

THE WALL STREET JOURNAL.

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DJIA 44713.58 ▲ 289.33 0.65%

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What's News

Business & Finance

◆ **Financial markets** swooned at the emergence of a dark-horse power in artificial intelligence, which sent shares of Nvidia down 17% and posed a fresh threat to the multitrillion-dollar boom in the U.S. tech sector. The S&P 500 and Nasdaq slid 1.5% and 31%, respectively, while the Dow rose 0.7%. **A1, A4**

◆ **The Senate confirmed** Scott Bessent as treasury secretary, putting the longtime investor at the center of Trump's efforts to cut taxes, fight inflation and impose stiff tariffs on imports. **A2**

◆ **Vanke, regarded as** among the more prudent of China's big property developers, warned of a multibillion-dollar loss and accepted the resignations of its chairman and CEO. **B1**

◆ **Tesla and BMW** sued the European Commission, joining a growing band of automakers manufacturing in China to oppose the EU for its punitive tariffs on electric vehicles. **B1**

◆ **Workers at a Philadelphia Whole Foods Market** voted to form a union, the first time employees of the Amazon-owned grocer have organized in decades. **B1**

◆ **Tech investor and LinkedIn co-founder Reid Hoffman** joined researcher Siddhartha Mukherjee to launch an AI drug-discovery startup with \$24.6 million of initial funding. **B3**

◆ **Shares of Universal Music** rose 7.4% in Amsterdam after it said it signed an agreement for recorded music and music publishing with Spotify. **B4**

◆ **Ryanair said it expects** to fly fewer passengers in fiscal 2026 than hoped for, again cutting its passenger-growth target due to delays in the delivery of Boeing planes. **B3**

World-Wide

◆ **The Trump-era Justice Department** fired more than a dozen lawyers who worked on special counsel Jack Smith's two prosecutions of the president, while a Trump appointee opened an internal review of the department's decision to charge hundreds of Jan. 6 defendants with felony obstruction offenses in connection with the Capitol attack. **A1**

◆ **Tens of thousands of Palestinians** began returning to northern Gaza after Hamas agreed to release more hostages than expected to maintain its cease-fire with Israel. **A11**

◆ **Some of the Israeli women** released by Hamas over the past two weeks still had shrapnel in their bodies from untreated wounds they suffered in the attack on Oct. 7, 2023, an Israeli medical official said. **A10**

◆ **A Trump administration** order pausing almost all foreign aid has left counterterrorism training in Somalia, HIV treatment in Uganda and many more overseas assistance programs in limbo. **A8**

◆ **The White House** told executive departments and agencies to broadly pause federal grants, loans and other financial assistance programs pending a review by the administration. **A8**

◆ **Arrests of immigrants** in the U.S. illegally are ramping up, government data show, with ICE making nearly 1,200 arrests on Sunday and just under 1,000 on Saturday. **A3**

◆ **NATO mounted its** first coordinated response to a suspected sabotage campaign against critical infrastructure, after another underwater data cable was severed in the Baltic Sea. **A12**

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DeepSeek Flips Script on AI

Chinese dark horse emerges, threatening a market darling and other big tech stocks

For two years, markets' belief that the rise of artificial intelligence would usher in a new

By Gunjan Banerji,
Asa Fitch
and Karen Langley

era of productivity growth has fueled trillions of dollars in stock-market gains.

Nvidia, the maker of the computer chips at the heart of

the AI boom, has been in the vanguard of this advance. Wall Street has perceived the company to have an almost unreachable defense against competition with its offerings of high-tech chips. The company's rapid growth and windfall profits have helped push other technology firms and the Nasdaq Composite Index to record after record, with giddy investors expecting more of the same down the road.

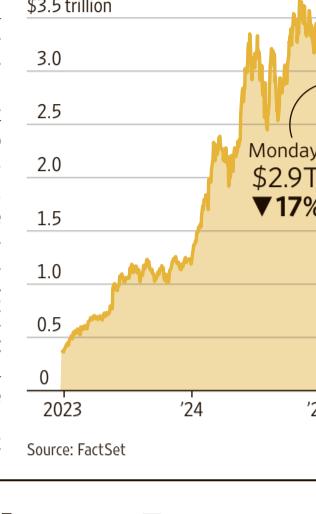
On Monday, the mood turned sour. DeepSeek, a dark-horse power in artificial intelligence, emerged from China. That rattled big tech stocks, led by a plunge of almost \$600 billion in

Nvidia, which only last week was the world's most valuable company. Nvidia's fall marked the largest one-day loss in market value for any public company.

DeepSeek released last week an AI model that appeared to perform on par with a cutting-edge counterpart from OpenAI, the U.S. firm at the heart of the AI craze. The twist: Creative engineering tricks meant DeepSeek needed far less computing power. The upshot is that AI models of the future might not require as many high-end Nvidia chips as investors have counted on.

Please turn to page A4

Nvidia market value



Source: FactSet

Market Plunges As China Firm Stirs Worries

Fresh threat to AI in the U.S. wipes out about a trillion dollars from stock market

Financial markets swooned on Monday at the emergence of a dark-horse power in artificial intelligence, sending shares of AI-darling Nvidia down 17% and posing a fresh threat to the multitrillion-dollar boom in the U.S. tech sector.

By Gunjan Banerji,
Asa Fitch, and
Alexander Osipovich

The development wiped out more than \$590 billion from Nvidia's market value and tarnished one of the stock market's brightest stars.

Shares of OpenAI backer Microsoft fell 2.1%. Casualties of the sell-off extended to the energy sector, including electricity generators whose shares had rallied on expectations of surging demand from data centers serving the AI revolution. Constellation Energy shares dropped 21%, GE Vernova shares fell 21%, and Vistra shed 28%.

In all, Monday's market bloodbath wiped out some \$1 trillion from the stock market's value, according to Dow Jones Market Data.

The furor centers on a Chinese company, DeepSeek, which released an AI model last week that appeared was particularly good at problem solving, performing on par with a counterpart from OpenAI.

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◆ Heard on the Street: U.S. AI titans won't sink..... B9

Eighty Years Later, Death Camp Survivors Return



NEVER FORGET: Holocaust survivor Stanislaw Zalewski attends a ceremony Monday at Auschwitz-Birkenau in Poland to mark 80 years since the 1945 liberation of the Nazi concentration camp, where some 1.1 million people were murdered. **A20**

No Plan B for Broken German Economy

Export-reliant nation faces slowing China trade, U.S. tariff threats

By TOM FAIRLESS
AND BERTRAND BENOIT

INGOLSTADT, Germany—Christian Scharpf, the mayor of this city of 140,000, Germany's second richest, is looking for ways to save close to €100 million.

Carmaker Audi, headquartered here near the Danube river, used to pump over €100 million a year in municipal tax into Ingolstadt's coffers through its parent, Volks-

wagen, but those flows dried up over a year ago. Audi in November reported a 91% decline in operating profit for the three months through September and has been cutting thousands of jobs in Germany.

Audi's business in China, where Germany's flagship car industry used to make a big chunk of its sales and an even bigger chunk of profits, shrank by a quarter in the nine months through September

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INSIDE



JASON GAY

Birds vs. behemoth:
Do the Eagles have
a chance against
the Chiefs? **A16**

PERSONAL JOURNAL

Tax season has arrived
—here are key changes
to consider before filing
your 2024 return. **A13**

DOJ Fires Lawyers On Two Trump Cases

By C. RYAN BARBER
AND SADIE GURMAN

The Trump-era Justice Department on Monday fired more than a dozen lawyers who worked on special counsel Jack Smith's two prosecutions of the president, while a Trump appointee opened an internal review of the department's decision to charge hundreds of Jan. 6 defendants with felony obstruction of justice in connection with the Capitol attack.

Together, the moves escalated the Trump administration's planned shake-up at the department and signaled its

eagerness to swing back at people Trump believes targeted him unfairly during the Biden era.

Acting Attorney General James McHenry fired the prosecutors because "he did not believe these officials could be trusted to faithfully implement the president's agenda because of their significant role in prosecuting the president," a Justice Department official said.

Ed Martin, the interim U.S. attorney in Washington, is leading the review of Jan. 6 prosecutions, according to people familiar with the matter.

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Gazans Survey Damage After Cease-Fire Deal

When a cease-fire took effect in Gaza earlier this month, Ibrahim Raba'a went back to Jabalia—the scene of rounds of intense fighting between Palestinian militant group Hamas and the Israeli military—to see what had become of his home.

By Abeer Ayyoub,
Jared Malsin
and Anat Peled

"I was shocked by what I saw. The whole area is destroyed," said Raba'a, 35 years old. The apartment building that housed his extended family had been reduced to rubble, he said, and the small coffee shop he ran was badly damaged and filled with sand.

Across swaths of the Gaza Strip, the extent of destruction from 15 months of war is so vast that many Palestinians, able to survey the damage for the first time since the fighting stopped, said they

don't think they will be able to return to their homes soon.

Entire neighborhoods have been flattened. There is no running water or electricity in much of the strip. Many dead bodies are believed buried under collapsed buildings. In parts of Jabalia, the landscape was so strewn with debris that it was difficult to find a place to pitch a tent, residents seeking to return said.

The scale of the damage will weigh heavily on efforts to rebuild in the Gaza Strip and likely cast a long shadow over post-war recovery for the Palestinian enclave. If and when there is a durable peace, the challenge of reconstruction in Gaza will rival that of any battlefield in the recent

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U.S. NEWS

Downtown Return Lifts D.C.

Trump's sending federal workers back to area is welcome news for economy

BY RACHEL LOUISE ENSIGN

WASHINGTON—President Trump last week ordered thousands of federal employees back to their Washington, D.C., offices five days a week, drawing angry resistance from workers. But it was welcome news for a downtown economy that is a shadow of its pre-pandemic self.

Businesses that once catered to workers are still closed. Office cafeterias that used to be packed remain half-empty. By late afternoon, finding a place that sells coffee can feel like a lost cause.

Mike Chang, who owns two shops that sell snacks and gifts in the federal Ronald Reagan Building and International Trade Center, is already seeing a change. Last week, some office workers came in whom he hasn't seen since before the pandemic.

"They said they didn't like it but they have to come in," Chang said.

Washington has long prided itself on its highly educated workforce, but that proved to be a liability after Covid. Those kinds of white-collar employees were able to go home when lockdowns started, and many never returned—at least not five days a week.

"We don't have oil, we don't have manufacturing," said

Yesim Sayin, executive director of the D.C. Policy Center, a research group. "What we sell is space."

Washington is far from sliding into a "doom loop," like St. Louis and other places. Still, the sharp decrease in workers changed the fabric of daily life in the capital.

Trump's executive order directs agency heads to "as soon as practicable, take all necessary steps to terminate remote work." Local officials are hopeful about the effort.

Other Trump measures, meanwhile, could weigh on the local economy. The administration is considering selling two-thirds of the federal government's office stock to the private sector, which could further drag down property values, The Wall Street Journal reported. And Trump's promised cuts to the federal budget could leave some residents jobless.

The city's office-vacancy rate stands at 17%, up from about 11% in 2019 before the pandemic struck, according to CoStar. (It doesn't include data from some federal buildings.) Vacancies have continued climbing as tenants downsize when their leases come up for renewal. The vacancy rate is about 14% nationwide.

"None of us have gone through a contraction of office demand quite like this in our careers," said Glen Lee, the city's chief financial officer. It isn't clear if federal workers returning to the office will change that trajectory. "It's really too early to tell," said Melina Duggal, senior director of

Washington, D.C., office-vacancy rate



market analytics in Washington for CoStar.

Local chef Johnny Spero says he thought opening a restaurant for downtown workers would be his ticket to success. "The idea was, if you want to make money you have to be close to the federal government and everything that's there," he said.

Banking on workers' return, he signed a deal in the depths of the pandemic to open a 6,500-square-foot Basque-inspired restaurant in a new complex of office buildings called Capitol Crossing. But continued Covid measures and equipment delays delayed Bar Spero's opening to 2022.

By the time the restaurant opened, the cost of food and labor had climbed much higher. He was barely breaking even on a \$116 Turbot fish entree for two to four people. The workers he expected to make up a good portion of the clientele

were scarce. The office buildings are 50% leased, said Jones Lang LaSalle, the company handling the leasing.

He closed Bar Spero in September. "There weren't enough people," he said. "We banked on D.C. coming back."

Lobbyist Jennifer Bernstein used to be at her desk by 8:30 a.m. five days a week. Now, she works from home in Northern Virginia three days a week.

A few weeks ago, she was in her office near Capitol Hill and wanted to get a coffee around 3 p.m. But there was nowhere to go. All the coffee shops nearby shut down, and the one in her office building now closes earlier than it used to.

With the Trump return-to-office order, she is bracing for more traffic on the days she commutes. But she isn't sure it will be enough to revive the coffee scene.

For private-sector workers, at least, she said, "It's not like you can wave a magic wand and make things go back to what they were."

Washington boomed in the two decades before the pandemic. The top four large U.S. counties for overall investment per household between 2010 and 2020 were all in the Washington metro area, according to an Urban Institute analysis.

The metric includes mortgages to buy single-family homes and loans to small businesses. The area's cost of living soared, too. Washington experienced the most intense gentrification of any place in the country between 2000 and 2016.

Bessent Confirmed To Lead Treasury

BY BRIAN SCHWARTZ

WASHINGTON—The Senate on Monday confirmed Scott Bessent as treasury secretary, putting the longtime investor at the center of President Trump's efforts to cut taxes, fight inflation and impose stiff tariffs on imports.

The Senate approved Bessent's nomination in a 68-29 vote.

The Treasury Department is the premier economic policy-making agency in the federal government. It implements tax policy, manages the nation's debt, leads financial regulators, controls sanctions and conducts economic diplomacy.

Bessent is expected to oversee Trump's push to extend the tax cuts that Republicans enacted in 2017; many are set to expire at year's end. Failing to extend the tax cuts, he argued at his confirmation hearing earlier this month, would have devastating consequences for small businesses and many households.

While the U.S. trade representative and the commerce secretary will take the lead on tariffs, Bessent also is expected to be a key player in the behind-the-scenes discussions about how aggressive the levies should be. Since taking office, Trump has threatened to impose tariffs on Canada, Mexico, China and Russia.

As Treasury secretary, Bessent will be involved in discussions about raising the nation's debt ceiling, which must be adjusted regularly to allow the U.S. to continue paying its creditors and avoid default. He also will oversee the Internal Revenue Service.

Bessent is the founder of investment firm Key Square Capital Management. He was chief investment officer at George Soros's Soros Fund Management from 2011 to 2015. The 62-year-old South Carolina native will become the country's highest-ranking openly gay federal-government official.

Bessent is part of a nascent second-term economic team made up of wealthy businessmen, Wall Street veterans and hard-line advocates of aggressive trade policies, whose differing world views could lead to disagreements about how Trump implements his agenda.



SCOTT BESENT

TOM WILLIAMS/CORBIS/ALAMY PRESS



Super Bowl Footballs Prepped for Game Day

STAR TURN: Footballs were gathered, emblazoned and laced up Monday at a Wilson Sporting Goods factory in Ada, Ohio, before being shipped to their final destination in New Orleans.

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New Voters on Fed Rates to Make Voices Heard

BY MATT GROSSMAN

The new group of voters on the Federal Reserve's policy committee in 2025 consists of an official seen as one of the system's most dovish, as well as a centrist and two new faces who could bring a more stringent anti-inflation perspective.

That could mean less consensus behind the scenes as the central bank picks its way through a challenging economic outlook.

Their work starts Tuesday, when the Fed's first policy meeting of 2025 convenes ahead of Wednesday's decision on interest rates. Traders overwhelmingly expect the Fed to hold rates steady.

Each year, four leaders from a rotating set of 11 of the Fed's regional reserve banks take a turn voting on monetary policy. They deliberate alongside Chair Jerome Powell, the Fed's six other Washington-based governors and the head of the New York Fed, who has a permanent vote.

"Overall, you'll have a pretty ideologically diverse group this year, and against a complicated macro backdrop, there's room for more disagreement," said Matthew Luzzetti, an economist at Deutsche Bank.

Whether that translates into more official dissent remains to be seen.

If the Fed pauses its recent series of cuts to hold rates constant for much of 2025, as some investors now expect, Fed voters might feel little reason to speak out against a patient approach. But if stubborn inflation or a weakening labor market pushes the Fed to act, forging consensus could be harder.

Fresh faces

Fed watchers will be keen to see how two new faces handle the task. Neither Alberto Musalem, of the St. Louis Fed, nor the Kansas City Fed's Jeffrey Schmid has previously held a voting seat.

Musalem has tended to emphasize the importance of getting inflation back to the Fed's 2% target, a hint he might take a hard line against rising prices this year. Ahead of the Fed's third-straight rate cut in December, he said it should have a "patient and careful approach" to additional easing. Earlier this month, he told The Wall Street Journal he had been concerned inflation could get stuck above 2.5%.

William Dudley, the former New York Fed president who

brought on Musalem as an adviser, praised Musalem's preparedness and cautioned against prejudging his approach. "I never really considered myself dovish or hawkish, and I think Alberto would be somewhat like me on that front," Dudley said.

Schmid, for his part, has deep roots in banking. He started his career with the Federal Deposit Insurance Corp., then worked his way up as a banker.

Schmid has said the Fed should be hesitant to continue cutting rates further, given persistent inflation. "I am in favor of adjusting policy gradually going forward and only in response to a sustained change in the tone of the data," he said in a speech earlier this month. "The strength of the economy allows us to be patient."

Old hands

Austan Goolsbee, president of the Chicago Fed, recently got a gift from a colleague. Cleveland Fed President Beth Hammack, whose 2024 vote rotates away this month, presented him with a track-and-field baton to mark the transition.

Fed watchers expect that Goolsbee's voice on the committee could be sharply dis-

tinct from Hammack's. As a new voter herself last year, Hammack raised a hawkish dissent against the Fed's December rate cut.

Goolsbee, a former Obama administration official and economics professor, is often seen as one of the committee's strongest advocates for a laxer policy stance. In September 2023, for example, he suggested that inflation had been in large part caused by Covid-era supply disruptions, and that by responding too aggressively with high interest rates, the Fed would risk causing an unnecessary recession.

In a Wall Street Journal interview this month, Goolsbee said that labor-market weakening hasn't been as rapid as feared. That could allow for more patience on rate cuts.

Finally, Boston Fed President Susan Collins is widely viewed as a centrist voter. Before taking the reins of the reserve bank in 2022, she spent most of her career in academia, including as provost at the University of Michigan.

Earlier this month, Collins said her views align with the median projections issued by her Fed colleagues, which called for two further quarter-point rate cuts in 2025.

ECONOMY
New-Home Sales Rose in December

Americans bought more new homes for a second straight month in December, defying high mortgage rates.

Sales of new single-family homes were up 3.6% from November and 6.7% from a year earlier, at 698,000, the Commerce Department reported Monday. Economists polled by The Wall Street Journal had forecast sales at 671,000, down from November's upwardly revised 674,000.

—Ed Frankl

NEW ENGLAND
Region Rattled By Earthquake

A 3.8-magnitude earthquake centered near the Maine coast shook northern New England on Monday and was felt hundreds of miles away.

The earthquake took place at about 10:22 a.m. and was centered about 6 miles southeast of York Harbor in southern Maine, the U.S. Geological Survey reported.

Officials said it was felt in every New England state and as far away as Pennsylvania.

—Associated Press

U.S. NEWS

Immigrant Arrests Soar at End Of Trump's First Week

By MICHELLE HACKMAN

WASHINGTON—The Trump administration is ramping up arrests of immigrants in the country illegally, government data show.

U.S. Immigration and Customs Enforcement made nearly 1,200 arrests on Sunday and just under 1,000 on Saturday, marking an uptick after arrest numbers in President Trump's first few days in office were roughly in line with daily averages seen under the Biden administration.

ICE arrested approximately 310 people a day during former President Joe Biden's last year in office.

Trump, entering his second week in office, is looking to make early progress on his campaign vow to carry out the largest mass deportation in U.S. history, with his team targeting immigrants in the country illegally with criminal backgrounds, including minor offenses.

The president faced criticism from Democrats last week for publicizing arrests of immigrants with serious criminal histories—even though overall numbers suggested the operations amounted to business as usual.

Over the weekend, senior ICE officials told the rank and file that each of the agency's offices will now be responsible for hitting a target of 75 arrests a day, or roughly 1,000 to 1,500 a day across the country, according to two people familiar with the discussions.

Employees were told they would face consequences for poor performance, the people said. Former ICE officials said that the approach, which is rare for the agency, would likely eventually lead officers to pursue more immigrants with no criminal backgrounds, as they are easier to find and arrest.

The Washington Post earlier reported the administration implemented new daily arrests targets.

For now, according to people familiar with ICE's operations, the agency is still conducting arrests by pursuing immigrants on so-called target lists of criminals developed by the agency, many of which were made before Trump took office.

Officials have repeatedly warned, however, that if other deportable immigrants are discovered during ICE operations, they would be arrested too. On Sunday, for example, ICE reported taking in 613 people with criminal histories and 566 people with no criminal histories.

Even before data confirmed the uptick in arrests, rumors and fear were rapidly spreading through immigrant communities across the country. Local news reports indicated ICE conducted operations from Denver to the New York City suburbs and even in Puerto Rico.

Employers have reported that some of their immigrant employees have been too scared to show up to work, while store owners have already seen hits to their businesses.

ICE conducted a particularly large operation in Chicago over the weekend, arresting several dozen immigrants in one day. It broadcast the effort through a video posted by Phil McGraw, the former daytime talk show host known as Dr. Phil, who was embedded with officers during the operation.

A handcuffed detainee is seen Monday night after a raid in Silver Spring, Md.

Hegseth Witness Got Assurance From Tillis

Senator said family member's account on abuse could sway nomination vote

By LINDSAY WISE

WASHINGTON—A key witness in the contentious Senate confirmation of Defense Secretary Pete Hegseth was assured by Sen. Thom Tillis (R., N.C.) that her sworn statement would carry weight in last week's vote and could convince Republican senators to oppose the nominee, according to people familiar with the events.

Tillis personally assured Danielle Hegseth in a call on Jan. 19, witnessed by two other people, that if she signed the statement testifying that she believed her former brother-in-law Pete Hegseth has an alcohol abuse problem and was abusive to his second wife, it would carry weight, and potentially move three votes—his own, along with the votes of Sens. Susan Collins (R., Maine) and Lisa Murkowski (R., Alaska), those people said.

On Friday, Tillis became the 50th senator to vote "yes" on Hegseth, clinching his confirmation to lead the Pentagon.

In a statement, Tillis didn't dispute The Wall Street Journal's reporting about the call. He said Danielle Hegseth's statement "did carry weight, which is why I communicated my concerns to the White House and spent days doing my due diligence and seeing if there were any firsthand corroborating accounts of the sworn statement." He continued that he was "not able to speak with anyone who pro-



MARK SCHIEFELBEIN/ASSOCIATED PRESS

Sen. Thom Tillis (R., N.C.) was the 50th vote to confirm Pete Hegseth as defense secretary.

vided firsthand corroboration."

Tillis said he did extensive research including long conversations with Hegseth and his vote "makes it clear where the facts ultimately led," and that he looks forward to working with the new secretary.

In her sworn statement, released last Tuesday, Danielle Hegseth said she had decided to come forward publicly, "at significant personal sacrifice" because she was very concerned about Hegseth leading the U.S. military and "because I have been assured that making this public statement will ensure that certain senators who are still on the fence will vote against Hegseth's confirmation. But for that assurance I would not subject myself or others referred to in this statement to the public scrutiny this statement is likely to cause."

Republicans have a 53-47 majority in the Senate.

On Thursday, Collins and Murkowski both announced they would vote no. Collins's reasoning didn't cite the sworn statement as a reason for her vote. She listed Hegseth's lack of managerial experience, his past comments opposing women in combat, and his comment that he didn't understand the policies the Pentagon is required to follow, including the Geneva Conventions prohibiting torture. Murkowski pointed to concerns about his character, and allegations of financial mismanagement of veterans organizations he led, as well as his statements on women in combat. She said Hegseth wasn't "prepared for such immense responsibility."

The next night, all members of the Democratic caucus voted

no. Collins and Murkowski both voted no, as did Sen. Mitch McConnell (R., Ky.). Tillis then voted "yes" on Hegseth.

Vice President JD Vance broke the 50-50 tie.

After voting, Tillis sat on a desk on the Republican side of the chamber, and spoke intently with Collins and Murkowski, who were seated together in front of him, for several minutes. Collins sat with her arms crossed, listening. Murkowski spoke to Tillis, gesturing emphatically with her hands. When Vance, from the dais, formally announced the results of the vote, most Republican senators applauded. Collins, Murkowski and Tillis didn't.

Several Republicans had expressed doubts about Hegseth after Trump picked him last year. But the tide turned in his favor after meetings with GOP

senators, boosted by a pressure campaign from Trump allies who threatened a primary challenge to Sen. Joni Ernst (R., Iowa) unless she got on board. Tillis is up for re-election next year.

During his confirmation hearing earlier this month, Hegseth said he wasn't perfect but dismissed questions about his character and qualifications as an anonymous smear campaign.

In a statement issued immediately after the vote Friday night, Danielle Hegseth said that she was promised a week earlier that her statement, on the record, would corroborate other accusations and make a difference in key votes. She didn't say who promised her this. "But in the end, it did not," she said. "What happened today will make women who have experienced abuse and mistreatment even less forthcoming."

Danielle Hegseth's sworn statement, made under penalty of perjury, accused Pete Hegseth of alcohol abuse and erratic behavior, and said his ex-wife, Samantha Hegseth, told her that she once hid from Hegseth in a closet because she feared for her personal safety. In a redacted portion, the statement also alleges that Samantha told Danielle that Pete Hegseth had "grabbed her groin without consent."

Court documents from the Hegseths' divorce state that neither claimed to be a victim of domestic abuse. He denies wrongdoing. Samantha Hegseth hasn't responded to requests for comment.

—Nancy A. Youssef and Jack Gillum contributed to this article.



JENNA SCHOENEFELD FOR WSJ (9)

What Six Families Took With Them As They Fled Fires

By JENNA SCHOENEFELD AND ALEXA CORSE

Families fleeing deadly Los Angeles wildfires often had moments to decide what to bring with them. Many never imagined that it would be the last time they saw their homes.

What to grab in the face of danger? There is the practical—passports, Social Security cards and wallets—and the personal. Among the wreckage in the houses that burned were works of art, photographs, musical instruments and heirlooms passed down for generations.

Families who spoke to The Wall Street Journal said they were grateful to be physically safe. Even so, they were struggling to grapple with losing homes, possessions and community spaces curated over decades.

1. **Jordan Gaskins**, 42 years old, and **Lauren Randolph**, 39, rushed to evacuate from Altadena with their children and dog. They grabbed practical items such as a safe with important documents. They also took special sentimental items, including a painting of their wedding, a portrait of Gaskins made by a friend, and a ring containing a stone that belonged to Randolph's grandmother.

The items they brought for their daughters included favorite blankets, toys and a Yoto, an audio player designed for children. Randolph said she asked the girls to each grab a backpack and fill it with items that were meaningful to them.

"We thought we would have

time to come back, so the goal was just to really grab a couple of essentials initially," Gaskins said.

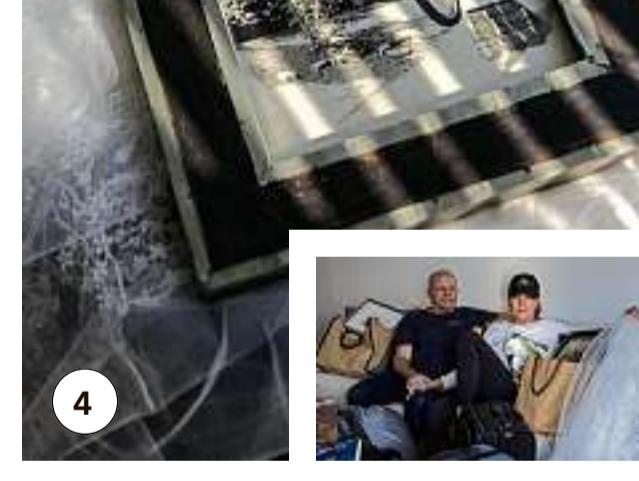
2. **Chris McGhee**, 69, and **Jane Richardson**, 64, described a feeling common among evacuees at the start of the fires: They thought they would get to go back home. "You don't think you're going to lose it all," Richardson said.

McGhee and Richardson packed a number of sentimental items, including photo albums, a rocking horse made by Richardson's father and Christmas decorations. Also among their items was a family heirloom: a chair used by one of McGhee's ancestors that dates back to the Civil War.

The items remind them of their home in Pacific Palisades, where they had lived since 1999. "It's all about the memories you create in the space," McGhee said.

3. **Kamerin Harrell**, 33, a mom of a 2-year-old, said she was woken up during the night by the fire department "yelling for everyone to get out of their homes." She brought her wallet with some basic necessities such as her ID and some cash. "I just grabbed my 2-year-old and got out of there as fast as we could," she said.

4. **Istvan and Sheila Benko** were on a plane coming back from Hawaii when the blazes started. By the time they landed, it was too late to go home to the Pacific Palisades



said the hardest part was losing the community, including gathering places like the school and church and thinking about neighbors scattering to new places. "I would gladly give up my home if we had our village back," she said.

5. **Jill Tabit**, 33, and her husband, **Mark Tabit**, fled their home in Pacific Palisades, she brought essential items like her pass-

port. She also took personal treasures, including some of her journals, and a binder she had filled over the years with photos, poems, articles she wrote, and cards from her children when they were little.

