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What's News

Business & Finance

◆ Banks wrapped up the sale of \$5.5 billion in floating-rate debt backed by the X social-media company, increasing the sum from a planned total of about \$3 billion. A1

◆ Americans contributing to 401(k) accounts brought the participation numbers to half of private-sector workers after years of growing enrollment in the retirement plans. A1

◆ Major U.S. stock indexes notched modest gains, with the S&P 500, Dow and Nasdaq rising 0.4%, 0.7% and 0.2%, respectively. B10

◆ The U.S. trade deficit grew again at the end of last year as exports slipped, widening a gap the new administration has vowed to address. A2

◆ Streaming gains bolstered Disney's performance in the final three months of 2024, adding momentum to the company's effort to turn Disney+ into a principal entertainment hub. B1

◆ Novo Nordisk reported strong sales growth for its blockbuster obesity and diabetes drugs and issued a forecast for 2025 results that beat analysts' expectations. B1

◆ The SEC, eager to bury its conflict with the crypto market, moved its top litigator to an office that maintains the agency's computer systems. B1

◆ Google eliminated its goal of hiring more employees from historically underrepresented groups and is reviewing some DEI programs. B4

◆ Volkswagen outlined a five-year plan for its namesake brand that includes launching a new low-cost electric car as the company plots a path to growth. B3

World-Wide

◆ Major Middle East powers rejected Trump's surprise proposal for the U.S. to take control of Gaza, redevelop the enclave and move Palestinians out permanently, a notion that breaks with decades of U.S. and international policy toward the region. A1, A8, A10

◆ Representatives of Musk's DOGE have been working at the Centers for Medicare and Medicaid Services, where they have gained access to payment and contracting systems. A3

◆ Attorney General Pam Bondi moved swiftly to align the Justice Department toward Trump's desire to investigate his past legal adversaries. A3

◆ The U.S. said a deal has been reached with Panama on free canal passage for U.S. government ships, surprising Panamanian officials before formal completion of the accord. A6

◆ New HUD Secretary Turner said a cross-government effort to privatize Fannie Mae and Freddie Mac is a priority. A2

◆ House Republicans considered an extension of Trump's expiring tax cuts that would last as little as five years in a nod to the party's deficit hawks. A4

◆ More than 100 workers in the EPA's environmental justice and civil-rights office are expected to be placed on administrative leave by the Trump administration. A3

◆ U.N. agencies expressed concern about Pakistan's decision to deport thousands of Afghan refugees awaiting relocation to the U.S. and elsewhere. A8

◆ Died: Harry Stewart Jr., 100, Tuskegee Airmen veteran. A2

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Mexicans Deploy Troops to Border



BOOTS ON THE GROUND: A Mexico National Guard officer was posted at the border with the U.S. in Playas de Tijuana, Baja California state, Wednesday, as part of a 10,000-person deployment in exchange for the U.S. holding off on a tariff on imports from Mexico.

Musk's Clout in Washington Turbocharges Sale of X Debt

By ALEXANDER SAEEDY
AND JUSTIN BAER

Elon Musk's power in Washington and the return of big advertisers like Amazon have Wall Street clamoring to get a piece of X.

Banks wrapped up the sale of \$5.5 billion in debt backed by Musk's social-media company on Wednesday, people familiar with the matter said. The banks had originally planned to sell around \$3 billion at around 95 cents on the

dollar, The Wall Street Journal had reported. They upsized the deal after seeing demand from investors, the people said.

In the end, investors, including Pimco and Citadel, agreed to buy the loans at 97 cents on the dollar. The floating-rate debts carry an interest rate of about 11%, with borrowing costs several percentage points above even the riskiest loans on Wall Street.

The sale of X Corp.'s loans showcase the animal spirits that have taken over Wall

Street since Donald Trump's election in November. Investors are also eager to bet on Musk, given his proximity to President Trump and growing influence since the election.

Musk's social-media company stumbled when advertisers fled the platform en masse after he bought the company in 2022. While some advertisers have returned, X is still

Please turn to page A6

◆ Democrats turn focus on Musk..... A4

INSIDE



SPORTS

The biggest mystery of the Super Bowl: Do the Chiefs have a secret playbook? A16



BUSINESS & FINANCE
Some restaurants are responding to egg shortage with an added fee. B1

Parents Are Drowning In Gibberish

* * *
What the sigma?
New slang leaves adults confounded

By KATHERINE BINDLEY

Cecilia Hermawan has text chains going with other parents to stay up to speed on the words and phrases catching on among their children. Still, the Boston-area resident was taken aback after hearing the word "mewning" come out of her 9-year-old's mouth.

"I didn't know what it meant so I had to Google it, and I had to ask my friend Emily to reference check," said Hermawan, 41.

The startup founder was relieved her daughter and her friend were referring to a type of facial exercise and not something inappropriate.

Please turn to page A14

Russian TV Star Sells Kremlin Agenda

Dmitry Kiselyov serves as Putin's propagandist in chief

By MATTHEW LUXMOORE

For tens of millions of television viewers across Russia's 11 time zones, Sunday night means tuning in to watch Dmitry Kiselyov.

The country's most influential news anchor, Kiselyov has for over a decade interpreted world events for the nation, as Walter Cronkite or Dan Rather once did for the U.S. His weekly current affairs show, "News of the Week," at first glance seems similar to any news bulletin on CNN or the BBC.

The message he broadcasts is anything but. There are breathless updates on Russia's military advances, with cinematic shots of jet fighters pounding Ukrainian towns. Clips from pride parades in

San Francisco are shown as evidence the U.S. verges on collapse. Kiselyov recently struck a positive note on President Trump, echoing the Kremlin, but warned that his tariff threats might torpedo Russia's good will toward him.

One recent report began with an apocalyptic warning to the West: Russia won't hesitate to use nuclear bombs if it feels threatened. Footage of President Vladimir Putin addressing Kremlin officials was interspersed with clips of missiles flying through the air.

"Don't complain later," Kiselyov intoned in his trademark raspy voice. "Don't tell us that we didn't warn you."

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◆ Kremlin says U.S. talks on Ukraine heat up..... A12

Mideast Powers Reject Trump's Gaza Proposal

Saudis, Turkey rule out U.S. takeover, reaffirm support for Palestinian cause

By RORY JONES
AND OMAR ABDEL-BAQUI

DUBAI—Major Middle East powers rejected President Trump's surprise proposal for the U.S. to take control of Gaza, redevelop the enclave and move Palestinians out permanently, pointing to the challenges ahead for a notion that breaks with decades of U.S. and international policy toward the region.

Saudi Arabia, which the U.S. hopes to lead into a deal to normalize ties with Israel, said Wednesday it rejected

any efforts to displace Palestinians from their land and reaffirmed support for a Palestinian state. It called its position nonnegotiable and said it wouldn't establish diplomatic relations with Israel unless that goal was met.

The foreign minister of Turkey, a North Atlantic Treaty Organization member, called Trump's idea "absurd" and said the country opposed displacement of Palestinians or any "initiatives that try to take the people of Gaza out of the equation."

Egypt, Jordan, the United Arab Emirates, Qatar and Palestinian leaders in recent weeks have also rejected the idea of

Please turn to page A10

◆ Proposal risks becoming a distraction A10

President Veers Into Foreign Intervention

WASHINGTON—President Trump campaigned on shrinking the U.S.'s role abroad. But since taking office, he has articulated a worldview that is at times closer to expansionism than isolationism.

By Alex Leary,
Josh Dawsey and
Alexander Ward

Trump generated global shock waves Tuesday when he said the U.S. should take long-term control of Gaza, suggesting Palestinians should be relocated while the enclave is rebuilt into the "Riviera of the Middle East." U.S. Secretary of State Marco Rubio wrote on social media that Trump would

"Make Gaza Beautiful Again."

Taking control of the territory would put the U.S. at the center of one of the world's most complicated diplomatic and national-security conflicts, raising the prospect that Trump is signing the country up for exactly the kind of foreign entanglement he told voters he would avoid. Trump didn't rule out sending U.S. troops to Gaza to accomplish his goals.

On Wednesday, White House press secretary Karoline Leavitt said that taxpayers wouldn't cover the cost of developing the territory and that any Palestinian relocation would be temporary. She stressed that the president hadn't yet committed to send

Please turn to page A10

401(k)s Reach a Tipping Point In Takeover of U.S. Retirement

By ANNE TERGESEN

It took nearly 50 years, but half of private-sector workers are saving in 401(k)s for the first time.

Long after workplaces started using these retirement plans in place of traditional pensions, they are finally reaching a tipping point.

Around 70% of private-sector employees in the U.S. now have access to a 401(k)-style retirement plan. A decade earlier, 60% had access and 43% contributed, according to the

U.S. Labor Department.

Policymakers have moved in recent years to broaden access. More states are requiring companies to offer a retirement savings option. Congress has given small businesses more generous incentives to launch them. And companies are automatically enrolling more workers, substantially raising participation rates.

Growth in worker adoption is likely to accelerate due to a federal law that went into effect this year, requiring many new 401(k) plans to use auto-

matic enrollment.

"More people are covered and more are participating, fees are coming down," said David Stinnett, head of strategic retirement consulting at Vanguard. "But there's work left to be done."

Even though adoption has picked up recently, about 40% of the working population isn't saving enough to maintain their lifestyle throughout retirement, according to Boston College's Center for Retirement Research.

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U.S. NEWS

New HUD Chief Targets Fannie, Freddie

Turner plans to quickly launch a review to root out inefficiencies

Scott Turner, who was confirmed Wednesday to lead the Department of Housing and Urban Development, said a cross-government effort to

By Gina Heeb,
AnnaMaria Andriots
and Corrie Driebusch

privatize **Fannie Mae** and **Freddie Mac** will be a priority as he takes the helm of the agency.

In an interview with The Wall Street Journal, Turner said HUD would work with the Treasury Department and Congress on privatization of

the mortgage-finance firms and that he would act as a "quarterback" of sorts in the process. The efforts to free the firms from government control would also involve the Federal Housing Finance Agency, which oversees Fannie and Freddie.

"There are partners that will be at the table and obviously we'll be one of them," said Turner, a former National Football League player and Texas lawmaker. "When you're a quarterback, you've got to work with the entire huddle."

Separately, advisers, lawmakers and bankers have passed around proposals detailing how privatization could support the Department of Government Efficiency, the cost-cutting effort led by Elon Musk, according to people fa-

miliar with the discussions. Other proposals have discussed using proceeds from any transaction to fund the tax changes President Trump has promised.

There is no guarantee a plan will come together quickly or be carried out, not least because it remains to be seen how much of a priority privatization is for Trump.

Turner said the review he will launch a broad review to root out inefficiencies and streamline HUD, which aims to improve home affordability and access and oversees the Federal Housing Administration. All programs and policies "will be looked at with a fine-toothed comb," he said, including those related to diversity, equity and inclusion.

Also under discussion are return-to-office policies that

would likely drive some workers to leave.

The changes will come at a fragile moment in the U.S. housing market, with many Americans priced out by elevated mortgage rates and prices.

Trump has called for departments and agencies to pursue policies that would lower housing costs.

Turner will seek to ease federal regulations to help lower housing costs and encourage state and local governments to do the same. He said he would continue to work on opportunity zones, which were touted in the first Trump administration as a way to encourage investment in low-income areas.

The administration plans to allow more building on federal lands, which Turner said could

include rural, urban and tribal areas. He plans to travel around the country, in part to see what land is available.

Turner would like to change the name of HUD to better reflect its reach, which he said should include rural and tribal communities. A new name would "take a lot of time and conversation and thought," he said, and require congressional support.

Fannie and Freddie bundle and sell mortgages, with a government-backed guarantee to protect investors from losses when homeowners default. That allows banks and others to originate more 30-year, fixed-rate mortgages.

Skeptics have cautioned that privatizing Fannie and Freddie could, if not done carefully, drive away buyers of mortgage-backed securities

and lead to higher mortgage rates.

As part of the 2008 financial-crisis rescue, the Treasury Department got warrants to purchase about 80% of Fannie and Freddie's common shares as well as senior preferred shares. Other investors own junior preferred shares and common shares.

At least one proposal circulating among members of Trump's team in recent months that was seen by the Journal estimates the privatized entities would be valued above \$330 billion.

Fannie and Freddie would raise an additional \$20 billion to \$30 billion from new investors as part of the plan, akin to an initial public offering. A fundraising raise of that size would put it on par with the largest IPOs of all time.

Warren, Trump Find Accord on Banks

BY ALEXANDER SAEEDY
AND DYLAN TOKAR

Elizabeth Warren agrees with President Trump about something.

The Democratic senator from Massachusetts told Trump on Wednesday that she thinks the White House should take action to stop what she said were discriminatory practices by the country's biggest banks.

Trump brought the subject to the fore last month when he suggested at the World Economic Forum in Davos, Switzerland, that **Bank of America** and **JPMorgan Chase** were unfairly closing conservatives' bank accounts.

Those comments set off a political firestorm, and the Senate Banking Committee convened a hearing on the matter Wednesday. Warren said at the hearing that her office has identified thousands of examples of consumers losing access to their bank accounts. The Wall Street Journal previously reported that she was joining the White House in calling out the practice.

"For me this is straightforward: It doesn't matter who you voted for, what you believe in, or the origin of your last

name, people shouldn't be arbitrarily denied access to their banks, locked out of their accounts or stripped of their banking privileges," Warren said.

Banks say they don't discriminate against customers on the basis of their backgrounds or beliefs. They are required by law to report suspicious activity to regulators, and face the risk of fines and litigation if they don't close accounts with ties to criminal activity.

"An important part of the solution is fixing the regulatory structure," said Austin Anton, a spokesman for the Bank Policy Institute, an industry group for banks.

Conservative criticism of banks has been building since banks embraced diversity policies after the murder of George Floyd in 2020. A Republican-led committee in Congress alleged that banks profiled conservative and religious Americans as potential domestic terrorists when they turned over information about thousands of customers after the Jan. 6, 2021, riot at the U.S. Capitol.

Crypto companies' access to the banking system also became a focus for Republicans and the Trump administration after an influx in campaign



Sen. Elizabeth Warren

contributions by the industry during the 2024 election.

Travis Hill, acting chair of the Federal Deposit Insurance Corp., said before Wednesday's hearing that he was disclosing documents that showed requests for banks to work with cryptocurrency companies "were almost universally met with resistance."

Regulators under the Biden administration had warned banks about doing business with crypto firms, but have denied issuing a blanket prohibition.

Progressives have their own gripes with the banking industry. Warren said banks have been unfairly shutting down accounts linked to formerly incarcerated individuals or on the basis of their customers' religion.

Warren identified more than 8,000 regulatory complaints from consumers who alleged their bank accounts were improperly closed over the past three years.

She said most of the closures were by the four biggest U.S. banks: JPMorgan Chase, Bank of America, **Citigroup** and **Wells Fargo**.

She said the best way for the president to take action was to support the Consumer Financial Protection Bureau, a federal agency she helped design in the wake of the 2008 financial crisis. Earlier this week, Treasury Secretary Scott Besent took over as the agency's acting director and halted its enforcement and rule-making actions.

Warren said the White House could join with the Federal Reserve, the Federal Deposit Insurance Corp. and other regulators to adjust anti-money-laundering rules that could be causing improper account closures.

NLRB Firing Spurs Suit Over Presidential Power

BY ERIN MULVANEY
AND JESS BRAVIN

WASHINGTON—A member of the National Labor Relations Board fired by President Trump sued him Wednesday, setting up a high-stakes battle over whether federal law limits the president's power to remove top executive-branch officials is constitutional.

Trump last week fired NLRB member Gwynne Wilcox as part of a spree of terminations of Democratic appointees that also included two Equal Employment Opportunity Commission members whose terms hadn't expired. The dismissals, unprecedented in modern times, left both agencies without a quorum to enforce laws that protect union activity and prohibit workplace discrimination.

