after Trump said he would impose a 25% tariff on imports from Mexico and Canada on his first day in office and levy additional tariffs of 10% on Chinese imports.

Treasury yields were modestly higher, after falling sharply Monday.

Stock indexes rose. The S&P 500 and the Dow Jones Industrial Average notched records, with the S&P rising 0.6% to 6021.63 and the Dow increasing 0.3% to 44860.31. The Nasdaq Composite gained



0.6% to 19174.30.

Trump's tariff threat was felt in specific corners of the market. The Canadian dollar and Mexico peso both fell against the greenback. Shares

of global automakers slid, with traders assessing the impact on their supply chains.

Trump's warning revived memories of his previous term in office, when his tariff ultimatum

periodically stoked fears of trade wars and unnerved markets. Investors, though, are now largely taking a wait-and-see approach to his trade policy, wagering that he won't come close to following through on all his warnings.

Traders are also parsing a written account of the Fed's Nov. 6-7 meeting. The meeting summary showed that Fed officials discussed potentially slowing down or pausing interest-rate cuts if progress on lowering inflation stalled out.

Patricia Zobel, head of macroeconomic research and market strategy for Guggenheim Investments, said the Fed's next rate decision will likely be determined by coming inflation reports.

"If those reports came in somewhat elevated, it makes it a more challenging decision and it's more likely they would push off the next rate cut," said Zobel, a former executive at the New York Fed.

Elsewhere:

◆ U.S. Treasury yields edged up. The yield on the 10-year note settled at 4.301%, having climbed back above the 2-year yield.

◆ Bitcoin traded around \$91,000, continuing to edge lower after the cryptocurrency neared the \$100,000 mark last week.

—Sam Goldfarb,
Vicky Ge Huang
and Joe Wallace

STOCK SPOTLIGHT

Ford, General Motors, Stellantis and Nissan

Automotive stocks fell in response to President-elect Donald Trump's threat of tariffs on goods from Mexico, where many carmakers have large factories. Ford dropped 2.6%, GM declined 9%, Stellantis's U.S.-listed shares lost 5.7% and Nissan's stock fell 3.6%.

HP

The company's shares fell more than 7% in after-hours trading after the company released earnings.

CrowdStrike

The stock edged more than 2% lower after reporting results following the closing.

Kohl's

Shares decreased 17% after the department-store chain reported a decline in sales and named its third chief executive in three years.

Abercrombie & Fitch, Best Buy, Burlington Stores and Dick's Sporting Goods

Retailers Abercrombie & Fitch, Best Buy and Burlington sank 5.1%, 4.9% and 1.6%, respectively, after the companies reported results. Shares in Dick's edged 1.4% lower despite the company boosting annual guidance.

Zoom Communications

Shares dropped 6.3%, despite the videoconferencing company beating analyst expectations for quarterly profit and revenue.

Eli Lilly and Novo Nordisk

The Biden administration proposed Medicare and Medicaid pay for obesity drugs for more Americans. Shares of the companies behind the drugs gained 4.6% and 1.5%, respectively.

Amgen

Stock in the biotech dropped 4.8% on disappointment about its obesity-drug candidate.

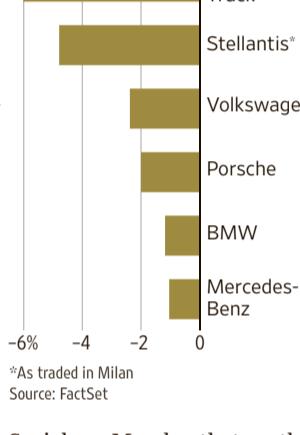
European Carmakers Fall Amid Trade Concerns

By CHRISTIAN MOESS LAURSEN



Stellantis was among the automakers who saw shares drop.

Share performance of European carmakers on Tuesday



the German truck maker's revenue last year came from U.S. sales.

Shares in **Porsche** and Volkswagen-owned commercial-vehicle maker **Traton** were down 2% and around 4%, respectively.

Shares in **BMW** decreased about 1.2%. **Renault** currently doesn't have exposure to the U.S.

Trump said in a post on his social-media platform, Truth Social, on Monday that on the first day of his presidency he would charge Mexico and Canada a 25% tariff on all products coming into the U.S. and an additional 10% tariff on products from China.