Tabit also brought jewelry, including a charm bracelet from her childhood and pearls from her wedding. "For me, it's not the things so much that are important, but the memories that they evoke," she said.



ALEX BRANDON/AP
A handcuffed detainee is seen Monday night after a raid in Silver Spring, Md.

U.S. NEWS



Anxiety about China's DeepSeek led to a sharp selloff in U.S. tech stocks and major indexes Monday, with the Nasdaq Composite sliding 3.1%.

Market Plunges on AI Worries

Continued from Page One

nAI—the U.S. firm that helped spark the latest AI craze—but at a fraction of the cost per use.

The move sent Wall Street into a tumult. The technology-heavy Nasdaq Composite slid 3.1%. The S&P 500 sank 1.5% after reaching a record last week. The Dow Jones Industrial Average, which is less weighted toward big tech firms, gained 0.7% for the day. Many tech stocks suffered

double-digit losses. Oracle declined 14%. Super Micro Computer, which makes servers used for generative AI, slid 13%. Chip maker Broadcom slumped 17%.

The potential advancement would mean that the AI models of the future might not require as many of the high-end chips supplied largely by Nvidia, one of the darlings of the tech boom of the past five years, as investors have been counting on.

The emergence of DeepSeek is the largest threat to Nvidia it has faced since sales of its chips skyrocketed amid the budding AI boom two years ago. Just Friday, it had reclaimed the title of the world's most valuable company, after a monster run since the end of 2022.

DeepSeek a week ago launched its latest AI model, which it calls RI. The company said the model was particularly good at problem solving, performing on par with OpenAI's o1 reasoning model—but at a fraction of the cost per use.

The company said training one of its latest models cost \$5.6 million, compared with the \$100 million to \$1 billion range cited last year by Dario Amodei, chief executive of AI company Anthropic.

Users on X have said they were impressed with RI's writing and problem-solving skills but some said that the model performed worse than rivals on specific types of problem solving.

In the coming weeks, more third-party testing should give

a better understanding of how well RI really performs. And users can test it out themselves, too.

DeepSeek's perceived success risks intensifying the AI war between the U.S. and China, Quilter Cheviot's Ben Barringer said in a note to investors, particularly after the recent announcement of StarGate—a joint venture between OpenAI, SoftBank Group, Oracle and MGX to build data centers in the U.S. for OpenAI.

News Corp., owner of Dow Jones Newswires and The Wall Street Journal, has a content-licensing partnership with OpenAI.

Kathleen Brooks, research director at XTB, said in market comments that the sharp decline in AI stocks indicates U.S. tech giants might be los-

ing their dominance premium. "If China is catching up quickly to the U.S. in the AI race, then the economics of AI will be turned on its head," she said.

Not everyone thinks DeepSeek has upended the AI-infrastructure industry. While DeepSeek might have found a way to cut AI training costs, AI demand keeps surging, and tech companies still need more computing power, wrote Stacy Rasgon, a Bernstein semiconductor analyst.

"Is DeepSeek doomsday for AI buildouts?" Rasgon and his colleagues wrote in a report on Monday. "We don't think so."

—Stu Woo,
Ed Ballard, Sam Schechner
and Mauro Orru
contributed to this article.

What To Know About Chinese Upstart

By SAM SCHECHNER
AND STU WOO

DeepSeek has Silicon Valley in awe and stocks in a frenzy. Here's what you need to know about DeepSeek:

AI model called RI

DeepSeek is a Chinese AI company, which just a week ago launched its latest AI model, which it calls RI. The company said the model was particularly good at problem solving, performing on par with OpenAI's o1 reasoning model—but at a fraction of the cost per use.

Worried investors

The conventional thinking was that AI companies needed expensive, leading-edge computer chips—such as those made by Nvidia—to train the best systems. That has justified huge spending by the biggest U.S. tech companies, such as Alphabet and Meta Platforms.

But DeepSeek didn't have leading-edge chips—and its models appear to be roughly on par with top U.S. rivals on certain benchmarks that evaluate AI ability. DeepSeek says it uses less-advanced chips, combined with innovative model-training techniques.

In addition, DeepSeek released its RI model as open source, meaning others can pick up and adapt the model for their own use. That will mean that other companies will be able to build on DeepSeek's approach and potentially create other cheap AI alternatives.

Cheaper technology

It is hard for DeepSeek to buy cutting-edge chips because of U.S. export controls.

That DeepSeek appears to have been able to achieve state-of-the-art performance suggests that those export controls may be ineffective—either because U.S.-designed chips aren't necessary to make the best AI models, or because those chips are somehow making it to China in sufficient quantities anyway.

Man behind company

Chinese hedge-fund manager Liang Wenfeng is behind DeepSeek's development. The business grew out of the AI research unit of his \$8 billion hedge-fund firm, High-Flyer.

On-par performance

If DeepSeek indeed delivered its model on the cheap, the disruption to the incumbent AI trade could be profound. But the advance could be good news more broadly, said Joseph Amato, chief investment officer at Neuberger Berman, which manages more than \$500 billion.

"If you can invest less for a powerful model that has wider adoption because the costs are lower, that's got to be a good thing for the broad-based economy, all the companies that are using AI," he said.

The run-up in Nvidia and other AI stocks has been marked by intense speculation across markets, where big tech companies have never loomed so large. Since a blockbuster earnings report from Nvidia in early 2023 floored investors, everyday Americans and big institutional investors alike have piled into AI stocks.

U.S. technology mutual and exchange-traded funds attracted \$23 billion of net inflows in 2024, the largest annual haul since 2000, according to Morningstar Direct data.

The outsize influence of a few big stocks has led some professionals to argue that the group is more vulnerable than ever before.

"When you see these types of levels of concentration, the megacaps, the biggest companies, tend to have a target on their back," said Michael Reynolds, vice president of investment strategy at Glenmede.

Because DeepSeek made its research and results public, other AI companies can also adopt them, potentially paving the way for other models' im-



WSJ's Gregory Zuckerman

Eventually, Simons, who died last year, sat for 12 hours of interviews. They were captivating, but he was a notorious chain smoker and wouldn't think of stopping for me.

Over the last few days, I kept seeing mentions on social media of me, Simons and something called DeepSeek. Blocked. Deleted. Yes, I should have known what DeepSeek was. I didn't.

I've been writing a bit

about crypto lately and figured it was some kind of altcoin. I noticed my book sales perked up on Amazon. (We authors don't usually obsess over those rankings, we generally only check every hour or so). I searched on X for a mention of Simons but struck out.

Over the weekend, I read the coverage of DeepSeek's breakthrough AI model in this paper and elsewhere. Fascinating stuff, but still didn't know what it had to do with me.

Later, I read a translation of Liang's introduction. Simons left a deep impact, apparently. Liang wrote:

"Whenever I encounter difficulties at work, I recall Si-

mons's words: 'There must be a way to model prices.' "

Liang added: "The publication of this book unravels many previously unresolved mysteries and brings us a wealth of experiences to learn from."

Even my mother didn't get that much out of the book.

I spent the rest of the day trying to get in touch with Liang, or even someone who works with him or has interacted with him.

Hours later, no luck. I began having flashbacks to dealing with Simons. No wonder Liang likes the guy so much.

So, Wenfeng, if you're reading this, send me a note. Give me a call. Shoot me an email. I know you're in China. I'll be waiting up.

provement rather than posing a direct threat to them.

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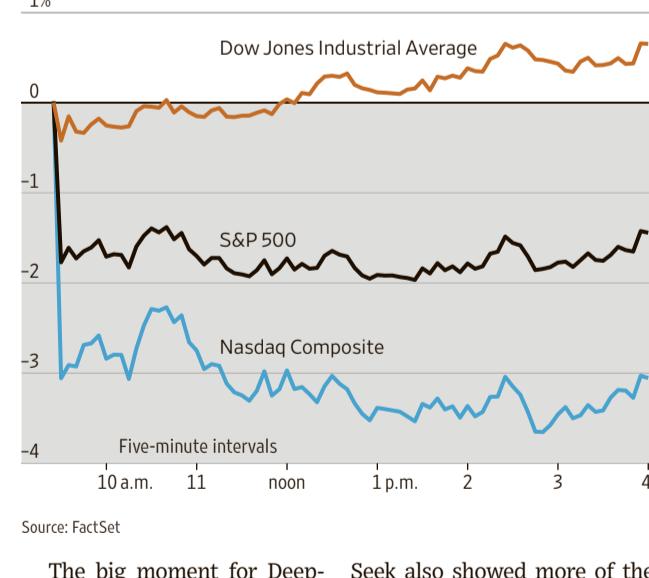
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Index performance on Monday



Source: FactSet

The big moment for DeepSeek came with the recent release of its "RI" model, which dazzled many users of its app with its ability to reason through tough problems in ways that rivaled—and some say, surpassed—OpenAI's capabilities. The company's app quickly rose to become the most popular on Apple's app store.

OpenAI CEO Sam Altman on Monday called RI "an impressive model, particularly around what they're able to deliver for the price," in a post on X. He said his company would move up some of its product releases.

Dan Cleary, a New York-based founder of PromptHub, a startup that helps users improve their queries to AI systems, said he gave DeepSeek's RI a multi-step math problem. DeepSeek solved it in about four minutes—three minutes faster than OpenAI's o1 took. Deep-

Seek also showed more of the work it needed to get there.

He then asked DeepSeek to produce an image of a pelican riding a bicycle, and to identify an erroneous phrase ("Dan surfs in Portugal") he inserted in the text of F. Scott Fitzgerald's "The Great Gatsby." It did both well.

"It's the first really good reasoning model outside of OpenAI" that has been widely released, he said, as well as the first very good model from China.

Despite the hype, some chip-industry insiders don't believe DeepSeek will supplant AI's incumbents or that its claims of needing small amounts of computing power means Nvidia's business is doomed.

Because DeepSeek made its research and results public, other AI companies can also adopt them, potentially paving the way for other models' im-

Investors Size Up New Player

Continued from Page One

"This is kind of classic in our industry," Salesforce Chief Executive Marc Benioff said. "The pioneers are not the ones who end up being the victors."

The development turned Wall Street upside down. Nvidia's stock dropped 17% to its lowest level since October. The S&P 500's technology sector lost 5.6%, its worst one-day decline in more than four years. In all, Monday's bloodbath wiped out some \$1 trillion from the stock market's value, according to Dow Jones Market Data.

Leon Cooperman, the billionaire stock picker who founded Omega Family Office, is one of many investors who said the euphoria surrounding the sector reached unsustainable heights.

"Every third word out of anyone's mouth was 'AI,'" Cooperman said. "Everybody was bulled up in the market. If you have a contrarian bone in your body, you have to look the other way."

The threat to Nvidia is the largest it has faced since sales of its chips skyrocketed during the budding AI boom two years ago. The chip maker booked more than \$63 billion in earnings in its last four quarters, making it one of the most profitable companies of all time, and its shares have surged eightfold since the end of 2022.

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Because DeepSeek made its research and results public, other AI companies can also adopt them, potentially paving the way for other models' im-

Demand surging

Not everyone thinks DeepSeek has upended the AI-infrastructure industry. While DeepSeek might have found a way to cut AI training costs, AI demand keeps surging, and tech companies still need more computing power, wrote Stacy Rasgon, a Bernstein semiconductor analyst.

Impact on Nvidia

Nvidia has been one of the biggest winners in the AI boom because its chips have almost exclusively powered the training and in many cases the day-to-day running of the most powerful existing AI models. DeepSeek's success suggests Nvidia's lead may not be as big as thought, or as crucial to developing new AI models.



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U.S. NEWS



ERIC LEE/BLOOMBERG NEWS

Trump supporters surrounded a Metropolitan Police officer as they tried to enter the U.S. Capitol during the Jan. 6, 2021, riot.

Prosecutors On Trump Cases Fired

Continued from Page One
ter. In an email Monday, he asked prosecutors to turn over "all files, documents, notes, emails and other information" related to the obstruction cases, which included charges against some of the most violent rioters at Capitol on Jan. 6, 2021.

The loosely defined inquiry jarred prosecutors in the office, as well as others who recently left, and some took steps to arrange legal counsel to prepare for what comes next, the people familiar with the matter said.

The Supreme Court last year ruled the department overstepped in relying upon an Enron-era obstruction statute, which carries a maximum sentence of 20 years in prison, to charge defendants with obstructing the joint session of Congress that convened on

Jan. 6 to certify former President Joe Biden's election victory over President Trump.

Martin referred to the use of the obstruction charge as a "great failure," writing, "we need to get to the bottom of it."

"This 1512 Project is important work," he added, referring to the number of the statute in the U.S. criminal code.

The contents of his email were reviewed by The Wall Street Journal. A spokesman for Martin declined to comment.

Trump pardoned virtually all of the Jan. 6 defendants last week.

Department officials, both career employees and Biden appointees, have insisted their Jan. 6 prosecutions weren't politically motivated, and two lower courts affirmed their approach before the Supreme Court stepped in. Defendants accused of the obstruction offense also faced other charges, but the allegation was key in elevating the seriousness of cases and the amount of potential prison time.

Smith dropped his cases—alleging election interference and the mishandling of classified documents—after Trump won, citing a Justice Depart-

ment policy against prosecuting a sitting president. He stepped down before the inauguration.

In his final days, Smith submitted a report to then-Attorney General Merrick Garland in which he expressed confidence that Trump would have been convicted.

Smith has retained private counsel. His lawyer, Peter Koski, a former Justice Department official now with Covington & Burling, didn't immediately respond to a request for comment.

Some on Smith's team had expected to be fired and already left, including Jay Bratt, the veteran national security prosecutor who worked on the case alleging Trump unlawfully retained classified documents after his first term. Those fired on Monday included Molly Gaston and J.P. Cooney, who were both senior public-corruption prosecutors in the U.S. attorney's office in Washington. They couldn't immediately be reached for comment.

Their firings come after at least 20 other career officials have been reassigned to more marginal positions. On Monday, the top career official in

the department, associate deputy attorney general Bradley Weinsheimer, was moved to a new working group dealing with immigration issues, people familiar with the matter said. Corey Amundson, the head of the Justice Department's public integrity section, resigned after 23 years, after being told he was reassigned to the same group. The public integrity section prosecutes election-related offenses and handles some of the most politically sensitive investigations of public officials.

"I spent my entire professional life committed to the apolitical enforcement of federal criminal law and to ensuring that those around me understood and embraced that central tenet of our work," Amundson wrote in his resignation letter.

The Jan. 6 case review is being led by a vocal critic of the prosecutions. Martin previously served on the board of the Patriot Freedom Project, a group that supported Jan. 6 defendants, and he also helped organize the "Stop the Steal" movement to keep Trump in the White House after he lost in 2020.

Memo Stirs Doubt On Black History Month Observance

BY ALEX WARD

The State Department should observe the "spirit" of the Trump administration's elimination of diversity programs in its public messaging, according to a Monday directive viewed by The Wall Street Journal, likely prohibiting the agency from openly observing Black History Month in February.

The new public affairs guidance states that any communications should reflect President Trump's priorities, which have included the closure of diversity, equity and inclusion offices throughout the government and revoked a six-decade-old executive order that required government contractors to proactively root out discrimination on the basis of race and sex.

That prompted State Department officials over the last week to seek permission to release public statements about Black History Month as well as other "heritage months and commemorative events."

The answer arrived in an email: Public diplomacy staff should highlight the "valuable contribution of individual Americans throughout U.S. history, while ensuring our public communications maintain the spirit of the directive eliminating DEAI programs," referring to diversity, equity, accessibility and inclusion.

There would be "no restrictions," however, on content or any programming related to accessibility or people with disabilities.

A State Department official said it was clear there would be no public-facing messages or events about Black History Month when it begins on Saturday.

"That's how we're reading it," the official said. "The diplomats I spoke to today, with

decades of experience, couldn't remember a time we failed" to mark Black History Month, the official added.

The State Department didn't return a request for comment.

Trump issued an executive order on his second full day in office repealing what his administration said was the "discrimination" of diversity initiatives "in the federal workforce, and in federal contracting and spending." Trump said his administration would promote "merit-based" hiring and promotions.

Secretary of State Marco Rubio has followed Trump's lead, sending cables last week to staff that there was great talent in the department but "upholding strict meritocracy is essential to securing our nation's future." He also encouraged aides to report programs promoting diversity initiatives to DEIAtruth@opm.gov.

Earlier on Monday, newly confirmed Defense Secretary Pete Hegseth issued one of his first directives to the force, writing in black marker on Pentagon stationery, which he posted on X, that "DoD # DEI." Those who don't comply with ending diversity-focused initiatives at the Pentagon "will no longer work here." And during his first arrival at the Pentagon in charge, Hegseth previewed that an executive order would be forthcoming "on removing DEI inside the Pentagon."

President Gerald Ford became the first to recognize Black History Month in 1976, and every one of his successors has celebrated it in some fashion, including Trump during his first term. In 2020, Trump issued a proclamation to "celebrate the cultural heritage, diverse contributions, and unbreakable spirit of African Americans" that February.



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U.S. NEWS

Foreign-Aid Suspension Halts Programs

Trump directive calls for 'stop-work' orders, disrupts humanitarian work

WASHINGTON—A Trump administration order pausing almost all foreign aid has left counterterrorism training in Somalia, HIV treatment in Uganda, narcotics interdiction in Colombia, prosthetics for refugees from Myanmar, and many more U.S.-funded overseas assistance programs in sudden limbo.

By Alexander Ward,
Gabriele Steinhauser
and Michael R. Gordon

The Friday directive stated that the State Department and the U.S. Agency for International Development "shall not provide foreign assistance" until a high-level review of the programs is completed, except to Israel and Egypt and in severe cases where emergency food assistance is needed.

USAID acting Administrator Jason Gray put dozens of agency officials on administrative leave Monday, saying they were suspected of seeking to "circumvent" Trump's orders. One agency staffer said 57 officials were put on leave.



Officials from USAID and the World Food Program looked at food donations in Zimbabwe.

Officials responsible for administering assistance programs have flooded the State Department with requests for waivers, arguing that even a temporary halt could cost lives.

Because of the State Department's role in overseeing arms transfers, the aid suspension appears to freeze financing that the State Department provides to Taiwan and Ukraine for U.S. weapons, although that isn't the only source of arms for those countries.

A State Department spokeswoman said the pause is needed so the agency can ensure the foreign assistance programs are efficient and support President Trump's "America First" agenda. She didn't respond to questions about which waivers might be granted, the specific programs that are being paused or the implications abroad.

In Uganda, where an estimated 1.43 million people are living with HIV, health authorities have raised the alarm about the abrupt interruption of the funding to reverse years of steady gains against HIV/AIDS.

"Everyone in my world is walking around today with our hair on fire and our jaws on the floor," said Jeremy Konyndyk, the president of Refugees International and a former senior USAID official in the Biden and Obama administrations.

Aid groups and U.S. offi-

HIV across 24 districts, according to the Uganda AIDS Commission.

Pepfar's investments in HIV prevention measures are projected to avert some 190,000 new HIV infections by 2030, according to the health ministry.

"We are trying to discuss with some of our partners to see how to navigate," said Brian Aliganyira, who runs an HIV/AIDS-treatment program at the Ark Wellness Hub, a clinic in Central Uganda. "Honestly, we don't know what will happen to our patients."

In Somalia, the stop-work order has spurred concerns about how a warehouse full of weapons used by government forces in Mogadishu who have undergone U.S. training will be safeguarded. Security has been provided by local nationals employed by a private company under U.S. oversight, people familiar with the matter said.

State Department officials were considering steps Monday to address the problem, but it remains unclear whether a waiver will be issued or if alternative security arrangements will be devised.

—Kejal Vyas
and Nicholas Bariyo
contributed to this article.

Agencies Ordered to Pause Financial Assistance Activities

By PATIENCE HAGGIN

The White House ordered executive departments and agencies to broadly pause federal grants, loans and other financial assistance programs pending a review by the Trump administration, according to a memo reviewed by The Wall Street Journal.

The memo, sent around 5

p.m. Monday by the Office of Management and Budget, caused confusion as some employees in federal agencies sought to understand which programs were affected and how they should respond, said a person familiar with the matter.

It wasn't immediately clear whether the memo only paused financial assistance related to the executive orders

that President Trump signed during his first week in office, or all current federal financial assistance programs.

The memo's broad language prompted some federal officials to wonder whether it halted the vast array of federal assistance programs, from small business loans to highway funding, said the person.

Footnotes to the memo exempted Medicare, Social Secu-

rity benefits and assistance provided directly to individuals—but gave few other clues as to what it covered or didn't cover. Federal administrators sought advice from their internal counsel on Monday evening, the person said.

Agencies "must temporarily pause all activities related to obligation or disbursement of all Federal financial assistance, and other relevant

agency activities that may be implicated by the executive orders, including, but not limited to, financial assistance for foreign aid, nongovernmental organizations, DEI, woke gender ideology, and the green new deal," the memo said. The memo refers to programs promoting diversity, equity and inclusion, as well as a Democratic climate-related initiatives.

The pause jeopardizes "billions upon billions of community grants and financial support that help millions of people across the country," Senate Minority Leader Chuck Schumer, (D., N.Y.) said on social media.

The temporary pause becomes effective on Tuesday at 5 p.m., the memo says.

—Ken Thomas
contributed to this article.

ad COUNCIL

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WORLD NEWS

Freed Hostages Endured 15 Brutal Months in Gaza

Some women still had shrapnel in their bodies; some were held alone in tunnels

BY ANAT PELED
AND CARRIE KELLER LYNN

TEL AVIV—Some of the Israeli women released by Hamas over the past two weeks still had shrapnel in their bodies from untreated wounds they suffered in the attack on Oct. 7, 2023, an Israeli medical official said, as the first details emerged on the condition of hostages held for 15 months.

The seven women received poor medical care while in captivity and now face complex mental-health issues, said Col. Avi Benov, the deputy chief of Israel's military medical corps, who added that some of them spent eight months in tunnels.

The women—three civilians and four soldiers—are suffering from malnutrition and metabolic problems, he said.

In the days leading up to their release, they were given better food and access to showers. "They tell us it was horrible for the past few months," Benov said. "And just a few days before going back, it gets a little bit better."

He said some of the women were held together, but others were alone. Those held together generally fared better than those held alone.

At least one Israeli female soldier was kept in prolonged isolation and emerged whispering because she wasn't used to speaking to people, according to former hostages who were held with her in November 2023.

One released hostage detained with two of the female soldiers said the militants wouldn't let her comfort or

hug them.

At least some of the women had identifiable wounds. Emily Damari, who was released on Jan. 19, emerged with a bandaged hand. Photos released later showed she was missing part of two of her fingers.

Israeli hospitals have been preparing for months to treat returning hostages, including using actors from the military's theater group and poring over medical records and hostage videos to glean information that could help aid their treatment.

The first teams receiving the women from captivity say they have established a gradual process to reintroduce them to freedom.

Among the first things they do is provide the women with small choices, such as whether they want to eat or shower, or laying out options for what they want to wear and offering them nail polish.

It is a process psychologists call grounding, aimed at allowing the former hostages to reassert control after they hadn't been allowed to make choices for themselves for a prolonged period.

"This is a very severe trauma that they have been through, the kidnapping and what's been happening in captivity, the isolation," said Lt. Col. Uzi Becor, the commander of an Israeli military unit responsible for the initial reception of released hostages.

"It is a process. Not everything you'll see in the first days," Becor added.

The state of former hostages tends to differ depending on who held them and where, their own coping mechanisms and whether they were kept in isolation or with others, said medical professionals and released hostages. Many of the former captives said they were afraid of the Israeli bombing.

Hospitals that received the hostages have tried to ease the women into their care, delaying many of their most thorough medical checks until a day after their intake, said Steve Walz, a spokesman for Ramat Gan's Sheba Medical Center, which has cared for more than 40 released hostages since the war started.

At Petah Tikva's Beilinson Hospital, designated medical staff are assigned to each hostage and are required to mark

their phones with red tape, to ensure the privacy of the hostages and prevent leaks to the media, said Eytan Wirtheim, the hospital's director.

Benov wouldn't provide information on whether specific hostages suffered abuse or torture in captivity.

The Wall Street Journal previously reported that some captives faced varying degrees of sexual threats and violence. A December 2024 report by the Israeli Ministry of Health described abuse of hostages that included branding minors and beating and starving men.

The United Nations has said there was clear evidence of "sexual violence, including rape, sexualized torture, and cruel, inhuman and degrading treatment" against some women and children held in Gaza, according to a March 2024 report.

The U.N. said it had reasonable grounds to conclude that such violence was continuing.

'This is a very severe trauma that they have been through, a colonel said.'



Freed Israeli hostage Karina Ariev is seen in this photo released by the Israeli military reuniting with her family at an army screening post in southern Israel on Saturday.



In a photo distributed by Israel, former captive Liri Albag, center, meets with her family.

ISRAELI ARMY/AGENCE FRANCE PRESSE/GETTY IMAGES (2)

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THE WALL STREET JOURNAL.

WORLD NEWS

Palestinians Stream Back to Northern Gaza

The Israel-Hamas pact holds as scores return to devastation in war-torn enclave

Tens of thousands of Palestinians began returning to a ravaged northern Gaza and what was left of their homes and families, after Hamas

By Omar Abdel-Baqi,
Abeer Ayyoub
and Anat Peled

agreed to release more hostages than expected this week to maintain a truce with Israel.

Israel allowed displaced Gazans to begin crossing a military zone that bisects the enclave on Monday after Israeli forces refused their movement over the weekend, when the return of Palestinians was expected under the terms of the cease-fire. Israel had said it wouldn't allow Gazans to move north after Hamas didn't release a civilian hostage on Saturday, something that was agreed upon as part of the deal, an Israeli official said.

But a breakthrough was announced early Monday.

The Israeli prime minister's office and Qatar's Foreign Ministry said an agreement had been reached to soon release the Israeli hostage, Arbel Yehoud, who had been expected to be freed on Saturday, along with two others held in Gaza. Hamas delivered mediators an update on the status of the hostages to be released in the first stage. Twenty-five of the 33 hostages to be freed in the first of the multiphase deal are alive and eight are dead, a person familiar with the matter said. Of these, seven living hostages have been released since the pact went into effect Jan. 19.

"Hamas backed down and will conduct another batch of releases of hostages on Thursday," the Israeli prime minister's office said. Three more



Tens of thousands of Palestinians walked along Gaza's coastal road on Monday, returning from the south to their homes in the northern Gaza Strip.

OMAR AL-JAHAFFE/FRANCE PRESSE/GETTY IMAGES

hostages are expected to be freed as scheduled on Saturday.

With that, the crossing was opened. Flocks of people, their belongings in tow, traveled by foot north along the Gaza Strip's main coastal roadway, some jubilant to re-enter northern Gaza for the first time since the war began in October 2023. Some were emotional as they reunited with loved ones, and others were anxious as they searched for their own.

Suha Arafat, a 47-year-old mother of six, left her home in Gaza City in the first weeks of the war, as Israel ordered more than one million Palestinians to move south. On Monday, she carried her be-

longings from central Gaza and her 9-year-old daughter on her back as they headed toward Gaza City, about 7 miles away.

"Devastation and masses of people is all I can see," Arafat said by phone. "It feels like a parallel world."

As agreed upon in the cease-fire deal, two American security contractors and one Egyptian intelligence-affiliated security company have been deployed to help inspect vehicles and people for weapons as they move around the enclave, the mediators said.

The Israeli military choked off northern Gaza from the rest of the enclave early in the war. The north was where Israel's

ground invasion began. It is home to some of the highest casualty incidents of the war. People there endured long stretches without adequate aid deliveries, resulting in a humanitarian catastrophe and widespread hunger. Northern Gaza also was the site of a ferocious Israeli campaign that began late last year, which renewed fighting in areas the Israeli military said it had cleared.

Israel has said much of Hamas's presence has been concentrated in northern Gaza. During the war, Hamas militants resurfaced in areas from which Israeli troops and airstrikes had rooted them out, the military has said.

As Palestinians hoped to begin rebuilding their lives in northern Gaza, President Trump said he wants to "clean out" the Gaza Strip, urging Jordan and Egypt to take in refugees either temporarily or for the long term, a move rejected by Arab countries since the war began and condemned by Palestinian leadership.

Most of Gaza's more than two million residents have fled their homes at least once during the 15-month war.

The multiphase deal's protocols call for female hostages—civilians and soldiers—to be released first, followed by elderly and wounded men and then the bodies of the

dead. But the two sides negotiated the first phase under the expectation that Hamas would first release female civilians and then female soldiers. That meant Israel had expected Yehoud to be among those freed on Saturday.

The deal also calls for the release of hundreds of Palestinians in Israeli prisons, many of whom are being held without charge.

Watch a Video

Scan this code for a video on Palestinians returning to northern Gaza.

Gazans Take Stock Of Damage

Continued from Page One
history of warfare.

"The only real close historical analogy is the reconstruction of Germany and Japan after World War II," said Robert Pape, a political scientist at the University of Chicago and an expert on aerial bombing.

Over the weekend, President Trump said Gaza "is literally a demolition site right now" and suggested that authorities should "clear out the whole thing," moving Palestinians to Egypt and Jordan temporarily or for the longer term.

The idea was dismissed by Jordan along with Hamas and the Palestinian Authority. Egypt has also long opposed a mass exodus of Palestinians from Gaza.

Israel declared war on Hamas after the militant group led the Oct. 7, 2023, attacks on Israel that authorities said left 1,200 people dead. More than 200 people were kidnapped by militants and taken to Gaza as hostages. Those who remain are being released in stages as part of the cease-fire deal.