Wilcox's lawsuit, filed in Washington, said her removal was one of a "string of openly illegal firings" that was "designed to test Congress's power to create independent agencies like the Board."

Labor board members, who are nominated by the president and confirmed by the Senate, serve five-year terms.

Under the National Labor Relations Act, the president can remove a board member "upon notice and hearing, for neglect of duty or malfeasance in office, but for no other cause."

Wilcox, appointed by President Joe Biden for a term that expires in 2028, is asking a judge to reinstate her.

In 1935, the Supreme Court unanimously upheld Congress's power to establish independent agencies run by boards whose members could be removed before their terms expired only for cause. That case stymied President Franklin Roosevelt's effort to replace a holdover member of the Federal Trade Commission appointed by President Herbert Hoover with one more friendly to the New Deal.

In more recent times, some conservatives, including Supreme Court Justice Brett Kavanaugh, have suggested that the Constitution creates a "unitary executive" in the person of the president whose powers to manage the executive branch can't be constrained by Congress. Trump appears to be embracing that position.

CORRECTIONS & AMPLIFICATIONS

A map showing camps and registered refugees in the Palestinian territories of the West Bank and the Gaza Strip was incorrectly labeled as "in Israel" in a map with a World News article on Monday about Palestinian people.

The last name of George Ingall, a price analyst at Benchmark Minerals Intelligence, was misspelled as Ingall in a World News article Wednesday about Ukraine's mineral resources.

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

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CHEEKY: 'Wicked' star Cynthia Erivo was celebrated Wednesday as Harvard University's Hasty Pudding Theatricals Woman of the Year in Cambridge, Mass.

ECONOMY

Trade Deficit Hit \$918 Billion in '24

The U.S. trade deficit grew again at the end of last year as exports slipped.

Imports increased by 3.5% from a month earlier in December while exports fell by 2.6%, taking the deficit to \$98.4 billion, rising 25% from \$78.2 billion in November, Commerce Department data showed Wednesday. Economists polled by The Wall Street Journal had been expecting the trade deficit to be \$96.8 billion in December.

For the year as a whole, the U.S. deficit in trade with the rest of the world increased to \$918.4 billion from \$784.9 billion a year earlier.

In goods alone, the U.S. deficit is running at all-time high, and President Trump has made closing that gap central to policy in his second term in the White House.

The president over the weekend set out steep duties on goods imported from neighboring Canada and Mexico before ultimately agreeing to delay their implementation.

Tariffs have meanwhile been slapped on Chinese goods, drawing retaliatory measures from Beijing, and Trump has also threatened to impose heavy tariffs on goods from the European Union. Still, the employment index ticked higher, pointing to continued strength in the sector's market for jobs.

—Joshua Kirby

TEXAS
Bankruptcy Sale Of Infowars Blocked

The judge overseeing Alex Jones's bankruptcy case suspended the sale of his conspiracy website Infowars on Wednesday, ending a months-long effort to find a buyer. Judge Christopher Lopez of the U.S. Bankruptcy Court in Houston said Jones and the Sandy Hook families whom he defamed needed "finality of the bankruptcy process." The families could continue their legal battle against Jones's company, Free Speech Systems, the owner of Infowars, in state court, which is "where they started in the first place," he said. Jones placed Free Speech

Systems into bankruptcy and later filed for personal bankruptcy in 2022, after years of litigation with family members of the Sandy Hook school shooting victims. Lopez dismissed the FSS bankruptcy in June while converting the individual chapter 11 into chapter 7 liquidation.

Lawyers for Jones, who has been fighting to halt the sale, didn't return requests for comment.

Lopez in December rejected the sale of the website to Global Tetrahedron, owner of satirical news outlet the Onion. The judge at that time said the liquidation trustee charged with auctioning off the assets of Infowars's parent company didn't maximize value for creditors.

—Akiko Matsuda

OBITUARY
Tuskegee Airmen Pilot Stewart, 100

Retired Lt. Col. Harry Stewart Jr., a decorated World War II pilot who broke racial barriers as a member of the Tuskegee Airmen and earned honors for his combat heroism, has died. He was 100.

Stewart was one of the last surviving combat pilots of the famed 332nd Fighter Group who were the nation's first Black military pilots. The Tuskegee Airmen National Historical Museum said he died peacefully at his home Sunday in Bloomfield Hills, Mich.

Stewart earned the Distinguished Flying Cross for downing three German aircraft during a dogfight on April 1, 1945.

—Associated Press

U.S. NEWS

Musk's Allies Get Access to Medicare Payments

BY ANNA WILDE MATHEWS
AND LIZ ESSLEY WHYTE

Representatives of Elon Musk's Department of Government Efficiency have been working at the Centers for Medicare and Medicaid Services, where they have gotten access to key payment and contracting systems, according to people familiar with the matter.

The DOGE representatives have been on site at the agency's offices this week, the people said, and they are looking at the systems' technology as well as the spending that flows through them. DOGE representatives are also examining the agency's organizational design and how it is staffed, the people added.

White House and DOGE officials didn't comment. Musk, on his X platform, posted: "Yeah, this is where the big money fraud is happening," referring to the Medicare agency in a repost of another user who referenced The Wall Street Journal's reporting.

Spending examined

Musk's allies have moved swiftly to exert control over vast swaths of the U.S. government, including at the Treasury Department and the U.S. Agency for International Development. They have demanded access to sensitive information at federal agencies and laid out plans to block spending they deem excessive.

CMS in particular is a politically and economically sensitive agency. It is the nerve center of much of the nation's complex healthcare economy, with outlays of about \$1.5 trillion in fiscal 2024, or about 22% of the federal total. With around 6,710 employees, it oversees Medicare, the health coverage program for older and disabled Americans, and Medicaid, for lower-income enrollees, among other areas. Many veteran CMS staffers have worked there for decades.

A CMS official said the agency has "two senior agency veterans who are leading the coordination" with the Musk allies and that CMS leaders are "taking a thoughtful approach to see where there may be opportunities for more effective and efficient spending."

One of the systems accessed by the Musk allies is CALM, or the CMS Acquisition Lifecycle Management system, which includes information about contracts, according to people with knowledge of the matter.

'Read-only'

One of the people familiar with the Musk allies' work at CMS said that, to their knowledge, the Musk allies hadn't yet been given access to databases that include identifiable personal health information of Medicare or Medicaid enrollees. DOGE also hadn't yet accessed a sensitive accounting system called HIGLAS, or the Healthcare Integrated General Ledger Accounting System, this person said.

The DOGE access is "read-only," meaning that its affiliates can't make changes to the systems, the person added.

CMS payment structures are complicated, and they vary by program, often involving layers of contractors and other companies. Much of Medicare, for instance, now goes through private insurers, which are paid by the federal government. Medicaid is jointly overseen by federal and state officials, and federal payments typically flow to the states.

The federal government has enforcement efforts around healthcare fraud at the Justice Department, the Department of Health and Human Services Office of Inspector General, and CMS itself.

Dr. Mehmet Oz, a physician and former television host, has been nominated to lead CMS, but hasn't yet been confirmed by the Senate. Several CMS officials who are expected to work under Oz have already taken over at the agency.

—Ken Thomas

contributed to this article.

Pieces of American Airlines Plane Recovered from Potomac



RECOVERY MISSION: Segments of the airplane were brought to shore Wednesday in Arlington, Va., as work continued in the aftermath of the Jan. 29 midair collision between the plane and a U.S. Army Black Hawk helicopter. All 67 people aboard both aircraft died.

KAYLA BARTKOWSKI/GETTY IMAGES

Suits Challenge Trump Trans Orders

President would ban funds for schools that allow trans girls in female sports

BY MARIAH TIMMS
AND LAURA KUSISTO

Government agencies are moving with lightning speed to implement President Trump's directives to roll back transgender rights, prompting a series of lawsuits unfolding by the day.

On Wednesday, Trump signed an executive order that threatens to strip federal funding from schools that allow transgender girls and women, whose sex at birth was male, to participate in female sports events in schools and colleges.

The National Collegiate Ath-

letic Association has already indicated that it will move rapidly to change its rules in the face of an order affecting almost every one of its 1,100 member schools.

Since a flurry of Trump executive orders in his first two weeks in office, the military has paused transgender recruits and removed at least one transgender trainee from her barracks. Hospitals have canceled surgeries and prescription refills for transgender patients, and turned away new patients for fear of losing government funding. Prisons started the process of transferring transgender inmates from women's to men's facilities.

Federal agencies also have been scrambling to implement a Trump order demanding they root out "gender ideology," which has prompted at

least the temporary removal of a number of government websites. The White House also cited Trump's stance as one justification for the gutting of the U.S. Agency for International Development, saying foreign aid had funded projects including a Colombian opera and Peruvian comic book that contained transgender themes.

Judges in a number of jurisdictions are considering lawsuits by transgender rights groups that seek to slow the upheaval. Late Tuesday, a federal judge in Washington, D.C., blocked the transfer of three transgender women incarcerated in federal facilities, whom prison officials were seeking to move into male facilities. Judge Royce Lamberth said moving the prisoners appeared to violate constitutional protections

against cruel and unusual punishment. The administration said the government routinely houses transgender women in male facilities and had selected facilities that would minimize the potential for harm to the prisoners it intends to transfer.

Lawyers representing current and prospective transgender service members this week asked a Washington judge to block Trump's order barring them from the military, arguing it constituted unlawful discrimination. The plaintiffs alleged the administration already was beginning to push people out.

Memos sent to high-level military personnel last week directed officials to pause the applications of new transgender service members, place some employees who work on gender-related projects on adminis-

trative leave and strictly limit access to gender-specific spaces along lines of biological sex.

At least one Army trainee, a 28-year-old transgender woman, was housed for days on a cot in an empty classroom and told she may be removed from service after she declined to sign a form saying she was "willing to live in male bays, utilize male latrines, and be partnered with a male battle buddy," according to the plaintiffs' lawsuit.

A Justice Department lawyer said in court Tuesday that there were no confirmed reports of transgender service members losing their jobs because of the executive order.

Trump has said his orders are designed to restore distinctions between the sexes and shield minors from life-altering medical procedures.



Pam Bondi took her oath as attorney general with Supreme Court Justice Clarence Thomas.

EPA Unit for Civil Rights And Justice Faces the Ax

WASHINGTON—The Trump administration is expected to place more than 100 workers in the Environmental Protection Agency's environmental justice and civil rights office on administrative leave, according to people familiar with the matter.

By Scott Patterson,
Shalini Ramachandran
and Lindsay Ellis

Theresa Segovia, the principal deputy assistant administrator of the division, told staffers Wednesday to expect broad personnel changes this week, two of the people said.

The move, which could come as soon as Thursday, is the outcome of a Jan. 20 executive order aimed at ending diversity, equity and inclusion and other programs the administration says are wasteful. Additional EPA employees in other divisions could also be placed on administrative leave, the people said.

Employees on administrative leave are still on salary and get benefits. Federal agencies are only allowed to place employees on administrative leave for 10 days in a calendar year, according to Peter Jenkins, senior counsel at Public Employees for Environmental Responsibility.

It is unclear what would happen to the employees after 10 days.

Some staffers of the EPA office, which had about 200 employees under the Biden administration, have been informed that the agency is compiling a list of employees who have worked on environmental justice projects, one of the people said.

The EPA's plans are fluid

and could change as the Trump administration battles unions and citizens groups in court over its efforts to decrease government employees. A number of new EPA workers who had been employed for less than a year were notified last week that the agency "has the right to immediately terminate you," according to a copy of an email reviewed by The Wall Street Journal.

The EPA received tens of billions of dollars to spend under the Biden administration. The funds were largely aimed at setting the U.S. economy on a path to cut greenhouse gases 40% by 2030.

The law also included money for what is known as environmental justice, or helping low-income and historically disadvantaged communities recover from exposure to health risks from industrial activity. Those provisions became a target for Republicans, who said the spending had undefined goals and questioned whether they would provide real benefits for the poor.

"The chaotic witch hunt approach is really upsetting," said Michelle Roos, executive director of the Environmental Protection Network, a Washington-based nonprofit. "The people who suffer are the ones who want to drink clean water and breathe clean air."

On Wednesday, EJScreen, the EPA's longstanding environmental justice mapping tool to showcase pollution and other environmental stresses in communities across America, went dark on its website.

An EPA spokeswoman said the agency is "working to diligently implement President Trump's executive orders."

cocratic predecessors.

The directives came a day after the Senate confirmed Bondi as attorney general in a 54-46 vote.

A former two-term Florida attorney general, Bondi takes the helm of the Justice Department as the workforce braces for a major shake-up aimed at bringing it under more direct control of the White House. Trump appointees have already fired scores of prosecutors involved in criminal probes of Trump and the Jan. 6, 2021, attack on the U.S. Capitol by his supporters, while reassigning other senior personnel.

Tensions escalated Wednesday between Trump officials and the Federal Bureau of Investigation, over orders from acting deputy attorney general Emil Bove that the bureau assemble a list of thousands of employees who participated in the Capitol attack probes.

prompting fear of mass retaliation. Bove on Wednesday said in a memo that only employees who "acted with corrupt or partisan intent" needed to worry about the review.

Echoing Trump's own criticism of the department, Bondi in one of her memos established a "Weaponization Working Group" to review prosecutions of Trump led by former special counsel Jack Smith, who resigned from the Justice Department before Inauguration Day, along with cases brought by Manhattan District Attorney Alvin Bragg and New York Attorney General Letitia James.

The group will also examine any "improper investigative tactics and unethical prosecutions" in the wave of nearly 1,600 cases stemming from the 2021 attack on the Capitol.

—Annie Linskey
contributed to this article.

U.S. NEWS

Tax-Cut Extension Splits Republicans

House eyes keeping rates low for a while, but Senators view them as permanent

BY RICHARD RUBIN

WASHINGTON—House Republicans, struggling with their narrow majority and lawmakers' demands for spending cuts, are considering an extension of President Trump's expiring tax cuts that would last for as little as five years.

The discussions come as Senate Republicans now plan to move ahead with their own proposal next week. A five-year plan would put House Republicans at odds with Treasury Secretary Scott Bessent and the head of the Senate Finance Committee, Mike Crapo (R., Idaho), who want the tax cuts to be permanent.

A five-year tax cut would limit the total revenue decline in the "one big, beautiful bill" that Republicans are trying to

push through Congress this year. It would be a move in the direction of the party's deficit hawks and most conservative members. They want spending cuts that are similar in size to the tax cuts and they are skeptical of the idea that Congress can just say that extending expiring tax cuts is cost-free.

"There is almost no way it's going to be permanent, so I guess the question is how long do you just make it last," said Rep. Andy Harris (R., Md.), chairman of the conservative House Freedom Caucus.

But a temporary tax cut wouldn't provide the same certainty as the permanent policy that many Republicans say is important for taxpayers and businesses. And setting an expiration date would lessen some of the economic growth the tax cuts could generate and leave the tax cuts' fate in the hands of a future president and Congress, when Republicans might not have full control.

"I'm pushing what President Trump wants, and Presi-

dent Trump has only talked to me about permanency," said Rep. Jason Smith (R., Mo.), chairman of the House Ways and Means Committee.

House Republicans have a 218-215 majority in the House currently, and they have been struggling to reach agreement on a budget blueprint for a bill that would extend expiring tax cuts, reduce social-safety-net spending, boost national defense and provide money for immigration enforcement. The effort is still a long way from Trump's desk, and plans could change repeatedly before then.

House Speaker Mike Johnson (R., La.) had said the Budget Committee would vote on its blueprint this week, but that has slipped until at least next week. Committee Chairman Jodey Arrington (R., Texas) said Wednesday that a plan could be formally released this week.

GOP senators are getting antsy at the House's pace, and they are now planning to advance their own approach next



Committee Chairman Jodey Arrington, above in December, said a plan could be released this week.

week. That's a two-bill plan that would provide \$150 billion each for border and military spending, likely offset with spending cuts. Tax cuts would wait until later this year, closer to their Dec. 31 expiration.