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FINANCIAL ANALYSIS & COMMENTARY

Remodeling Freeze Is Slow to Thaw

Rate expectations need to stabilize for demand for home-improvement projects to rebound

Americans' \$35 trillion home-equity stash is a potential treasure trove for home-improvement retailers, if only stubbornly high borrowing costs would come down.

Home-improvement retailers had been eagerly anticipating interest-rate cuts, confident they would unlock the housing market and demand for expensive projects. But rate cuts thus far haven't translated to lower mortgage rates, and home-equity lines of credit don't look enticing yet.

While the Fed cut rates by a half point in September, and then a further quarter point this month, mortgage rates have actually been increasing since late September. That is because fixed-rate mortgage rates are influenced by longer-term Treasury yields, which jumped after Election Day on expectations that deficits would rise under President-elect Donald Trump.

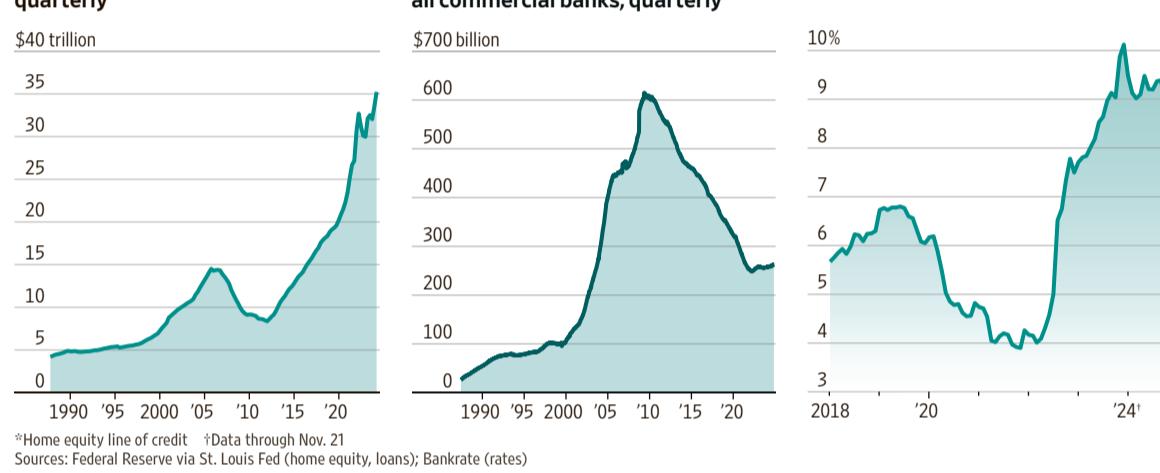
Rates fell back on Monday after the nomination of Scott Bessent as the next Treasury secretary reassured markets, with the 10-year Treasury yield ending the day at 4.26%, similar to where it traded before the election. But that is still up from 3.62% in mid-September.

Still-high mortgage rates are in turn putting a damper on home buying, typically a big occasion for home-improvement spending. In an earnings call this month, **Home Depot** Chief Executive Ted Decker said housing turnover stands at roughly 3%, a 40-year low. Historically, that number has been closer to 4.5% to 5%. Existing-home sales did rise in October compared with a year earlier, but largely thanks to 30-year mortgage rates declining to about 6.1% in late September. Rates have since jumped back to roughly 6.8%.

Rates on home-equity lines of credit, a type of loan homeowners typically tap for big-ticket projects, more closely track the Fed's moves. Those rates hit 10% in December and have since declined to about 8.6% so far in November, ac-



Rates on home-equity lines of credit are putting a drag on home-improvement spending.



cording to data from Bankrate. But they still remain high relative to recent history: Rates were closer to 6% between 2018 and 2019.

That is putting a drag on home-improvement spending. Home Depot said there has been less de-

mand for larger projects—such as kitchen and bathroom remodels—where customers would typically use financing. The retailer said comparable sales of transactions over \$1,000 fell 6.8% in its quarter ended Oct. 27, compared with a

year earlier. Likewise, **Lowe's** said in its earnings call last week that demand for bigger-ticket projects such as flooring, kitchens and baths remained soft.

Home Depot and Lowe's each reported their eighth consecutive

quarters of year-to-year declines in comparable sales. Floor & Decor said comparable-store sales fell 6.4% in its quarter ended Sept. 26, the seventh consecutive quarter of declines.