The conflict has killed more than 47,000 Palestinians, according to health authorities in Gaza, who don't say how many were combatants.

In the area north of Gaza City that includes Jabalia, 74.2% of buildings likely have been damaged or destroyed, according to an analysis of satellite data by researchers Corey Scher of CUNY Graduate Center and Jamon Van Den Hoek of Oregon State University.

Jabalia was home to many refugees who moved to Gaza as a result of the 1948 war at the creation of Israel. Relatively poor compared with Gaza City, it was also a dense and bustling urban area with apartment blocks, shops, schools and mosques.

Now, returning residents say Jabalia is a lunar landscape of shattered concrete. The skeletons of buildings stand next to mountains of masonry, rebar, door frames and shards of glass. The dust



Palestinians walked by a destroyed mosque in the Gaza Strip. Entire neighborhoods in the area have been flattened.

has congealed into mud that covers the roads.

"You just have to clear up tons and tons of rubble," said Caroline Sandes, an expert on postconflict reconstruction at University College London. "It'll happen because people are resilient always, but it's going to be difficult."

Multiple rounds of fighting in and around Jabalia have been especially intense, with Israel using airstrikes, armor and infantry to attack Hamas militants and what it described as their extensive underground system of tunnels, weapons depots and other infrastructure.

Hamas, whose units in Jabalia were seen as among the best equipped and organized in Gaza, fought

vehicles around the ruined remains of houses and piles of debris and garbage.

"We completely flattened Jabalia. 100% of the buildings are uninhabitable," he told the Journal this month, before the cease-fire went into effect.

Asked about the sergeant major's claims, the Israeli military said it operated in Jabalia "against the Hamas Northern Gaza Brigades' terrorist infrastructure and operatives who have systematically exploited civilian centers." The military also said, "In certain cases,

entire neighborhoods in the Gaza Strip are converted into combat complexes, which are utilized for ambushes, housing command and control centers, weapon warehouses, combat tunnels, observation posts, firing positions, booby-trapped houses, and for setting explosives in the streets."

Zuhair Motawad, a 55-year-old gardener from Jabalia, left his fourth-floor apartment in the city early last year following an evacuation order from the Israeli army. The family took shelter in a school in Gaza City.

When he went back after the cease-fire, he found that where his building had stood there was nothing but rubble and muddy earth. The building had been bombed, and the rubble later bulldozed by Gaza authorities to clear a path for people to walk through the area. "It's all rubble and sand," he said. "We are below zero."

Many dead bodies are believed buried under collapsed buildings.



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WORLD NEWS

NATO Responds to Suspected Cable Sabotage

By BOJAN PANCEVSKI

The North Atlantic Treaty Organization mounted its first coordinated response to the suspected sabotage campaign against critical infrastructure, after another underwater data cable was severed in the Baltic Sea.

NATO vessels raced to the site of a damaged fiber-optic cable in Swedish waters on Sunday morning, where a trio of ships carrying Russian cargo, including one recently placed under U.S. sanctions, were nearby. All three vessels are now being investigated as

part of a probe into suspected sabotage of the fiber optic cable, several European officials said. One ship was detained on Sunday.

The incident is the latest in a string of alleged underwater attacks in the region that prompted NATO to announce this month the formation of a surveillance mission called Baltic Sentry. It includes regular naval patrols, as well as enhanced drone, satellite and electronic surveillance of Baltic areas that are crisscrossed by critical infrastructure such as data and power cables, along with gas pipelines and

offshore wind farms.

Western officials have said they suspect Russia is fighting a shadow war against the West. Russia has denied it is behind such an effort.

Evidence gathered so far in the Baltic investigations hasn't been conclusive enough to result in prosecutions or arrests, officials familiar with the investigations said.

Latvia dispatched its navy to the site of the incident Sunday, while the Swedish coast guard detained one of the three ships within hours of the incident, Latvian and Swedish officials said. A Dutch warship

was also involved in the operation to combat alleged attacks on deep-sea assets.

The Latvian officials said the latest incident damaged a cable between Sweden and Latvia that belongs to Latvia's public broadcasting company. The cable suffered "external damage," but the outage didn't affect end users, the company said. Latvia's navy identified three vessels that were close to the damage site as potential culprits, the Latvian officials said.

One of the vessels, a bulk carrier called Vezhen, which is registered in Malta and had

departed the Russian port Ust-Luga on Friday, was detained and boarded by Swedish police on Sunday, officials said.

Vezhen's owner, a Bulgarian company called Navigation Maritime Bulgare JSC, said the incident occurred during bad weather and that there was no indication that the crew acted with intention to cut the cable.

The two other ships under investigation are Pskov, a Barbados-registered tanker that carries Russian liquefied natural gas and is under sanctions by the U.S. in response to Russia's war in Ukraine, and Silver Dania, a Norwegian-

flagged cargo ship that recently departed Russia.

Silver Dania's Norwegian owner agreed to order the ship into a Norwegian port, where it will be boarded by investigators, the Latvian government said. The ship's captain is cooperating with the probe, officials said.

Barbadian authorities haven't agreed to cooperate with the investigation into the Pskov, a senior European official familiar with the probe said, and the ship, whose captain has declined requests to halt its course, was continuing its journey to St. Petersburg.

FROM PAGE ONE

Germany's Export Focus Hits Trouble

Continued from Page One
from a year earlier. Chinese carmakers, once mocked by Western auto executives as primitive, have turned into formidable rivals, gobbling up market share in and outside China.

Slowing economic growth in China and growing competition from companies there have undercut German industry as a whole. Combined with exploding energy costs and the threat of new trade tariffs, the forecast is grim.

German carmakers and their suppliers have announced tens of thousands of job cuts. Germany's manufacturing industry, the world's third largest, has shrunk steadily for seven years. And Germany's economy as a whole has contracted for the past two years, marking only the second back-to-back annual contraction in records dating back to 1951, according to Germany's federal statistics agency.

Gross domestic product has roughly flatlined since 2019, before the start of the Covid-19 pandemic—the longest period of stagnation since the end of World War II. Most economists expect it will stagnate again this year.

America, recently a relief valve, likely won't come to the rescue: President Trump is threatening to disrupt trade with a slew of tariffs that would raise barriers in the U.S., Germany's biggest export market.

For Germans, who will elect a new parliament next month, this is a scarier version of the mid-2000s, when the unemployment rate reached 12%, double today's rate.

At that time Berlin enacted unpopular overhauls of its labor market and welfare system that encouraged more people to find work, while holding down business costs and boosting exporters' international competitiveness, paving the way for two decades of solid growth.

Economists say the current crisis is worse, because it questions the very foundation of Germany's export-reliant economic model. In the earlier downturn, China's economy was growing at around 10% or more a year, absorbing goods and powering global trade and the global economy. Today, China's economy is growing at half that rate, and global trade volumes have stalled, according to the World Trade Organization.

Without fast-growing export markets, Germany's model "is dead," said Jacob Kirkegaard, a Brussels-based senior fellow at the Peterson Institute for International Economics in Washington, D.C.

Yet few politicians are focusing on the major changes economists say are required. Germans "don't want to look at the problem in the face. They still think it's a blip, and it can be addressed the way they usually do things," incrementally, said Ludovic Subran, chief economist at Allianz, the German insurance group. "I don't think this will suffice."

Cars, robots, trains

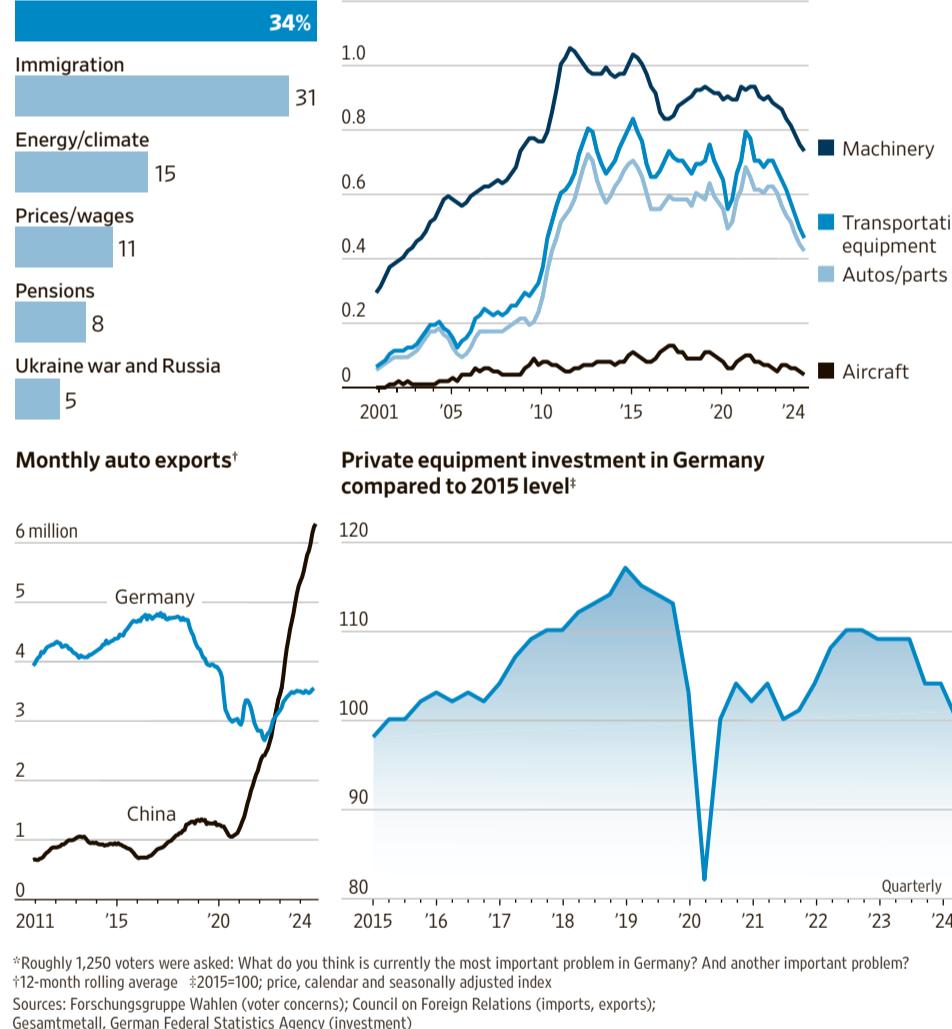
The country, with 83 million inhabitants, grew into the world's third largest economy by making and exporting the engineering products—cars, robots, trains, factory machinery—others wanted to buy. Now, the world is turning its back on made-in-Germany, and Germany has no plan B.

Until recently, the fallout



ANDREAS GEBERT/GEBERTIMAGES

The Audi plant in Ingolstadt, Germany, in 2018. The city has felt the ripple effects of the company's slowdown in China.



*Roughly 1,250 voters were asked: What do you think is currently the most important problem in Germany? And another important problem?
†12-month rolling average. ‡2015=100; price, calendar and seasonally adjusted index

Sources: Forschungsgruppe Wahlen (voter concerns); Council on Foreign Relations (imports, exports); Gesamtmetall, German Federal Statistics Agency (investment)

from this slow-motion economic crash has been confined to newspaper editorials and economic data releases, with little tangible impact on voters' lives.

This year, the crisis has turned political. Most polls show the economy has upstaged immigration, security and climate change as voters' top concern.

The outgoing government of Chancellor Olaf Scholz is the most unpopular since 1949.

Most politicians are focusing on how to tweak and improve the current export-reliant, manufacturing-heavy model.

New ideas to encourage investment and consumption, boost trade inside Europe or open up to fast-growing tech or services sectors are virtually absent.

Scholz, whose coalition collapsed because of tensions over economic policy, has pushed for the European Union to sign new trade deals. The center-right Friedrich Merz, now front-runner to replace Scholz, wants lower taxes and fewer regulations for manufacturers.

"I see no serious initiative to try and develop a new economic model," said Jens Südekum, an economist and professor at Heinrich-Heine-Universität Düsseldorf.

"It's all about how to tactically deal with the situation along the lines of: 'If Trump imposes tariffs, then we'll go and manufacture there.'

Trade in goods is more critical to Germany's economy than oil is to Texas or tech to California—an overdependence that is the result of decades of government policy that supported export manufacturing while creating hurdles to investment in new sectors.

Exports support roughly one in four German jobs. More than two-thirds of cars produced in Germany are exported. Since the mid-1990s, exports' share of

Germany's GDP doubled, reaching 43% of GDP, four times the share in the U.S. and twice as high as China.

Now that the heart of the German economy—its sprawling automotive sector

is struggling, the pain is spreading. In Schweinfurt, a former American garrison town north of Ingolstadt, workers at auto supplier Schaeffler went on

strike late last year to protest plans to cut up to 700 jobs. ZF Friedrichshafen, another supplier, agreed in November to reduce local employees' working hours by 7% to save jobs, as it starts to cut 14,000 jobs across the country. The IG Metall trade union has warned of thousands of possible job cuts in the cen-

tral German industrial region.

To try to cover the shortfall in Ingolstadt, Scharpf, the mayor, has jacked up fees for museums, parking spaces and buses, and ordered that public lawns be mowed less frequently. He is considering raising property taxes and cutting spending further. "You can't simply replace a company with 40,000 employees," Scharpf said.

Audi declined to comment.

The company is everywhere in the city: It sponsors the local ice hockey team, football arena and plenty of cultural events.

At the boutique Block Hotel, near Audi's headquarters, owner Carolin

Block said revenues have declined by about 10% since 2019 as conventions dried up and business guests stayed away.

Room rates are down about 15%, and the length of stays has shortened.

"We were spoiled over many years. We didn't have to do much to attract tourists because business guests had to come to Ingolstadt because of Audi," said Block.

Jürgen Seissler, a master carpenter with 16 employees, said

order books are shrinking and inexperienced carpenters are finding it harder to find work.

Many of his clients are engineers at Audi or its suppliers.

Businesses are more cautious about hiring new employees and investing, he said. Seissler himself is rethinking plans to renovate his own house.

In the medieval city center, restaurateurs complain of being squeezed after Audi canceled Christmas dinners. Local businesses, including Block, stepped in to finance a free ice rink overlooking the New Castle after Audi pulled out. City authorities are considering whether to cancel next summer's Bürgerfest, a two-day festival in the old town with music, food and drink, that costs about €350,000.

Audi boom

No other city in Bavaria grew as quickly as Ingolstadt in past decades. Its population has increased by about 50% since the mid-1980s. It built a regional court, a police headquarters, a conference center and a large university.

Today, nearly half of the jobs in Ingolstadt are in the auto industry. Many of the rest provide services to those auto workers.

Fewer than 2% of Ingolstadt's employees work in IT.

"Ten years ago, it was said that Ingolstadt had to reduce its dependence on Audi," said Stefan König, a former newspaper editor who is running for mayor next month. Little has happened since then, König said.

In the early 1960s, Block's grandfather built a hotel 2 miles from the Audi factory. The Audi boom took off in the 1980s with the introduction of the Quattro, a popular sports coupe.

With Ingolstadt's fortunes soaring, Block decided eight years ago to build a new hotel, its spiral structure inspired by Manhattan's Guggenheim museum.

She increased the number of rooms from 38 to 50. She now blames city authorities for focusing too much on auto exports at the expense of other sectors.

"There are signs of a Detroit effect. We fixated only on this one area," she said.

In the early 2000s, amid the economic upheaval after the unification of East and West Germany and the end of the Cold War, politicians revitalized the export model by cutting taxes and loosening wage policies, amid other reforms, which made German companies more competitive on costs.

The country became the largest exporter of goods in the world from 2003 to 2008.

"We were spoiled over many years. We didn't have to do much to attract tourists because business guests had to come to Ingolstadt because of Audi," said Block.

Since then, successive crises have thrown sand into the gears of Germany's export machine.

A political backlash against globalization brought a protectionist President Trump into power in 2016. The pandemic disrupted

supply chains. Russia's war on Ukraine, China's saber-rattling in the South China Sea and Hamas's attack on Israel all weighed on international trade.

Inside China, a critical German export market, growth has slowed. And Chinese companies gorged with state subsidies have been producing more than China can absorb, stoking exports that in turn pressure German firms, including Audi.

Energy costs are another problem. The end of natural gas deliveries from Russia because of the Ukraine war, the shutting of Germany's last nuclear plants and a costly transition to renewable energy have made costs in Germany spike to 10 times the costs in Texas, said Peter Huntsman, chairman and CEO of Huntsman Corp., a Texas-based chemicals manufacturer that supplies auto manufacturers in Germany, including Audi.

In Ingolstadt, energy-hungry manufacturers are suffering. MT Technologies, a local auto supplier founded in 1869, filed for insolvency in November. Franz Schabmüller, CEO of Framos Holding, another auto supplier with around 1,200 employees, said he had become used to annual revenue growth of 10%-15% in the 2010s. Recently, growth has flattened, and it could stall this year.

The second Trump administration, he said, was adding to uncertainties by threatening tariffs. "The visibility is lower than ever," Schabmüller said.

Executives say Germany is missing out on the investments that could lay the foundations for new industries. Over a third of industrial companies in Germany are cutting investments in core processes due to high energy costs, according to Allianz. Two-thirds report that their competitiveness is at risk.

Less investment

The country lags behind in sectors such as software and AI. Investment in research and development stood at 3.1% of GDP in 2022, compared with 3.6% in the U.S. and 5.2% in South Korea, according to Allianz.

Decades of government underinvestment have left Germany with a depleted transportation infrastructure, including trains that no longer run on time and a military that is a shadow of what it was during the Cold War.

In May, the business-affiliated IW economic institute and the trade union-owned IMK think tank estimated Germany would need €600 billion in spending over the next 10 years to offset its investment gap, modernize the country's education system, fix its transport networks, upgrade its power grid and digitize its public administration.

Germany also needs tens of billions of euros every year just to maintain defense spending at 2% of GDP or more—one of its obligations as a member of NATO. Trump has demanded that the country raise defense spending to 5% of GDP.

German consumers, meanwhile, are among the most highly taxed in the world. Germans are also saving 20% of their income as of the second quarter of 2024, more than the eurozone average and a near two-percentage-point rise since just before the pandemic.

"This is a problem because every one-point increase in the saving rate takes €25 billion in demand out of the economy," said Rolf Bürkl, head of consumer climate at the Nuremberg Institute for Market Decisions, which compiles Germany's main consumer confidence index.

A big chunk of these savings is languishing in bank accounts and could be tapped to fund productive investments.

U.S. tariff threats and exploding energy costs pose risks.

PERSONAL JOURNAL.

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THE WALL STREET JOURNAL.

Tuesday, January 28, 2025 | A13

By MATT BARNUM AND PAUL OVERBERG

At John Wister Elementary School in Philadelphia, just three of roughly 40 teachers are men.

Principal Erica Smith says she would love to hire more male teachers and has asked her team for candidates. But she struggles to find qualified applicants.

"We don't get a lot of men who have teaching credentials," she said.

A generation of boys is growing up with few male role models in the classroom. Boys today are more likely than girls to have discipline problems in school and fall behind in reading. They are less likely to complete high school or enroll in college.

Some research suggests that they would benefit from more male teachers, who can be less likely to see them as disruptive and may create a better learning environment for them.

In the 1970s and '80s, nearly one in three public school teachers were men, according to estimates from the U.S. Department of Education. Now, not even one in four teachers are male, according to the latest federal data.

One reason for men's limited interest in teaching is pay, teachers say. The "teacher pay penalty," as some researchers call it, is more severe for men than women. The typical college-educated man made \$95,000 in 2023, compared with \$65,000 for male teachers—a \$30,000 pay gap, according to a Wall Street Journal analysis of census data stored at the University of Minnesota. The comparable gap for women was \$12,000.

Teachers often have perks that other professionals don't, including more generous benefits packages, access to a pension and summers off. But unpaid summers may be less appealing for men who may face societal and familial pressures to earn more money, say researchers.

"I worry a lot that teaching is sometimes perceived as some-



'Pay Penalty' Keeps Men Out of Classroom

Male teachers can help struggling boys, but few men pick profession

thing of a second-earner profession rather than a breadwinner profession," said Richard Reeves, president of the American Institute for Boys and Men, a think tank focused on the success of boys and men.

Teacher salary, adjusted for in-

fation, has been roughly flat for three decades as schools have spent increased funds on other priorities, including additional staff.

Trent Petty went to college to study engineering, but a mentor suggested he would be good at teaching. Petty hadn't considered that career path even though his mom was a teacher. Most of his own teachers were female and outgoing, even bubbly. "That's not me at all," Petty recalls thinking.

Today, Petty is in his fourth year in the classroom, teaching second grade at John Wister Elementary, the Philadelphia school, which is part of the Mastery charter network. Some boys gravitate to him, and some of his colleagues recommend certain boys for his classroom.

"Being a male teacher does kind of allow me to deepen the connection with my male stu-



▲ 'Being a male teacher does kind of allow me to deepen the connection with my male students,' Petty said.

dents.' Petty said. He thinks he is successful with boys because he doesn't write them off as ram-bunctious or hyperactive but sees them fully "as students and hu-

mans" who may express their needs differently than girls.

Petty loves teaching, but doesn't plan to stick with it long term. He soon wants to become a school principal to have a bigger impact on students and his community—and to earn a higher salary.

Pay "definitely factors in," he said. "It tips the scale for the amount of work that you put in."

Recently, both boys and girls have seen sharp declines in test scores, with girls hit even harder than boys. But boys remain behind on a number of key education metrics.

A 2006 study found that male teachers were less likely to see boys as disruptive. A 2017 paper showed that students had "more positive perceptions of their teachers" when they shared a gender. A few studies have also linked male teachers to improved learning among boys, though others haven't found such a clear connection.

Christian Santos teaches eighth-grade math and coaches football and track at a school in Dorchester, Mass. When he began teaching a few years ago he sometimes wondered if the profession was the right fit. But after attending a conference of male educators of color in Chicago he felt a new sense of purpose and community.

Now, in addition to teaching, he works with a nonprofit called Profound Gentleman that tries to keep men of color—who make up a particularly small slice of educators—in teaching jobs by offering support programs, including professional development and mentoring. Teachers share and ad-

dress challenges, like being thrust into the role of a disciplinarian. The goal is to ensure they don't feel isolated and remain in the profession, said the group's executive director, Dylan Holmes.

"It's kind of like a fraternity for educators," said Santos.

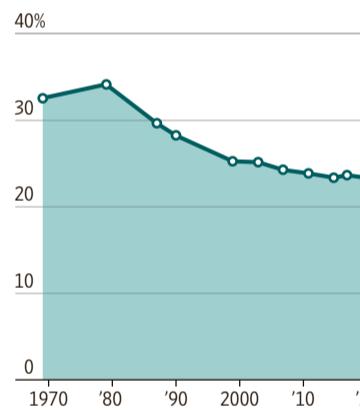
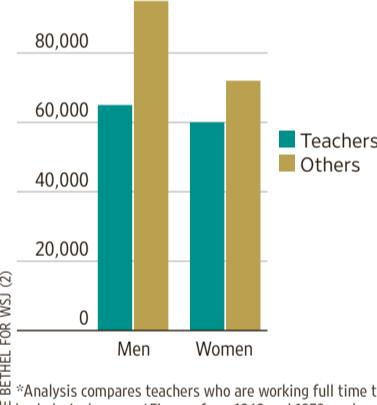
Plenty of talented boys just don't see teaching as a potential career path, though. Lenex Sikafou Minnow, a 17-year-old senior and student body president at Roosevelt High School in Yonkers, N.Y., said that he's benefited from

men in his school, but has mostly had female educators. He has set his career sights on becoming a politician.

Teaching is a less appealing option, one that Minnow equates with a more feminine position that wouldn't be a good fit for him.

"I think that's probably subconsciously what's gone through my head," he said.

Median salary of teachers versus other college-educated workers in 2023, by gender*



*Analysis compares teachers who are working full time to other full-time, year-round workers who hold at least a bachelor's degree. †Figures from 1969 and 1979 are based on the number of full-time equivalent teachers. Years shown are the beginning of the school year.

Source: WSJ analysis, American Community Survey, IPUMS/University of Minnesota (salary); U.S. Department of Education (share of teachers)

KRISTEN JAE BETHEL FOR WSJ (2)

What to Watch In Filing '24 Taxes

By ASHLEA EBELING

All the early birds with simple returns can file away. Tax season began Monday.

Even though Congress didn't make major changes for this year, there are some new wrinkles to be aware of, especially for those who sell things online, bought an electric vehicle, or prefer to get their refund as a savings bond.

Taxes may also be slightly less aggravating now. The Internal Revenue Service upgraded its online services, adding features and making it easier to check the status of refunds. "The IRS has put a lot of effort into what it calls the taxpayer experience," said Larry Gray, a certified public accountant in Rolla, Mo., who is the government liaison for the National Association of Tax Professionals.

Before getting started, remember that the complex rules for income taxes change a bit every year, including annual inflation adjustments for tax brackets and the standard deduction. A bigger revamp could be in store for next year and beyond, depending on the fate of the 2017 tax cuts, which expire on Dec. 31.

It takes taxpayers an average of 13 hours and \$290 to prepare and file, according to the IRS. Often, it is worth it. Last year, tax refunds averaged \$3,138, according to the IRS.

Disaster relief

Taxes for 2024 returns are due April 15, for most filers. There are

exceptions. The roughly 10 million taxpayers who live in Los Angeles County have an extension until Oct. 15 to file and pay to help those recovering from the recent wildfires. They also can delay paying quarterly estimated taxes.

Taxpayers in certain 2024 disaster areas may benefit from disaster relief on their 2024 returns or by amending their 2023 returns.

A tax law passed in December also helps victims of certain disasters in 2020 through 2024 claim losses on their tax returns above previous limits. It eliminates the requirement that personal casualty losses must exceed 10% of adjusted gross income, and allows taxpayers to claim a loss even if they don't itemize deductions.

Richard Shorin, a CPA in Ambler, Pa., just completed an amended 2022 tax return for clients in Florida who had a substantial uncovered loss after their house was damaged in Hurricane Ian. They will get a refund of almost \$60,000.

Sell anything online?

Income you get from online sales of concert tickets, goods and services is generally tax-

able. The threshold for platforms like PayPal and eBay to send 1099-Ks to people dropped to \$5,000 for tax year 2024, down from \$20,000. A copy also goes to the IRS. That means millions more will get the forms to make sure they account for the income on their returns.

Whether you get a 1099-K or not, if you're in business, you need to report the income on your tax return. If you get one for selling personal items like stuff in your basement for a loss, you wouldn't owe tax, but you would need to disclose the sale to the IRS. If you sold personal items for a gain, you are required to report it and pay any taxes due.

Secure tax data with a PIN

The IRS says it expects more people to sign up for online accounts this tax season. This allows you to

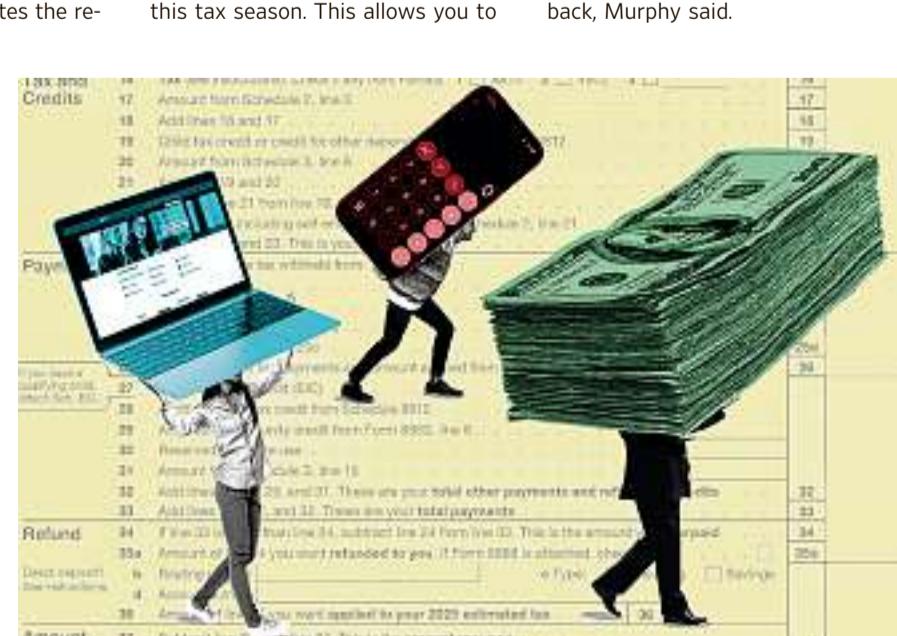
view payment status, get an identity protection PIN and respond to IRS messages.

An IP PIN prevents someone else from filing a tax return with your Social Security number.

Dannie Lynn Murphy, a Seattle-based enrolled agent—an IRS-credentialed tax pro—recommends that clients get one if they have been a fraud victim or are going through a divorce.

Did you buy an EV in 2024?

Many electric-vehicle buyers took a \$7,500 tax credit at the dealership at the time of sale, effectively an instant discount. But they still need to report the purchase on their tax returns to prove that they were eligible for the credit. If it turns out their income is over the income limits for the credit, it will get clawed back, Murphy said.



Tax penalties

More taxpayers are getting hit with penalties for underpayment, often due to gig income that wasn't subject to withholding, said LuSundra Everett, an enrolled agent in Chester, Va. One new client faced \$7,000 in penalties and interest on a \$100,000 tax bill for failing to pay in estimates over the course of the year, she said.