"It's time for the Senate to move," said Senate Budget Committee Chairman Lindsey Graham (R., S.C.).

Asked on Fox Business about the idea of a five-year tax bill, Bessent responded: "The goal is still for them to be made permanent."

No matter who goes first, the House and Senate must

agree on a budget before moving any bills under a special procedure that dodges the Senate's 60-vote filibuster threshold.

The big divide in the House

is over the depth of spending cuts and over whether the bill would increase projected budget deficits. A core group of conservative lawmakers is insisting on significant changes to programs such as Medicaid, looking for about \$2.5 trillion in savings over a decade. But others worry about the effects of cuts, including a potential hit to rural hospitals.

As lawmakers try to bump up the spending-cut numbers,

they are also looking to limit the tax-cut number on the other side of the fiscal equation.

Republicans generally agree that they want to extend tax cuts enacted in 2017, because the alternative—higher taxes on most households in 2026—is untenable. If Congress doesn't act, the standard deduction and child tax credit will shrink and marginal rates will climb.

—Olivia Beavers, Lindsay Wise and Siobhan Hughes contributed to this article.

Democrats Turn Focus on Musk, View Him as 'Good Villain'

BY CATHERINE LUCEY

WASHINGTON—Democrats are focusing their fire on billionaire Elon Musk—not President Trump—as they push back against the administration's lightning-fast moves to dismantle parts of the government and dig into sensitive federal data.

"In the building behind me, Elon Musk is seizing power from the American people. We are here to fight back," said Sen. Elizabeth Warren (D., Mass.), at a large rally Tuesday at the Treasury Department headquarters.

Activists, who have grumbled about party leadership and urged a more muscular response, waved signs that read "Nobody Elected Elon," a show of enthusiasm that has been in short supply since November.

After struggling to land on a clear message in the months following their November defeat, Democrats are lambasting Musk's efforts to take control over swaths of the federal government as part of his role leading the Department of Government Efficiency.

"He's a good villain," said Rep. Don Beyer (D., Va.) "He makes it so easy because he's

so disregarding of how people feel. You know there's no empathy, there's no sense of trying to help people."

Rep. Jared Golden, a centrist Democrat from Maine who represents a district that voted for Trump, said his office has been inundated by calls in recent days about Musk, not the president. "My constituents, and a majority of this country, put Trump in the White House, not this unelected, weirdo billionaire," he tweeted.

Democratic efforts to demonize Musk came after a successful effort by Musk's representatives to get direct

access to a Treasury Department payment system that distributes trillions of dollars to Americans each year.

Individuals working for DOGE also effectively shut down the U.S. Agency for International Development, and there have been discussions about an executive order to close the Education Department.

Trump backed Musk on Tuesday, telling reporters: "Look, he's done a great job. Look at all the fraud that he's found in this. USAID. It's a disaster."

Republican lawmakers have

largely supported the DOGE efforts and said Democrats were on the back foot.

"Is it just me, or are Democrats not ready for our side winning so much?" said Rep. Darrell Issa (R., Calif.) on X.

At a press conference at the Capitol on Tuesday, Senate Minority Leader Chuck Schumer and House Minority Leader Hakeem Jeffries, both New York Democrats, railed against DOGE, saying a combination of public outrage, litigation and legislation could short-circuit Musk's push.

They raised the specter of withholding votes on routine

government spending bills—which are expected to require Democratic support to pass due to Republicans' divisions and their thin majority—as leverage.

On funding the government, Republicans "do need us. And we will insist that there be certain changes that undo these bad things," said Schumer.

Musk said on X that Schumer is "mad that @DOGE is dismantling the radical-left shadow government in full view of the public."

—Olivia Beavers contributed to this article.

Ramaswamy, Back in Ohio, Sees DOGE as a Blueprint

BY JOHN MCCORMICK

UPPER ARLINGTON, Ohio—After parting ways with Elon Musk and the Department of Government Efficiency in Washington, Vivek Ramaswamy is cooking up a plan to bring those government-slashing ways to his native state.

Back in his suburban mansion here, where a small golden statue of President Trump with a fist raised into the air adorns a basement room, he has his eyes set on a building 11 miles from his home: the Ohio Statehouse.

The billionaire says he wants to do something tangible in politics—not just talk about it—and is expected to formally announce a Republican bid for governor this month.

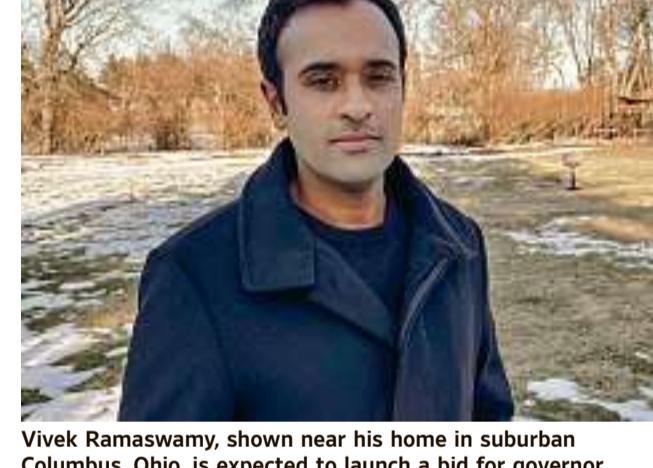
Ramaswamy said his campaign will heavily focus on trying to "shred the regulatory barriers to new business creation." Ohio should be at the "bleeding edge of a new kind of industrial revolution" in areas "from biotech to cryptocurrency to aerospace to defense to AI," he said.

He hopes to have the backing of both Musk and Trump, he said from his basement, which also serves as Ramaswamy's multimedia studio, fitted with computers, television lighting, microphones and a camera on a tripod.

Like Trump, Ramaswamy, 39 years old, jumped onto the national political stage without any spring training at the local or state level.

After spending \$30 million from his own pocket, the biotech entrepreneur exited from the 2024 Republican presidential primary on the night of the first nominating contest. He more recently got elbowed out by Musk in what was supposed to be their joint effort to trim the federal government and was bypassed by Ohio's governor for a U.S. Senate appointment.

In an interview at his home, Ramaswamy declined to say whether he would spend as much of his wealth



Vivek Ramaswamy, shown near his home in suburban Columbus, Ohio, is expected to launch a bid for governor.

on a gubernatorial bid as he did in the presidential race. But he said he was prepared to do "whatever is required" to win a "decisive mandate," and expects to have strong support from both small-dollar and major donors.

His pivot away from Washington follows tensions and philosophical differences with Musk as they were establishing DOGE, following November's election. The two entrepreneurs first met in 2023 when Ramaswamy was challenging Trump for the GOP nomination.

DOGE has drawn increasing scrutiny from Democrats as Musk's associates have begun conducting reviews of the federal bureaucracy, gaining access to sensitive payment systems at the Treasury Department in recent days and triggering lawsuits from advocacy groups and unions.

People familiar with the situation said some in Trump's inner circle had become annoyed with Ramaswamy's outspokenness on virtually any topic, a tendency that also aggravated the Tesla and SpaceX chief executive.

Ramaswamy wasn't eager to talk about the dynamics of DOGE. "President Trump, Elon and I all agreed the right destination for me to impact the country and implement my vision is elected office and I'm grateful for their encourage-

ment," he said in a subsequent exchange.

Once the decision was made to have DOGE located within the government, Ramaswamy said it was no longer practical for him to be part of the cutting effort and be a candidate in Ohio.

Other Ohio Republicans will also be courting Trump, or at least trying to keep him from endorsing anyone ahead of what could be a crowded and competitive primary in May 2026 to succeed the term-limited Gov. Mike DeWine, also a Republican.

Ohio Attorney General Dave Yost has declared his Republican primary candidacy and has tapped Justin Clark, a veteran of Trump's campaigns, as a general consultant. Another Republican, state Treasurer Robert Sprague, has also said he plans to enter the race.

A person close to Yost said they viewed DeWine's recent decision to bypass Ramaswamy to fill a Senate seat vacated by now-Vice President JD Vance as indication that the party establishment may not coalesce behind Ramaswamy. "There is no endorsed candidate in this race," the person said.

The winner of the GOP primary has strong prospects of being the state's next governor. Trump won the state by 11 percentage points in November.

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U.S. NEWS



Some observers say differences with China have been played down. Containers from China at the Port of Los Angeles

Trump's Moves on China Show Desire for Deal, Less Ideology

By JAMES T. AREDDY

China is a theme in President Trump's first weeks in the White House, factoring into over a third of the more than 80 executive orders and key actions he has signed so far.

Actions including 10% additional tariffs over China's alleged unwillingness to help halt the flow of fentanyl have laid bare areas in which the new administration will seek leverage over Beijing. Not yet articulated is a broader strategy from Trump for handling America's biggest rivalry—and whether he sees it in ideological terms or as a series of deals.

Trump's actions illustrate how intertwined the No. 2 economy is with U.S. interests. An America First trade order threatens to strip China of certain preferential access to U.S. markets.

Other measures take aim at Beijing more indirectly, such as orders on illegal immigration, energy production, digital finance, military readiness and even foreign aid.

The big question is whether Trump shares his predecessor's—and much of Washington's—view of the China rivalry as a historic battle, or whether he intends to frame it more narrowly, in a reprise of his first-term focus on trade imbalances.

"Does the Trump administration really think this is an urgent epochal competition?" as Robert Daly, director of the Kissinger Institute on China and the United States at the Washington-based Wilson Center, put it during a recent conference.

The Biden administration regarded China as America's leading military, economic, ideological and technological challenger, and saw the great-power competition with Beijing as democracy versus authoritarianism.

Some of that sentiment built on hawkishness that emerged in the latter part of the first Trump administration, after the Covid pandemic torpedoed Trump's

Postal Service Resumes Parcels

The U.S. Postal Service said it would resume accepting parcels from China and Hong Kong, after temporarily suspending the service and sparking concerns about delivery disruptions.

The Postal Service said Wednesday it was working with Customs and Border Protection to create "an efficient collection mechanism for the new China tariffs to ensure the least disruption to package delivery."

The Wednesday notice came a day after the Postal Service said it was suspending inbound parcels from China Post and

Hong Kong Post, adding to worries about disruptions to global trade.

The Trump administration this week imposed new tariffs on China and moved to close a loophole that allows companies to avoid paying tariffs if they ship packages valued at less than \$800 directly to U.S. consumers.

About 1.36 billion shipments entered the U.S. using the de minimis provision in fiscal year 2024, up from 637 million in fiscal year 2020, according to U.S. Customs and Border Protection.

—Esther Fung and Hannah Miao

first trade deal.

Trump's actions so far have shed little light on whether he intends to build on the effort under President Joe Biden to block Chinese industry from accessing core American technologies.

But his expressed desire to huddle soon with Chinese leader Xi Jinping is a clear departure from the Biden administration's strategy of limiting direct engagement with Beijing and instead rallying allies around joint military, trade and diplomatic responses to China.

People who have spoken with Trump's team said China is a secondary consideration for the administration, and indeed the president's most headline-grabbing actions have been directed at Mexico, Canada, Greenland and Panama.

"China has been carved out or downplayed during the early days of the administration in a way that presents the possibility of making progress with China," said Susan Shirk, director emeritus of the 21st Century China Center at the University of California, San Diego, who sees the president

as setting the table for dealing with Beijing.

To China watchers, Trump's tariff scare against Mexico and Canada suggests a playbook similar to how the president went after China during his first term, using trade threats as a negotiating tool.

The action against Canada also reinforced doubt that he would work with allies to counter China.

"He's less ideologically driven," said Henry Huiyao Wang, founder and president of the Center for China and Globalization, a Beijing think tank. He sees Trump as formulating a deal that Wang predicts will find a favorable reception in China.

Beijing's countermeasures to the new tariff suggest "a more coordinated and comprehensive approach by Chinese policymakers," said Goldman Sachs analysts.

They calculate that \$14 billion of U.S. exports will be affected by China's effectively 12% additional tariffs, compared with the 10% hit on \$525 billion in Chinese goods from Trump.

While trade appears to remain Trump's primary focus,

Wang said the wide range of executive orders might be aimed at softening Beijing up to make deals in other areas. He points to Trump's order to create an "iron dome" designed to shield the U.S. from China's hypersonic missiles, which Wang sees as a bid to compel Beijing into nuclear-arms talks. "He only cares about a fair deal," said Wang.

Trump told a World Economic Forum audience that to build positive ties with China, "We don't need to make it phenomenal. We have to make it a fair relationship."

Trump has spoken fondly of Xi personally—"I've always liked him"—and aims to solicit Beijing's cooperation to end the Ukraine war. The White House has sent mixed messages over whether the two leaders will speak about the new tariffs.

Beijing has been relieved Trump's initial tariff strike has been relatively light. Given the breadth of the orders and actions touching on China, the Trump team appears to be positioning to negotiate a wide-ranging deal with Beijing and is seeking to "maximize the pressure on the assumption they'll cave," said Christopher Johnson, a former U.S. intelligence analyst and the president of China Strategies Group, a risk advisory firm.

Johnson warned that Beijing won't be the pushover many in Washington believe, and that while Trump appears in a hurry to secure a deal, Xi will slow-walk progress.

Instead of framing America's contest with China as an existential battle between a democratic or autocratic future as Biden did, Trump is more likely to be guided by his America First mantra, analysts said. Trump's comparatively light opening salvo of 10% additional tariffs on China rather than the threatened 60% sends a signal to Beijing that he will wield the trade weapon, while also limiting how much inflation he is ready to unleash on American consumers.



Elon Musk
Musk's run as X's owner, along with the steep price he paid to acquire the social-media platform in late 2022, compelled the banks to keep the debt on their balance sheets for far longer than they usually do in financing acquisitions. But Musk's alliance with President Trump has helped change the narrative

Banks Sell \$5.5 Billion Of X Debt

Continued from Page One

struggling to break even and had relied on infusions from Musk's corporate empire to pay its bills. But even the most stalwart credit investors believe that Musk's deep pockets and tight connections in Washington are good enough reasons to invest in the company.

At a meeting on Friday with potential investors, bankers from Morgan Stanley and X's chief executive officer, Linda Yaccarino, presented a summary of X's improving financial health.

Most striking was the growing interconnection of X and xAI, Musk's artificial intel-

ligence company that is training itself off of data on X, people who attended the meeting said. The two entities do business with each other and share some key executives.

Financial documents reviewed by investors showed that the artificial-intelligence firm transferred hundreds of millions of dollars to the social-media company, the people said. That money has helped X pay its bills and stay current on its obligations, the people said. However, growing advertising revenue at X should mean fewer transfers in the coming months and years, the people said.

The financial documents said X now holds a 10% stake in xAI, valued at around \$5 billion, people familiar with the matter said. The AI company last year was valued at \$50 billion. Musk had previously posted that X investors would own 25% of xAI.

X also reported to the invest-

tors 2024 adjusted earnings before interest, taxes, depreciation and amortization of about \$1.25 billion and annual revenue of \$2.7 billion. Investors said that was a better picture than they had expected and that X's finances hit an inflection point a few months before the November election.

In 2021, Twitter reported adjusted Ebitda of about \$682 million and about \$5 billion in revenue. That was the last full year before Musk took the company private.

Wednesday's debt sale is a relief for the banks, which marked down billions of dollars of losses on the loans they extended for Musk's buyout in 2022. The company's weak performance and high interest rates caused the loans' estimated value to drop by billions of dollars. The sale will help the banks mark up their positions, people familiar with the matter said.

A tumultuous start to

U.S. Rushes To Claim Deal On the Canal

Online post says free-transit accord is reached before Panama finalizes it

BY VERA BERGENGRUEN AND COSTAS PARIS

The State Department said Wednesday that Panama agreed to grant U.S. government vessels free passage through the Panama Canal, catching Panamanian officials by surprise as no deal has been formally agreed to, according to people familiar with the negotiations.