These retailers still have a stable base of business from repair and maintenance, which typically makes up about two-thirds of home-improvement spending, according to a report from Scot Ciccarelli, equity analyst at Truist Securities. Homes are the oldest they have ever been in the U.S., with the median age at roughly 40 years, about nine years older than in 2005. And, there is only so much holding off households can do on home spending or on moving. Families get bigger, and aging often requires changing home configurations.

In addition to historically low housing turnover, one other indicator also points to pent-up demand: The percentage of gross domestic product that households spent on their homes—including new construction, remodeling and home improvement—has been near 4% this year, below the historical average of 4.5%, according to the report from Truist Securities.

What ultimately unlocks this built-up demand might be some sort of stability around rate expectations, even if that means rates settling at higher levels. There is "so much discussion about where rates are going, and the certainty that they were going down has caused people to wait for that lower rate," Decker said on the earnings call. For the home-improvement industry to grow, rates don't have to "drop quickly and meaningfully," he said. "They just need to stabilize and all the talk of what the Fed is going to do sort of gets out of the national conversation."

Besides the Fed, add discussion as well of Trump's future policies and how those will affect borrowing costs. Home-improvement demand could remain in a deep freeze for some time. —*Jinjoo Lee*

How Trump's Mexico, China Tariff Threats Ricochet Into Europe

Donald Trump's first big post-election tariff threats didn't target Europe, but there are few scenarios in which its economy emerges unscathed.

Carmakers led the fall in European stocks Tuesday, after the president-elect said he would slap a 25% tariff on all imports from Canada

and Mexico, on top of an extra 10% one on Chinese goods. Stellantis, Daimler Truck and Volkswagen were among the biggest losers.

Regardless of whether Trump ends up targeting the European Union directly, extra levies on Mexican or Chinese imports will have an impact.

In the case of China, Beijing could respond by exporting more to Europe instead of the U.S. Meantime, several big European and Asian automakers use factories in Mexico to manufacture cars aimed at the U.S. market. Volkswagen builds its bestselling Tiguan and Jetta models in

Puebla, and the premium Audi Q5 close by. Similarly, BMW and Stellantis have big factories in Mexico.

To be sure, many U.S. companies also manufacture in Mexico for their domestic market, including Ford and General Motors, due to the trade agreement signed by Trump in 2019. This will be re-

viewed in 2026 amid the threat that Chinese automakers are also betting on Mexico as a gateway into the rest of North America.

Regardless of how American companies ultimately fare, foreign ones may struggle to exploit this loophole for long.

—*Jon Sindreu*



Kadokawa is perhaps best known outside of Japan for FromSoftware, the game developer behind smash hit 'Elden Ring.'

Sony Looks to Expand Reach in Anime, Gaming

Sony is pressing the start button on a potential game-changing acquisition that could rewrite its playbook.

The entertainment company is exploring an buyout of Japanese media company **Kadokawa**, according to Reuters. Kadokawa confirmed it received an initial letter of intent to buy the company but hasn't made up its mind yet. Sony didn't respond to a request for comment.

Kadokawa is perhaps best known outside of Japan for FromSoftware, the game developer behind smash hit "Elden Ring." The game, set in a fantasy medieval realm, has

sold 25 million copies since its launch in 2022. George R.R. Martin, the author of the fantasy book series behind "Game of Thrones," helped develop its back stories and characters. A new expansion of the game got off to a flying start after coming to the market in June, selling five million copies in the first three days.

Sony hasn't released any major new videogame titles from its own studios this fiscal year ending March. Bringing FromSoftware into the fold would certainly beef up its lineup of big-budget titles, or AAA games. Sony already

has a 14% stake in FromSoftware, while Kadokawa owns 70% of the game studio.

But Sony's ambitions go beyond just gaming. In the domestic market, Kadokawa is also a publisher of novels and Manga—Japanese graphic novels.

That fits nicely into Sony's anime strategy. The company owns Crunchyroll, an animation streaming service with more than 15 million subscribers. It also owns animation production and distribution company Aniplex.

Adding Kadokawa's original content would create a vertically integrated powerhouse

in anime to meet rising global appetite for the hot Japanese cultural export.

The overseas market for anime has grown at an average annual rate of 20% in the past 10 years, according to Jefferies. Some of Kadokawa's content has aired on global streaming platforms. Its fantasy comedy manga "Delicious in Dungeon," for example, has been turned into an anime series on Netflix this year, with a second season in production.

For Sony, this potential acquisition would be a level-up in the entertainment world.

—*Jacky Wong*

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