The number of taxpayers reporting the penalty for failing to pay estimated taxes rose more than 15% to 14 million in fiscal year 2023, according to the IRS. Paying estimates on time, or adjusting your withholding, will eliminate the penalty, which is set quarterly and is currently 7%.

More ways to file for free

The IRS is expanding Direct File, a free online tax filing service for people with simple returns, to 25 states this year, up from 12 last year. The service will also cover more tax situations than last year, such as the premium tax credit for marketplace health insurance and deductions for health-savings-account contributions.

Taxpayers with an adjusted gross income of \$84,000 or less also can file free using commercial software via IRS Free File. The IRS partners with eight tax companies.

IRS-certified volunteers provide free tax help across the country.

No more I bonds

This year the Treasury ended a program that let taxpayers direct part or all of their refund into savings bonds. Still, you can use Form 8888 to split your direct deposit refund between two or more accounts, including a savings account, a traditional or Roth IRA or education savings account.

PERSONAL JOURNAL.

EV Lessons From California Wildfires

Batteries have issues such as recharging lines and blackouts but also benefits such as some being able to power a house

By BECKY PETERSON

The continuing wildfires in Los Angeles have put electric vehicles to a real-world test. The challenges include everything from power outages to traffic jams and fast-moving evacuation orders.

The location of the fires is notable because California is home to more than one-third of all EVs registered in the U.S. Some of those battery-powered cars have been destroyed in the blazes, creating unique obstacles for cleanup crews tasked with removing the debris.

Here is what you need to know if you're driving an electric car in this situation:

What challenges do EVs face?

Charging can be difficult in an evacuation situation. Even Tesla's Superchargers—the fastest option for drivers looking to refill quickly—can take 15 minutes to repower the battery enough to travel 200 miles. This can lead to long lines when everyone is in a rush to get out at the same time.

In the case of the Los Angeles fires, some drivers faced blackouts at charging locations or lengthy waits at stations that remained open. One reason: In wildfire-prone states, such as California, utility companies frequently shut down power as a precautionary measure to prevent electric infrastructure from sparking fires. These outages prevent people from charging their cars at home and can shut down other facilities needed to support public charging.

Power disruptions don't only affect electric cars. Drivers of gas-engine vehicles might think they are fine, but refueling stations can also go down if the electricity is out.

"If there's a grid outage, then recharging stations will be off-



◀ California is home to more than one-third of all EVs registered in the U.S.

electricity," Gore said. "You can plug in anywhere that there is electricity available."

Are EVs more difficult to extinguish in a wildfire than a gas-engine car?

It is true that firefighters often struggle to put out EV fires, which can burn longer and require special equipment. The complex battery design makes it difficult to get water to the source of the inferno.

"Putting water on the vehicle does not put out the fire. You have to be able to direct your water to the inside of the battery closure, which is in the floor pan between multiple layers of metal," said Dalan Zartman, chief operations officer of Energy Security Agency, a consulting firm that specializes in EV emergency response.

What happens if I lose my car in a fire?

For EV owners whose cars are destroyed, the first step is to contact the insurance company. The insurer will likely send the owner a check to cover the damage, in effect buying the car from the policyholder. After that, Zartman said owners should contact their local fire service to let them know the vehicle's status, which can aid officials in cleanup coordination.

The highly toxic materials used in electric-car batteries can pose risks to workers trying to remove the wreckage. On top of that, because the insurance companies often own the cars, these crews often lack the legal authority to properly dispose of charred cars on private property, Zartman said.

"We can't just take someone's EV," he added.



◀ Ford's F150 Lightning supports bidirectional charging, a feature that turns the EV into a backup energy source when combined with the right converter.

Lightning, Hyundai's Ioniq 5 and Tesla's Cybertruck—support bidirectional charging, a feature that turns the EV into a backup energy source when combined with the right converter. This built-in battery can power a home during a blackout or charge another car.

And while EV drivers might face long waits at public charging stations, they can always find a charge next time they are near an outlet.

"The benefit of EVs is you can recharge anywhere that there is

▼ A Tesla engulfed in flames caused by the Pacific Palisades wildfire.



◀ A Tesla Supercharger location in Santa Monica, Calif.

CLOCKWISE FROM TOP: JUSTIN SULLIVAN/GETTY IMAGES; MICHAEL HO/WI/LEE/ZUMA PRESS; PATRICK T. FALLON/AP/GETTY IMAGES; MATT ROURKE/ASSOCIATED PRESS

Scapegoat For a Traffic Nightmare

Continued from Page One

figurine with a hard hat, yellow vest and a coffee mug always in hand.

Ed is the brainchild of Julie Olson, a Realtor with a Playmobil obsession and a fascination with the murky logistics of getting around during a disruptive freeway upgrade. He quickly became the most popular character on the Facebook page where she posts carefully constructed scenes and witty dialogue.

"Traffic is frustrating, but it's fun to have a scapegoat," Olson says.

In her scenes, Ed is the doltish mastermind of the seemingly endless heavy road construction besetting Fox Point and other communities pressed between Interstate 43 and the shores of Lake Michigan.

Olson's Mommy plays Playmobil page chronicles Ed's efforts to bring more "azzle-dazzle" to the widening of a 14-mile stretch of I-43—a project that began in 2019 and is expected to wrap up this year.

Ed loves unusual designs like the "diverging diamond"—a real-life traffic pattern that briefly has motorists driving on the wrong side of the road at one interchange. And he likes to use construction equipment to maximize the mayhem.

"Ed is a menace," said Karen Olsen, the software consultant, whose commute was gummed up for months by construction on her exit. Just as that work was finishing up,

she moved to the other side of the highway—where construction was beginning on her new exit.

"It's just a struggle every day to figure out the moves you need to make to get to where you need to go without being more late than you already are," she said. "And in some of these incidents, you would find yourself cursing at a fictional character."

Ed was born out of Julie Olson's own frustrations.

"There were periods of time when it was virtually impossible to leave the North Shore because everything was closed," she said.

The 51-year-old grew up playing with Legos but got introduced to Playmobil, owned by Germany's Brandstätter Group, through a German friend who sent sets to her children when they were small.

"Sometimes I think I liked it more than they did," she said.

As the kids got older, Olson started selling off sets on a local Facebook page for hand-me-downs. She eventually wrote captions for the figurines, highlighting the foibles of relationships and family life.

"I couldn't help myself," she said. "I couldn't set the people up without imagining what the scenario was."

In one scene she peddled on the site, a mom carried a cup as she took her small children to the park. "I just said something like, 'There's definitely not rum in Joyce's cup of Diet Coke,'" Olson said.

The posts were so popular that fans encouraged her to launch her own page so the scenes wouldn't disappear when the sets were sold. Mommy plays Playmobil was born in 2020.

In 2023, as construction on I-43 intensified, she dreamed up Ed,



▲ Ed Lebiecki, a Playmobil character created by Julie Olson, has become an unlikely celebrity in Milwaukee's northern suburbs.

which includes about 150 sets and hundreds upon hundreds of figures. Sometimes, the Playmobil characters themselves will inspire the posts.

Reposts from a Facebook page focused on local traffic and community events helped expand Olson's fan base.

"I totally think he's a real person," said Abbey Krummel, 45, an accountant for a nonprofit and one of the page's administrators. "I can see his little plastic body in all these

situations."

Sometimes when a post about a strange happening on the highway is published on the page, followers will tag Olson and say, "We need to get Ed's take on this," Krummel said.

The Wisconsin Department of Transportation declined to make the real I-43 project manager available for comment, but said in a statement it appreciated Olson's enthusiasm for transportation.

Vinton Construction, a big contractor on the project, happily offered up Chad "Safety Chad" Heyduk, the company's safety director, for an email chat. "The road construction world is full of Razzle Dazzle," he said, adding: "You never can have too many road construction barrels to help protect our hard-working men and women."

These days, Olson is often on the lookout for more Playmobil, adding side trips to family vacations to complete deals with sellers she finds online or driving hours when she comes across a set she has to have.

"My husband and kids tolerate my collecting quite well," she said.

Olson frequently portrays Ed outside work—although he rarely takes off his construction hat or vest. She's pretty sure he lives with his mom, but his office, which features a computer, bunk bed and a toilet, may or may not be his primary residence. Ed's dating life, as one might imagine, is far from ideal.

As construction on I-43 winds down, Olson is looking to Ed's future. She recently revealed that his last name is Lebiecki—"It's about as Milwaukee as it gets," she says—and she plans to create a Facebook page devoted solely to him.

"He's so much more than a project manager," she said.

JOE BARRETT/WJS

ARTS IN REVIEW

BY LANCE ESPLUND

Dexter Gordon and Slide Hampton's jazz album "A Day in Copenhagen"—piped into the galleries—is the principal soundtrack for "Nordic Utopia? African Americans in the 20th Century," at Scandinavia House through March 8. Organized by the National Nordic Museum in Seattle, where it had its debut last year, the exhibition features African-American artists, musicians, performers, scholars and writers who sought creative freedom, education, inspiration, love and work—as well as refuge from racial discrimination and Jim Crow segregation—in Denmark, Finland, Iceland, Norway and Sweden.

Traditionally, when we think of cultural safe havens for African-Americans abroad, it's not overwhelmingly white Copenhagen, Helsinki, Oslo or Stockholm that come to mind—but multicultural Paris. "Nordic Utopia?" highlights Scandinavia, which many black Americans saw as a promised land. Co-curated by American-Scandinavian Foundation fellows Ethelene Whitmire and Leslie Anne Anderson, it comprises more than 60 works: visual art, films, photographs, artifacts, ephemera and music. Its stellar performers include saxophonist Coleman Hawkins and pianists Fats Waller and Duke Jordan, as well as dancer, actress and singer Josephine Baker and singer Anne Brown. They all spent time in Scandinavia, a progressive, creative hub for African-Americans.

Each story here is unique. But there are overlying biographical themes. Los Angeles-born Gordon (1923–1990), a composer, band-leader and tenor saxophonist, lived, from 1962 to 1974, primarily in Copenhagen, where, in 1969, he recorded "A Day in Copenhagen" with fellow black expatriots Hampton on trombone, Kenny Drew on piano and Art Taylor on drums—alongside Dane Niels-Henning Ørsted Pedersen on double bass.

In a 1977 interview with Down-Beat magazine, Gordon spoke about his "love affair" with Denmark: "I more or less became Danish.... Of course, there was no



ART REVIEW

A Frigid Safe Haven

An exhibition highlights the work of black Americans in Scandinavia

racial discrimination or anything like that. And the fact that you're an artist in Europe means something. They treat you with a lot of respect. In America... they say 'Do you make any money?'.... But over there, it's an entirely different mentality."

The Nordic "mentality" was understandably appreciated by African-Americans. And through documentaries, interviews, archival footage and testimonials—often poignant—"Nordic Utopia?" puts its artworks in conversation with their creators' lives. In Helmer Lund-Hansen's photograph "Josephine Baker in Copenhagen" (c. 1935–40), the singer gleefully cradles several baby dolls—black and white. Bruce D'Aubert Baker's documentary film "Dancing Prophet" (1971) profiles Cincinnati-born dancer Doug Crutchfield, who taught dance in Lund, Sweden, and

at Copenhagen's Royal Danish Ballet School during an extended 24-year-long residency. In Baker's film, Crutchfield discusses his pedagogy as we watch him perform and teach disabled children and the elderly.

Among the half-dozen visual artists here is South Carolina-born painter William Henry Johnson, who married Danish textile artist Holcha Krake and settled in Denmark. Johnson created Chaïm Soutine-inspired portraits and landscapes of Norway and Denmark, including the expressionistic "Boats in the Harbor, Kerteminde" (c. 1930–31). New Jersey-born artist and designer Howard Smith relocated to Finland, where firms enthusiastically reproduced his textile and ceramic designs, which are on view alongside his striking abstract sculptures, including the stoneware head "Female" (early 1990s) and the white-porcelain col-

umn "Frida" (early 2000s).

Baltimore-born singer Anne Brown received a similarly welcoming reception while performing in Oslo during a five-month-long European tour. There, she fell in love not only with Norway but with one of her biggest fans—Olympic champion ski jumper Thorleif Schjelderup. In 1948, Brown, fed up with racial prejudice in the U.S., married Schjelderup, became a Norwegian citizen and settled permanently in Oslo.

In Benedikte Minos's documentary "Anne Brown, the Golden Voice" (2002), Brown tells how she came to live in Oslo and how she got her start in show business. In 1934, she had written to George Gershwin requesting an audition for his opera "Porgy." Brown sang so beautifully that Gershwin cast her in the part of Bess, which, at her request, he rewrote and ex-

hibited so that Brown could sing "Summertime." In Minos's documentary, Brown's mounting, soulful rendition of "Summertime" plays in the background. And Brown recounts that Gershwin "invited me out to lunch one day and said, 'I want to tell you, Miss Brown, that "Porgy" will now and forever not be called "Porgy" anymore, but "Porgy and Bess.'"

But "Nordic Utopia?"—as its question mark implies—makes almost no social or political pronouncements. Nor does it sugar-coat the homesickness, difficulties and racial discrimination African-Americans experienced in their adopted Scandinavian homelands. (Not everyone experienced Scandinavia as a "utopia.") Keenly aware of the plight of their fellow black Americans back home—combating poverty, conscription and racial inequality—some wrestled with feelings of escapism and remorse.

These issues are openly addressed in Hans Engberg's documentary "Another Man's Country 1, 2" (1970), which follows Newark-born Bernie Moore (who once owned Soul Kitchen, a Copenhagen restaurant) as he engages in frank conversations with other African-American expat-refugees living in "voluntary exile" in Denmark. They discuss their conflicted feelings about being privileged foreigners; American class and social struggles; Scandinavian racism; feminism, the Vietnam War and the Black Panthers.

"Nordic Utopia?" is an important and compelling group portrait. As an exhibition, however, not everything here is of equal interest or merit. Even the best of its visual arts aren't on par with the music of Dexter Gordon and others, which is where this show really sings.

Nordic Utopia? African Americans in the 20th Century

Scandinavia House, through March 8

Mr. Esplund, the author of "The Art of Looking: How to Read Modern and Contemporary Art" (Hachette), writes about art for the Journal.



ARTS CALENDAR

HAPPENINGS FOR THE WEEK OF JANUARY 28

By WSJ ARTS IN REVIEW STAFF

Film

"Companion" (Jan. 31)

A weekend trip goes haywire after an android programmed for camaraderie acquires a taste for violence in this horror film featuring Sophie Thatcher and Jack Quaid.

"Love Me" (Jan. 31)

After humanity has been wiped out, a buoy and a satelite meet online and explore life and love over billions of years in the feature debut by Sam and Andy Zuchero starring Kristen Stewart and Steven Yeun.

"Marcello Mio" (Jan. 31)

French director Christophe Honore's latest is a comedy about an actress living in her famous parents' shadows who decides to start imitating her father. In a touch of real-world resonance, Chiara Mastroianni (daughter of Catherine Deneuve and Marcello Mastroianni) plays herself.

TV

"Paradise" (Hulu)

"This Is Us" creator Dan Fogelman's new show is a thriller, starring Sterling K. Brown as a Secret Service agent and James Marsden as the U.S. president, in which an elite enclave is shaken by a murder.

"Mo," Season 2

(Netflix, Jan. 30)

Mo Amer's comedy (in which he also stars) about a Palestinian refugee living in Houston returns for its second and final season, with guests including Matt Rife and Hannibal Buress.

Theater

"Broadway Center Stage: Schmigadoon!"

(The Kennedy Center, Washington, Jan. 31–Feb. 9)

The Emmy Award-winning Apple TV+ show gets a stage adaptation. New York doctors, lost on a backpacking trip, find themselves in the magical world of Schmi-

gagoon, in which Golden Age musicals come to life. Alex Brightman and Sara Chase star in Cinco Paul's show, directed by Christopher Gattelli.

Music

The Weeknd, "Hurry Up Tomorrow" (Jan. 31)

The sixth studio record from the Canadian singer-songwriter blends his polished hit-worthy sound with elements of R&B and pop and forms the final chapter of the trilogy of LPs that include "After Hours" and "Dawn FM."



▲ The Weeknd, whose new album is out Friday.

Art
"Farm to Table: Art, Food and Identity in the Age of Impressionism"

(Frist Art Museum, Nashville, Jan. 31–May 4)

From plate to palette, this show looks at the way artists used their depictions of food to reflect the turbulence and advancement of 19th-century France. Some 50 paintings and sculptures by artists including Gustave Courbet, Paul Gauguin, Claude Monet and Camille Pissarro capture both the nation's gastronomic obsessions and its shifting socio-political landscapes.

"Alexej Jawlensky"

(Louisiana Museum of Modern Art, Humlebaek, Denmark, Jan. 30–June 1)

The more than 60 works on view in this exhibition

discover rare works on paper ranging from the 15th century to the present. Other media complement these works in a weeklong display that probes the bounds of technical skill and inventiveness.

Last Call**"Cult of Love"** (Hayes Theater, New York, through Feb. 2)

Set on Christmas Eve, Leslye Headland's Broadway play observes the fractious relationships among two religious parents and their adult children. Our critic praised it as "a sultry comedy-drama" that thrives on the charisma and conviction of the actors.

For additional Arts Calendar listings visit [wsj.com](#). Write to [brian.kelly@wsj.com](#).

The WSJ Daily Crossword | Edited by Mike Shenk



EXIT INTERVIEWS | By Zachary David Levy

Across

- 1 Kennel sound
- 5 Won every award, so to speak
- 10 Yukon and Acadia, e.g.
- 14 Deets
- 15 It starts with Genesis
- 16 Coveted by collectors, maybe
- 17 "Beat it, Ben Franklin!"
- 19 Best pair in poker
- 20 Smoked topper for a bagel
- 21 Upper limit
- 22 Dope, in dated slang
- 23 Dropped pop-up, e.g.
- 24 "Just leave, John Muir!"
- 25 "Klondike Annie" actress
- 26 Liquid in a well
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- 35 Columnists' pieces
- 36 "Pack it up, Steve Prefontaine!"
- 37 "Clear out, Cornelius Vanderbilt!"
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- 41 Michael of R.E.M.
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- 43 Start for fat or fiction
- 44 Monk in the mountains
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- 47 Celestial sphere
- 48 Ocasek of the Cars
- 49 Gold, to a conquistador
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- 51 Abbr. in a footnote
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SPORTS

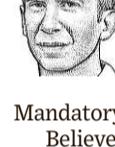


EMILIE CHINN/GTY IMAGES, DAVID ELLIOTT/GTY IMAGES

JASON GAY

Birds vs. Behemoth: Do the Eagles Have a Shot Against the Chiefs?

Philadelphia and Kansas City book a championship rematch—with NFL history on the line



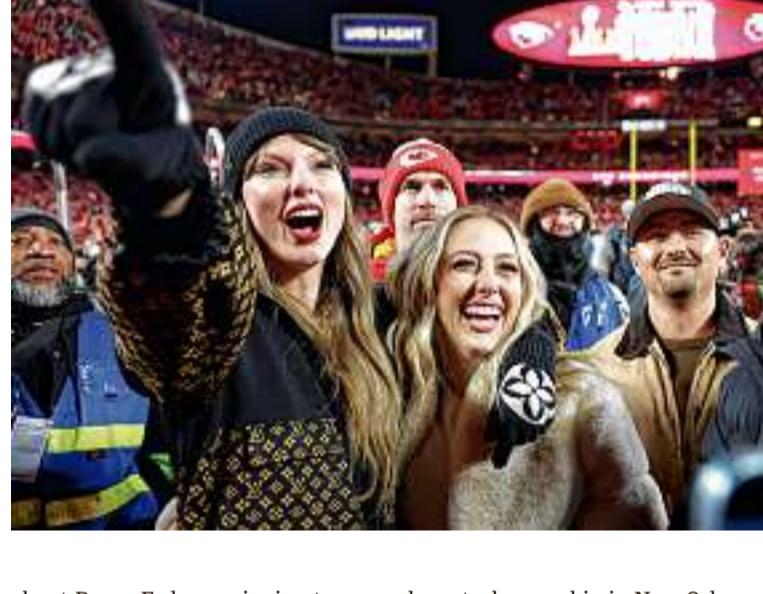
Same old Super Bowl?
I get the knee-jerk take, but don't dismiss this upcoming iteration of America's Last Mandatory Group Fun Ritual.

Believe me, I understand the question: *Kansas City versus Philadelphia?* Patrick Mahomes vs. Jalen Hurts, head coach Andy Reid vs. Nick Sirianni, matriarch Mama Kelce chased all over town by the football paparazzi....*Didn't we just do this NFL clambake?* And it's true. We had this exact AFC/NFC matchup a couple of years ago, in the Arizona desert, where the slippery Chiefs narrowly prevailed.

This time, it's different. I'm not saying that in an obsequious sports media social-contract way, where I'm supposed to act like a sporting event is going to be good, even if it's lame. You know me. I'd tell you if this game is lame. I'm not trying to sell you shampoo and pretzel sticks. I don't mind if you skip the expensive commercials and walk the dog during the halftime show.

And there is Chiefs fatigue, I won't ignore it. This will be Kansas City's third straight trip to the Super Bowl, and its fifth in the past six years. Folks get sick of sunshine and free pizza, so it's hard to be shocked by grumbling that the Chiefs are too good, too ubiquitous, too protected by the referees and other standard-issue NFL moaning.

This is what happens when you're great, of course. We complain about it. People used to whine



about Roger Federer winning too many tennis matches, and now those hypocrites would give anything to watch that one-handed backhand one more time.

Also, the back-to-back champion Chiefs are going for the Super Bowl "three-peat," a term former Lakers coach Pat Riley registered as a trademark (literally), and you're going to get so sick of hearing "three-peat" over the next two weeks you're going to need to invest in noise-cancelling headphones or dig a small tunnel under your garage and hide there until Feb. 9.

Still, I maintain Chiefs-Iggles—this one to be played at the stain-

less steel spaceship in New Orleans, with Kendrick Lamar as the half-time act—was a very good Super Bowl the first time it happened, and promises to be a few clicks more intriguing this time.

Here are a handful of reasons to watch, and feel free to yell at me if you don't like them.

Legit history on the line. You're hearing about the "three-peat" for a reason other than lining Pat Riley's silky pockets: The Chiefs are trying to become the first NFL team to ever win three straight Super Bowls. Like a coherent Journal sports column, this feat has never been done. Yes, the Green Bay Packers won

three straight NFL titles in the pre-Super Bowl days, but what are we, stegosaurususes? Kansas City has a chance to further its mark as a modern NFL dynasty, and you have to acknowledge the upside: It's starting to make Patriots fans a little snippy in the debate about the The Most Bestest Braggiest Awesomest Franchise Ever.

The Eagles Can Actually Win

This Thing: Did you watch Sunday? One football team made an airtight case that it's a Super Bowl juggernaut, and it wasn't K.C. Philly put 55 points on a Washington team which entered with tremendous momentum, and it could have been worse. They're a roughhouse, all-purpose team with a grumpy defense, experienced skill players on both sides of the ball, America's leading book critic, A.J. Brown, and their quarterback, Jalen Hurts, has been in the Super Bowl before, and played fabulously. Vegas installed the Chiefs as a mild 1.5-point favorite, which basically means: *yeah, we have no idea.*

Saquon Barkley. Until this season, this Eagles superstar running back played for the New York Giants. You know the Giants: They're the football team in New York that is actually somehow worse than the Jets. The Giants decided it was a good idea to part ways with Barkley, the No. 2 overall pick in the 2018 draft, and it was a good idea: for the rival Eagles, who proceeded to watch their new hire rush for a near-NFL record 2,005 yards this season. Barkley devastated Wash-

ington Sunday, running for three touchdowns and 118 yards. For Giants fans, it's been like watching a beloved friend go on vacation with your worst enemy, and then pretending not to see the photos on Instagram of them hanging out at beaches and fancy hotels.

Mahomes is Mahomes: A loyal reader wrote to me: on Super Bowl weekend we will watch a league MVP award awarded to a player in a voting derby that barely acknowledges the existence of the Chiefs quarterback, who remains the standard for clutch excellence and the one player you definitely don't want to see with the ball in the fourth quarter. Mahomes has always been a handful, is still a handful, appears healthy, has weapons, has that crafty Andy Reid playbook, and has turned the Super Bowl into his personal man cave.

Taylor Swift. I know some football fans are exasperated by this topic, but come on: I'm not going to mention her; it would be malpractice, and besides, my 10-year-old daughter reads this paper now, though mostly for the Intelligent Investor column.

The fact remains that the world's most recognizable pop singer is dating Kansas City's hirsute tight end podcaster, Travis Kelce, aka Mama Kelce's second son. Swift was in Eras Tour rehearsals the last time these two teams played—she had no idea she'd become a hardcore football die-hard versed in schemes and stadium corridors.

The Chiefs have never lost a playoff game during the Kelce-Swift courtship, plus there's this: Swift hails from Eagles country! Specifically, Wyomissing, Pa., so expect some grumbling about out-of-state allegiances, maybe even some wisecracks from Kelce brother and retired Eagle legend Jason, because Philly fans are Philly fans, and they never forget anything.

Tom Brady. This is the debut Super Bowl voyage for Fox's rookie big-money analyst, and this was at least part of the idea for hiring him: Who better to have calling a Super Bowl than Mr. Super Bowl? Brady's getting better in the booth, mostly because he's loosened up, stopped stating the obvious, and started telling us what he really thinks. (People think Brady might step away to go manage the Las Vegas Raiders, a franchise he now owns a small piece of, but who wants to spend more time with the Raiders? It's like visiting a vacation house with leaks and porcupines eating the deck.)

I really want Brady to go there with the Chiefs and Mahomes, and confess to any petty demons lurking inside. Is he *really* OK with Mahomes making a run at his GOAT status? Is he going to lavish praise on the Chiefs quarterback before quietly mentioning he beat Mahomes in both an AFC Championship and a Super Bowl?

It's the Super Bowl. Come on, I know it's the Chiefs and the Eagles again, but what else are you going to do? *Read?*



Patrick Mahomes had 43 rushing yards on 11 attempts against the Bills.

What's Scarier Than Mahomes Playing QB? Watching Him Run.

By ANDREW BEATON

Kansas City, Mo.

EARLY IN THE FOURTH QUARTER of the AFC Championship, the Kansas City Chiefs found themselves trailing the Buffalo Bills 22-21 and quarterback Patrick Mahomes knew exactly whose number to call for the go-ahead touchdown.

His own. From 10 yards outside the end zone, Mahomes faked a handoff to running back Kareem Hunt and watched Buffalo's defense sell out to stop the run. Kansas City had run an identical play earlier in the game when Mahomes actually gave the ball to Hunt, who got through for a 12-yard touchdown run.

"Pat knew they were going to go for the ball," offensive coordinator Matt Nagy said.

He was right. Only this time, Mahomes was the one running with the ball. Moments later, he was celebrating a touchdown of his own.

When the Chiefs beat the Bills 32-29 on Sunday night in another playoff classic between these two teams, Mahomes produced a series of clutch plays to condemn Buffalo to more postseason heartbreak and keep Kansas City on course for a third consecutive title. But the guy who has become the

greatest quarterback of his generation through a repertoire of remarkable throws didn't make his most significant plays with his arm.

He did it with his legs.

Mahomes accounted for three of the Chiefs' four touchdowns against Buffalo, and two of them were on the ground. That might seem surprising considering that he's hardly one of the league's most prolific scramblers. At this time of year, though, Mahomes suddenly turns into a runner who can deliver a series of killer blows to opposing defenses.

His two rushing touchdowns Sunday matched his entire total from the regular season.

"They always give me options to pull the ball and run it," Mahomes said. "I pulled some of those reads that I've had all season long, just because it's [the] playoffs."

Mahomes doesn't typically put up eye-popping running stats. Over the course of his career, he has averaged just 20 rushing yards per game during the regular season. Yet in the postseason, that leaps to 29 yards—or an increase of 45%. He also runs more often (5.4 attempts per game vs. 3.9) and gets more per attempt (5.4 yards vs. 5.2), meaning his volume and effectiveness both go up.

But even traditional numbers

can't capture just how effective Mahomes is running with the ball during the postseason—and Sunday, when the box score credited him with 43 yards on 11 attempts, was the perfect example.

Of those 11 attempts, three of them were kneel downs that lost yardage and another play was tallied as a rush when he was credited with a fumble, docking him five additional yards. On the other seven, Mahomes actually ran with the ball—and each one of those was a success.

On six of those seven attempts, he either scored a touchdown or picked up a first down. On the other, a first down play, he gained 7 yards, which put the team in an advantageous second-and-short situation. He duly capitalized on

that with a 29-yard completion.

"When he does use his legs," Nagy says, "Pat has a massive savviness to know when to use them."

That type of production is a far cry from the regular season when Mahomes ranked just 12th among quarterbacks in rushing yards. But even when he's not on the move, Mahomes likes to remind his teammates that his cleats aren't stuck in the mud. Nagy said that Mahomes always wants to play clips of his running highlights from his high school and college days to show off what he calls his "boosties."

At the same time, it makes sense that Mahomes limits his running for most of the year. For one, because he only rarely has de-

signed runs called for him during the regular season, defensive coordinators don't typically call run blitzes to thwart them, like they might do against someone such as Allen or the Baltimore Ravens' Lamar Jackson. That opens up lanes when Mahomes eventually does decide to call his own number.

More broadly, though, Mahomes's most important asset is his health. Every time he scrambles he's exposed to taking a vicious hit. And when the Chiefs are capable of winning 15 games and the No. 1 seed in the AFC without him running wild, that extra risk hardly seems necessary.

What Mahomes and each of his teammates knows is how different that is during the playoffs.