U.S. government ships will access the waterway "without charge fees, saving the U.S. government millions of dollars a year," the State Department said in a post on X. President Trump has repeatedly threatened to "take back" the canal.

Wednesday's statement jumped the gun on the legal process, and was seen by Panamanian officials as a way to back them into a corner, said people familiar with the discussions. Such a deal—which would be a significant concession from Panama—would usually be announced at a bilateral meeting.

Panama's government didn't respond to a request for comment.



Secretary of State Marco Rubio visited the Panama Canal.

Disease Risk Weighed To Bar Border Crossing

BY MICHELLE HACKMAN AND LIZ ESSLEY WHYTE

WASHINGTON—The Trump administration is considering a move to repel asylum seekers at the southern border on the basis that they might bring measles or tuberculosis infections with them into the U.S., current and former officials said.

President Trump's advisers have been looking for evidence of disease threats that would merit reviving a policy they used during the pandemic in his first term to push back migrants who sought asylum at the border, the current and former officials said.

Instead of framing America's contest with China as an existential battle between a democratic or autocratic future as Biden did, Trump is more likely to be guided by his America First mantra, analysts said. Trump's comparatively light opening salvo of 10% additional tariffs on China rather than the threatened 60% sends a signal to Beijing that he will wield the trade weapon, while also limiting how much inflation he is ready to unleash on American consumers.

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White House officials have identified TB and measles as disease threats most likely to

closed doors, both countries agreed to discuss the possibility of granting U.S. Navy ships free passage.

Panama, however, still needs to find a way to allow free passage without breaching a neutrality clause banning preferential treatment for any country, people familiar with the discussions say.

During Rubio's visit, both governments had agreed to study the possibility of giving free passage to U.S. Navy vessels, said people familiar with the discussions. But Panamanian officials cautioned that such a measure would require legal analysis to ensure that it wouldn't violate a treaty both countries signed in 1977, which includes a clause that requires Panama to provide equal treatment and payment terms to all canal users.

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Panama's government didn't respond to a request for comment.

warrant invoking Title 42. The Health and Human Services department is sending Public Health Service officers to the border, officials involved in the effort said.

Trump signed an executive order on his first day in office last month banning migrants from requesting asylum because he said the southern border is under invasion. People close to Trump have said the administration is looking for overlapping immigration policies in case courts strike some down.

Dr. Marty Cetron, a former CDC director of global migration and quarantine, said public-health officials had tools such as TB tests and measles vaccines to address the diseases without the border measure. "This is sort of hijacking a public health concern to justify an immigration policy rather than taking the appropriate public-health steps to control both of those diseases," Cetron said.

credits. The banks still hold some \$6 billion of X's debt, some of which is considered even riskier than what was sold this week.

Yaccarino, and X's chief financial officer, Mahmoud Reza Banki, told investors on Friday that X is bringing more advertisers back into the fold and pointed to its valuable stake in xAI as proof that they should feel comfortable investing in the company.

With over \$1 billion in adjusted earnings, there should be enough money on the table to pay for the debt. But that doesn't leave much money left over for the company's purposes. Musk has estimated that X pays over \$1 billion in interest payments every year, and he told employees in a January email that the company was "barely breaking even." Musk later denied sending the email.

—Peter Rudegeair and Alexa Corse contributed to this article.

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WORLD NEWS

Trump's Gaza Proposal Proves a Hard Sell

Some Republican allies have deep concerns about plan to take over enclave

WASHINGTON—The White House tried to sell a skeptical Republican Party and foreign-policy establishment on taking over the beleaguered Gaza Strip after President Trump

By Alexander Ward,
Josh Dawsey
and Nancy A. Youssef

surprised many of his own allies with his plan to rebuild the enclave.

Concerns that Trump's proposal was both unworkable and unwise bubbled even among Trump's vocal supporters. White House press secretary Karoline Leavitt said Wednesday that taxpayers wouldn't cover the cost of developing the territory and that any Palestinian relocation would be temporary. She also stressed that the president hadn't committed to sending U.S. troops to the region.

Republicans have lined up to applaud almost every one of Trump's moves since he took office, defending the president against criticism from Democrats. But Trump's proposal to take long-term control of Gaza marked a rare moment of discord in a largely unified party.

"We love the president, but our focus in the 'War Room' is East Palestine, not Palestine," longtime Trump ally Steve Bannon said in an interview. Bannon was referring to his podcast, 'War Room,' and the Ohio town that was devastated by the 2023 derailment of a train carrying hazardous waste.

One House Republican lawmaker said Trump's proposal "just doesn't make a heck of a lot of sense to me," adding that the idea could conflict with the GOP's efforts to cut spending. Sen. Kevin Cramer (R., N.D.), a Trump ally, said, "I think it's a big, visionary



Palestinians forced south by Israel during the war tried to return to their homes in the northern Gaza Strip in late January.

Cook, a senior fellow for Middle East studies at the Council on Foreign Relations think tank. Just the idea of ridding Gaza of its inhabitants "is a crime against humanity."

Leavitt on Wednesday sought to clarify Trump's plans, as criticism from the president's allies mounted. "The president hasn't committed to putting boots on the ground in Gaza," she said during a briefing with reporters where she showed large photos of bombed out neighborhoods in the strip. She said Trump wasn't ruling out the possibility of troops because the president sees the potential for military action as leverage.

Current and former U.S. officials said Trump was laying out the first offer in what would likely turn into a lengthy global negotiation.

"Trump left space for other countries to present ideas and potentially join in a solution," said Simone Ledeen, a top Pentagon official for the region during the president's first term. "This is the language of the Middle East."

Saudi Arabia, for decades one of the Palestinians' staunchest regional champions, strongly rebuked Trump's proposal. The kingdom's commitment to a future Palestinian state was "firm and unwavering," its foreign ministry said. "This unwavering position is nonnegotiable and not subject to compromises."

Some Israeli officials in Netanyahu's government applauded Trump's strategy, especially the far-right members who have long called for pushing Palestinians out of Gaza. Bezalel Smotrich, the country's finance minister, praised the idea on social media as "the real answer to Oct. 7," referring to the 2023 Hamas-led attack that killed 1,200 Israelis and took around 250 people hostage.

—Annie Linskey, Lindsay Wise, Alex Leary and Olivia Beavers contributed to this article.

idea that is impractical."

"I've been on the phone with Arabs all day," said Sen. Lindsey Graham (R., S.C.). "That approach, I think, will be very problematic."

White House aides noted that Trump's proposal had support from some corners of the party, sending out a list of positive statements released by several Republican lawmakers and former Trump administration officials. Trump will raise the proposal during a meeting with King Abdullah II of Jordan next week, an administration official said.

Trump has called for acquiring land all over the world, including the Panama Canal, Greenland and even Canada. But nothing matches the complexity of controlling Gaza long term. If pursued, a potential military occupation, which Trump hasn't ruled out, could consume the rest of his

nascent presidency by embroiling the U.S. in another Middle Eastern conflict.

Trump shocked some of his own aides when, standing next to Israeli Prime Minister Benjamin Netanyahu on Tuesday, he said the U.S. would "take over" Gaza, clear it of debris and develop it into a seaside paradise. The president boasted that an American-led rebuild would usher in peace to a troubled region.

Trump has been quietly weighing the broad idea of rebuilding Gaza for months, though the discussions have been closely held. Officials said he had raised the plan in conversations with Mideast leaders.

Discussions accelerated after the cease-fire deal in the Gaza Strip went into effect and questions turned to what to do about the enclave, a U.S. official said.

Trump's verve for taking

ownership of the territory grew after Steve Witkoff, the president's Middle East envoy, visited Gaza last week and then briefed the president on what he saw. It is "uninhabitable," Witkoff told Trump, and it wouldn't be easy to reconstruct Gaza's 140 square miles of land as long as Palestinians remained living amid the rubble, administration officials said.

Witkoff, a billionaire real-estate developer, showed Trump photographs of the destruction in the enclave.

In the days before Netanyahu's visit, Trump told aides he wanted to present the idea to the Israeli leader and then announce it during a press conference, officials said. Only a handful of staffers in the president's inner circle knew about the rollout plan, Trump's advisers said.

Senior defense officials, who Trump may call upon to

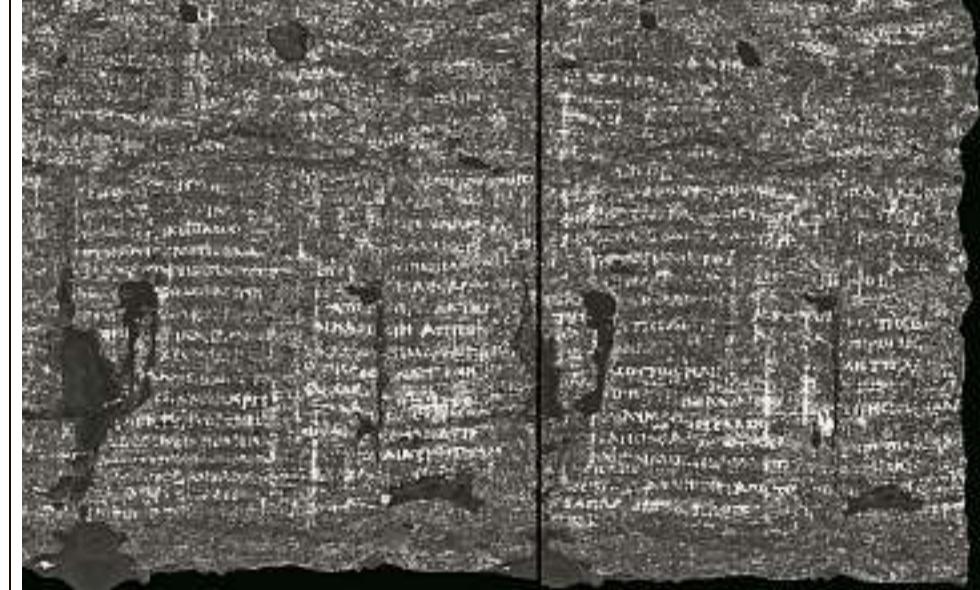
make plans to occupy and secure Gaza during its rebuild, said they first learned of the idea during the president's public statement. "Nobody knows what's happening," a defense official said.

The Joint Staff has yet to receive a formal request to draft a plan to send troops to Gaza, U.S. defense officials said. And U.S. Central Command, which is responsible for military operations in the Middle East, isn't drawing up options for entering Gaza, the officials said.

For the plan to work, Trump would need to persuade resistant neighboring countries to take in Gaza's two million Palestinians, lure those people from their home, potentially send U.S. forces or contractors to destroy unexploded ordnance, and attract companies to level and construct in Gaza when their safety isn't assured.

"Sheer lunacy," said Steven

WORLD WATCH



SCRAWL SPACE: A papyrus scroll showing the word 'disgust' is one of hundreds found in the Roman town of Herculaneum, which was destroyed when Mt. Vesuvius erupted in A.D. 79.

PAKISTAN

U.N. Criticizes Plan To Deport Afghans

The United Nations' refugees and migration agencies on Wednesday expressed concern over Pakistan's decision to deport thousands of Afghan refugees awaiting relocation to the U.S. and elsewhere.

The U.N. refugee agency, UNHCR, and the International Organization for Migration said they were seeking clarification from Pakistan, which said last week it would deport the refugees to Afghanistan unless their cases were processed quickly by the countries that had agreed to accept them.

About 20,000 Afghans were approved for resettlement in the U.S. under a program that helps people at risk because of their work with the American government, media, aid agencies and rights groups. They were among tens of thousands of Afghans who fled to neighboring Pakistan after their country fell to the Taliban in 2021. However, they were left in limbo after President Trump paused U.S. refugee programs in January.

UNHCR and IOM said they are especially concerned for Afghans who face a risk of harm upon return.

—Associated Press

ARGENTINA

Milei, Like Trump, Orders WHO Exit

President Javier Milei has ordered Argentina's withdrawal from the World Health Organization, citing profound differences with the United Nations agency, a presidential spokesperson said on Wednesday.

Milei's action echoes that of his ally, President Trump, who began the process of pulling the U.S. out of the WHO with an executive order on his first day back in office on Jan. 21.

Argentina's decision is based on "profound differences in health management, especially during the (Covid-19) pandemic," spokesman Manuel Adorni said. He said WHO guidelines at the time had led to the largest shutdown in the history of mankind.

He also said the WHO lacked independence because of the political influence of some countries, without elaborating.

WHO is the U.N.'s specialized health agency and is the only organization mandated to coordinate global responses to acute health crises, particularly outbreaks of new diseases and persistent threats including Ebola, AIDS and mpox.

—Associated Press

GREECE

Multiple Quakes Rattle Santorini

Earthquakes rattled Greece's volcanic island of Santorini every few minutes overnight and into Wednesday as authorities bolstered emergency plans in case the hundreds of temblors over the past few days are a harbinger of a larger quake to come.

A coast guard vessel and a military landing craft were in the wider area in case an evacuation is required. Civil Protection Minister Vassilis Kikilias told an emergency meeting with security officials, scientists and the prime minister in Athens.

Greece lies in a highly seismically active area, and earthquakes are frequent. But it is extremely rare for any part of the country to experience such an intense barrage of frequent earthquakes.

Predicting earthquakes isn't scientifically possible, and experts can't determine definitively whether the seismic activity between the islands of Santorini and Amorgos is a precursor to a significantly larger earthquake, or is part of weeks or months of small or moderate intensity quakes.

—Associated Press

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WORLD NEWS

'Disrupter' Throws Gaza Curveball

President's proposal risks becoming a distraction at an important moment

By SHAYNDI RAICE

As Israeli Prime Minister Benjamin Netanyahu traveled to Washington to meet with President Trump this week, a number of pressing issues that could reshape the volatile region were coming to a head: How to permanently end the war in Gaza and free the dozens of hostages who remain there, whether to use force to end Iran's nuclear program and what it would take to cut a deal for Saudi Arabia to normalize relations with Israel.

ANALYSIS Trump instead put the spotlight on an out-of-left-field proposal for the U.S. to take control of Gaza, redevelop the enclave and empty it of Palestinians. It was a striking suggestion in line with Trump's modus operandi of bringing the unexpected to the center of American policy.

In this case, Trump's idea upended deeply held assumptions that the only solution to the Israeli-Palestinian conflict is the establishment of an independent Palestinian state in the West Bank and Gaza Strip. The case can be made for new thinking there, as Arab and Israeli public support for side-by-side states has waned.

Yet Trump's proposal is also one that people in both Israel and the Arab world view as unrealistic, with the potential to destabilize countries such as Egypt and Jordan that border Israel.

It raises a host of practical questions that have few easy answers. Would the U.S. force Palestinians from Gaza at the barrel of a gun? Would U.S. troops be stationed there to root out remnants of Hamas that would likely remain behind? What would Egypt, Jordan and other countries do with the influx of new refugees—would they be relegated to camps without civil rights and with limited economic opportunities like Palestinian refugees in Lebanon?

More urgently, it threatens to distract from important issues that are ripening for Israel and the region.

"Trump is the great disrupter," said Chuck Freilich, a former Israeli deputy national-security adviser and senior researcher at the Tel Aviv-based Institute for National Security Studies. "Disruption can produce positive results, but it can also produce catastrophic ones."

On Tuesday, after meeting with Netanyahu, Trump outlined his plan.

"The U.S. will take over the Gaza Strip," he said. "I do see a long-term ownership position, and I see it bringing great stability to that part of the Middle East and maybe the entire Middle East."



Palestinians walked through the ruins of destroyed buildings in the Jabalia refugee camp, northern Gaza Strip, on Wednesday.

Even in Israel, the idea of moving Palestinians out of Gaza was long considered too extreme to discuss. Itamar Ben-Gvir, the far-right Israeli lawmaker, has been talking of a milder version of Trump's plan, one that would encourage migration from Gaza and allow for rebuilding Jewish settlements there. Trump said he didn't envision Jewish settlements as part of his plan.