"It's win or go home this time of year," says offensive tackle Jawaan Taylor. "Whatever he needs to do to get a win, he's going to do it."

Come the Super Bowl in New Orleans on Feb. 9, Mahomes won't be the only quarterback trying to run his team to a title. Over the last three seasons, the Philadelphia Eagles' Jalen Hurts ranks third among all quarterbacks in rushing yards and first in touchdowns. He had three scores on the ground when Philadelphia and Kansas City played for the Lombardi Trophy two years ago.

Still, Mahomes's elusiveness ultimately decided that Super Bowl.

In the waning moments of the game, with the score tied, Mahomes dropped back to pass and found himself under pressure. Then, even on a gimp ankle, he moved up in the pocket and scampered for a 26-yard gain—putting the Chiefs in range for the game-winning field goal.

OPINION

Catholic Schools and Jewish Rye

MAIN STREET
By William McGurn

Long before DEI became a thing, a Brooklyn-based Jewish bakery offered its own playful take on diversity in a now-iconic series of subway ads. The

ads featured a variety of people—a Native American man, a robed choirboy, a white cop, a black child—all enjoying sandwiches over this now-famous tag line: “You don’t have to be Jewish to love Levy’s real Jewish rye.”

That ought to be the message of Catholic Schools Week. The 4,731 Catholic grade schools and 1,174 secondary schools now celebrating do a superb job educating their students—with the National Catholic Educational Association reporting 99% of their high-school students graduating on time and 85.2% going on to four-year colleges.

Now may be their moment. Covid literally brought home to ordinary moms and dads what their kids were being taught in public schools. They also saw how resistant those schools were to any accountability—Attorney General Merrick Garland even sicced the FBI on parents who showed up for school-board meetings.

But while the teachers unions cheered on the school closings, Catholic school students were in their classrooms. The contrast launched a parents revolution. Most of the hard-won gains

have been at the state level. Where five years ago not a single state offered universal school choice, today 12 states offer it, with the NCEA reporting that 13.7% of Catholic school students are there because of a choice program.

For the first time in nearly a quarter-century, Catholic school enrollment in 2023 increased slightly, to 1.7 million students. And on the menu for 2025 are school-choice proposals in Texas, Idaho, New Hampshire, North Dakota, South Dakota, Tennessee and Wyoming.

Corey DeAngelis, a senior fellow at the American Culture Project, points out that this is a winning issue for Republicans. Mr. Trump won the parent vote by 9% in November and the Catholic vote by 15%.

“The GOP has officially emerged as the parents’ party,” Mr. DeAngelis says. “The performance of the nation’s Catholic schools during the pandemic helps explain why.”

But there’s also ferment in Washington. Anthony de Nicola is a successful Wall Street executive who serves as chairman of the Invest in Education Coalition. He believes choice for every child requires some federal action.

It is past time for the federal government to support the growing demand from parents to provide access to even more parental choice,” Mr. de Nicola says. “Not only would this help established alternatives that have proven their worth—like the inner-city Catholic schools—it would encourage

new models and unleash Elon Musk-like innovation and transformation of America’s education system.”

For years Mr. de Nicola tried to get a tax credit for contributions to private scholarships through in New York. He was stymied by the blue state’s politics. Today, Invest in Education is pushing for the Educational Choice for Children Act. It offers a 100% nonrefundable tax credit for private donations to nonprofit scholarship-granting organizations.

You don’t have to share the faith to appreciate just how good they are.

It is more evidence of the fallout from Covid.

America’s experience with the pandemic demonstrated that Catholic schools, with far fewer staff and less resources, were far more flexible and innovative than their public counterparts. The NCEA says that more than 90% of Catholic schools stayed open during the pandemic. They kept in-person learning alive while also keeping staff and students safe from Covid.

In 2022, the National Center for Education Statistics released the first post-pandemic set of national achievement scores for fourth and eighth graders. It showed the large declines for public-school students in both math and reading.

But Catholic schools showed no declines in fourth- or eighth-grade reading, or in fourth-grade math. Eighth-grade math scores at Catholic schools declined less than at public schools.

Most Catholic schools at the primary level are known as parochial schools because they are run by local parishes. The name is ironic, though, because there’s nothing parochial about these schools. Instead of being run for the benefit of the teachers, they adhere to the now-radical notion that they should be run for the children they serve.

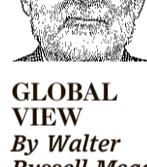
Catholic schools aren’t the only ones who deliver. There are charter schools, home schools, private schools and countless variations of all three. But Catholic schools work, and have worked for some time. Although it isn’t fashionable to say, their success might have something to do with treating every child as created in the image of God.

Non-Catholics looking for a school to which they can trust their children appreciate that. Today 21% of all Catholic school students aren’t of the faith. Whatever their religious differences, these parents want children to realize their potential and be good and productive citizens. They see the Catholic school system as the place where that can happen.

“You don’t have to be Catholic to appreciate its schools as a model of accountability and results,” Mr. DeAngelis says. “That’s why they are at the heart of the parent revolution.”

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Trump Keeps Davos Man off Balance

GLOBAL VIEW
By Walter Russell Mead

Donald Trump is an American president like no other, and his political resurrection hasn’t shaken up only American politics. Mr. Trump is trying to remake the world, and in the first week of his presidency, he is having an outsize impact.

Even Davos Man gets it. After the World Economic Forum’s founder Klaus Schwab thanked the American president for agreeing to address the group by video, participants—who in other years might have booed, laughed or stalked out in ostentatious protest at Mr. Trump’s uncompromising exposition of his views—sat silently and respectfully as the president attacked almost everything that Davos Man holds dear.

In the live video address, Mr. Trump doubled down on his campaign rhetoric about putting America first, vowed to turbocharge the American economy through deregulation and tax cuts, and promised to deploy the full might of American economic and technological prowess to secure American primacy on the global scene. But when it came to great power competition and America’s role in the world, the president’s other moves last week flipped the script.

The smart money at Davos expected Mr. Trump to come

out breathing fire and fury against Iran, challenging China and conciliating Russia. Not for the first time, the smart money was wrong. Vladimir Putin was the target of Mr. Trump’s most pointed threats. Xi Jinping’s China was offered an opportunity to work with rather than against the U.S. Iran was extended something like an olive branch.

While holding out the vision of a compromise peace in Ukraine that would satisfy some of Russia’s aspirations, Mr. Trump threatened Mr. Putin with everything from relentless sanctions to an energy price war that would gut Russia’s economy and make continuing the war with Ukraine impossible. He appeared to offer China a better deal on tariffs if Beijing helped persuade Russia to limit its demands on Kyiv, and he called on Saudi Arabia to increase production and thus drive oil prices low enough to make it economically impossible for Russia to sustain the war.

Since his first term, Mr. Trump has focused his criticism of what some call the “rules-based world order,” which his predecessors laboriously built over the decades since World War II. While the U.S. foreign-policy establishment largely believes that the order supports and upholds American power globally, from Mr. Trump’s perspective, the old order constrains and limits him.

Mr. Trump believes in

power rather than rules when it comes to settling international disputes. When Colombia refused to accept military deportation flights from the U.S. on Sunday, Mr. Trump unleashed a blizzard of political and economic threats that pushed Bogotá into receiving them. The existing institutions of the international system—

He offers threats to Putin, flexibility for Xi and even an olive branch for Iran.

ranging from the United Nations to the World Trade Organization—would never have delivered a result this fast or this dramatic.

That worries countries such as Denmark, where observers are beginning to suspect they should take Mr. Trump’s demands about Greenland seriously. Without the stability that the old rules-based order sought to promote, there is no telling what will happen next. Mr. Trump believes that uncertainty increases his leverage, and he intends to exploit it as far as he can.

Important questions about the new Trump agenda remain unanswered. One involves the conflict between restraint and expansion at the heart of the Trump vision. The president has been staffing key Pentagon posts with neo-isolationist advocates of a more re-

strained foreign policy. Yet his foreign-policy agenda is ambitious. Besides territorial expansion to Greenland, Panama and perhaps beyond, he clearly sees himself as the top dog when dealing with Mr. Xi and Mr. Putin. Any peace deal between Russia and Ukraine must meet his idea of a proper compromise. He appears uninterested in giving China’s ambitions free rein in East and South Asia. He would certainly not welcome a world in which China’s navy could block American access to key minerals or markets around the world. Nor would he accept the news that China had gained the ability to destroy American communications satellites in outer space.

Yet power and prestige are zero-sum. The power that an expansionist, rising and expanding America would inevitably acquire will be seen in Beijing and Moscow, and not only there, as a threat. The ever-closer link between technological leadership and strategic military power that characterizes our era ensures that economic competition among the great powers will exacerbate their strategic rivalries.

Managing the conflict between an American agenda of recovery, expansion and growth and neo-imperial Russia’s dreams of renewed great power status and Mr. Xi’s China Dream would tax the talents of a Tallyrand. We shall soon see what Mr. Trump and his chief diplomat Marco Rubio make of it.

Mitchell’s upward mobility is as inspiring as his low-profile largess. Naysayers may snipe that his donation sustains the privileged merry-go-round of alumni shoveling money into New England boarding schools and colleges. But Northfield Mount Hermon shovels a fair amount back, with 40% of students receiving financial assistance, the school says.

The photogenic campus, with its playing fields along the Connecticut River and 19th-century granite chapel, was a location for the 2023 movie “The Holdovers.” And “boarding school” is freighted with elite connotations. So, such carping may have some, yes, merit. But not enough to extinguish one striver’s enduring generosity.

Ms. Cronin is an associate editorial features editor at the Journal.

By Brenda Cronin

In one week, the U.S. got a new president and a private school in New England got a windfall. At his inauguration, President Trump said: “We will forge a society that is colorblind and merit-based.” Four days later, Northfield Mount Hermon, a day and boarding school in rural Massachusetts, announced a bequest of \$50 million from the estate of John W. Mitchell (1938-2022), a member of the class of 1956. The latter development shows how meritocracy was flourishing decades ago.

According to Northfield Mount Hermon, Mitchell arrived as a scholarship student from “an unheated house in a small town” on Cape Cod. He thrived academically, rising to class valedictorian. Athletically unremarkable, he honed an acumen for logistics by serving as student manager

of the football team. (For one away game, he forgot to bring balls. At the apoplectic coach’s behest, Mitchell resorted to “borrowing” some from the opponent’s sidelines.)

Like all students—on scholarship or not—he was required to work 10 hours a week in the dining hall,

A scholarship student in the ‘50s leaves his school \$50 million.

cleaning dormitories or doing other jobs around campus. He earned degrees at Yale and New York University. During a long career at Pfizer, he became president of global manufacturing.

Mitchell credited the school with casting the template for his life. Would his exceptional talents have germinated anywhere? Would his

story have been different had the scholarship been contingent on his race or sex?

Mr. Trump signed an executive order ending “diversity, equity and inclusion” in government hiring. Such preferences, he wrote, diminish “individual merit, aptitude, hard work, and determination.” That roster sums up Mitchell, whom I met briefly in New York in 2022. He was courtly and modest, exhibiting no hint of his accomplishments. Mr. Trump could learn something from his self-effacing approach.

Between 2006 and 2016, he served on Northfield Mount Hermon’s board of trustees. No school building is named for him.

He donated his time and expertise behind the scenes and parachuted in anonymously with money to help with building and maintenance emergencies. In keeping with his wishes, much of his bequest will go to schol-

arships for students and support for teachers.

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Ms. Cronin is an associate editorial features editor at the Journal.

BOOKSHELF | By David A. Shaywitz

Bidding Farewell To Dystopia

Superagency

By Reid Hoffman and Greg Beato

Authors Equity, 288 pages, \$32

How does it feel to live through the birth of a transformative technology? Historically, the experience has proved unnerving. While technologies like the printing press, the power loom, the telephone and the automobile would ultimately change the world for the better, doomsayers at the time of their first appearance focused on what could go wrong. The telephone, for instance, was viewed as a threat to in-person relationships, while cars were seen as a lure to profligate men, who would blow their money on a fancy new car and neglect to save up for family life.

Today a powerful new technology—artificial intelligence—is again stirring up fears and finding resonance in dystopian narratives from “1984” to “Terminator.” In “Superagency,” Reid Hoffman, with the journalist Greg Beato, seeks to reset our reflexively pessimistic framing.

“What if every child on the planet suddenly has access to an AI tutor that is as smart as Leonardo da Vinci and as empathetic as Big Bird?” he asks. Reminding us of transformative tech’s historical arc, he urges us to step away from our gloomy preconceptions and imagine “what could possibly go right with our AI future.”

Mr. Hoffman, a noted tech entrepreneur (he co-founded LinkedIn) and venture capitalist, strives for moderation. He rejects the pessimism of the “Doomers,” who regard the development of artificial intelligence as an existential threat to humanity, and the “Gloomers” (he name-checks Shoshana Zuboff, the author of “The Age of Surveillance Capitalism”), who focus on AI’s potential near-term harms, including job losses, disinformation and the exacerbation of systematic biases. Yet he also doesn’t endorse the gung-ho technoutopianism of the “Zoomers” (the venture capitalist Marc Andreessen comes to mind, though he is not named), who want a clear runway and complete autonomy to innovate.” Mr. Hoffman describes himself as a “Bloomer”—optimistic about AI but cautious enough to recognize that it should not be developed and deployed in a unilateral fashion.”

To achieve the right balance of speed and prudence, Mr. Hoffman advocates “iterative deployment”—the idea that by developing and sharing technology broadly, in bite-size increments, everyone becomes a partner in the process.

This approach would allow us to evaluate problems as they arise rather than smothering the field with regulation from the get-go, prompted by our worst fears.

While acknowledging that Silicon Valley is faulted for “solutionism”—the inclination to offer simplistic tech fixes to complex social challenges—Mr. Hoffman is more worried by the “problemism” outside Silicon Valley: the tendency to exaggerate fears by dwelling on theoretical concerns. Where skeptics fret about dehumanizing “techno-surveillance,” Mr. Hoffman argues that technology has enabled us to be seen in all our glorious individuality. Fraud and disinformation? The “larger story,” he insists, is how the internet has functioned as “an unprecedented trust machine,” allowing us to routinely use Airbnb to book a stay in a stranger’s house; Uber to hop into an unknown car; or (of course) LinkedIn to expand our professional networks.

Better to share technology broadly, in bite-size increments, than to smother it with regulation from the start, prompted by our worst fears.

To critics who contend that big tech is exploitative, making billions off our data and participation, Mr. Hoffman counters that users get extraordinary benefits in the “private commons” of tech platforms; they create, he says, a “mutualistic ecosystem.” Meta’s calculated revenue per user works out to about \$4 a month, while an academic study found that the median Meta user would give up the service for no less than \$48 a month, suggesting, as they say, a win-win arrangement.

At times, Mr. Hoffman’s dogged pursuit of his thesis evokes the excesses of high-school debate. He questions whether developing a relationship with a nonhuman intelligence like AI (one of the skeptics’ worries) is particularly exceptional, noting that people already feel an intimate connection to dogs, dolls and gods. Other sentences are unwittingly cringing. Comprehensive databases are “not chains of plastic tape so much as climbing ropes you use to scale greater heights and achieve new levels of meaning and fulfillment.”

A more substantial concern is the thin line between hopefulness and naivete. He blithely suggests that if the U.S. leads the way, AI technology, as it spreads across the globe, will be infused with democratic values. He allows that regulation or limited access to most advanced models may be required—but does he really think that such tepid measures will meaningfully curtail the risk of this rapidly evolving technology winding up in the hands of our adversaries and other bad actors?

Mr. Hoffman is especially focused on the primacy of human agency, which he defines as the ability “to make your own choices, act independently, and thus exert influence over your life.” While Gloomers, in particular, worry that technology undermines individual agency, he argues that embracing AI “will increase our agency across nearly everything we do as humans.” He believes technologies like the large language models underlying ChatGPT and Gemini will prove particularly enabling for the least skilled, exerting a democratizing effect. Yet he also notes these models favor users with deep expertise. The result is that while AI may elevate everyone, it seems likely that some will be more elevated than others.

A recent publication examining the impact of AI on material scientists bears these concerns out: While AI increased total productivity, the best researchers were boosted the most. The study also found that AI reduced the scientists’ sense of satisfaction, automating “precisely the tasks that scientists find most interesting—creating ideas for new materials.” Mr. Hoffman, presumably, would argue that future scientists, accustomed to partnering with AI, will experience an enhanced sense of agency based on all they will be able to accomplish. Whether this forecast ultimately accords with our lived experience is the unanswered question upon which Mr. Hoffman’s cheery thesis depends.

Dr. Shaywitz, a physician-scientist, is a lecturer at Harvard Medical School and an adjunct fellow at the American Enterprise Institute.

OPINION

REVIEW & OUTLOOK

The DeepSeek AI Freakout

Who saw that coming? Not Wall Street, which sold off tech stocks on Monday after the weekend news that a highly sophisticated Chinese AI model, DeepSeek, rivals Big Tech-built systems but cost a fraction to develop. The implications are likely to be far-reaching, and not merely in equities.

The tech-heavy Nasdaq fell 3.1%, driven by a 16.9% dive in Nvidia shares. Nvidia dominates the market in advanced AI chips. Its stock had surged more than 10-fold since early 2023—achieving a more than \$3.3 trillion market valuation until Monday—as tech giants announced hefty outlays on AI.

Enter DeepSeek, which last week released a new R1 model that claims to be as advanced as OpenAI's on math, code and reasoning tasks. Tech gurus who inspected the model agreed. One economist asked R1 how much Donald Trump's proposed 25% tariffs will affect Canada's GDP, and it spit back an answer close to that of a major bank's estimate in 12 seconds. Along with the detailed steps R1 used to get to the answer.

More startling, DeepSeek required far fewer chips to train than other advanced AI models and thus cost only an estimated \$5.6 million to develop. Other advanced models cost in the neighborhood of \$1 billion. Venture capitalist Marc Andreessen called it "AI's Sputnik moment," and he may be right.

DeepSeek is challenging assumptions about the computing power and spending needed for AI advances. OpenAI, Oracle and SoftBank last week made headlines when they announced a joint venture, Stargate, to invest up to \$500 billion in building out AI infrastructure. Microsoft plans to spend \$80 billion on AI data centers this year.

CEO Mark Zuckerberg on Friday said Meta would spend about \$65 billion on AI projects this year and build a data center "so large that it would cover a significant part of Manhattan." Meta expects to have 1.3 million advanced chips by the end of this year. DeepSeek's model reportedly required as few as 10,000 to develop.

DeepSeek's breakthrough means these tech giants may not have to spend as much to train their AI models. But it also means these firms, notably Google's DeepMind, might lose their first-mover, technological edge. Google shares

The Chinese startup's model stuns Big Tech with its ability and cost.

fell 4% on Monday. DeepSeek's model is open-source, meaning that other developers can inspect and fiddle with its code and build their own applications with it.

This could help give more small businesses access to AI tools at a fraction of the cost of closed-source models like OpenAI and Anthropic, which Amazon has backed. There are advantages to such closed-source systems, especially for privacy and national security. But open-source can foster more collaboration and experimentation.

It's notable that DeepSeek is a startup founded by Liang Wenfeng, a Chinese hedge fund trader. Americans think of China's economy as run top-down, and much of it is. But its growth over the last few decades, especially in tech, has been spurred by entrepreneurs. Alibaba, Tencent and ByteDance were all once startups that now rival U.S. tech giants.

This is another reason for the U.S. to avoid the trap of thinking it must imitate Chinese industrial policy to succeed in the AI race. A bipartisan Senate AI report last spring called for Congress to pass \$32 billion a year in "emergency" spending for non-defense AI, supposedly to better compete with China. What a waste of money that would be.

* * *

DeepSeek is vindicating President Trump's decision to rescind a Biden executive order that gave government far too much control over AI. Companies developing AI models that pose a "serious risk" to national security, economic security, or public health and safety would have had to notify regulators when training their models and share the results of "red-team" safety tests."

Mr. Biden said such tests are needed to eliminate biases, limitations and errors. But open-source models allow the public to review and test systems. Some have pointed out that DeepSeek doesn't answer questions on subjects that are politically sensitive to Beijing.

DeepSeek should also cause Republicans in Washington to rethink their antitrust obsessions with big tech. Bureaucrats aren't capable of overseeing thousands of AI models, and more regulation would slow innovation and make it harder for U.S. companies to compete with China. As DeepSeek shows, it's possible for a David to compete with the Goliaths. Let a thousand American AI flowers bloom.

Tom Cotton on Trump and Pompeo, Et Al.

President Trump doesn't like to admit a mistake, but sometimes he changes his mind. One early decision he would be wise to reverse is his withdrawal of security protection to former advisers Mike Pompeo, Brian Hook and John Bolton.

All three men advised Mr. Trump on Iran in his first term, and in 2020 he ordered the assassination of Iran's leading terrorist, Qassem Soleimani. Iran has been plotting revenge against the trio as well as Mr. Trump ever since, and the threats are more than idle.

Here's how Arkansas Sen. Tom Cotton, chairman of the Intelligence Committee, put it on Sunday when Shannon Bream of Fox News asked him about our criticism of Mr. Trump's decision: "Yeah, I would encourage the President to revisit the decision for those people who are being targeted by Iran, as the President was targeted for assassination by Iran."

"As the chairman of the Intelligence Committee, I've reviewed the intelligence in the last few

days. The threat to anyone involved in President Trump's strike on Qassem Soleimani is persistent. It's real. Iran is committed to vengeance against all of these people."

Mr. Cotton went on to say that "it's not just about these men who helped President Trump carry out his policy in his first term. It's about their family and friends, innocent bystanders every time they're in public. It's also about the President being able to get good people and get good advice."

"If people are, say, going to work for the President now on Iran or China or North Korea or the Mexican drug cartels, they might hesitate to do so, or they might hesitate if they're in office to give him the advice he needs or carry out the policies that he decides upon."

Excellent points all. Mr. Trump hasn't explained his denial of security except to say it can't last forever. But it should last as long as there are real threats to those who did their duty and are marked for death by an adversary because of it.

Trump vs. the Beltway 50,000

President Trump nipped and tucked at the federal workforce in his first term, and now he's planning major surgery. Unions are scrambling to block job reductions, but Mr. Trump has the authority to push them through and cut the bloat of the Biden years.

The President's first batch of executive orders and memos included several that will let him shrink agency head counts. He froze hiring for 90 days across most departments, and barred them from hiring contractors instead. He ordered each agency to submit a plan to cut its own staff. And he called employees back to the office five days a week—daring thousands to quit while hoping to get more productivity out of those who stay.

Trimming federal employee rolls would save money for taxpayers and lighten the burden of future regulation on American life. Growth in government took off under President Biden, with the workforce rising to 2.4 million by the end of 2024—a 7% increase over 2022. Mr. Trump campaigned on reversing the trend, and his early orders show he meant it.

Dismissing even one federal employee can normally take months, requiring a specific rationale and several rounds of appeals. Only 26% of supervisors say they have the ability to fire employees for poor performance, according to the White House. Unions block dismissals except for the most egregious misconduct.

Yet Mr. Trump has a way around that problem. In another order, he restored an employment category known as Policy/Career (formerly Schedule F), which lets him reclassify certain civil servants as at-will employees. The Presidents' advisers say it will cover up to

Unions are scrambling to block his move to trim the federal workforce.

50,000 workers, most of whom will have to find other work.

The unions argue that the policy is a stretch. "Most federal employees have due process rights if their agency employer wants to remove them," said the National Treasury Employees Union in a lawsuit filed hours after Mr. Trump signed the order. They've had years to prepare. Mr. Trump first enacted the policy in 2020 but Mr. Biden revoked it.

The Biden Administration also put up roadblocks to prevent workforce cuts. The Office of Personnel Management issued a rule last year that lets employees keep their job protections if their roles are reclassified. Rescinding the rule will take months and slow down Mr. Trump's changes.

But the law favors Mr. Trump, and neither rules nor legal challenges should derail his campaign. The Civil Service Reform Act of 1978 allows the President to redesignate jobs as at-will if the role involves policy-making. By that standard, 50,000 is a large underestimate. Even mid-level managers have a say in policy at agencies like the Environmental Protection Agency, and there are hundreds of thousands across the federal workforce.

The underlying point here is democratic accountability. The federal government is supposed to be responsive to the people through elected officials. Yet civil-service and union protections over the decades have let workers from the previous administration burrow into posts in the new one. They can then work to undermine reforms with leaks to the press and behind-the-scenes obstruction. Shrinking the federal workforce is crucial to making Washington more accountable.

Unions are scrambling to block his move to trim the federal workforce.

LETTERS TO THE EDITOR

Bombs Alone Won't Stop Iran's Nuclear Plans

Reuel Marc Gerecht and Mark Dubowitz's proposal that Washington grant Israel the bunker-buster bombs to eliminate Iran's nuclear program ignores the lessons of history ("How Trump Can Counter Iran's Nuclear Ambitions," op-ed, Jan. 23). Military elimination of a nuclear enterprise requires military defeat and, optimally, occupation of the nuclear aspiring nation. Israel doesn't have the capacity, and Washington won't submit itself to another Mideast quagmire.

The only air strike that succeeded in nuclear elimination was Israel's 2007 attack on Syria's Al Kibar weapons reactor. Damascus didn't have the resources to rebuild the North Korean engineered plant or to seek an alternative. By contrast Iraq responded to

the 1981 Israeli bombing of its Osirak reactor by constructing a secret nuclear enrichment plant. But for the serendipity of the 1991 Persian Gulf War and insertion of international inspectors to ferret out and eliminate elements, Baghdad could have had weapons material within a year. Likewise, the final stake into Nazi Germany's sputtering nuclear enterprise was the Allied victory and occupation followed by program dismantlement and incarceration of scientists.

At this juncture, Tehran, aware of the Fordow and Natanz enrichment plants' vulnerabilities, could have moved some enriched elements elsewhere for further processing—if necessary to secret, small modular plants.

BENNETT RAMBERG

Los Angeles

Our Grand Government Circus Keeps Growing

Robert Rubin's op-ed "The Limits of Running Government Like a Business" (Jan. 18) misses the key difference between the private and public sectors: The decision-makers in each have different incentives.

The essence of private property is that decision rights—and the wealth effects of exercising those rights—are vested in the same person. If Mr. Rubin made value-decreasing decisions as head of Goldman Sachs, the value of his holdings would have declined, as would have the wealth of his fellow partners. If his management didn't improve, he would have been replaced. Owners of private property ultimately have to eat their own cooking.

Government officials, by contrast, seldom bear the wealth consequences of their actions. Indeed, in many instances this is prohibited by law. Mr. Rubin's decisions as Treasury secretary doubtless caused greater wealth effects than his decisions at Goldman, but he personally bore few of the consequences. This doesn't mean one system of incentives is better than the other—but it does mean the in-

centives are different in each and that what works in the private sector may not work in the public.

EM. PROF. CLIFFORD G. HOLDERNESS

Boston College

Chestnut Hill, Mass.

A significant difference between the sectors: No matter how incompetent, government keeps expanding.

The Internal Revenue Service assesses large penalties to those who make honest filing errors but can't pass the most basic audit. The Environmental Protection Agency fines businesses for pollution infractions but paid no penalty for the 2015 Gold King Mine wastewater spill. California loses more than \$20 billion in pandemic relief fraud, wastes billions more on high-speed rail to nowhere, and fails to complete basic fire abatement, but the agencies responsible duck responsibility.

Every election cycle we throw out some clowns and bring in new ones. Our government circus nevertheless keeps on growing.

PROF. MICHAEL H. WAY

California State University, Bakersfield

Why Taking the Temperature Isn't So Simple

Mike Kerrigan's request for a single outdoor temperature highlights confusion about the "actual" and "feels like" temperatures ("Why Are There Two Temperatures?", op-ed, Jan. 23).

The feels-like one applies only to heat-producing, moist-skin human bodies, who can feel the effects of heat transfer from themselves to the surrounding air. As Mr. Kerrigan correctly notes, when the air temperature is less than body temperature, wind makes us feel colder by more rapidly removing body heat (referred to as "convection"), while evaporating water from the skin, making us feel even colder ("evaporative cooling"). A piece of machinery used for heating or cooling doesn't usually have these experiences and will almost always use the thermodynamic temperature.

Mr. Kerrigan might consider a dif-

ferent query: Why not focus on what -9.4 degrees Celsius feels like instead of 15 degrees Fahrenheit? The two unit systems present the engineering, scientific and business communities with daily challenges while working in an international world.

EM. PROF. JERRY JONES

Villanova University

Exton, Pa.

Mr. Kerrigan insinuates that "feels like" temperatures have a role because they are based on more factors than absolute temperatures. But feels like is a meteorologist's opinion.

Five thermometers will give the same reading when set side by side. Five independent meteorologists looking at those five thermometers will give five different feels like opinions of the temperature. It's past time to eliminate feels like from the meteorological vocabulary. Give us the facts, not opinions.

DAVID COONRAD

Austin, Texas

Mr. Kerrigan neglects the need to know the actual temperature for planning pipe freezing at one's home. Pipes don't behave according to feels-like temperatures.

E. CLYDE SMOOT

Lake Charles, La.

Remember the Canadian Six

A letter writer claims that Canada is an insufficient ally ("Fortress America? The U.S. and What Canadian Army?", Jan. 24). President Trump, meanwhile, is considering a punitive 25% tariff on imports from the country. People forget what their friends have done for them.

The president should recall 1979 when 53 Americans were held hostage in the U.S. Embassy in Tehran. Six American diplomats who evaded capture were sheltered in the homes of Canadian Embassy officers, and Canada helped spirit them out of the country. This is what friends do.

ELLIOTT KATZ

Toronto

Pepper ... And Salt

THE WALL STREET JOURNAL



Gimme a break. Existential angst trumps hopeless nihilism any day.

D.C. Deserves Voting Rights

I agree with a reader's sentiment: The residents of Washington deserve the right to vote and have representation in Congress ("A Better Candidate for America's 51st State," Letters, Jan. 16). Therefore, Republicans in Congress should immediately introduce a bill ceding the residential parts of the district back to Maryland and Virginia.

MITCHELL MILLER

Beverly Hills, Calif.

WORLD NEWS



Members of the M23 rebel group on Monday walked alongside residents of Goma, the Congolese city that had been a haven for people fleeing the conflict and for years served as an aid hub.

Rwanda-Backed Rebels Enter Congo Hub

Residents report gunfire, shelling in Goma as civilians search for safety

BY GABRIELE STEINHAUSER AND NICHOLAS BARIYO

A Rwanda-backed rebel group on Monday entered the Congolese city of Goma, threatening a bloody new chapter in a 30-year conflict set off by the 1994 genocide.

Residents of the city, which sits on the Democratic Republic of Congo's border with Rwanda and is a longtime international aid hub and haven for civilians, reported gunfire and heavy shelling after rebels overran thousands of Congolese troops and United Nations and African peacekeepers.

An extended battle for Goma could become an early test for

the Trump administration and its willingness to intervene in a war involving one of America's closest allies in Africa.

The rebel group, known as the March 23 Movement, or M23, said early Monday that it had taken control of Goma. Named for a failed 2009 peace treaty, M23 traces its roots to the start of the conflict in eastern Congo in the mid-1990s. It was formed in part to resist an influx of millions of mostly ethnic Hutu refugees, including members of Rwanda's ousted government and many of the perpetrators of the massacres of Rwandan Tutsi.

Today's M23 is made up of mostly Congolese Tutsi who say they are defending members of their community from persecution by the Congolese military and other armed groups. U.N. experts say the group has long received support from the current govern-

ment in Rwanda, and that Rwanda has also deployed some 4,000 of its own troops to fight alongside M23.

People inside and near Goma said the Congolese army seemed to be putting up resistance. "This is the most intense fighting I have heard since the war on Goma started," said Maina King'ori, acting Congo country director for U.S.-based aid group CARE, who was speaking from the Rwandan side of the border.

Rwandan military spokesman Brig. Gen. Ronald Rwigwa said five civilians on the Rwandan side of the border had been killed by weapons fired from Congolese territory.

Last week, M23 captured the last two towns outside Goma that weren't yet under its control. Its fighters rampaged through sprawling displacement camps on the outskirts of the city, tearing down

shacks and telling everyone to leave.

That sent hundreds of thousands of civilians, most of them women and children, fleeing into Goma in a desperate search for safety. U.N. officials estimated on Monday that more than one million displaced people were now inside the city, in addition to Goma's regular residents.

Early Monday, M23 directed Congolese soldiers to surrender their weapons to the U.N. peacekeepers stationed in Goma and assemble at a sports stadium near the city center.

Video footage sent to The Wall Street Journal by a Goma resident showed hundreds of soldiers and members of government-aligned armed groups walking toward the port on Lake Kivu, likely hoping to escape by boat.

Unarmed Congolese soldiers and government-aligned fighters

had climbed the walls of some international organizations' premises in Goma to seek refuge, said Emmanuel Lampaert, country representative for medical charity Doctors Without Borders. The group has told its staff to shelter in their homes or, where possible, safe rooms.

"It's too dangerous to go out. There is no pause, even for 30 minutes or one hour, in terms of shooting," Lampaert said.

Rwanda's Foreign Ministry denied its forces were involved in the conflict. "The fighting close to the Rwandan border continues to present a serious threat to Rwanda's security and territorial integrity and necessitates Rwanda's sustained defensive posture," the ministry said on Sunday.

Congo's information minister, Patrick Muyaya, said on X that the Rwandan army was present in Goma and that the government was working to

"avoid carnage and the loss of human lives," without addressing who was in control of the city. Foreign Minister Thérèse Kayikwamba Wagner on Sunday urged the Security Council to levy sanctions on the Rwandan military and political leaders.

Goma has long served as a hub for international aid groups supporting the millions of Congolese who have been displaced by fighting.

The U.N. over the weekend used planes to evacuate hundreds of its staff and international employees of nongovernmental organizations from Goma. By Sunday afternoon, M23 fighters had blocked the airport and said the airspace over the city was closed.

"We are trapped," Bintou Keita, the U.N.'s special representative for Congo and head of the U.N. peacekeeping mission Monusco, told the Security Council.

Probe of Jeju Air Crash Focuses on Bird Strike

BY ANDREW TANGEL AND TIMOTHY W. MARTIN

Both engines of the Jeju Air jet that fatally crashed in South Korea in December were found with bird remnants, though it remains unclear how much damage each sustained before the plane ran into a concrete-reinforced embankment.

The findings emerged from an initial crash-investigation report released on Monday by South Korea's transport ministry, which oversees the probe with the U.S., Boeing and the jet's engine maker. The crash was one of the deadliest aviation disasters in years, killing 179 people.

The Jeju Air flight was returning from Bangkok and was due to land at South Korea's Muan International Airport the morning of Dec. 29. At 8:57 a.m. that day, the Muan airport's control tower warned of bird activity.

A minute later, the narrow-body Boeing 737-800's black boxes cut out, roughly 1.2 miles from the runway during

the plane's initial approach, according to the preliminary crash report.

That has left investigators in the dark over the flight's last four minutes, when the plane made an emergency belly landing without its landing gear deployed. It touched ground about halfway down the airport's single runway and slammed into the embankment at roughly 9:03 a.m. There were just two survivors, a pair of flight attendants seated in the very back.

One early focus of the investigation has been how pilots handled a cockpit emergency following the bird strike, people familiar with the probe said. It focused, in part, on whether pilots inadvertently shut the wrong engine after at least one suffered significant damage, the people said.

After bailing on the initial landing attempt, the pilots issued a mayday, then swung back around for a second try. What remains unanswered is why the pilots didn't drop their landing gear in the last moments, since they could have done so manually.

Gangs Replace Guerrillas in Colombia

BY JUAN FORERO AND KEJAL VYAS

BOGOTA, Colombia—Almost a decade ago, the most powerful rebel group Latin America had ever seen, the Revolutionary Armed Forces of Colombia, or FARC, agreed to end its fight to overthrow the Colombian state. The accord earned a Nobel Peace Prize for then-President Juan Manuel Santos.

FARC has turned to politics and farming. But it left a vacuum for gangs that have shaken Colombia with a cocaine-fueled conflict raging across provinces where the government has little or no control.

At least one armed group has a presence in nearly 400 of the country's 1,100 municipalities, the state's human-rights ombudsman's office said.

The 2016 peace pact was supposed to open the way for the government to build roads and schools in neglected areas, while offering services and deploying police and soldiers.

Instead, the demobilization of FARC opened the way for other armed groups, animated by the billions of dollars made

available by the prevalence of coca leaf, cocaine's base plant.

President Gustavo Petro took office in 2022 pledging to expand peace to other armed groups.

"We were so happy that we were finally going to have peace, but it only lasted a couple years," said Nelson Leal, a former mayor who two years ago fled his home in Tibú, a coca-growing region.

He said that now "whoever has the biggest guns and most men tends to rule."

The rights ombudsman's office says that since 2022, the most powerful armed group, the Gulf Clan, has expanded its presence to 392 municipalities from 255. The National Liberation Army, or ELN, a Cuba-inspired rebel group, is now in 232 municipalities, up from 189 in 2022. Other groups have also spread their reach.

The Petro government has engaged in off-and-on peace talks in which his administra-

tion has declared cease-fires.

That has often left security forces confused over which syndicates to pursue, said María Victoria Llorente, director of the Ideas for Peace Foundation, a policy group here: "How do you intervene in a context where one group has a cease-fire agreement and another doesn't?"

Colombia's peace czar, Otty Patiño, didn't respond to requests for comment. But in interviews with the Colombian press, he agreed that the armed groups "want to dominate territory and live off illegal activities" but said the president's "total peace" policy is still alive.

The amount of coca leaf and cocaine produced in Colombia have reached historic highs, according to the United Nations.

While some armed groups in the past championed Marxism and worked to topple the state, today they are largely focused on extorting busi-

nesses, kidnapping and moving contraband.

The battle over cocaine led the ELN in recent days to strike at its rivals—along with civilians—in the remote Catatumbo region. The group went door-to-door, looking for people it considered foes and killing them. Some 80 people died. The government responded by declaring a state of emergency and deploying thousands of soldiers.

Petro centered his initiative on simultaneously engaging armed groups in talks and offering incentives leading to their disarmament. The policy came under sharp criticism from those who worked on the negotiations with FARC. With U.S. assistance, Colombia had badly weakened FARC, forcing the group to make concessions leading to a peace accord.

Petro's policy, in contrast, has given groups more similar to Mexican narco cartels than FARC the chance to grow stronger while feigning interest in peace talks, say analysts who have closely tracked the government's policies.

—Jenny Carolina Gonzalez contributed to this article.

Auschwitz Survivors Return To Warn the World

Offering warnings of rising antisemitism and hatred they are witnessing in the world, 56 Auschwitz survivors gathered with world leaders and European royalty Monday, the 80th anniversary of the liberation of the death camp.

Nazi German forces murdered some 1.1 million people at the site in German-occupied southern Poland. Most of the victims were Jews killed on an industrial scale in gas chambers, but Poles, Roma, Soviet prisoners of war, gay people and others also were targeted for elimination. The Nazi regime murdered six Jews million in all, a third of the Jewish population worldwide. In 2005, the United Nations designated Jan. 27 as International Holocaust Remembrance Day.

Leon Weintraub, a 99-year-old survivor, decried rising hatred, which he blames on antidemocratic movements that preach "hostility and hatred towards others," and define "racism, antisemitism and homophobia as virtues."

—Associated Press

European Union Bloc Extends Its Sanctions on Russia

After Hungary lifted its objections, the European Union agreed Monday to a six-month extension, to July 31, on sanctions aimed at depriving Russia of funds to finance its war against Ukraine.

The sanctions target trade, finance, energy, technology, industry, transport and luxury goods. They include a ban on the import or transfer of seaborne crude oil and certain petroleum products from Russia to the EU. Some measures were introduced in 2014 after Russia annexed Ukraine's Crimean Peninsula, but the list grew significantly after its full-fledged invasion in 2022.

On Friday, Hungarian Prime Minister Viktor Orbán called on the EU to intervene in a gas dispute between his country and Ukraine. He said Kyiv's decision to stop the transit of Russian gas into Central Europe had raised energy prices in Hungary. To satisfy Orbán's demand, the European Commission attached a statement on energy security to Monday's agreement.

—Associated Press

WORLDWATCH



FRENCH FLOOD: Water was waist-deep in Guipry-Messac, France, on Monday after storm Herminia overflowed the Vilaine River.

STEPHANE MAHE/REUTERS

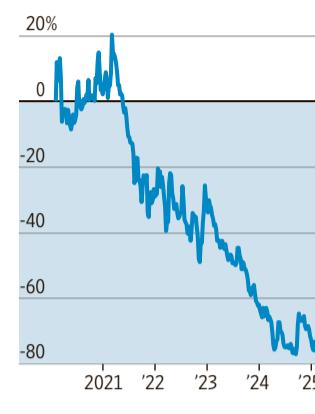
BUSINESS & FINANCE

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S&P 6012.28 ▼ 1.46% S&P FIN ▲ 1.14% S&P IT ▼ 5.58% DJ TRANS ▲ 1.46% WSJ\$IDX ▼ 0.08% 2-YR. TREAS. yield 4.193% NIKKEI (Midday) 39340.15 ▼ 0.57% See more at [WSJ.com/Markets](#)

China's Property Stalwart Shaken

Performance of Vanke's Shenzhen-listed shares since February 2020, weekly data



Source: FactSet

Troubles at Vanke show continued spread of country's real-estate crisis

By REBECCA FENG

HONG KONG—One of China's biggest property companies warned of a multibillion-dollar loss with its top executives resigning on Monday, raising fears that even developers once regarded as among the country's most solid are vulnerable to China's brutal, drawn-out real-estate crisis.

China Vanke warned on

Monday of a loss of 45 billion yuan, equivalent to around \$6.2 billion, for 2024, and said Chairman Yu Liang and Chief Executive Officer Zhu Jiusheng will resign.

Xin Jie, chairman of state-owned Shenzhen Metro Group, Vanke's largest shareholder, succeeded Yu, effective Monday. Approximately one-third of Vanke's shares are held by **Shenzhen Metro**, a rail operator.

Analysts and investors have long seen Vanke as a barometer of how much pain the Chinese government can tolerate amid the country's epic real-estate bust. The company had

been regarded as among the more conservative real-estate companies, eschewing the sort of risky investments that laid low the likes of Evergrande.

Investors will watch to see whether and how the government helps Vanke, as it would indicate the willingness of Chinese authorities to help other struggling state-backed developers to draw a line under the property crisis.

While many of Vanke's privately owned peers have suffered liquidity crises and defaulted on their debts in recent years, Vanke has so far managed to stay afloat by making last-minute bond pay-

ments and securing fresh loans from banks. By September last year, Vanke's total liabilities amounted to \$136 billion, according to its most recent quarterly report.

In late 2023, when Vanke's liquidity crunch first emerged, Shenzhen city officials and representatives of Shenzhen Metro voiced their "substantive support" for the company, easing investors' concern that the company was on the verge of default.

Last April, Vanke said the government of Shenzhen, one of China's wealthiest cities, was coordinating with state-

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Tesla, BMW Sue EU Over Tariffs On EVs

By EDITH HANCOCK

Tesla and Germany's **BMW** are suing the European Commission, joining a growing band of Chinese automakers to oppose the European Union on its punitive tariffs on electric vehicles.

Both Tesla Shanghai and BMW filed cases at the General Court of the European Union, the bloc's second-highest court, according to its website.

The filings come after the EU placed tariffs as high as 45% on Chinese EVs after it ruled that China is unfairly subsidizing the industry and saturating the bloc with cheaper cars.

Tesla's Chinese-manufactured EVs were hit with a 7.8% tariff, while BMW's cars from the country received a 20.7% markup.

Chinese manufacturers **BYD**, **Geely** and **SAIC** have also filed appeals in Luxembourg.

A BMW spokesperson said the company opposes the import duties and said they don't strengthen the competitiveness of European auto groups.

"On the contrary, the countervailing duties harm the business model of globally active companies, they limit the supply of e-cars to European customers and can therefore even slow down decarbonization in the transport sector," the spokesperson said, adding that the company would prefer to negotiate an agreement.

"As stated before, it is important to avoid a trade conflict that only has losers in the end," BMW said.

Tesla didn't respond to a request for comment.

European Commission spokesperson Olof Gill said on Monday that the EU remains fully open to finding a negotiated solution, but that solution needs to address "the clear example of unfair competition that our investigation identified on this topic."

The dispute is another battlefield for Tesla-owner Elon Musk, who has spent recent months panning the EU for its penchant for regulating tech giants. European regulators are also probing Musk's X social network over suspected breaches of the Digital Services Act, an EU law forcing digital platforms to do more to tackle disinformation online.

The legal challenges, if successful, could annul the law that enabled Brussels to slap duties on Chinese products in the first place, and their owners could then fight to claim back losses.

Scientists Study Use of Plants in Battery Power

By JON EMENT

AMHERST, Mass.—Money doesn't grow on trees. But soon the minerals used in the battery of your electric vehicle might.

Worries about China's domination of critical minerals are driving Western scientists and companies to embark on increasingly novel ways to develop alternative sources.

One such effort seeks to exploit a quirk of nature: Certain plants, called hyperaccumulators, absorb large quantities of minerals, like nickel and zinc, from the soil. Cultivating these plants, and then incinerating them for their metal, could provide U.S. companies with a small stream of domestically sourced minerals—without the expense and environmental destructiveness of conventional mining.

"When we're in this intense competition we do have to think about alternative methods," said Evelyn Wang, the former director of ARPA-E, an Energy Department agency that is dispensing \$10 million to find ways to make nickel farming feasible in the U.S. "It is a technological white space that potentially could be transformative."

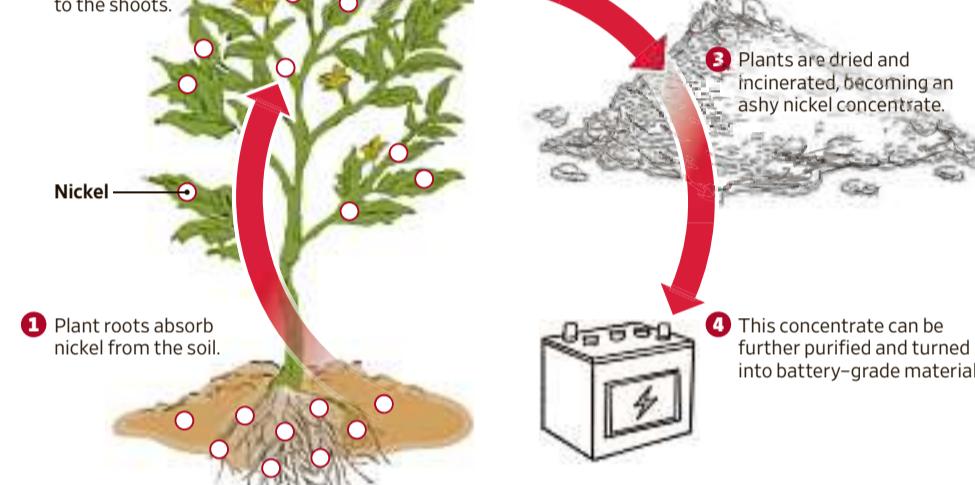
At a greenhouse in Amherst, professors are using the funding to undertake gene editing to build a new fast-growing, nickel-absorbing oilseed plant. If successful, the plant could be used to harvest the metal from mineral-rich soils in states such as Maryland and Oregon.

Meanwhile, an American startup called **Metalplant** is paying a dozen farmers in Albania to farm nickel using a local plant species. The company is editing the genes of those plants to adapt them to the U.S.

"This could shift how we think about mining in the future," said Eric Matzner, the company's chief executive.

Some 10 million acres of barren, nickel-rich soil are scattered around the U.S. In such areas, concentrations of minerals are generally too low to justify large-scale mining but could offer opportunity

Nickel extraction from plants



Sources: Metalplant; Om Parkash Dhankher; WSJ reporting



Samples of *Odontarrhena chalcidica* and *Camelina sativa* are used to create a hybrid plant for nickel phytomining.

MING LI/WSJ



SPHIE PARK FOR WSJ

for inexpensive nickel farming.

In the case of nickel phytomining, as such efforts are known, the plants are dried and incinerated, leaving an ashy nickel concentrate. This concentrate can then be further purified and turned into

battery-grade material.

Phytomining is small in scale. Companies in the field are targeting harvests of around 300 pounds of nickel an acre per year, roughly enough for six EV batteries.

But the funding for nickel-

farming plants is one small piece of an effort by the U.S. government to develop secure supplies of the minerals that are needed for defense and cutting-edge industry and are an area where China is dominant.

In recent years, Chinese mining and processing companies have won a near-monopoly on minerals used in batteries, lasers and bombs, in part because of those companies' lower costs and superior

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Whole Foods Workers Vote to Form Union

By ROSHAN FERNANDEZ

Workers at a Whole Foods Market in Philadelphia voted to form a union, the first time employees of the **Amazon**-owned grocer have organized in decades.

Monday's vote, which passed 130-100, was prompted by workers' push for higher wages and improved benefits.

Ed Dupree, one of the union's organizers, said that during his eight years at the store in the Spring Garden neighborhood of Philadelphia's Center City, business has grown but staffing has declined. He said some colleagues at the store work multiple jobs and many don't have health insurance.

Whole Foods had urged the store's employees to vote against unionization. "We are

disappointed by the outcome of this election, but we are committed to maintaining a positive working environment in our Philly Center City store," the company said.

The natural-foods grocer said its average starting rate at the Philadelphia store is above the city's average retail wage.

The Spring Garden Whole Foods workers will join a local chapter of the United Food and Commercial Workers International Union. The union is the nation's biggest representing grocery workers, and the local group includes thousands of other food retail workers in and near Pennsylvania.

Whole Foods, founded in 1980 and acquired by Amazon in 2017, has resisted unionization.

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INSIDE



BUSINESS NEWS

Shareholder seeks overhaul and executive ouster at Vail Resorts. **B3**

MEDIA

Universal Music and Spotify sign deal for recorded music and music publishing. **B4**

Middlemen Defy Beijing Curbs On Trading Cryptocurrencies

By BRIAN SPEGELE AND REBECCA FENG

Three years ago, China's government imposed sweeping restrictions on trading cryptocurrencies. But that hasn't stopped brokers, including Chen Xin, from helping people convert large amounts of Chinese yuan into crypto.

Working as a middleman in China's underground financial system, Chen would routinely accept more than \$100,000 in cash and then swap it for the cryptocurrency tether using overseas trading platforms. He knew not to ask too many questions about where the cash came from—but he assumed a lot of it wasn't clean.

"The money is dirty," he told his wife, according to testimony he gave later as a witness in a Chinese court case

that was part of the government's efforts to clamp down.

The role of traders such as Chen in facilitating Chinese crypto transactions is largely invisible to the outside world. But a Wall Street Journal examination of court cases and Chinese government notices sheds light on how they operate—and fuel Chinese demand for crypto despite government efforts to rein it in.

In some cases, criminal groups are trading crypto to launder money, boosting crime syndicates beyond China's borders, including ones trafficking fentanyl, U.S. prosecutors say. In other cases, middle-class urbanites are using it to secretly move money out of the country, in violation of government rules designed to restrict the flow of money across China's borders.

The scale of crypto activity in China is unknown. After China sought to limit access to mainstream crypto exchanges in 2021, many users turned to over-the-counter trading and peer-to-peer networks that are tougher to track.

Blockchain data firm Chainalysis estimates \$95 billion flowed to China-based over-the-counter brokers it analyzed from late 2023 through mid-2024, more than double the level of the same period two years earlier.

China has become an important source of crypto activity globally, though it remains behind the U.S. in overall crypto adoption, according to Chainalysis. Even so, if demand keeps rising, it could support prices for crypto assets such as bitcoin, which has soared in value.

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Aperam	Huntsman	Q - R
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A Vanke property under construction in Shenzhen, China.

Property Stalwart Stumbles

Continued from page B1
owned companies to support the developer, including collaborating with it on projects and helping Vanke dispose of properties and equity investments.

Founded in 1984 in Shenzhen by Wang Shi, one of China's most recognized business figures, Vanke became one of the country's largest real-estate companies, known for its high-end apartments.

Its Shenzhen-listed shares bear the ticker 000002, making it one of the "Old Five Stocks" that were issued in 1989 for over-the-counter trading before the establishment of the Shenzhen Stock Exchange in 1990.

Many of China's first-time stock-market investors made big gains by investing in Vanke shares in the 1990s.

Today, only Vanke remains of the "Old Five Stocks," the others either changing their names, being bought out by other entities or delisting.

But more than three years into China's massive property downturn, Vanke is struggling to weather the crisis.

Yu, the chairman, is resigning for "work adjustment reasons," but will remain as a director of the company, Vanke said.

Zhu, the chief executive and president, is stepping down from all company positions for "health reasons," the company said, without elaborating.

The leadership changes and large loss marked the end of a tumultuous new year for Vanke.

On Jan. 16, the Economic Observer, a local state media outlet, reported that Zhu had been taken away by police. That sent the developer's shares, which trade both in

Hong Kong and in Shenzhen, down more than 3% the next day. The report has since been taken down. The company hasn't commented on the report.

Vanke's sales plummeted 35% in 2024 compared with 2023 to around \$51.3 billion, the company said in January. The decline is steeper than that of China's overall housing sector, where home sales tumbled 18% in 2024, after a 6% decline in 2023. Fitch and S&P Global Ratings downgraded Vanke last week by two notches to B-, citing persistently weak sales and looming debt maturities.

In a separate Hong Kong stock-exchange filing, Vanke said the record losses were due to the declining profit margin of real-estate development projects, disappointing sales in 2024 and impairment provision.

Vanke's disappointing performance came after Beijing rolled out its boldest steps yet to fix the housing market. Early last year, cities and local authorities were asked to buy unsold homes and convert them into affordable housing for low- and middle-income families.

In January, China's housing regulator said it would work to stabilize the housing market and prevent it from declining further in 2025.

Despite efforts by the Chinese government to stimulate the property market, Vanke's sales in the second half of the year remained sluggish. Its net loss widened from \$1.4 billion for the first six months of the year to \$6.2 billion for the full year.

Vanke's Hong Kong-listed shares have fallen nearly 80% from a recent peak in early 2021. One of its dollar bonds, which matures in 2029, was bid at around 60 cents on the dollar on Monday, according to Tradeweb.

Amazon has confronted

Plants Seen As Source Of Power

Continued from page B1
processing technology.

Many Western attempts to fight back have fizzled. The heavy costs and environmental regulations involved in setting up mines in rich countries have frustrated American miners. The U.S. has only one operating nickel mine, the Eagle mine in northern Michigan, but that is slated to shut in 2029.

In recent years, nickel mines in Brazil, New Caledonia and Australia have closed, unable to compete with low-cost Chinese refiners. Today, Chinese companies control around 54% of the global supply of refined nickel, up from 34% in 2015, according to Benchmark Mineral Intelligence. Its companies control an even higher share of key technology minerals such as lithium, cobalt and rare earths.

China has recently flexed its muscles by restricting exports to the U.S. of strategic minerals such as antimony and gallium, which are used in semiconductors and weaponry. Beijing may use the tactic again in response to the new tariffs on Chinese goods floated by President Trump.

In response, the U.S. is spending hundreds of millions of dollars on conventional efforts such as drilling for underground mineral deposits and building domestic refining facilities. But environmental reviews have slowed some efforts, while domestic miners face higher production costs than Chinese rivals, scaring off investors.

In search of alternative sources of metals, government agencies are funding ideas once regarded as outlandish.

In 2023, ARPA-E dispensed \$5 million to explore extracting minerals like rare-earth elements—which are crucial to radar and missile systems—from seaweed.

Another program from the Defense Department seeks to design microbes to separate rare-earth elements from ore.

Rufus Chaney, an agronomist who many consider to be the father of phytomining, struck on an idea when he was working on decontaminating soil in the 1980s. Could he use hyperaccumulating plants to both remove nickel from mine sites and then harvest it from plants afterward?

"You're cleaning up the soil

BUSINESS & FINANCE



A scientist extracts the RNA from camelina seeds at a university lab in Amherst, Mass.

SOPHIE PARK FOR WSJ (2)



while making a profit selling the nickel," said Chaney, who spent decades conducting research on cleaning contaminated soils for the Agriculture Department.

However, when Chaney worked with a mining company to clean up soil near a mine site in Canada, he found that the plant roots stretched deeper than the contaminated soil's top layers so failed to absorb the nickel deposits.

Chaney concluded that phytomining should be used where nickel naturally is found deep in the soil.

A private company piggy-backed off Chaney's research to attempt to phytomine nickel, but by 2009 the plant had become invasive, spreading beyond the planted fields and outcompeting native flora.

Authorities in Oregon declared the plant, known as Alyssum, a noxious weed and instructed anyone who encountered it to dial the state's intruder species

hotline, "1-866-invader."

Brett Robinson, a professor at New Zealand's University of Canterbury, is a co-author of a decade-old paper "Phytoextraction: Where's the Action?" That paper concluded that phytomining was inefficient, in part because of the expense involved in gathering the ore from scattered farms and delivering it to nickel smelters.

"I was frankly surprised at the renewed interest," he said of the U.S. government's new program.

Now, a handful of private companies are seeking to capitalize on the appetite for minerals that are both environmentally sustainable and free of Chinese influence.

The nickel recovered from plants is already in a purer chemical form than that coming from conventional mining, saving on energy-intensive and costly processing.

One phytomining initiative is Botanicel, a tie-up between Econick, a biotechnology company, and Aperam, a Luxem-

bourg-headquartered steel company on the hunt for environmentally friendly nickel.

Botanicel has greenhouses in Europe and Malaysia, where it grows a nickel-absorbing plant that has been named Phyllanthus Rufuschaneyi—after Chaney, who advises the company. The company is hoping to commercialize production as soon as possible.

A team led by Om Parkash Dhankher, a plant biologist at the University of Massachusetts Amherst, recently received \$1.3 million in U.S. funding to try to imbue an oilseed plant with genetic material from the nickel-absorbing plant deemed a noxious weed by Oregon authorities.

Dhankher's team must isolate the array of genes involved in absorbing nickel and then shift them into an entirely new plant. Nickel is toxic to plants, so consuming the nickel could kill the oilseed plant. As a result, Dhankher's team must identify the genes that will direct the nickel flow to central vacuoles—parts of plant cells that function as landfills where the nickel can be stored safely.

By taking the nickel-absorbing genes from Alyssum and inserting them into the oilseed plant, which is widely cultivated in North America, they hope to avoid it becoming the noxious type that prompted pushback from state authorities.

If Dhankher succeeds, farmers planting his creation in the nickel-rich soils of Oregon or Maryland could glean revenue both from seed oil, used in biofuel, and nickel.

SGS, Bureau Veritas End Deal Talks

By NINA KIENLE

SGS and Bureau Veritas ended merger talks that would have created a European safety-testing company with a combined market value of more than \$30 billion.