The proposal comes at a sensitive time in negotiations between Israel and Hamas. The two are in the middle of a 42-day pause in fighting that involves the release of 33 Israeli hostages—13 have already been freed—along with five Thai citizens. More than 75 are still in Gaza.

The two parties this week were supposed to begin negotiations about moving to the next phase of the deal, which would involve a full end to the

war and the return of all remaining hostages, both dead and alive.

"The life of the hostages is at stake—it is time sensitive," said Israel Ziv, a retired Israeli general who headed the military's Gaza division in the early 2000s. "What he is talking about can either not happen or take 20 years. It's not in any alignment to the practicality of the problem right now of bringing the hostages home."

Families of Israeli hostages held in Gaza have praised Trump's efforts to get the first phase of the hostage deal done and have placed their hope in him to ensure the full deal goes through. But some were thrown a curveball by his comments and what it means for the future of the deal.

"We are all confused by this," said Idit Ohel, mother of 23-year-old hostage Alon Ohel. "No one is explaining to us

what it means," she said, referring to Israeli authorities who are tasked with updating hostage families on developments.

As expected, Hamas rejected the plan. Some analysts have raised concerns that Trump's statements could prompt Hamas to pull out of the deal entirely.

Israel is also at a critical crossroads in its battle against Iran. Israel has weakened Iranian allies such as Hezbollah and Hamas and taken out Tehran's air defenses, and now many in Israel believe there is an opportunity to decisively set back Iran's race toward a nuclear weapon.

Netanyahu would need Trump's support for any military action targeting nuclear facilities, either through munitions or joining with U.S. troops. Trump on Tuesday said he wanted to negotiate a deal with Iran and that he

wouldn't let it obtain a nuclear weapon. Trump said he would re-establish maximum-pressure policies on Iran including "the most aggressive possible sanctions."

One of the biggest questions is where Trump's proposal leaves efforts to normalize relations between Israel and Saudi Arabia. It has long been expected that normalization of relations between Saudi Arabia and Israel would create a domino effect that could see other Muslim countries make peace with the Jewish state.

The kingdom on Wednesday said that its commitment to a Palestinian state in Gaza and the West Bank was "firm and unwavering" and that Riyadh wouldn't establish diplomatic relations with Israel without that goal being met.

—Dov Lieber and Anat Peled contributed to this article.

President Veers Into Intervention

Continued from Page One
ing U.S. troops to the region.

Tuesday's announcement marked a striking shift for Trump, who described the Middle East as "blood and sand" in his first term, according to a longtime adviser. Trump is now proposing to rebuild Gaza, which his aides said could take 10 to 15 years. Two Trump administration officials said the idea of the Gaza takeover was formed recently, with the president running it by aides and allies in recent days. The proposal was closely held, other administration officials who work on Middle East issues said. Officials outside of Trump's inner circle weren't aware the idea was on the table during days of planning for the meeting with Prime Minister Benjamin Netanyahu of Israel. Trump's pro-



Israel's Prime Minister Benjamin Netanyahu and President Donald Trump at Tuesday's news conference.

act on his gut instincts. Already, he has set his sights on acquiring Greenland, provoked a fight to wrest back control of the Panama Canal and said Canada should become the 51st state.

An adviser to the president said that while some observers have dismissed his desire to take control of Greenland, the Panama Canal and other places, "he's deadly serious about it."

Trump's Gaza proposal shows the president is leaning on his long history as a businessman. As Trump seeks to prevent a ban on Chinese-owned TikTok, he proposed a deal in which the U.S. takes an ownership stake in the business. When he talks about the war in Ukraine, Trump laments the loss of many lives, including those of Russians, but also the destruction of beautiful cities.

Some veteran diplomats were perplexed by Trump's plans for Gaza. "It's not a serious proposal," said Dan Shapiro, U.S. ambassador to Israel during the Obama administration. "If ever pursued, it would entail a massive cost in dollars and U.S. troops, with no support from key regional partners."

Glimmers of Trump's think-

ing on Gaza surfaced before.

"You know, Gaza's interesting, it's a phenomenal location, on the sea, the best weather. Everything's good. Some beautiful things could be done with it," Trump, a Republican, said on Jan. 20, after being sworn in. A reporter asked if he would help with rebuilding. "I might," Trump said.

Steve Witkoff, a real-estate developer, told the president after touring Gaza that it is basically uninhabitable after Israeli strikes, questioning whether it was humane to allow people

to live there before it is rebuilt, Witkoff's deputy said during a television interview.

"The killing must stop, the war must end, and we must realize lasting PEACE," Taylor Baldwin, a top adviser to Trump, wrote on X after the remarks. "That's why the United States will work with Israel to secure Gaza and find a lasting home

for the Palestinian people."

In late summer, Trump told Netanyahu in a phone call that the Gaza Strip was a prime piece of real estate and asked him to think about what kinds of hotels could be built there, according to a person with direct knowledge of the conversation. But he didn't mention the U.S. taking it over.

He told President Volodymyr Zelensky of Ukraine this fall that Ukraine would be a good spot for real-estate development, particularly mentioning the city of Odesa, a person present during the discussion said.

Trump made a similar case to North Korean leader Kim Jong Un during his first term, hoping the allure of hotels and development along the country's coastlines would encourage Kim to dismantle his nuclear arsenal.

—Brian Schwartz, *Meridith McGraw and Annie Linskey contributed to this article.*

Trump Plan For Takeover Is Rejected

Continued from Page One
relocating Palestinians from the Gaza Strip. In addition to raising moral objections, they have pointed to the security risks and instability that could come with moving a population with armed elements into countries already grappling with their own issues.

A handful of Arab governments established diplomatic ties with Israel in the years leading up to the Israel-Hamas war, though the Palestinian cause remains a central issue for Arab civilians across the region. The war has galvanized the cause's supporters, leading to some demonstrations in the region and sparking fear of instability among Arab rulers.

Trump's idea for a U.S. takeover of the Gaza Strip

comes at a highly sensitive moment and risks overshadowing other U.S. priorities in the Middle East. Israel and Hamas are in the middle of a fragile six-week cease-fire, in which mediators are set to begin talks toward a lasting peace. The U.S. and Israel are also weighing whether to use force to stop Iran's nuclear program, and both had hoped for a normalization deal to draw Saudi Arabia into a regional alliance against Iran.

Saudi Arabia doesn't view normalization as merely a diplomatic transaction that gives the kingdom greater security at the expense of Palestinian statehood, said Salman Al-Ansari, a Saudi political commentator. "It's a strategic shift with a clear price: full Palestinian statehood," he said. "Without that, there is no deal."

Trump, a Republican, proposed a U.S. takeover of Gaza on Tuesday during a news conference alongside Prime Minister Benjamin Netanyahu of Israel at the White House. Trump said the U.S. would "own" Gaza and "do a job with it," leveling the bombed-out strip and developing it.

The president's proposal followed a string of similar comments in recent weeks that he believed Palestinians should leave Gaza to allow the strip's reconstruction following 15

months of war between Israel and Hamas. His idea, if implemented, would deeply involve the U.S. in a development project that administration officials said could take 10 to 15 years.

Left unaddressed was how the U.S. would persuade Palestinians to voluntarily surrender Gaza and whether Israel would eventually exercise sovereignty there—a goal pursued by some right-wing members of Netanyahu's government. Trump in his news conference

said he didn't see Jewish settlements "happening" in Gaza but also wasn't clear on who would benefit from the redevelopment of the strip.

Leaders of the Israeli far right who have long floated the idea of encouraging what they call "voluntary migration" from Gaza said they would seek ways to put Trump's words into action. Some inside Netanyahu's coalition said they were skeptical of the plans but praised

rather as part of a future Palestinian state," France's Foreign Ministry said.

While Hamas has been battered in the war, it remains a force in Gaza and is likely to fight to halt any forced removal of Palestinians.

The U.S.-designated terrorist group said Trump's statements reflected deep ignorance of the history of the region. "Gaza is not a common land for any party to decide to control," Hamas said.

Mohammad Mustafa, prime minister of the U.S.-backed Palestinian Authority, was in Egypt Wednesday to discuss early reconstruction efforts in Gaza, as the Palestinian Authority's president, Mahmoud Abbas, met with Jordan's King Abdullah. The visits came as officials from Egypt and Jordan denounced efforts to displace Palestinians and proclaimed commitment to a Palestinian state. Trump has invited Abdullah and President Abdel Fattah Al Sisi of Egypt to the U.S. for talks this month.

The Palestinian Authority, which governs parts of the West Bank, called displacement a violation of international law and an infringement of Palestinian rights.

—Summer Said, Dov Lieber, Saleh al-Batati and Elvan Kivilcim contributed to this article.



Palestinian children Wednesday at a shelter in Gaza, where a temporary cease-fire is in effect.

Watch a Video

Scan this code to see a video about Trump's remarks on Gaza.

WORLD NEWS

No-Confidence Vote in France Falls Short

Months of political brinkmanship have left the country's finances in limbo

By NOEMIE BISSEBRE

PARIS—The French government survived a no-confidence vote in the National Assembly, ending a challenge to President Emmanuel Macron's prime minister and clearing the path to adopt a 2025 budget after months of political brinkmanship that rattled markets and left France's finances in limbo.

The no-confidence motion against the government led by centrist Prime Minister François Bayrou won the support of



French President Emmanuel Macron this week.

128 lawmakers in the 577-seat lower house, far short of the 289 needed to force the government to resign.

Bayrou broke a blockade of opposition parties that had

brought down the government of his predecessor in December by doling out a series of concessions. He abandoned plans to fire teachers and lower healthcare reimbursements, moves that won the tacit support of the Socialist Party. And he bent to demands from far-right leader Marine Le Pen, as well as leftist parties, to increase pensions in line with inflation.

However, Bayrou's budget takes a slower approach to reining in France's deficit, which stood at an estimated 156 billion euros—equivalent to nearly \$163 billion—in 2024. Bayrou is introducing €50 billion in spending cuts and tax increases, while his predecessor, conservative Michel Barnier, pushed for a €60 bil-

lion adjustment.

Still, the premium investors demand to hold the French government's long-term debt has declined in recent weeks, after reaching its highest since the eurozone debt crisis in 2012.

"We have an imperfect budget," Bayrou said, speaking in Parliament on Wednesday. "It's an emergency step because our country cannot function without one," he added.

The question now facing Bayrou is whether his budget victory will lead to a more-durable thaw in the political paralysis that has gripped the country in recent months. Without a solid majority in the National Assembly, it remains uncertain how long his government can survive.

Opposition leaders will no longer be under pressure to back the government once the budget is passed, said Mujtaba Rahman, a senior director with the Eurasia Group consulting firm. Bayrou's recent pledge to reopen negotiations over Macron's contested 2023 pension overhaul could also stir tensions.

"Bayrou is unlikely to survive the year," Rahman said. "Macron will be obliged to call new parliamentary elections," he added.

Spending cuts and tax increases aimed at narrowing France's deficit also risk accelerating the recent slowdown in France's economic growth, and deepening the political crisis. The French economy contracted by 0.1% in the final

quarter of 2024, while the number of unemployed people rose by nearly 4%.

The government this year plans to temporarily boost taxes on companies that make more than €1 billion in annual revenue to help reduce France's deficit, which reached an estimated 6% of gross domestic product in 2024, double the European Union's limit.

Far-left party France Unbowed put forward the no-confidence motion against the new government after Bayrou rammed the budget through the National Assembly on Monday by exercising article 49.3 of the French constitution. The socialists voted against the motion but vowed to remain firmly in the opposition.

Offer of Salvador Prison For U.S. Faces Hurdles

SAN SALVADOR, El Salvador—No visits from wives, girlfriends or children. Sleeping arrangements are stainless-steel cots stacked several layers high in large cells packed with

By Santiago Pérez,
Vera Bergengruen
and Kejal Vyas

dozens of inmates. And roommates include some of the senior leadership of Latin America's most notorious gangs.

The harsh conditions of El Salvador's Confinement Center for Terrorism, a mega-prison opened in 2023, are currently reserved for thousands of gang members who terrorized the country for decades. If President Nayib Bukele and President Trump have their way, America's worst criminals are destined for El Salvador's biggest prison as well.

Bukele offered the U.S. use of the prison, known as CECOT, during a visit this week from Secretary of State Marco Rubio, who said the Trump administration would be open

to deporting to El Salvador both criminal migrants and American citizens. Rubio said the legal basis for sending U.S. nationals to a foreign prison would need to be studied, something Trump acknowledged to reporters.

"If we had the legal right to do it, I would do it in a heartbeat," Trump said in the Oval Office on Tuesday.

Sending Americans to serve their sentences in a foreign prison would prompt court challenges, legal experts said. The U.S. Constitution entitles citizens to medical care, basic hygienic living conditions and protection from excessive force. A federal statute requires incarcerated individuals to be placed within a few hundred miles of their primary residences.

However the legal fight plays out, Trump's push to deport migrants has given Bukele another chance to highlight his crime-fighting efforts and the prison many experts have said helped transform a country once

known for having the world's highest murder rate into one of the safest in Latin America, in just a few years.

Regarded as the world's largest correctional facility, the mega-prison was intended to hold up to 40,000 members of the street gangs that long held sway in this Massachusetts-size country of 6.3 million. Before CECOT, gangs largely controlled the prisons. Some facilities were called crime universities and command centers for rackets.

When CECOT opened, Bukele posted social-media videos showing convoys of buses arriving at dawn at the facility, a labyrinth of concrete and steel watched by armed prison guards and soldiers from towers nearly 50 feet high.

The videos showed guards in riot gear corralling the handcuffed inmates, barefoot, shirtless, their heads shaved and their torsos and faces covered with gothic-style tattoos. There are now close to 15,000 convicted gang members there. "They will spend the rest of

their lives in prison," Security Minister Gustavo Villatoro said at the time. Most of the imprisoned gang members were responsible for more than 80,000 deaths in the past 30 years, he said.

Bukele warned that if gangs moved to retaliate, "I swear to God they won't eat a grain of rice, and we'll see how long they last."

The huge, gleaming prison has captured the imagination of hard-line conservatives—especially in the U.S. A host of

Trump's allies have visited the center and posed for photos. Trump had floated the idea before, in language that Bukele appeared to echo on Monday. "Let them be brought to a foreign land and maintained by others for a very small fee," Trump said in Miami in January.

Human-rights groups said the new facility was another step toward authoritarian rule under Bukele, who took office in 2019 and began arresting suspected gang members en masse in 2022. Since then, he has ruled under emergency powers that suspend civil liberties including due process. El Salvador now has the world's highest incarceration rate—about triple that of the U.S., according to World Prison Brief.

Activists accused the Bukele administration of thousands of arbitrary detentions. At CECOT, a ban on jail visits meant many children were unable to see their parents, causing psychological damage, rights groups said.

Terrorist Label for Mexican Drug Cartels Risks New Clash

By JOSÉ DE CÓRDOBA
AND STEVE FISHER

MEXICO CITY—President Trump wants to deploy a blunt new tool to fight Mexican cartels that flood the U.S. with drugs, by adding them to a list of terrorist groups that includes the likes of al Qaeda and Hamas.

The move, which the White House laid out in an executive order last month, could increase pressure on the cartels by directing more money to intelligence gathering. It also could lay the groundwork for going after cartel financiers and allied businesses—and for unilateral U.S. military action such as drone strikes on drug labs, according to officials and security experts.

But even without direct U.S. intervention, adding cartels to the terrorism list risks straining ties with Mexico, at a time when the two countries are in delicate talks over ending drug smuggling and migration to avoid a trade war. Trump threatened to impose 25% tariffs on goods from Mexico over the weekend but backed down after Mexican President Claudia Sheinbaum struck a deal that would send 10,000 National Guard troops to the border.

The terrorism designation remains a looming issue, though. The Mexican government opposes foreign terrorist organization, or FTO, designations for cartels, with Sheinbaum offering increased cooperation with the U.S. to battle cartels and fentanyl traffic, in the hope that will satisfy Trump. Mexican government lawyers, meanwhile, are conducting a legal analysis of the impact the designations could have, she said.