In separate statements, Switzerland's SGS and France's Bureau Veritas said on Monday that discussions didn't result in an agreement and have therefore ended.

A deal would have ranked among the biggest in Europe in the past 12 months, with SGS valued at 16.11 billion Swiss francs, or \$17.78 billion, and Bureau Veritas at 13.54 billion euros, or \$14.23 billion, as of Friday's close. In European trading, SGS shares rose 4.7% to 89 Swiss francs each. Bureau Veritas shares closed down 1.5% at €29.38 each.

Both companies provide testing, inspection and certification services to customers

ranging from carmakers to food producers and sports venues.

A combined entity would have had annual revenue of more than \$13 billion, based on 2023 figures for each company. Analysts said it would have been more

than three times as large as its closest competitor, Britain's Inter-teck Group.

Talks ended despite a strong belief in the value of consolidation in the testing, inspection and certification sector, Bureau Veritas said.

The two companies said on Jan. 15 that they were in talks about a potential combination, which was met with a tepid market response. Shares

in SGS fell 6.4%, dropping further since then, while Bureau Veritas's stock rose 2% on the day but conceded most of those gains since.

Some analysts said the industry was ripe for consolidation given its fragmented nature and that more deals were likely down the line.

After the talks ended, SGS and Bureau Veritas said they would continue to focus on their stand-alone strategies,

which seek to drive sales growth and higher profitability. Both companies have relied on acquisitions to fuel growth, snapping up smaller firms to expand their geographic reach and service offerings. At separate investor

events last year, executives signaled appetite for more deals to deliver growth and boost profitability.

Some analysts have said a combined group could have benefited from cost savings and new sales-growth opportunities given their complementary footprints, with Bureau Veritas bringing in marine operations that SGS lacked. An enlarged footprint and strengthened balance sheet could have helped the merged group navigate a digitization shift, according to advisory firm MKP Advisors.

"We are mindful that merger discussions will have raised some questions around confidence in the outlook for the stand-alone businesses, but we maintain our view on the attractiveness of the broader testing, inspection and certification space," Jefferies analyst Allen Wells said.

Whole Foods Workers Form Union

Continued from page B1
tion for years. Workers at a Madison, Wis., location briefly formed a union more than two decades ago but it dissolved about a year later.

Whole Foods co-founder John Mackay has said unions compete with the company's close relationship with its employees.

Amazon has confronted

unionization efforts in other parts of its business. In 2022, workers at a Staten Island, N.Y., warehouse formed the first U.S. union at Amazon.

Supporters hoped that the move would spur further organizing across the company. But the Amazon workers' group that led the grassroots movement is fighting to survive, grappling with leadership in turmoil and growing financial strain. The group doesn't appear close to establishing a first labor contract with Amazon.

Dupree, who works in the Spring Garden Whole Foods location's produce department, said he could understand why workers didn't feel

there was a need for a union before. The culture has shifted in recent years, he said.

Employees said that after the unionization petition was filed in November, Whole Foods pushed out much of the old management at the Philadelphia store, replacing them with new managers largely from out of state. Union organizers said posters criticizing union dues popped up in worker-only spaces, and employees are regularly pulled into meetings that discourage unionization.

"It's eerie and uncomfortable every day to come into work," said Ben Lovett, a part-time employee and one of the organizers.

The UFCW Local 1776 filed unfair labor practices charges in early January with the National Labor Relations Board, alleging that Whole Foods fired an employee in retaliation for engaging with the union, and that the company withheld a nationwide wage increase from store workers because of the unionization push.

Whole Foods said it followed all legal requirements regarding in-store messaging. The grocer said allegations of retaliation are false, and that it can't legally implement a wage increase during a union election process.

—Preetika Rana contributed to this article.

BUSINESS NEWS

Ryanair Cuts Its Traffic Growth Target

The Irish budget airline cited delays in deliveries of Boeing planes

By PIERRE BERTRAND

Ryanair said it expects to fly fewer passengers than hoped in fiscal 2026, cutting its passenger growth target yet again, due to Boeing plane delivery delays.

The Irish budget airline said Monday that although the production of Boeing 737 planes was recovering from the strikes of last year, the U.S. plane maker wasn't expected to deliver enough aircraft to meet Ryanair's goal for fiscal 2026 passenger growth.

The company cut its target for a second time to 206 million passengers. It had trimmed its passenger growth guidance in early November to 210 million from 215 million and warned at the time that the risk of further delivery delays from Boeing remained high.

The company flew 183.7 million passengers in the year to March 2024. It said it expects to fly almost 200 million passengers in fiscal 2025.

Ryanair said it hoped the delivery of 29 remaining Boeing Gamechangers before March of next year would al-



The reduction to its fiscal 2026 passenger target is the carrier's second in recent months.

low it to recoup its delayed traffic growth in summer 2026. The company had 172 Boeing Gamechangers in its fleet as of the end of December, out of an order of 210.

Boeing has been weighed

down recently by quality problems and said earlier this month that it lost roughly \$4 billion in the most-recent quarter. The company, which is cutting thousands of jobs, also weathered a nearly eight-week

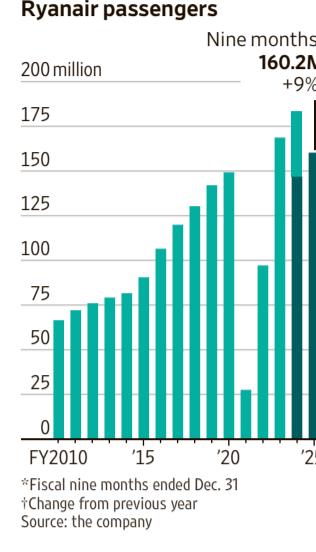
machinist strike, which ended in November.

Boeing wasn't immediately available for comment.

Ryanair's outlook cut comes as it said passenger numbers rose 9% to 44.9 million passen-

gers in its fiscal third quarter.

The company on Monday reported €149 million, or \$156.5 million, in net profit for the quarter to the end of December, compared with €15 million a year ago, on revenue



that grew 10% to €2.96 billion.

The result reflected 10% growth in ancillary revenue and average fares in the quarter, which marginally rose 1% on the year, Ryanair said.

Analysts expected €47.91 million in net profit and €2.87 billion in revenue, according to a Visible Alpha consensus.

The company said it would pay 22.3 euro cents a share in an interim dividend and guided for a fiscal 2025 profit of between €1.55 billion and €1.61 billion.

It also warned that its fourth quarter wouldn't benefit from last year's early Easter holiday.

AI Cancer-Drug Startup Firm Raises \$24.6 Million

By BERBER JIN

LinkedIn co-founder Reid Hoffman is teaming up with cancer researcher Siddhartha Mukherjee on an artificial-intelligence drug-discovery startup launching with \$24.6 million of initial funding.

Generative AI promises to digest and analyze reams of biological data that can confound humans, then point to novel uses of it. The company,

Manas AI—named after the Sanskrit word for “mind”—will first focus on breast cancer, prostate cancer and lymphoma before broadening to other illnesses.

Tech investor Hoffman led the funding round with venture-capital firm General Catalyst. Greylock, the VC firm where Hoffman was once a general partner, also is investing. The startup will run its AI systems in data centers owned

by Microsoft, where Hoffman is on the board of directors.

Mukherjee, a Columbia University professor and author of “The Emperor of All Maladies,” about cancer, has co-founded several other biotech startups. He said he was drawn to start Manas when he realized AI could rapidly model the capabilities of different potential drugs.

“AI was a mechanism to scale—vastly—the kinds of

work that we were doing in any one laboratory, and across diseases,” he said.

Medical research and drug discovery is a rapidly growing area of investment in Silicon Valley’s AI boom, receiving \$3.34 billion last year, according to research firm PitchBook.

To date, the field hasn’t produced any approved drugs. Some companies in the space have had drug candidates fizzle or been restructured.

Many large drugmakers have used AI more for administrative functions, such as preparing drug applications for regulators or finding sites to test their experimental drugs.

One deep-pocketed company in the space is Isomorphic Labs, a four-year-old subsidiary of Google parent Alphabet. Its Chief Executive Demis Hassabis, who is also the head

of Google’s AI division DeepMind, shared a Nobel Prize last year for helping to design the AI platform AlphaFold, which can accurately predict a protein’s structure in minutes—an important component of drug discovery.

Mukherjee said he plans for Manas, named after the Sanskrit word for “mind,” to make money primarily by developing and selling its own drugs.

BUSINESS WATCH

VAIL RESORTS**Shareholder Seeks Overhaul, Ouster**

Scrutiny around Vail Resorts is growing.

Late Apex Partners, whose funds currently own shares in the hospitality company, said in a letter that Vail’s performance over the past five years has been unacceptable.

“We believe Vail is fixable, but the board must act now to hold management accountable,” Late Apex said. The financial firm noted its investment in Vail is its single largest position.

Late Apex criticized Vail’s key performance indicators, insider compensation incentives, capital-allocation strategy and balance-sheet management.

The firm called for the ouster of Chief Executive Kirsten Lynch, Chief Financial Officer Angela Korch and Executive Chairman Rob Katz. It also said Vail should reset its board, cut its dividend by 80% and hire a proven CEO.

Vail didn’t immediately respond to a request for com-



Late Apex Partners called for new leadership at Vail.

ment.

Vail’s troubles have been brewing for some time. The company recently disclosed it sold fewer season lift tickets than it did the year before. A 12-day ski-patrol strike closed most runs at Park City, Utah, infuriating customers. Competitors also have introduced rival multiresort megapasses that

function much the same as Vail’s Epic Pass, which offers unlimited access to 42 Vail properties around the world.

Shares rose 5.6% to \$175.97 Monday. The stock is down roughly 23% over the past year and around 53% from its all-time closing high of \$372.51 in November 2021.

—Denny Jacob

AT&T**Stock Rallies After Solid Growth**

A tech-sector breakout isn’t fazing traders in AT&T, which surged Monday after it reported steady fourth-quarter growth.

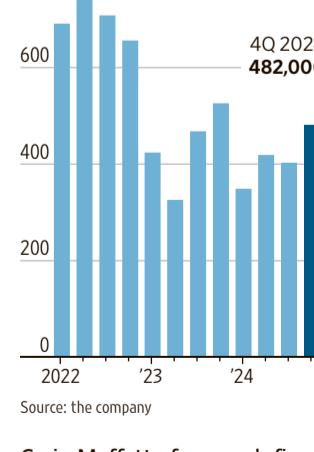
Shares in the telecom company climbed 6% after the company’s high-speed broadband unit added 307,000 more fiber-optic subscribers. The company also added 482,000 phone connections in the postpaid category, a valuable group of monthly wireless customers who provide reliable revenue.

AT&T ended the year with a reported net debt load of around \$120 billion after it trimmed nearly \$6 billion in obligations over the fourth quarter.

Monday’s results showed the company on firm footing as it moves through a long-term plan sketched out in December.

Buybacks are set to start later this year as leverage metrics continue improving.

Longtime AT&T skeptic

AT&T’s quarterly postpaid phone net additions

Craig Moffett of research firm MoffettNathanson said the company’s ability to keep paying a dividend while addressing its debt has given executives some flexibility to plan their next moves.

“AT&T’s strong free cash flow has left the company in the enviable position of ‘yes, and’ rather than ‘either, or’” he wrote.

—Drew Fitzgerald

ROCHE**Drug Posts Strong Late-Stage Data**

Late-stage trial data for Roche’s drug against muscle-wasting, Elevidys, showed positive results after two years of treatment for male patients aged 4 or older with Duchenne muscular dystrophy.

The data read out reduced difficulties in standing, walking and running that were statistically significant, which increased between one year and two years after treatment, the company said. The safety profile was in line with the drug’s profile and no new safety signals were identified, it said.

The treatment is on market for people living with Duchenne aged 4 years old and over regardless of their ambulatory status in the U.S., United Arab Emirates, Qatar, Kuwait, Bahrain and Oman. It is approved for the treatment of ambulatory individuals aged 4 through 7 years in Brazil and Israel.

Duchenne muscular dystrophy is a genetic disorder characterized by the progressive loss of muscle.—Helena Smolak

NYSE AMERICAN: VENU

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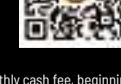
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TECHNOLOGY & MEDIA



ARTURO HOLMES/GETTY IMAGES FOR ABA

The companies said the deal ensures streaming royalties for artists like Universal's Billie Eilish remain protected.

Universal Music Shares Jump After Agreement With Spotify

Companies sign a multiyear deal for recorded music and music publishing

BY MAITANE SARDON

Shares of **Universal Music Group** rose after the music label said it signed a multiyear agreement for recorded music and music publishing with **Spotify**.

Amsterdam-listed shares of Universal Music climbed 7.4% to 26 euros, or \$27.31, each on Monday. They have climbed

5.2% in the year to date.

The agreement establishes a direct license between Spotify and Universal Music across the streaming subscription service's current product portfolio in the U.S. and several other countries, the companies said.

"This agreement furthers and broadens the collaboration with Spotify for both our labels and music publisher, advancing artist-centric principles to drive greater monetization for artists and songwriters, as well as enhancing product offerings for consumers," Universal Music Chief Executive Officer Lucian Grainge said.

No details of the transaction were released, but the companies said artists, songwriters and consumers will

benefit from new and evolving offers; new paid subscription tiers; bundling of music and nonmusic content; and a richer audio and visual content catalog, the companies said.

"This agreement furthers and broadens the collaboration with Spotify for both our labels and music publisher, advancing artist-centric principles to drive greater monetization for artists and songwriters, as well as enhancing product offerings for consumers," Universal Music Chief Executive Officer Lucian Grainge said.

Universal Music Group share price, past three months



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Valuation Soars At AI Recruiting Startup Mercor

BY YULIYA CHERNOVA

Recruiting startup Mercor raised new funding at a \$2 billion valuation, according to people familiar with the situation, the latest example of venture investors' enthusiasm about generative AI.

The young company matches experts in fields such as law, medicine and others with contract jobs to help develop generative artificial-intelligence models, which are the advanced algorithms behind chatbots such as OpenAI's ChatGPT. Venture firm Felicis led the Series B round, the people said.

Mercor's deal was competitive, one of the people said,

with investors bidding up the San Francisco startup's value

from about \$1 billion at the start of the

fundraising process. The company raised about \$75 million via the new financing as of December, the person said. The amount may yet increase as the company hasn't held a final close.

Last year, Benchmark led a Series A round for Mercor at a \$250 million valuation.

Privately held AI companies raised more than \$100 billion in 2024 globally, representing a record 37% share of all venture funding, according to data provider CB Insights.

Mercor was founded two years ago by a trio of college dropouts: Brendan Foody, the startup's chief executive; Adarsh Hiremath, its chief technical officer; and Surya Midha, the chief operating officer.

Mercor focuses on helping AI companies find people with expertise in specific areas of study, from law to chemistry to medicine, to assist in developing AI models. The jobs often advertise that the candidates "will help create high-quality data that will inform the future of AI innovation." They typically sign on as contractors; OpenAI is one of its largest clients, one person said.

Mercor says it has a \$50 million annual revenue run rate and is growing at 40% month over month. It employs about 30 people, whose median age is about 22 years old.

"Making the most of human potential has always been a hard problem. Now it's more important and urgent than ever, as we enter the age of AGI. Mercor is

growing so quickly because we've created the first technology to allocate top human talent across every sector, at scale," said Foody, referring to artificial general intelligence.

Candidates undergo an interview conducted by AI and then join a pool of candidates. Mercor says it operates by charging finders' fees to AI companies that hire its candidates. The company says its technology can predict job performance.

Other investors in Mercor include General Catalyst, as well as individuals Peter Thiel, Jack Dorsey and Larry Summers. The company also raised money from the Anthology Fund, a fund launched by Menlo Ventures in partnership with AI company Anthropic.

\$2B

The company's valuation, up from \$250 million in last year's Series A round

Emerson to Buy Out Aspen Technology



TIM APPEL/REUTERS

Emerson Electric has agreed to acquire the remaining stock of Aspen Technology, valuing the software company's remaining stake at \$7.2 billion.

Emerson, an automation technology giant, is set to acquire the remaining minority shares, representing about 43% of the company's stock, at a price of \$265 a share, the two companies said Monday.

Emerson currently owns about 57% of Aspen's stock after it made an investment in 2022 in which it acquired a 55% majority position.

Aspen's stock climbed 3.3% to \$263.50 on Monday. It is up 30% over the past 52 weeks.

The deal values the total company at a fully diluted market capitalization of \$17 billion with an enterprise value of \$16.8 billion.

Once the transaction closes, Aspen would become a subsidiary of Emerson. Lal Karsanbai, Emerson's chief executive officer, said that the company expects to fully integrate Aspen into the business to advance its vision for software-defined control.

The transaction is expected to close in the first half of this year.

—Adriano Marchese

Court Advances MGM Plan to Pay \$45 Million to End Data-Breach Suit

BY JAMES RUNDLE

A federal court gave preliminary approval to a \$45 million settlement in a consolidated class-action lawsuit brought against **MGM Resorts International** for data breaches in 2019 and 2023.

Hackers broke into the resort operator's systems twice, according to the suit filed in the U.S. District Court of Nevada, which combined two class-action lawsuits over separate breaches into one complaint. In July 2019, a hacker stole data including sensitive information such as driver's license numbers, passport numbers and customer addresses.

Then in September 2023, MGM was attacked again, this time with ransomware, in an incident that disabled the resort operator's key systems for several days—including those to hotel rooms—as well as tak-

ing gaming machines offline. The suit claims the hackers gained access to customer information during the attack, estimating that around 37 million people were affected by both attacks. The suit alleges MGM failed to implement data-security practices, resulting in the breaches. MGM declined to comment.

The 2023 attack effectively shut down some of the biggest casinos on the Las Vegas Strip at the height of the summer season, costing MGM about \$100 million. The company said in an October 2023 filing with the U.S. Securities and Exchange Commission it expects insurance to cover the costs.

The settlement would provide tiered compensation for affected customers, based on what information was stolen. Those who had their Social Security numbers or military identification numbers stolen, for

instance, would be entitled to \$75, while compromised passport and driver's license numbers would get \$50. Customers who prove harm caused by the data breaches could claim up to \$15,000. The plaintiff's attorneys can apply for up to 30% of the \$45 million settlement fund.

Final approval of the deal is expected in June, which would end one of the remaining headaches for MGM from the 2023 hack. Still, the company could face a Federal Trade Commission probe into the way it handled the cyberattack.

The FTC last year filed a civil investigative demand against MGM in a process that allows the agency to request information from companies without a court-issued subpoena. In April, MGM sued the agency, seeking then-FTC Chair Lina Khan's recusal from the case as she was a guest at an MGM property during the attack.

MARKETS DIGEST

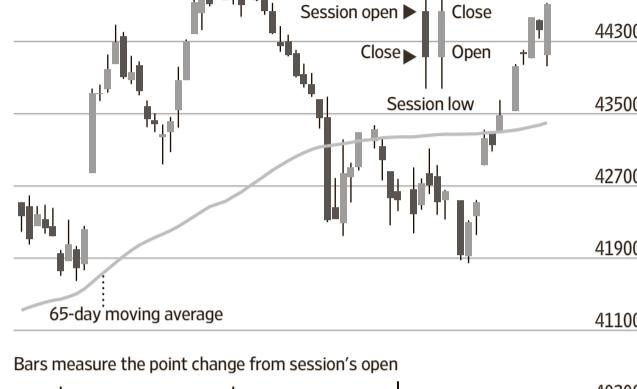
EQUITIES

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Current divisor 0.16268413125742



Bars measure the point change from session's open

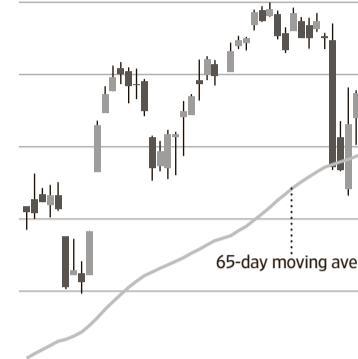
Oct. Nov. Dec. Jan. 40300 5500

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; ^Based on Nasdaq-100 Index

S&P 500 Index

6012.28 ▼ 88.96, or 1.46%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 25.75 22.33
 P/E estimate * 22.30 22.01
 Dividend yield * 1.22 1.51
 All-time high 6118.71, 01/23/25

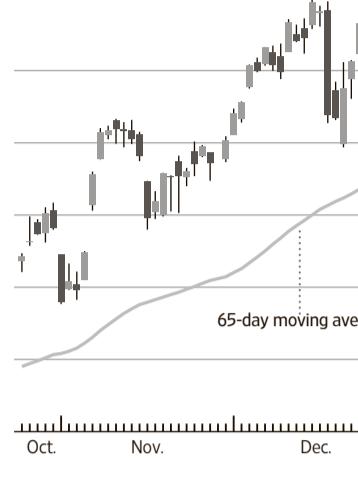


Oct. Nov. Dec. Jan. 5600 6000 6100

Nasdaq Composite Index

19341.83 ▼ 612.47, or 3.07%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 33.45 31.37
 P/E estimate * 27.63 30.15
 Dividend yield * 0.69 0.85
 All-time high: 20173.89, 12/16/24



Oct. Nov. Dec. Jan. 17200 18200 19200 20200

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	44727.85	44026.27	44713.58	289.33	▲ 0.65	45014.04	37735.11	16.6	5.1	9.4
Transportation Avg	16901.07	16568.38	16848.55	242.60	▲ 1.46	17754.38	14781.56	5.7	6.0	4.4
Utility Average	992.99	968.62	991.79	-21.15	▲ -2.09	1079.88	829.38	15.9	0.9	2.2
Total Stock Market	59934.35	59394.34	59824.37	-896.30	▲ -1.48	60885.79	48275.32	21.7	2.4	11.1
Baron's 400	1304.17	1289.90	1295.59	-18.81	▲ -1.43	1356.99	1063.30	19.6	3.5	9.8

Nasdaq Stock Market

Nasdaq Composite	19514.35	19204.95	19341.83	-612.47	▲ -3.07	20173.89	15164.01	23.8	0.2	13.1
Nasdaq-100	21292.54	20974.90	21127.28	-646.73	▲ -2.97	22096.66	17037.65	20.1	0.5	14.7

S&P

500 Index	6017.17	5962.92	6012.28	-88.96	▲ -1.46	6118.71	4845.65	22.0	2.2	11.6
MidCap 400	3265.36	3223.58	3239.68	-35.96	▲ -1.10	3390.26	2732.18	16.1	3.8	8.6
SmallCap 600	1465.20	1444.48	1450.31	-4.99	▲ -0.34	1544.66	1241.62	11.2	3.0	5.0

Other Indexes

Russell 2000	2311.79	2273.67	2284.02	-23.71	▲ -1.03	2442.03	1937.24	13.6	2.4	5.8
NYSE Composite	19997.47	19839.44	19980.00	-17.47	▲ -0.09	20272.04	16911.13	17.2	4.6	7.3
Value Line	635.23	628.85	631.49	-3.74	▲ -0.59	656.04	568.94	7.1	3.4	1.3
NYSE Arca Biotech	6276.77	6182.06	6217.36	19.33	▲ 0.31	6251.16	4861.76	18.5	8.2	9.1
NYSE Arca Pharma	969.48	945.21	969.31	24.10	▲ 2.55	1140.17	912.71	1.5	3.7	7.2
KBW Bank	138.35	136.74	138.26	0.58	▲ 0.42	138.78	92.30	42.4	8.5	1.3
PHLX® Gold/Silver	148.73	145.99	147.75	-3.14	▲ -2.08	175.74	102.94	28.3	7.7	6.5
PHLX® Oil Service	76.42	74.40	74.47	-1.32	▲ -1.74	95.25	68.88	-11.6	2.6	4.8
PHLX® Semiconductor	5045.43	4785.43	4853.24	-488.70	▲ -9.15	5904.54	4260.92	10.6	-2.5	14.4
Cboe Volatility	22.51	17.57	17.90	3.05	▲ 20.54	38.57	11.86	31.6	3.2	▲ -16.3

©Nasdaq PHLX

Sources: FactSet; Dow Jones Market Data

International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World	MSCI ACWI	863.83	-9.08	▲ -1.04	2.7
	MSCI ACWI ex-USA	336.52	-0.42	▲ -0.12	3.3
	MSCI World	3813.33	-43.45	▲ -1.13	2.8
	MSCI Emerging Markets	1087.54	-2.48	▲ -0.23	1.1
Americas	MSCI AC Americas	2265.65	-33.48	▲ -1.46	2.4
Canada	S&P/TSX Comp	25289.15	-179.34	▲ -0.70	2.3
Latin Amer.	MSCIEM Latin America	1986.04	-2.91	▲ -0.15	7.2
Brazil	Bovespa	124861.50	2414.56	▲ 1.97	3.8
Chile	S&P IPSA	3769.55	-32.33	▲ -0.85	4.3
Mexico	S&P/BMV IPC	51687.45	330.14	▲ 0.64	4.4
EMEA	STOXX Europe 600	529.69	-0.38	▲ -0.07	4.3
Eurozone	Euro STOXX	531.30	-2.94	▲ -0.55	5.2
Belgium	Bel-20	4278.67	20.65	▲ 0.48	0.3
Denmark	OMX Copenhagen 20	2096.76	4.50	▲ 0.21	-0.3
France	CAC 40	7906.58	-21.04	▲ -0.27	7.1
Germany	DAX	21282.18	-112.75	▲ -0.53	6.9
Israel	Tel Aviv	2463.60	-57.10	▲ -2.27	2.9
Italy	FTSE MIB	36191.17	-9.55	▲ -0.03	5.9
Netherlands	AEX	894.84	-6.49	▲ -0.72	1.8
Norway	Oslo Bors All-Share	1709.43	2.00	▲ 0.12	3.9
South Africa	FTSE/JSE All-Share	84187.66	-103.33	▲ -0.12	0.1
Spain	IBEX 35	11997.10	14.50	▲ 0.12	3.5
Sweden	OMX Stockholm	1010.57	-6.47	▲ -0.64	5.9
Switzerland	Swiss Market	12416.61	129.33	▲ 1.05	7.0
Turkey	BIST 100	9997.85	-107.00	▲ -1.06	1.7
U.K.	FTSE 100</td				

COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract		Contract			Open
	Open	High	Low	Settle	Chg	interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.						
Jan	4,2350	4,2350	4,2020	4,2035	-0,0865	681
March	4,3130	4,3130	4,2225	4,2315	-0,0895	113,133
Gold (CMX) -100 troy oz.; \$ per troy oz.						
Jan	2761,10	2762,20	2740,00	2737,50	-39,80	2,069
Feb	2778,10	2778,10	2732,00	2738,40	-40,50	218,233
March	2791,00	2792,10	2746,80	2752,40	-40,30	7,189
April	2805,50	2805,60	2760,20	2766,20	-40,40	282,909
June	2825,10	2830,60	2786,00	2792,00	-40,30	49,267
Aug	2845,20	2854,50	2811,60	2816,30	-39,80	19,879
Palladium (NYM) -50 troy oz.; \$ per troy oz.						
Jan	893,50	937,50	937,50	963,60	-37,60	6
March	1007,00	1009,50	968,00	973,00	-36,70	16,056
Platinum (NYM) -50 troy oz.; \$ per troy oz.						
Jan	959,40	959,40	946,40	946,90	-10,70	12
April	971,20	971,70	950,60	960,10	-12,00	69,793
Silver (CMX) -5,000 troy oz.; \$ per troy oz.						
Jan	31,075	31,075	30,990	30,254	-0,769	66
March	30,995	31,005	30,035	30,414	-0,771	121,920
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.						
March	74,54	75,15	72,38	73,17	-1,49	334,681
April	73,81	74,32	71,77	72,50	-1,46	172,313
May	73,13	73,58	71,20	71,87	-1,44	134,740
June	72,49	72,88	70,66	71,28	-1,40	168,645
Sept	70,74	71,04	69,15	69,71	-1,26	110,556
Dec	69,30	69,54	67,87	68,38	-1,14	163,542
NY Harbor ULSD (NYM) -40,000 gal.; \$ per gal.						
Feb	2,5065	2,5131	2,4184	2,4600	-0,0562	33,780
March	2,4385	2,4478	2,3550	2,3899	-0,0581	102,398
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.						
Feb	2,0475	2,0620	2,0100	2,0282	-0,0208	34,343
March	2,0765	2,0918	2,0369	2,0548	-0,0217	115,155
Natural Gas (NYM) -10,000 MMbtu.; \$ per MMbtu.						
Feb	3,785	3,827	3,609	3,697	-330	25,725
March	3,293	3,345	3,176	3,253	-197	315,514
April	3,328	3,370	3,204	3,279	-184	128,829
May	3,442	3,466	3,306	3,379	-175	136,641
Oct	3,878	3,932	3,777	3,850	-155	127,207
Jan'26	4,787	4,829	4,682	4,746	-150	118,684

Agriculture Futures

Corn (CBT) -5,000 bu.; cents per bu.						
March	484,50	484,75	477,75	482,00	-4,50	704,672
May	494,50	494,50	487,75	492,25	-4,25	469,160
Oats (CBT) -5,000 bu.; cents per bu.						
March	355,50	362,00	345,50	350,25	-10,00	3,110
May	364,75	365,50	352,25	355,50	-10,75	759
Soybeans (CBT) -5,000 bu.; cents per bu.						
March	1050,00	1051,00	1040,00	1045,00	-10,75	341,256
May	1062,50	1063,75	1052,75	1058,50	-9,75	215,375
Soybean Meal (CBT) -100 tons; \$ per ton.						
March	302,50	303,00	298,90	300,80	-4,10	218,002
May	310,80	311,80	307,20	309,30	-3,80	128,918
Soybean Oil (CBT) -60,000 lbs.; cents per lb.						
March	45,09	45,14	44,33	45,00	-22	204,446
May	45,52	45,52	44,73	45,38	-23	144,557
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.						
March	14,63	14,70	14,46	14,48	-20	9,895
May	14,76	14,80	14,59	14,58	-21	489
Wheat (CBT) -5,000 bu.; cents per bu.						
March	543,00	543,00	532,00	535,50	-8,50	237,695
May	557,00	557,50	546,75	549,75	-9,00	103,056
Wheat (KC) -5,000 bu.; cents per bu.						
March	558,50	559,25	549,25	553,25	-6,25	152,681
May	568,75	569,00	559,25	562,75	-6,75	59,323
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.						
Jan	279,800	280,550	279,025	279,725	1,025	3,812

Cash Prices | wsj.com/market-data/commodities

Monday, January 27, 2025

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.