The designation could disrupt supply chains and financial services on both sides of the border, and expose businesses in Mexico and the U.S. to the risk of hefty penalties and long prison terms for aiding terrorists under U.S. law,



People marched last month in Culiacán, Mexico, to press authorities to address escalating regional drug-related violence.

experts say.

In the U.S., gun manufacturers and gun shops whose products end up in the hands of cartel gunmen could face legal jeopardy. Banks and other companies that arrange for remittances to be sent from the U.S. to Mexico could also be affected.

Cartels are deeply entwined with the Mexican economy. Many of the tomatoes, bell peppers and cucumbers consumed in the U.S. are grown in the Mexican state of Sinaloa, where many farmers pay the cartel for water for their fields. Businesses such as mining companies and avocado growers are widely believed to pay extortion money to cartels.

"For better or for worse, this will likely force Mexican businesses and the Mexican government to confront per-

vasive cartel influence," said Andrew Kaufman, an international lawyer who is counseling Mexican and multinational firms on the expected FTO designations.

Trump's executive order took note of the cartels' vast reach. The order gives the secretary of state—in consultation with other cabinet members—14 days to determine which Mexican cartels should be designated as FTOs. Then, key members of Congress have seven days to comment before the designation takes legal effect.

The order accuses the Mexican cartels of infiltrating gov-

ernments and destabilizing countries across the Americas.

The groups likely to be targeted under Trump's order include the Sinaloa and Jalisco cartels, security analysts say. They are the leading exporters to the U.S. of fentanyl, which is blamed for nearly 75,000 deaths in 2023.

Such a designation would be unusual for a criminal enterprise. Almost all of the more than 60 FTOs now on

the list are Islamist militant groups that operate in the Middle East, Africa and Asia.

Trump considered the move in his first term, in 2019, after nine Americans were ambushed and murdered by

cartel gunmen in the Mexican border state of Sonora.

An FTO designation could result in better and more intelligence gathering, with Defense Department resources giving authorities technology that can track cartel operations, security experts say.

"Once you designate the cartels as terrorist entities, that opens all kinds of Department of Defense possibilities," said Vanda Felbab-Brown, a security expert at the Brookings Institution.

A designation could also open the door for the U.S. to take "more radical actions to dismantle what it perceived as a growing menace to its security," according to a memo prepared in 2019 by lawyers for the Mexican government, which was viewed by The Wall Street Journal. The memo noted that drone strikes have

been used by the U.S. against al Qaeda.

The FTO listing isn't necessary for the U.S. to take military action in Mexico, analysts say. Trump would most likely seek permission from Congress to use force, and such a resolution was introduced two years ago by then-Rep. Mike Waltz (R., Fla.), who is now Trump's national security adviser.

But it could change the terms of the debate in the U.S. and Mexico over how to handle the fentanyl trade.

"It's a political message in view of the fentanyl crisis," said Maria Calderon, an analyst at the Wilson Center's Mexico Institute, a Washington think tank. "You don't have automatic faculties to bomb them, but politically you do have leverage to start talking about intervention."

A 2024 survey of members by the American Chamber of Commerce of Mexico found that 12% of companies said organized crime had taken over partial control of the sale and distribution of their products.

"Organized crime is one of the biggest worries and extortion has become the worst crime," the chamber said.

International lawyers point to prior cases where large multinational companies have paid fines after pleading guilty to providing support to terrorist organizations that dominated areas where they operated.

Sheinbaum has typically supported tackling what she says are the social causes of the country's violence. But she has cracked down on organized crime since assuming power in October.

In December, Mexican security forces seized a record-breaking 1.3 tons of fentanyl in the state of Sinaloa, where a battle for control of the Sinaloa cartel is under way.

Some polls show a majority of Mexicans would approve U.S. intervention to end cartel violence.

The designation could disrupt supply chains and financial services.

WORLD NEWS

Kremlin Says Talks on Ending Ukraine War Advance With U.S.

BY THOMAS GROVE

The Kremlin said contacts between the U.S. and Russia had taken place and recently intensified, the first time Moscow has indicated the two countries are discussing a potential plan to end fighting in Ukraine.

"There is indeed contact between certain government agencies and they have intensified recently," Kremlin spokesman Dmitry Peskov told journalists in response to a question about Ukraine negotiations.

President Trump has repeatedly promised to clinch a deal between Russian President Vladimir Putin and his Ukrainian counterpart, Volodymyr Zelensky, at the negoti-

ating table. Trump said last week that his administration has already had serious discussions with Russia about the conflict, but has provided little detail.

Peskov had previously shrugged off questions about the U.S. initiative, but his comments Wednesday represented the first time he acknowledged that contacts at some level were occurring.

Peskov's remarks come as both countries signal an increased willingness to talk to the other to halt the conflict. The Kremlin has repeatedly called Zelensky illegitimate as president, but Peskov said Moscow was ready to talk to him for the sake of negotiations. Zelensky, likewise, said

in an interview Tuesday that he was ready to sit down for direct talks with Putin.

The Kremlin's confirmation of contacts is the first concrete signal of progress over negotiations after months of uncertainty over Trump's ability to make good on his promises.

Lack of any confirmed communication between the two leaders or plans for a meeting, for which Trump has publicly called, have kept observers guessing about how quickly any potential negotiations could get off the ground.

Trump has also appeared increasingly impatient with Putin, and he and his advisers have been floating plans to force Russia to concessions with heightened sanctions or

undermining the price of Russia's main export, oil.

Putin, on the other hand, has complimented Trump in public, even saying last month that he agreed with Trump's false allegations that the U.S. presidential election in 2020 was stolen from him and that if Trump had been in office, perhaps the Ukraine conflict wouldn't have started.

"I cannot but agree with him that if he had been president, if his victory had not been stolen from him in 2020, then maybe there would not have been the Ukraine crisis that broke out," he said, speaking to a Russian reporter.

But he has appeared broadly indifferent to Trump's



Body bags line the site of an attack in Ukraine's Kharkiv region.

ROMAN PILIPENKO/AGENCE FRANCE PRESSE/GETTY IMAGES

peace proposals, and he hasn't budged from demands he set out when he invaded Ukraine, demands that would turn Ukraine into a rump state by annexing whole provinces and major cities, denuding it of its military, and exacting a promise from NATO that it will never join the alliance.

If talks commence in earnest, both sides will face a host of thorny issues, includ-

ing whether Russia will keep all the Ukrainian territory it has gained in fighting or whether it will gain any sanctions relief.

The future of Ukraine is equally difficult, with questions remaining over how it would be placed in Western security architecture and what kinds of guarantees it would be given to assure Russia wouldn't attack again.

Star Sells Putin's Agenda

Continued from Page One

Russia has blocked Western social-media platforms and driven independent journalists into exile, entrenching TV's role as the country's primary news source. As Putin deepens ties with U.S. adversaries and angles for a Ukraine peace deal with Trump that would leave swaths of land under Russian control, Kiselyov helps ensure that ordinary Russians are kept outside.

Dressed in tailored suits, the 70-year-old presenter strides across the studio, speaking softly as if peeling back the curtain to show viewers the truth no one wants them to know.

"The goal of any TV presenter is to break through the screen to enter on the other side into the viewer's kitchen or living room, so that he feels I'm talking specifically to him," Kiselyov said from Moscow in his first Western media interview since Russia's invasion of Ukraine in 2022.

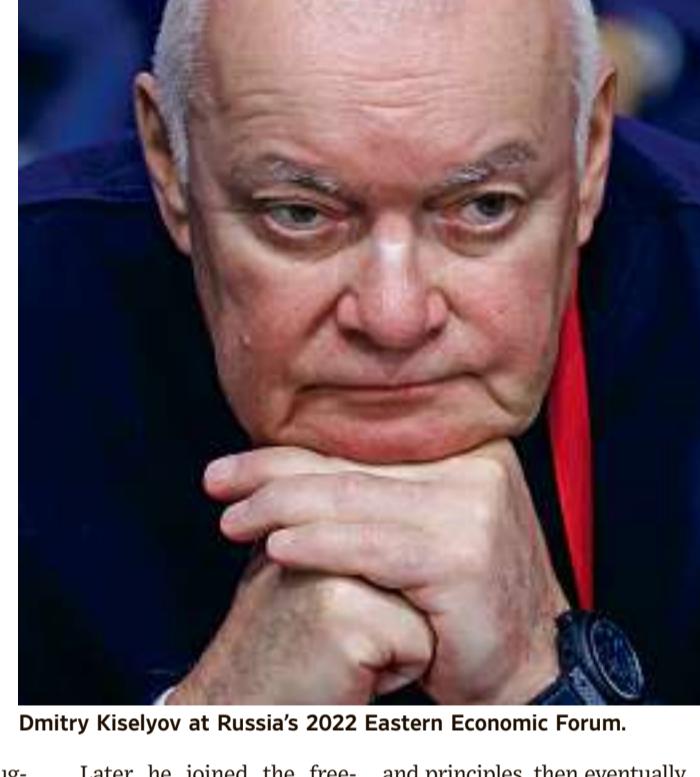
"Entering his consciousness, his soul, is of course the main goal."

Political path

Kiselyov once cut a very different figure. In the early '90s he defied Soviet censorship to shed light on pro-independence protests sweeping Eastern Europe. He encouraged Ukraine's Western path during a stint working in Kyiv in the 2000s.

The story of how he went from fresh-faced admirer of Western news networks during the Yeltsin years to become a driving force behind Putin's propaganda machine offers a window into how many of the country's top thinkers and influential voices ultimately bound their futures to the Russian leader.

They include Dmitry Trenin, who gave up promoting U.S.-Russia relations as the head of an American-backed think tank and supported the invasion. Vladimir Solovyov, a journalist who once said only a "criminal of unimaginable proportions" could go to war with Ukraine, now hosts a paean to Putin on national TV. Dmitry Medvedev spent four years as president when Putin hit term limits in 2008. He promised liberalization and closer ties with the U.S. during a visit to Silicon Valley, but now calls for Ukraine's total de-



Dmitry Kiselyov at Russia's 2022 Eastern Economic Forum.

SERGEI BOLEEV/TASS/ZUMA PRESS

Later he joined the free-wheeling media landscape of 1990s Russia, when Boris Yeltsin opened the economy and mudslinging anchors attacked each other on networks owned by rival oligarchs.

A trained classical guitarist who studied French and Scandinavian languages, Kiselyov vacationed at ski resorts in the Alps and traveled across the continent as the presenter of a show on European culture made with funding from the EU.

His short-lived sixth marriage, in 1998, was to a British woman, and he sent one of his sons to a private school in the British Cotswolds. His late brother Andrei moved to Colorado and became a U.S. citizen. Kiselyov built a Scandinavian-style home outside Moscow with stables for his horses.

At work, Kiselyov was such a stickler for journalistic standards that producers working on a BBC-funded Russian show about best practices in TV journalism selected him as one of the presenters. Anna Narinskaya, a journalist who worked on the show with Kiselyov in the 1990s, described him as "the most ardent defender of journalistic ethics I had ever met."

In one episode, Kiselyov warned about the dangers of mixing journalism and propaganda. "If we keep lowering our standards and our morals

and principles, then eventually we'll find ourselves swimming in the dirt like pigs and eating each other together with the mud," he said.

Changing views

When he became president in 2000, Putin moved quickly to rein in the power of Russia's powerful TV networks. Unable to find work in Moscow, Kiselyov moved to Kyiv as the editor in chief of ICTV, a new channel owned by Ukrainian oligarch Viktor Pinchuk.

Ukraine's then-president, Leonid Kuchma, was promising to bring the country into the European Union.

In Kyiv, Kiselyov became a vocal Ukrainian patriot, wearing Ukraine's colors to soccer matches.

"I feel more Ukrainian," he said in a TV interview filmed in Kyiv at the time. "I am now invested in Ukraine as a part of it."

He soon adjusted his views. When protesters took to the streets of Kyiv to dispute a pro-Russian candidate's rigged victory in 2004, he said he saw it as a Western-backed coup. No longer did he consider Ukraine as a model for Russia to one day enter the EU, too. He now said Russia should chart its own course, independent of the West.

"I returned to Moscow in 2005 as if from a battlefield, and understood that we don't need this in Russia," he said.

Former colleagues say there's more to the story. For an ambitious TV presenter, Russia was a far more lucrative market—and in the mid-2000s, when Kiselyov came back, it was flush with money from an oil boom. Ex-colleagues say Kiselyov saw Putin's new brand of hyper-nationalism, and decided he must adapt to thrive.

Oleksandr Semiryadchenko, a one-time friend and former ICTV colleague, described Kiselyov as an opportunist.

"Dima knows how to manipulate any situation to his benefit," he said, using a shortened version of Kiselyov's first name. "When it benefited him to be a democrat in Ukraine, he was a democrat in Ukraine. When it stopped being beneficial, he became a Russian imperialist propagandist in an imperialist, propagandistic Russia."

Kiselyov denies engaging in propaganda and says the nature of his work does not differ from that of CNN or the BBC.

Russia's media landscape took a sharp rightward turn when Putin returned to power for a third term as president in 2012. Kiselyov was well positioned to lead the charge. In April of that year, he argued that gay people "should be prohibited from donating blood and sperm." After death "their hearts should be either buried or cremated as unsuitable for the prolongation of life," he said. His studio audience broke out in applause.

Four months later, Kiselyov was named anchor of "News of the Week," a long-running current affairs show. The following year, Putin also appointed him head of Rossiya Segodnya, a major state media group that includes Russia's biggest newswire.

In a speech to his staff, Kiselyov codified his new worldview. "The period of distilled, impartial journalism is over," he said. "Objectivity is a myth."

When Russia seized Crimea and invaded east Ukraine in spring 2014 with the pretext of driving out a fascist government running Kyiv, Kiselyov was at the forefront of the nationalist fervor that swept the country, and his viewership soared.

"Russia is the only country in the world realistically capable of turning the United States into radioactive ash," he said on the show in March 2014, standing in front of a screen depicting an enormous mushroom cloud.

Sergei Dorenko, a prominent news anchor, said in a public lecture three weeks before his

death in 2019 that Putin watches only two TV programs: a political talk-show run by Vladimir Solovyov, and "News of the Week." Kiselyov says he attends meetings in the Kremlin every few months, where current affairs topics such as the Russian economy or budget policies are discussed. "It's a sort of exchange, an exchange of energies, of ideas," he says of the cooperation between his TV network and the Kremlin.

The approach appears to be working: surveys by the independent Levada Center suggest there is widespread support for Putin and acceptance of the war that some Western officials say has claimed almost 200,000 Russian lives, though Western sociologists say it's impossible to get an accurate picture of public opinion in the authoritarian state.

Putin has frequently taken up themes originally raised on "News of the Week." In February, a week after Kiselyov ridiculed reports that the Church of England was considering assuring gender-neutral pronouns to God, Putin mentioned the initiative in his State of the Union address, quoting the Bible: "Father, forgive them, for they know not what they do."

When Kiselyov turned 70 in April, Putin called to thank him for his work. "Such great, prolific labor deserves the deepest respect," read a message from the president that was published on the Kremlin's website.

Kiselyov denies receiving instructions from the government. After so many years advancing Kremlin talking-points to a national audience, he may not need them.

"Everyone knows the rules they're playing by, what's allowed and what isn't," said Marina Ovsyannikova, a former state TV producer who stormed onto the set of a live news broadcast with an anti-war poster after the invasion of Ukraine, and later fled to France.

In Ukraine, Kiselyov's former colleague, Semiryadchenko, says he should be tried for war crimes. "He bears a big part of the responsibility for the deaths Ukraine has suffered in this war," he said.

Kiselyov says such accusations are to be expected, and has an eye on his legacy.

"In the West they'll curse and denounce me, saying I wanted to burn the hearts of gay people" once the war is over, he said. In Russia, he went on, "I'll be fondly remembered for giving my people support in difficult times."

—Kate Vtorygina contributed to this article.

Media rise

As a young man, Kiselyov said he notched up so many divorces—three by the time he was 23—that he ran afoul of conservative authorities and likely hindered his career. Working at a plucky new TV channel in the waning years of Soviet power in 1990, he refused to read out on air a misleading Kremlin report about a lethal crackdown on pro-independence protests in Lithuania, a Soviet republic. Lithuania's post-Soviet authorities gave Kiselyov a state prize, which they have since rescinded.

Singer Yaroslav Dronov, known as Shaman, performing at a December event in Moscow honoring Russia's war heroes; Kiselyov, at right, interviewing Vladimir Putin last March.



Singer Yaroslav Dronov, known as Shaman, performing at a December event in Moscow honoring Russia's war heroes; Kiselyov, at right, interviewing Vladimir Putin last March.



VALERY SHARIFULLIN/TASS/ZUMA PRESS; GAVRIIL GRIGOROV/TASS/ZUMA PRESS

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Newly Fearful Fliers Look For Ways to Ease Their Anxiety

The worst U.S. aviation accident in a generation has travelers searching for coping methods



CARRY ON
DAWN
GILBERTSON

Kimberly Mack took a free fear-of-flying class at Sky Harbor International Airport more than a decade ago and has relied on the tools she learned on every flight since.

On Monday, the 54-year-old Arizona small-business owner called Ron Nielsen, the retired airline captain who runs the classes, for a one-on-one refresher. Mack has a flight to Napa, Calif., later this month and considered canceling after last week's devastating mid-air collision in Washington and medical-jet crash in Philadelphia.

The guy she calls "Captain Ron" reassured her in a call that stretched over an hour. "He's not like: Your fears aren't valid. You have to remember things happen. It reiterated everything."

You don't have to be a nervous flier to be suddenly anxious about airline safety. The American Airlines-Black Hawk helicopter crash,

which killed 67, was the worst aviation incident on U.S. soil in a generation. Frequent fliers as well as casual travelers are talking about it with families and co-workers, and airline crews are stunned.

Nielsen, who runs a Phoenix-based business called Fearless Flight and has a master's degree in professional counseling, saw it at his latest free airport class Saturday. He says a third of attendees signed up because of the crash.

"It doesn't make people afraid, but it elevates the fears that they've been repressing," he says. "It activates their fear-of-flying gene."

Dial a Pilot, an 18-month-old business run by a major airline pilot, has seen a "massive surge" in bookings for its \$65, 30-minute sessions. "The calls were not necessarily centered on the accident, they were more centered on: I have this one fear. Is it valid?" Kyle Koukol says.

It is. While I can help you navigate annoying airline seat fees, airport lounge restrictions and carry-on bag rules, I'm not the right person to soothe your frayed flying nerves. That's for professionals.

So I turned to Nielsen, Koukol and licensed therapists for their coping strategies, though each said

they don't love dashing off tips because there is no one-size-fits-all strategy.

"It's such a complex problem," Nielsen says, but there are ways to manage your anxiety.

Stop doom scrolling

Nathan Feiles, a licensed therapist and fear-of-flying specialist in New York City, says airline crashes tend to put a spotlight on all types of airline incidents—no matter how routine, like a flight returning to an airport.

"It creates a sense of reverse normalization," he says. "It starts to make people think that there's a lot more danger happening."

Yes, this crash was awful. But flying is still the safest form of transportation.

To help put things in perspective, Brenda Wiederhold, a licensed clinical psychologist in San Diego, recommends patients scroll the departure boards for an air-



▲ Retired airline captain Ron Nielsen offers a free fear-of-flying class at the Phoenix airport.

port (online is fine) to see the flurry of flights that take off and land day in, day out.

She asks frequent fliers, "Have you ever not landed safely?"

Then she asks them how many times they've had a fender bender. If they say two or three she says, "You still get in your car and drive."

◀ Travelers pass through Salt Lake City International Airport.

Don't self-medicate

Downing several drinks or popping a few pills before boarding a flight might help temporarily but it can become a crutch.

Travelers need to address the underlying fear rather than put it off, Wiederhold says.

"You're telling yourself, 'I can't do this,'" she says. "I'm saying you will make it worse by avoiding it. The monster gets bigger, the fear gets bigger."

Anxiety management

Deep breathing is a big management tool, of course.

Nielsen is a fan of distanced self-talk, a technique promoted by Ethan Kross, an experimental psychologist and neuroscientist and director of the Emotional and Self Control Lab at University of Michigan.

The bottom line: You distance yourself emotionally from a situation. Nielsen says travelers can reframe a flight situation that scares them, like turbulence, by writing, "I hate this but I've been here before and I lived" over and over.

"You're changing from negative cognitions to positive cognitions," he says.

Find your community

I found this to be the most practical and widely applicable advice for those without severe phobias.

You'll get no shortage of online recommendations, but the key is to find the right fit. Scrolling through Reddit travel threads, including its Fear of Flying subreddit, I found recommendations as basic as watching videos on airplanes or perversely bingeing episodes of National Geographic's "Air Crash Investigation."

Dial a Pilot clients who join its No Fear Flight Club get access to an online forum where members share coping mechanisms. One client counts to 30 over and over again until the turbulence stops.

"That's kind of her way of just taking the power away from the turbulence," Koukol says.

A couple of months ago, Taylor Swift entered the fearful-flying lexicon when a client who overcame her

fear of flying mentioned she listens to the 10-minute version of "All Too Well" on repeat.

Katherine Morgan, a 31-year-old bookstore owner in Portland, Ore., has a routine to fight off flight jitters and paid extra attention to it on a recent flight to San Diego. She kisses the plane when boarding, reads a romance novel because she knows the ending will be happy and orders a ginger ale.

"It gives me some kind of feeling of control."

Your Home Can Shelter You From Taxes

BY ASHLEA EBELING

For most Americans, buying a home is the biggest investment they will make. There are ways to make it less taxing.

The Internal Revenue Service spells out the details in Publication 530, Tax Information for Homeowners, which it updates each year. Here are some key things to know about when it comes to taxes and owning or buying a home.

DEDUCTIONS

Mortgage interest deduction

Taxpayers who itemize deductions, instead of taking the standard deduction, can deduct mortgage interest paid for loans on their main home and a second home—up to a point.

You generally can deduct home mortgage interest only to the extent the loan proceeds from your mortgage are used to buy, build or substantially improve the home securing the loan.

The loan can be a first or second mortgage, a home-improvement loan, a home-equity loan or a refinanced mortgage.

► For mortgages originated on or before Dec. 15, 2017, interest on as much as \$1 million of debt is deductible (\$500,000 if married filing separately). ► For mortgages originated after Dec. 15, 2017, interest on up to \$750,000 of debt is deductible (\$375,000 if married filing separately).

These rules are subject to change after 2025, depending on whether Congress extends the 2017 tax-law provisions on mortgage interest deductions.

Deduction for state and local property taxes

Homeowners who itemize deductions can deduct state and local real-estate taxes, subject to an overall SALT cap.

The deduction for state and local taxes, including income, sales or real-estate taxes, is limited to \$10,000 per return (\$5,000 if married filing separately).

That cap, though, is controversial, and lawmakers are fighting over its fate. The so-called SALT cap is one of the temporary provisions of the 2017 tax law that is set to expire at the end of 2025. If it does, or the level of the cap is increased, more taxpayers, especially in states with high property-tax rates, may be able to itemize and get a larger deduction.

Home-office deduction

Self-employed individuals who use part of their home exclusively and regularly for business purposes can deduct expenses related to a home office. The catch is that you have to have self-employment income. You can't take the deduction for working from home for a job where you receive a W-2 from an employer.

A simplified method allows taxpayers to use a rate of \$5 a square foot of the portion of the home used for business, up to a maximum of 300 square feet, to compute the business use of home deduction.

What you can't deduct

While homeownership brings many possible deductions, there are a number of things you can't use to reduce your taxes, according to the



IRS. These include:

- Insurance, including title insurance
- Wages you pay for domestic help
- Depreciation
- The cost of utilities or home repairs
- Internet or Wi-Fi
- Homeowners or condominium association fees

CREDITS

Energy-efficient home improvement credit

Homeowners who make certain energy-efficient improvements to their homes can claim a tax credit of up to \$3,200 a year.

This credit equals 30% of the cost of allowed improvements. Insulation, windows and doors can qualify. Heat pumps, water heaters and biomass stoves can count, too.

There are sublimits for different types of improvements: \$600 for

windows, \$2,000 for a heat pump, for example.

Unlike tax deductions that lower income, a tax credit is typically a dollar-for-dollar reduction of tax.

Certain efficiency standards must be met to qualify.

These credits were expanded under the Inflation Reduction Act of 2022. There is the possibility that some or all of them might come under fire in the Trump administration.

Solar, wind and geothermal credit

Homeowners who add solar-, wind- or geothermal-power generation, solar water heaters or battery storage to their homes can claim residential clean-energy credits.

The credit covers 30% of the cost of allowed improvements, with no annual or lifetime maximum.

The credit is nonrefundable, meaning the amount you receive

can't exceed the amount you owe in tax. You can carry forward any excess unused credit to future tax years.

These credits may also be called into question in the new administration and as the new Congress takes up tax legislation.

SELLING A HOME

Home seller's exclusion

If you sell your home when you are living and it has gone up in value since you bought it, you will potentially owe capital-gains taxes on the gain.

The gain is the difference between the selling price and the adjusted basis—what you paid for the house, plus any renovations or other capital improvements and certain selling expenses. Examples of improvements that count are new siding, a patio or ductwork.

The home-sale exclusion lets homeowners skip taxes on a large chunk of profit when they sell.

► Single filers can exclude up to \$250,000 of capital gains.

► Married couples filing jointly can exclude up to \$500,000 of capital gains.

To be eligible, the homeowner typically must have used the house as a primary residence for at least two of the previous five years.

Leaving your home to heirs

Keeping your home until death is one of the ultimate tax breaks.

When an owner dies and leaves a property to heirs, the capital gains can effectively get reset to zero. This is called a step-up in basis. It means the heir would owe capital-gains taxes only on the home's growth in value over the fair-market price at the time of the owner's death.

PERSONAL JOURNAL.

401(k) Plans Take Over Retirements

Continued from Page One

The plans allow workers to add money straight from their paychecks without subtracting income taxes upfront.

Small businesses, which employ nearly half of U.S. workers, haven't often provided retirement-savings plans. But more are adding them in response to a competitive job market, new tax credits and laws in several states that require many employers to give workers a way to save.

Bryce Behar started a 401(k) plan two years ago for the doctors, medical assistants and other staff at FemmPro OB-GYN, a medical practice with locations in Garden City and Massapequa, N.Y.

Only two of the 28 eligible employees have opted out, Behar said. The practice advertises its 401(k) in job postings and believes it helps retain employees, said Behar, vice president of operations. The company automatically enrolls at 5% of pay and provides a 3% contribution, whether an employee contributes or not.

Behar said the administrative costs so far have been fully covered by federal tax credits Congress expanded in 2019 and 2022 to help smaller companies defray some expenses of having a plan.

Low-cost 401(k) providers are catering to small businesses, which have historically paid high fees.

Human Interest, which administers Femm-Pro's plan, added 13,332 new clients last year, many of them first-time plans, according to Chief Executive Jeff Schneble.

Since 2020, Principal Financial Group has added 401(k)s at 9,000 small companies offering plans for the first time, the fastest-growing segment of its defined contribution business, which includes 401(k)-style plans.

Guideline, a 401(k) provider that caters to small businesses, added 14,000 first-time 401(k) plans last year, chief operating officer Jeff Rosenberger said. The firm now administers 58,000 plans.

Before Susan Vulpe, owner of Tanner Autism Services of Colorado, started a 401(k) plan in 2023, she considered adding health benefits instead. But many of her 12 employees are young enough to be on their parents' insurance. Instead, they asked for a 401(k).

"Setting them up for the future is something I feel good about," said Vulpe, who auto-enrolls her employ-



► Bryce Behar started a 401(k) plan to help the medical practice where he works attract and retain employees.

ees at 3% of pay. The Windsor, Colo., company provides no matching contribution but Vulpe hopes to add one eventually.

The 401(k) is helping Vulpe rebuild her savings after she used her nest egg to launch her business a de-

cade ago. "It became more important to me to save," said Vulpe, 39 years old.

More people in the U.S. are getting swept automatically into 401(k) plans under new federal requirements. Many plans created since the end of 2022 must automatically enroll workers by depositing 3% to 10% of their pay into an account and increasing that savings rate by 1 percentage point a year until reaching 10% to 15%.

The aim of the law is to expand 401(k) participation, since data shows that once people are auto-enrolled in a 401(k) plan, few drop out. Some 94% of eligible participants are saving in the 401(k)-style plans Vanguard administers that auto-enroll, versus 67% in plans that require employees to sign up on their own.

Among Vanguard clients, nearly 60% auto-enroll, up from 10% in 2006.

"There's been a pile-on effect of new policies that's having a meaningful impact," said Stinnett, of Vanguard.

He said Vanguard has recently seen a jump in 401(k) participation by part-timers because of a law that went into effect last year and was expanded starting this year. Now, part-timers who have worked at least 500 hours in each of two con-

About 40% of the working population still isn't saving enough.

secutive years must be allowed to contribute to the plans.

In 2027, the federal government is scheduled to provide matching contributions to lower-income workers saving in individual retirement accounts and 401(k)s, said Mark Iwry, who oversaw national retirement policy at the Treasury Department. That could spur millions more people to save.

By 2029, the number of 401(k) plans is likely to reach 1.1 million, said Elizabeth Chiffer, a research analyst at consulting firm Cerulli Associates. In 2023, there were 763,000, according to BrightScope.

Chiffer expects most of the growth to come from companies whose 401(k) plans have less than \$5 million in assets.

Many small companies are responding to laws in 17 states that require private-sector employers that don't offer a retirement plan to facilitate enrolling their workers in a state-

run savings program. Eleven states have launched so far, according to Pew Charitable Trusts.

"For employers thinking about starting a 401(k), state mandates often nudge them to do it," said John Scott, director of Pew's retirement-savings project.