Monday

Monday

Monday

Energy	Copper,Comex spot	4,2035
Coal,CApic,12500Btu,1.2502-r,w	76,500	
Coal,PwdrRvrBsn,8800Btu,0.8502-r,w	14,200	
Metals		
Gold,per troy oz		
Engelhard industrial	2754,00	
Handy & Harman base	2742,40	
Handy & Harman fabricated	3044,06	
LBMA Gold Price AM	*2771,05	
LBMA Gold Price PM	*2776,80	
Kruegerand,wholesale-e	n.a.	
Maple Leaf-e	n.a.	
American Eagle-e	n.a.	
Mexican peso-e	n.a.	
Austria crown-e	n.a.	
Austria phil-e	n.a.	
Silver, troy oz.		
Engelhard industrial	30,4000	
Handy & Harman base	29,9100	
Handy & Harman fabricated	37,3880	
LBMA spot price	*24,8400	
(U.S.\$ equivalent)	*30,8400	
Coins,wholesale \$1,000 face-a	23090	
Other metals		
LBMA Platinum Price PM	*950,00	
LBMA Palladium Price PM	*1002,00	
Platinum,Engelhard industrial	955,00	
Palladium,Engelhard industrial	980,00	
Aluminum,LME,\$ per metric ton	*2640,00	

Food						
BMI Lithium Carbonate,EXW China,-99.5%-v,w	10550					
BMI Lithium Hydroxide,EXW China,-56.5%-v,w	9525					
BMI Cobalt sulphate,EXW China,>20%-v,m	3520					
BMI Flake Graphite,FOB China,100 Mesh,94.95%-v,w	435					
Fibers and Textiles						
Burlap,10-oz,40-inch NY yd-lb,w	0,8550					
Cotton,1/16 std lbd,mldMphs-u	0,6477					
Cotlook 'A' Index-t	*77,90					
Hides,hvy native steeress pieces fob-u	n.a.					
Wool,64s,staple,Terr del,u,w	n.a.					
Grains and Feeds						
Bran,wheat middlings,KC-u	161					
Corn, No. 2 yellow,Cont IL-bp,u	n.a.					
Corn gluten feed,Midwest-u,w	127,4					
Corn gluten meal,Midwest						

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are consolidated from trades reported by various market centers, including securities exchanges, Finra, electronic communications networks and other broker-dealers. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes: i-New 52-week high; l-New 52-week low; dd-Indicates loss in the most recent four quarters.

Stock tables reflect composite regular trading as of 4 p.m. ET and changes in the official closing prices from 4 p.m. ET the previous day.

Monday, January 27, 2025

Stock Sym Close Net Stock Sym Close Net

Stock Sym Close Chg Stock Sym Close Chg

A B C

AAON AAON 1120-20.01

AEACM ACM 106.69 -2.46

AFlac AFL 9.79 -0.11

AGNC Invr AGNC 1.07 -0.04

Alyes ANKS 344.89-12.48

APA AP 23.31 -0.06

ASE Tech ASX 9.73 -1.42

ASML ASM 6915.46-2.22

AT&T AT 54.24 -1.42

AbbottLabs Abbott 129.43 -4.40

AbbVie Abbott 176.90 -6.60

Accenture ACN 373.15 -10.74

AcuityBrands AYI 328.00 -6.21

Adobe ADOBE 438.60 -3.22

AdrianageSys ADNS 124.97 -0.11

AdvionicsAdv AID 11501 -7.83

AEG AEG 6.60 -0.10

AerCap AER 95.63 -0.64

AffirmA AFFM 55.17 -0.56

AgilentTechs A 15.06 -0.48

AgileSoftEngl A 89.47 -0.47

AirProducts APD 326.62 -2.64

Airbnb AIRBNB 129.86 -1.43

AkamaiTechs AKAM 99.67 -1.97

AlamosGold ALG 20.14 -0.49

AlaskaAir ALK 70.46 -0.51

Albermarle ALB 88.78 -2.02

Albertsons ACI 19.80 -0.11

Alcoa ALCO A 34.97 -2.46

Alcon ALC 91.35 -2.39

AlexanderNatl ADR 102.11 -0.24

Alibaba BABA 89.99 -0.85

AlignTech ALGN 229.82 -2.36

AlliedJavelin ALL 135.50 -2.97

AlliantEnergy LNT 60.00 -1.23

AllisonTransm ALIN 115.34 -4.26

Allstate ALL 193.19 -7.12

AllyFinancial ALY 39.23 -0.22

AlmyPharm ALNY 276.73 -2.03

Alphabet A GOOGL 191.81 -8.40

Alphabet C GOOG 193.77 -8.13

AltairEngg ALT 110.28 -0.10

Altria MO 53.45 -1.40

AmeriGas AMZN 235.42 -0.57

AmeriGas ABEV 1.83 -0.04

Amcor AMCR 9.89 -0.13

Amdocs DOX 86.71 -1.43

AmerSports AS 40.44 -0.14

Ameren AEE 94.13 -0.03

AmericaMovil AMX 14.12 -0.01

AmerAirlines AAL 17.20 -0.24

AmeriExpress AEP 102.63 -4.45

AmeriGas AMEX 316.42 -2.46

AmeriGas ABEV 1.83 -0.04

AmeriGas AMCR 9.89 -0.13

AmeriGas ABEV 1.83 -0.04

AmeriGas

MARKETS & FINANCE

Secondary Deals Hit Record in 2024

Secondhand trades for private-markets funds came in well above \$150 billion

By ROD JAMES

Deals for secondhand stakes in private-capital funds hit a record in 2024 as investors continued to search for alternative ways to generate cash in a slow exit environment, according to survey data from two of the largest secondary advisers.

Investment bank **Jefferies Financial Group** tracked some \$162 billion of secondary transactions in 2024, a 45% increase from 2023 levels and up around 23% from the previous \$132 billion record for such deals in 2021, the bank said in its annual secondary market review. Investment bank **Lazard** put the volume of secondary deals to close in 2024 at a more conservative but still record \$152 billion, compared with \$109 billion in 2023 and \$126 billion in 2021.

Secondary deals are privately negotiated and sometimes lack an intermediary between the buyers and sellers, making it difficult to accurately track volumes. Definitions of what constitutes a secondary deal also can vary

slightly.

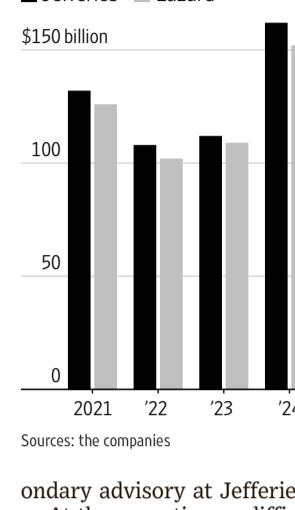
Secondary deal volume hit around \$68 billion in the first six months of 2024, a record for the period, The Wall Street Journal reported. Still, activity accelerated rapidly in the second half of the year.

Deals initiated by fund managers themselves, often referred to as general-partnered deals, drove much of last year's growth, Jefferies found. The dollar value of GP-led deals spiked 68% in the second half of 2024 compared with the first, hitting \$75 billion for 2024 as a whole, according to the bank. That is roughly 10% higher than the previous record of \$68 billion in GP-led deals back in 2021, Jefferies data show. Lazard pegged GP-led deals at around \$72 billion, roughly 14% higher from 2021.

GP-led deals typically involve a fund manager giving all investors in a company or subset of companies the chance to cash out at once, typically to a specialist acquirer of secondhand fund stakes.

Fund investors, including pensions, endowments and sovereign-wealth funds, have been "pounding the tables" with fund managers to help them generate cash from their private holdings, said Todd Miller, global co-head of sec-

Annual secondary deal value



Sources: the companies

ondary advisory at Jefferies.

At the same time, a difficult market for buying and selling businesses has made GP-led deals more attractive to fund managers. GP-led transactions bring in new investors, but still allow fund managers to hold on to assets involved in those deals until they are ready and able to sell them outright for a better price.

"If the exit environment is not there, why not do a continuation fund and hang on to one of your better assets?" Miller said.

GP-led deals involving a single company accounted for around 48% of GP-led deals in

2024, according to Lazar. For example, in January of last year, KSL Capital Partners raised more than \$3 billion to extend its hold of Alterra Mountain, a Denver hospitality company, while **Morgan Stanley** raised \$700 million to support a GP-led deal for executive-networking business World 50.

Secondary deal activity has benefited from a growth in capital specifically raised for secondary funds targeting such deals as well as broader investment funds raised from high-net worth investors. Jefferies estimates that total capital available to back secondary deals hit \$288 billion in 2024, up from \$255 billion in 2023.

The rapid profusion of so-called interval funds, also known as 40 Act funds, has turbocharged demand for private fund stakes, both banks said. These investment vehicles are marketed to mass affluent investors and tend to rely on secondary deals to get capital invested more quickly, thus avoiding the potential drag on fund performance that is associated with holding large amounts of cash.

The need to invest capital quickly often allows such funds to outbid more traditional secondary fund managers, according to intermediaries.

"If you don't have a 40 Act fund, you're at a bit of a competitive disadvantage," as a buyer, said Miller. "They seem to be fairly aggressive in terms of their willingness to pay, meaning they are underwriting a lower rate of return."

AUCTION RESULTS

Here are results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

	1-Week	26-Week
Applications	\$275,044,839,000	\$217,836,994,000
Accepted bids	\$92,303,259,000	\$79,116,804,000
* noncomp	\$2,340,361,200	\$1,903,711,000
* foreign noncomp	\$0	\$100,000,000
Auction price (rate)	98.93957	97.907000
	(4.19%)	(4.14%)
Bids at clearing yield accepted	4.29%	4.28%
Cusip number	90.22%	912797P6
	912797N0	912797P6

Both issues are dated Jan. 30, 2025. The 13-week bills mature on May 1, 2025; the 26-week bills mature on July 31, 2025.

TWO-YEAR NOTES

	13-Week	26-Week
Applications	\$178,027,587,300	\$132,817,500
Accepted bids	\$72,813,877,200	\$54,600,000
* noncompetitively	\$70,400,404	\$54,000,000
* foreign noncompetitively	\$155,000,000	\$98,364,686
Auction price (rate)	99.403779	(4.211%)
Interest rate	4.250%	4.250%
Bids at clearing yield accepted	5.25%	5.25%
Cusip number	91282CJNH	91282CJNH

The notes, dated Jan. 31, 2025, mature on Jan. 31, 2027.

FIVE-YEAR NOTES

	1-Week	26-Week
Applications	\$171,620,082,100	\$137,808,000
Accepted bids	\$73,887,058,300	\$56,416,000
* noncompetitively	\$306,461,000	\$80,000,000
* foreign noncompetitively	\$98,403779	(4.330%)
Auction price (rate)	99.403779	(4.211%)
Interest rate	4.250%	4.250%
Bids at clearing yield accepted	5.25%	5.25%
Cusip number	91282CMG3	91282CMG3

The notes, dated Jan. 31, 2025, mature on Jan. 31, 2030.

STOCK SPOTLIGHT

AT&T

The telecom company's stock rallied 6.4% after it reported better-than-predicted quarterly earnings and revenue. It also added more subscribers than expected, consensus estimates compiled by FactSet showed.

SoFi

Shares fell more than 10%, despite the financial-service platform posting stronger-than-forecast earnings and revenue.

U.S. Steel

An activist investor is seeking to oust the steelmaker's chief executive and drop litigation to salvage a merger with Japan's Nippon Steel. Shares of the U.S. company fell 1.6%.

Anglo American

Shares of the London-listed miner slid 6.1% after reports that rival BHP doesn't plan a renewed takeover bid. Mining stocks also were hit by weak Chinese manufacturing data.

Emerson Electric, Aspen Technology

The technology-and-software company agreed to acquire the remaining stock of Aspen Technology in a \$7.2 billion deal. Emerson stock fell 1.2%; Aspen climbed over 3%.

Universal Music

Shares of the world's largest music label rose 7.4% in Amsterdam after it struck a multiyear deal with Spotify.

QXO, Beacon Roofing Supply

Building-products distributor QXO is launching a hostile bid for Beacon Roofing Supply, after being rebuffed. QXO shares fell 3.7%; Beacon was up 1%.

Diversified Energy

The company struck a deal to buy private-equity-owned Maverick Natural Resources in what would be its largest acquisition. Shares rose 2.6%.

AI Panic, Warmer Weather Sink Natural-Gas Futures

By RYAN DEZEMBER

Forecasts for milder weather and uncertainty about AI power demand have traders dumping natural-gas futures.

Near-term futures took the biggest hit, with contracts for February delivery settling Monday 8.1% lower at \$3.697 per million British thermal units. But the selloff has stretched to futures that won't deliver gas until 2028, a

sign that it isn't just the near-term weather forecast that has traders worried about demand for the heating and power-generation fuel.

The revelation that Chinese artificial-intelligence upstart DeepSeek has trained high-performing AI models rocked markets. Natural-gas producers, such as **EQT** and **Coterra Energy**, and pipeline operators including **Kinder Morgan** and **Williams** were hit by the selloff.

Arabica Coffee Prices Set New High Amid U.S.-Colombia Tariff Spat

By JOSEPH HOPPE

Arabica coffee prices hit a record, as traders digest the withdrawal of President Trump's threats to hit Colombia with tariffs and sanctions.

Continuous arabica coffee futures on the ICE rose 0.8% to about \$3.51 a pound in trading in Europe, having reached as

high as \$3.56 earlier in the session. This exceeds the prior record of \$3.48, set in early December, which reflected global supply worries and concerns over the 2025 harvest in Brazil.

The U.S. imports about 30% of its coffee from Colombia, with other food staples such as bananas and avocados, and gold, JPMorgan analysts said in a note.

Trump had issued threats

to impose 25% tariffs and sanctions on Colombia on Sunday, in retaliation for the Colombian government refusing to allow two military planes with migrants to land. He changed course later.

The tariff actions toward Colombia provide important context to commodities markets amid looming threats of boosted tariffs on Canada, Mexico, and China, JPM said.

Biggest 1,000 Stocks | WSJ.com/stocks

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Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg
ResMed	RSM	254.70	-0.49	SEI Investments	SEIC	83.45	-1.43
Restaurant Brands	QSR	62.70	0.29	Snap	SNA	108.05	-0.04
Revitly	RTV	104.06	0.91	Snowflake	SNOW	175.52	1.40
Reverbnation	RVN	14.44	-0.46	Southern Coop	SOON	55.82	0.01
RIO	RIO	61.10	-0.12	SOOJIMICH Comp	SOOC	38.65	-0.56
Rivian	RIV	125.85	0.08	SoFiTech	SOFI	16.08	-1.84
Robinhood	HODG	47.74	-0.50	Solventium	SOLV	75.14	0.15
Robotex	ROBT	67.17	-0.10	Synopsys	SNPS	510.73	-35.46
Rocket Cos.	RKT	12.74	0.72	T-Mobile US	TMO	186.50	-0.11
Roku	ROKU	29.43	-0.93	Syncro	SYFR	69.86	-0.77
Roxane	RXNE	10.30	-0.26	TSPY	SPPY	10.68	-2.09
Roxane Resources	RBR	27.27	-2.90	TTC Energy	TRP	45.68	-1.87
Royal Dutch Shell	RDS-A	109.34	-3.20	TTS Energy	TTS	30.82	-0.08
Royal Dutch Shell	RDS-B	109.34	-3.20	Twink	TKNG	14.79	-0.31
Rybka	RBY	14.71	-0.29	Twink	TKNG	14.79	-0.31
Ryder System	RY	14.71	-0.29	Trade Desk	TTD	119.10	-0.86
Ryanair	RHAY	16.34	-0.13	Tradeweb	TWB	12.84	-2.86
Ryanair Holdings	RHAY	16.34	-0.13	Tranze	TRAN	36.77</	

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

Chinese Investors Turn to Dividends

Companies with good payouts are now the hottest bet in China markets as other options dwindle

Chinese stocks have been a money pit for the past few years. But for investors willing to look past the wreckage, some companies are giving back.

The domestic Chinese stock market remains a shadow of its former self, even after snapping a three-year losing streak in 2024. The CSI 300 index—which tracks the largest companies listed in Shanghai and Shenzhen—has shed around one-third of its value since its 2021 peak. The pain runs even deeper for stocks listed in Hong Kong and the U.S., where tech giants such as **Alibaba** and **Tencent** have been hit hard by regulatory crackdowns and slowing growth.

Beijing is now attempting to engineer a market revival. On Thursday, regulators said they would encourage state-owned insurers to invest 30% of new policy premiums into domestic stocks, while mutual funds are required to raise domestic equity holdings by 10% annually for the next three years.

While the hope for substantial stimulus from Beijing has lifted Chinese stocks since September, any bet on a full economic recovery still seems a long way off. But a surprising bright spot has emerged: companies, especially state-owned ones, with robust dividend yields.

The investment calculus becomes even more compelling when comparing yields. China's 10-year



An LNG filling station operated by China National Offshore Oil Corp. Cnooc stock carries a dividend yield of 7.6%.

government bonds now yield just 1.66%, significantly lower than the CSI 300's nearly 3% dividend yield—a stark reversal from 2017, when bond yields exceeded stock dividends by more than 2 percentage points.

Hong Kong-listed China National Offshore Oil Corp., or **Cnooc**, a state-owned oil major, is a case in point: Its stock has more than tripled since March 2020, and it cur-

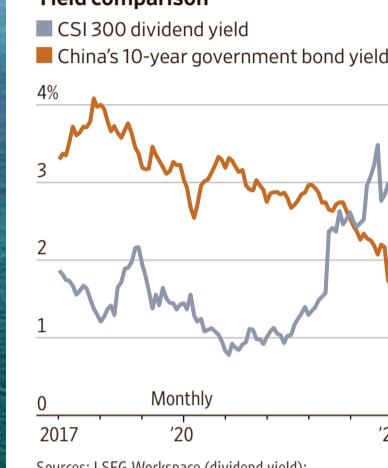
rently carries a dividend yield of 7.6%. Similarly, state-owned telecom **China Mobile**'s stock has gained 82% since early 2021 and sports a 6.6% dividend yield.

Even Chinese banks, long viewed with skepticism, have seen a revival. Despite lingering concerns about risks from the real-estate market crash and the slowing economy, their stocks surged in 2024. State-owned **Industrial and Com-**

mercial Bank of China, the country's largest bank, now offers a dividend yield of 9.4%.

That level of payout might prove too tempting for investors to pass up, even with the potential risks. And ultimately, the risks to state-owned giants like these are limited. For instance, even if loans go bad as they have in the past, ICBC enjoys explicit state backing.

Private companies also have



Sources: LSEG Workspace (dividend yield); FactSet (bond yield)

stepped up their cash returns. For example, U.S.- and Hong Kong-listed e-commerce firm **JD.com** announced a \$5 billion buyback over three years in September, equivalent to nearly 8% of its market value. Combined with its 1.9% dividend yield, the potential returns are enticing.

At the end of the day, Chinese investors need somewhere to park their cash. With real estate still in turmoil, bond yields now paltry and capital controls limiting their ability to invest abroad, big dividend-paying domestic giants are an appealing opportunity.

—Jacky Wong

DeepSeek Won't Sink U.S. AI Titans

Necessity might be the mother of all invention, but sparking the mother of all selloffs seemed like a stretch.

That wasn't the case Monday morning, though, as U.S. markets opened to fresh fears about **DeepSeek**. The Chinese artificial-intelligence startup announced a significant breakthrough late last week with AI models that perform nearly on par with advanced U.S.-born technology.

The rub is that DeepSeek claims to have trained one of its latest models for \$5.6 million in computing costs—a fraction of what is currently spent on this side of the Pacific on the same activity. **OpenAI**'s GPT-4 model that was launched in late 2023 cost more than \$100 million to train, according to Chief Executive Sam Altman.

In a podcast last year, **Anthropic** CEO Dario Amodei said the cost to train some models is approaching \$1 billion.

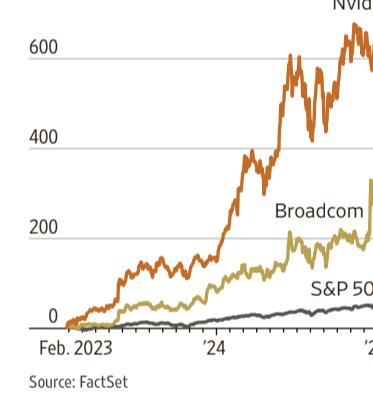
Such blowout costs have been great news for companies such as **Nvidia**, **Broadcom** and **Marvell**, which have seen their market values surge because of explosive demand for AI chips and services.

The high entry price of AI—and sanctions from the U.S. government limiting the sale of advanced AI chips to Chinese companies—also serve as a competitive moat for tech titans such as **Microsoft**, **Amazon.com**, Google and **Meta Platforms**. They are among the few companies with enough capital to build out expensive AI networks on a large scale.

Hence, DeepSeek's breakthrough sounds like particularly bad news for nearly every company carrying a market capitalization of more than \$1 trillion. Nvidia and Broadcom shares crashed more than 16% by Monday, leading a chip-sector sell-off that clipped more than 9% from the PHLX Semiconductor Index. Google parent **Alphabet** and Microsoft—the companies seen at the forefront of offering AI-based cloud-computing services—suffered hits of 4% and 2%, respectively. The tech-heavy Nasdaq slid 3.1%, compared with a small gain by the blue-chip Dow Jones Industrial Average.

The sell-off seems excessive. Much remains unknown about DeepSeek's claims, including what sorts of chips the company had ac-

Share-price and index performance, past two years



cess to despite the effect of sanctions. Several chip analysts on Monday disputed the notion that DeepSeek built something on par with advanced U.S.-based AI models at such a low cost. "DeepSeek DID NOT 'build OpenAI for \$5 million,'" wrote Stacy Rasgon of Bernstein. "The 'DeepSeek' moment is driving investors to shoot first and ask questions later," wrote Joshua Buchalter of TD Co-

wen. "While DeepSeek's achievement could be groundbreaking, we question the notion that its feats were done without the use of advanced GPUs to fine-tune it," wrote Atif Malib of Citigroup.

More important, such a technical breakthrough is unlikely to cool the AI race or even cut down the funds being poured into it. Addressing the comparison of DeepSeek to Sputnik, Edward Yang of Oppenheimer said the Space Race didn't result in less money going out the door. "Increased competition rarely reduces aggregate spending," he wrote in a note to clients. Pierre Ferragu of New Street Research noted that more-advanced "frontier models" will still need to push the technical edge and use the most-advanced computing resources, while smaller "lagging edge" models will push to develop more cost-efficient AI features.

"DeepSeek is not a game changer, and on the contrary fits very well with the way we have seen the industry evolving in the last three years," Ferragu wrote.

Indeed, DeepSeek's breakthrough comes just as AI spending

appears to be getting another leg up. Meta CEO Mark Zuckerberg announced plans on Friday to boost capital spending yet again to as much as \$65 billion this year alone. That came on the heels of the Star-
gate Project involving OpenAI, SoftBank and **Oracle** that aims to spend as much as \$500 billion on AI infrastructure.

Microsoft, which reports quarterly results on Wednesday, will be the first big tech company with the opportunity to signal whether DeepSeek's breakthrough will deep-six its investment plans. The company is expected to drop about \$84 billion in capital spending for the year ending in June and \$94 billion in the next year, according to consensus estimates from Visible Alpha. So far, the company certainly isn't signaling a plan to pull back on its ambitions.

"As AI gets more efficient and accessible, we will see its use skyrocket, turning it into a commodity we just can't get enough of," Microsoft CEO Satya Nadella wrote in a post on X on Monday morning.

The AI spending war might just be entering a new phase.

—Dan Gallagher

MARKETS & FINANCE

Middlemen Defy Crypto Crackdown

Continued from page B1
to more than \$100,000 recently.

On the messaging app WeChat and other online forums, users teach one another how to surreptitiously sign up for accounts on popular trading platforms. Once a person has traded yuan for tether, bitcoin or other virtual currencies, it can then be converted into foreign currencies and reinvested in overseas property or stocks, eluding capital controls that cap individual purchases of foreign exchange at \$50,000 a year.

Crypto users and industry participants say that Chinese nationals are still able to open accounts and trade crypto on exchanges such as OKX and Binance despite the government's restrictions. While the platforms' websites are blocked in mainland China, users can access them via virtual private networks, or VPNs.

"Access to OKX services is restricted in the PRC," an OKX spokesperson said in response to questions, referring to the People's Republic of China. The

spokesperson added that OKX ensures compliance in all jurisdictions and cooperates with regulators and law enforcement globally.

Binance didn't respond to requests for comment. Previously, it has said its website is blocked in China and isn't accessible to China-based users.

Workarounds also exist for users who run into problems such as failing to pass trading platforms' "know your customer" checks.

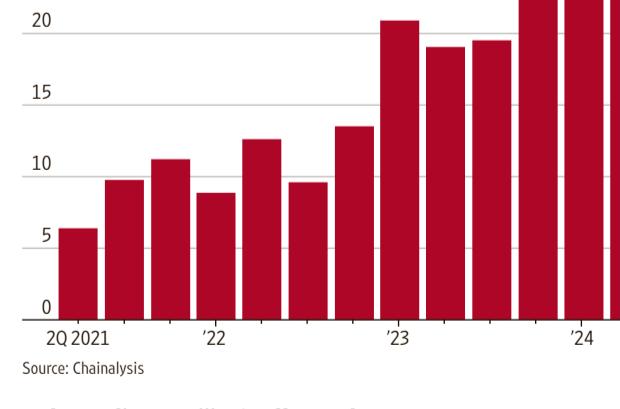
To pass the tests, China-based users can register shell companies in offshore jurisdictions, such as the Cayman Islands or British Virgin Islands, and set up institutional trading accounts on the platforms instead, said Jack Ding, a Beijing-based crypto-regulations specialist at Duan & Duan Law Firm.

China has tried to curtail the activity by prosecuting big traders to scare off others. In one Chinese county, authorities have begun going door to door to warn local residents against trading crypto.

The message from officials, according to state media: "Stay rational, avoid getting involved."

Chinese officials worry about the transactions because of their potential links to money laundering and other illicit activity. They also worry that outflows could put pressure on the value of the yuan

Money flowing to over-the-counter cryptocurrency brokers in China has surged despite government restrictions.



and complicate Beijing's efforts to reinvigorate a weakened economy.

In the coastal province of Jiangsu, near Shanghai, one crypto-trading ring managed to change the equivalent of at least \$150 million from Chinese yuan into Australian dollars over about 18 months before several of the people operating it were prosecuted in late 2023 for running illegal business operations.

First, the Chinese money handlers collected funds from customers looking to transfer currency offshore. Then they bought tether and transferred the virtual currency to brokers in Australia, who simultaneously paid the clients back overseas using Australian dol-

lion via bank cards linked to him.

In response to questions, China's central bank said that the opacity of crypto trading, its low costs and the speed of cross-border transfers presented major challenges for fighting money laundering, but that the government was expanding efforts to combat the problem.

China will "maintain a high-pressure stance against the use of cryptocurrencies in money laundering and for the illegal transfer of funds," the central bank said.

For many young Chinese, crypto is appealing at a time when there are few good options to build wealth at home amid a weak economy. While some are tapping crypto to move money offshore, others buy it as an investment, hoping it will protect their wealth if the yuan falls in value.

In China, cryptocurrencies represent a kind of fintech innovation that is widely perceived as new, trendy and innovative among the younger generation," said Maggie Hu, an assistant professor at the City University of New York's Baruch College.

Chen Xin's case sheds light on how small-time brokers help make the trading possible. The operation began in 2022, when Chen started accepting cash from clients and in exchange provided them

with tether, he recalled in court testimony, as part of a case against several others involved in the network who were convicted of facilitating online criminal activities. He testified as a witness but wasn't named as a defendant.

Chen said in the testimony that he teamed up with another broker, and that each of them ran accounts on OKX and Binance. He said one big customer, named Fang Rengan, routinely asked Chen to prepare more than \$100,000 worth of tether on behalf of other clients.

In his own witness testimony, Fang said he was working on behalf of a casino in Cambodia. He said he didn't know many details about the casino, which wasn't named in the court documents, except that it had money it needed to convert into crypto. Like Chen, Fang wasn't listed as a defendant in the case.

Casinos targeting Chinese gamblers have sprung up in Cambodia, the Philippines and Myanmar in recent years, in some cases operating in violation of local or Chinese laws.

The Journal was unable to determine the location of Chen or Fang, or whether they had lawyers. Tether, the company behind the cryptocurrency, said it was committed to combating illicit activity and that it complies with requests from global regulators and law enforcement.

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