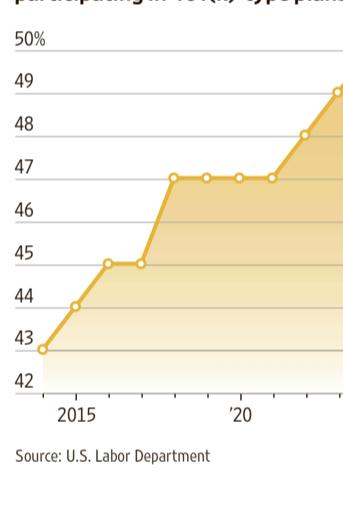
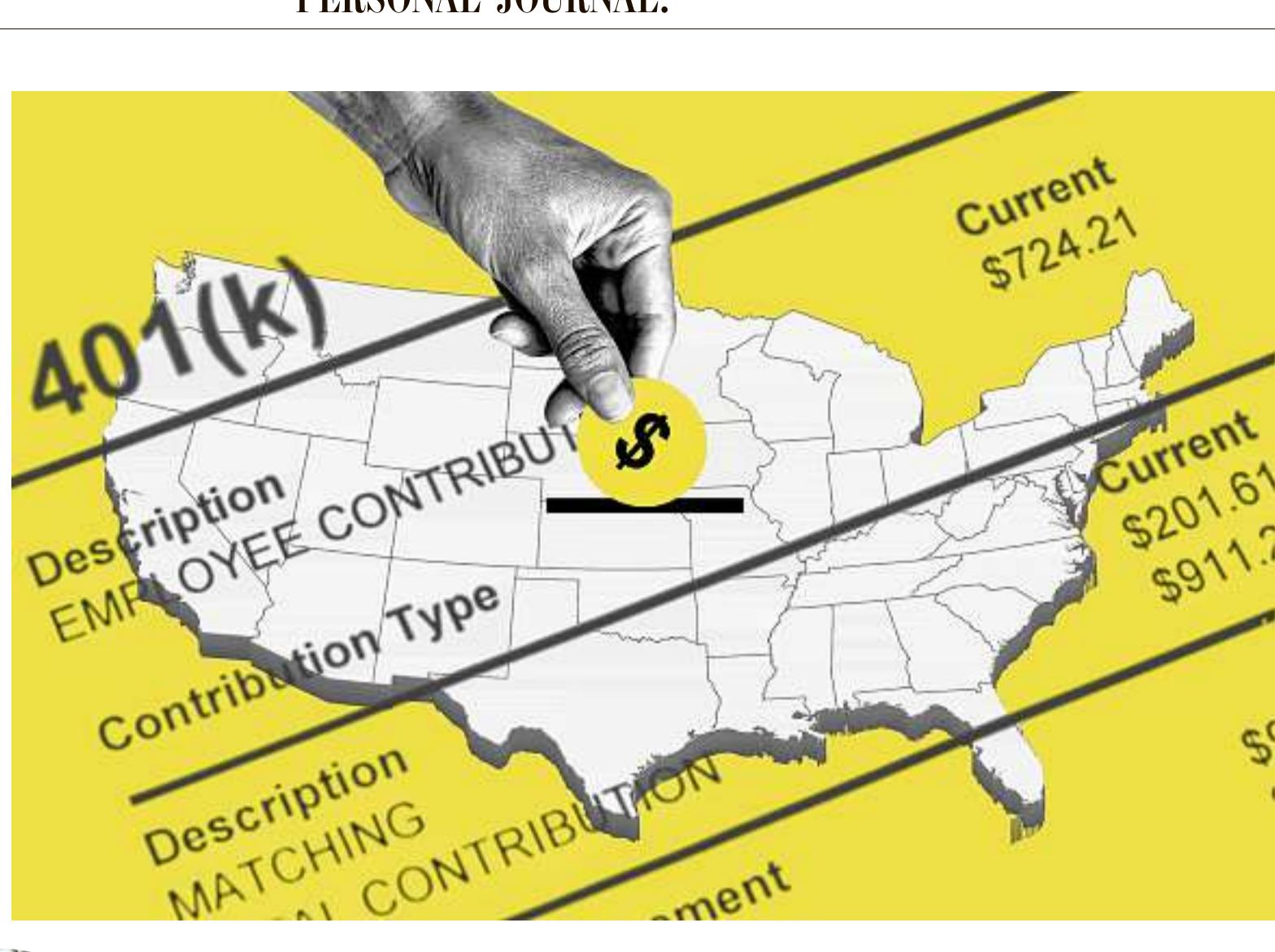
Pew's research shows that companies in California, Connecticut, Oregon and Illinois, where programs are three or more years old, have adopted 401(k)s at a faster rate than the national average. Plan terminations in those states have been around the national average, Scott said.

Mike Vernal started a 401(k) plan on Jan. 1 at Conviction Capital, a San Francisco venture capital company founded in 2023.

Although California offers a state-run program, Vernal, a partner, said he never considered putting the firm's six employees into it. In part, that is because the program uses IRAs, which cap savings at \$7,000 this year, versus \$23,500 for a 401(k).

Conviction auto-enrolls employees in its 401(k) at 3% of pay and provides a 5% contribution, whether employees contribute or not.

"I'm a huge fan of the 401(k)," Vernal said. "I encourage everyone to use one."



New Slang Is Sprouting at High Speeds

Continued from Page One

"You look at yourself in the mirror and you mew," she said. "It's supposed to enhance your jawline."

Every generation has its own slang. But powered by social media, the youngest generations have taken things to a dizzying new level, adding and dropping phrases so quickly the adults in their lives can't keep up. A trickle-down effect among siblings has children as young as 4 declaring something "sus," as in suspect or suspicious.

Philip Lindsay, a middle-school teacher, flags and defines the words that pop up in his classroom on social media. In a recent video, he rattled off 31 phrases he'd heard in a single week.

Beta maxing. Gyat. Gigachad. Baddie. Sigma. Skibidi. The list—and even the definitions and spelling iterations—goes on and on.

Parents are wearing noise-cancelling headphones to drown out what they consider nonsense chatter. Others simply wish they could decipher whether they're being insulted. The bravest among them have taken an "if you can't beat 'em join 'em" approach, diligently researching the latest vernacular and becoming fluent in young-people speak.

"When we had slang there were only a few



phrases that we had to keep up with, and you could kind of guess what they meant," said Jen Kim, a stay-at-home mom from a Dallas suburb. "This is a whole vocabulary that we're trying to decode."

Kim, 38, recently purchased a set of colored pencils for her niece, Avery. Upon opening the gift, instead of thank you, the 10-year-old responded with, "Slay girl, slay."

"I assumed it was good," said Kim.

Less clear was what happened the next time they got together: Kim's husband started pulling Avery's leg, saying how he had "rizz," a derivative of charisma that's been popular with teens for some time—and, word has it, is now on its way out.

"She gave him a look like, 'No, you have no rizz' and started putting him down with all of her insults she knew in her toolbox," said Kim.

Avery went on to tell Kim that she was "beta" and her husband was "omega."

"Because I married him, that brought my stock down," Kim said.

Avery, also from Dallas, says she learns most slang words from her friends, and she's not entirely sure the definitions are consistent across all young people. But she confirmed her uncle has "zero percent rizz" and that by calling him omega she meant he is really not cool.

"Omega is like the lowest rate you can get," she said.

Matt Murray, 51, started having trouble a few years ago determining if his teenage son was insulting him.

Ever since he's been diving into Reddit threads on a weekly basis to

learn the meaning of phrases as they pop up.

"It's kind of like a foreign language," said Murray, who works in strategy for a software company in San Francisco. "I can understand hearing it better than I can speak it."

Nevertheless Murray can now comfortably drop the following words into conversation: deeve, preesh, glazing, Fanum tax, purp and one phrase he says isn't fit to print. He recently used sus in a work meeting but draws the line at skibidi.

"That one seems very nebulous," he said. "I can't figure out what it means so I give up."

Despite appearances, there aren't more slang words than in the past, according to Jessi Grieser, an associate professor of linguistics at the University of Michigan. We're just being exposed to a greater number of them, thanks to the various technologies that allow people to communicate faster and farther.

"There's more power for words that are part of very small communities to break out," she said.

What's notable of late is the shorter lifespan of the words and phrases that catch on.

"That does seem to be related to the cycle of social media and just how quickly a given term can pop up on TikTok, be used, be changed and then just be gone," said Grieser.

Much of current slang has been adopted from African-American and LGBTQ culture, Grieser says, while other pieces are inspired by pop-culture sources, like YouTube shows.

Sharon Blanchet, a 78-year-old retired divorce attorney from San Diego, recently had breakfast with her granddaughter McKenna, 17, and had to stop her mid-conversation to ask what "homie hopping" is.

"It means that if you have a circle of friends, and when your boyfriend



▲ Jen Kim and her husband have been learning the ins and outs of tween slang thanks to Kim's 10-year-old niece.

breaks up with you, he then goes out with your circle of friends," Blanchet said. "Boy, do I feel old."

Carleen Haylett, a startup founder, estimates that her 13-year-old son Fletcher uses at least 50 different words and phrases a day that she would need to Google to understand. She declines to do so.

Fletcher's computer sits in a common space of their house in Costa Rica, and Haylett finds herself unable to focus on a book or a television show while her son chats with his gaming friends.

"I put my AirPods in with the noise-cancelling so I don't have to listen to it," she said.

Even when she can deduce what a word means—"bruh" as a derivative of brother and way to address a friend, for example—Haylett isn't thrilled when her son uses the slang on her.

"Everyone was bruh," she said. "I couldn't take it anymore."

One benefit to the fast-moving nature of language among young people: Bruh is already losing favor.

"I hear it once in a while but it is like so September 2024-ish," said Haylett.



► Cecilia Hermawan keeps up with her daughter's latest lingo through text chains with other parents.

FROM TOP LEFT: ALEXANDRA CITRIN/SAFADI/WSJ; JEN KIM; CELIA HERMANAWAN

ARTS IN REVIEW

By PETER PLAGENS

Art is artifice, and a painting is not documentary evidence of anything but the artist's imagination. On the other hand, as Picasso famously said, "Art is a lie that makes us realize truth." Between these two poles of painterly veracity lies the work of self-described "conceptual portraitist" Amy Sherald (b. 1973), which is currently the subject of a retrospective exhibition at the San Francisco Museum of Modern Art. On view through March 9, the show (organized by Sarah Roberts, the former head of painting and sculpture at SFMOMA who is now at the Joan Mitchell Foundation) consists of nearly 50 paintings dating from 2007 to the present. "Amy Sherald: American Sublime" borrows its subtitle from a poem by Elizabeth Alexander concerning the omission of depictions of slavery in 19th-century landscape painting. What put Ms. Sherald on the art-world map, however, was her official portrait of First Lady Michelle Obama—a work included in this show.

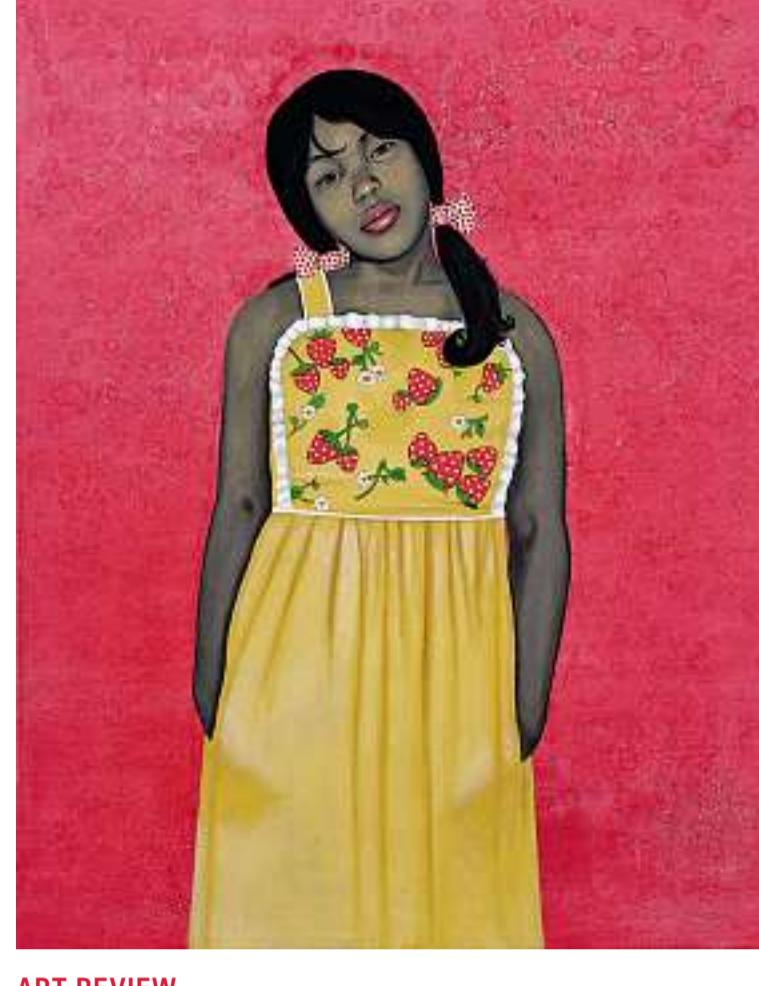
Ms. Sherald, who is now based somewhere near New York City, was born in Columbus, Ga. Her father, a dentist, was a member of the Worldwide Church of God, a fundamentalist, television-friendly denomination broadcasting from Pasadena, Calif. The artist was able to study painting at Clark Atlanta University and go on to earn a master of fine arts degree at the Maryland Institute College of Art in Baltimore. At age 39, she underwent a heart transplant and, consequently, is on a lifetime regimen of anti-rejection medication.

Ms. Sherald's paintings—almost always a frontal, three-quarters portrait against a mostly monochrome, but occasionally mottled, background—are fictions. She thinks up characters and then finds sitters to represent the subjects in such paintings as "Well Prepared and Maladjusted" (2008), "Welfare Queen" (2012),

and "The Girl Next Door" (2019). Until recently, Ms. Sherald found her models simply by approaching strangers; then she began using theatrical casting agents. After choosing her models, she dresses them in character, often adding narrative props, has them assume poses with requested facial expressions—and then takes hundreds of photographs from which she derives the paintings.

Her most prominent—and visually and con-

(3)



ART REVIEW

Insight and Invention

An exhibition focuses on the contemporary American painter Amy Sherald

ceptually successful—device is using grisaille, or variations of gray, for the skin of her black subjects, who, of course, are no more than color than white people are actually white. Ms. Sherald often portrays her subjects wearing brightly hued clothes, which the viewer notices before perceiving the faces—an apt perceptual metaphor for the difficulty white peo-

ple often demonstrate in attributing individual characteristics to the faces of racial minorities.

To this critic, two of the single standing-figure paintings shine. In "They call me Redbone, but I'd rather be Strawberry Shortcake" (2009), the image of the young girl contains, within a winningly tilted face, a perfectly placed highlight on her lips and a kind of

"Well, OK" expression. A minor quibble: Her yellow smock is fairly flat, so her missing hands aren't convincingly in the pockets. ("Redbone" is, incidentally, a Southern euphemism for a black person with light skin.) "The Boy With No Past" (2014) "imagines," writes Ms. Roberts in her catalog essay, "a youth unfettered by history, living in the moment, full of his own light." This mini-paeon is on the mark; the bright-blue striped shirt and custard-yellow pants reinforce the confidence—with just a hint of vulnerability—of the young man.

The best painting in the exhibition is, however, the giant (about 8 feet by 11 feet) "A God Blessed Land (Empire of Dirt)" (2022). It depicts a proud black farmer in overalls and T-shirt taking a momentary break from his labor by standing up on his new-looking John Deere tractor, crossing his arms on his thigh, and looking straight into, as it were, the camera. It displays the main virtue of Ms. Sherald's portraiture—stylization without sacrificing a seemingly documentary truth. In addition, there's a wonderful rendering of the machine. The yellow steel wheels alone are worthy of Charles Sheeler.

'A God Blessed Land (Empire of Dirt)' (2022), one of about 50 paintings in the show.

'They call me Redbone, but I'd rather be Strawberry Shortcake' (2009), above left; 'Well Prepared and Maladjusted' (2008), above.

Perhaps inevitably—since the exhibition is a survey of a black woman artist in the most prominent museum in the most progressive city in the country—the projected case for Ms. Sherald being art-historically a peer of, say, Grant Wood, Edward Hopper and Alice Neel is heavily implied. There's a reproduction of Neel's gritty characterization of civil-rights leader James Farmer in the catalog, and it makes Ms. Sherald's portraits seem a tad decorative by comparison. Nevertheless, the remark by Ms. Sherald's mentor, art historian Arthur Lindsay, that her work constitutes a "soft slap" for the viewer rings true. (Ms. Roberts's essay defines that kind of minor thwack as "an instant after the attractions of richly painted detail and radiant color have drawn you in where you see something more, and are asked to process the thoughts, feelings or preconceptions you have brought to the work.")

"American Sublime" is a timely, beautifully installed exhibition that is, if not an absolute must-see, a really-should-see for those interested in what serious, nobly intended figurative painting can accomplish in a time where pervasive irony and cleverness continue to dominate so much contemporary art.

Amy Sherald: American Sublime
San Francisco Museum of Modern Art, through March 9

Mr. Plagens is an artist and writer in Connecticut.



MUSIC REVIEW

An Album of Bravura Big-Band Artistry

By LARRY BLUMENFELD

In mid-December, most of Arturo O'Farrill's 19-piece Afro Latin Jazz Orchestra lined the aisles of Brooklyn's St. Ann's Warehouse while performing the premiere of his three-part suite "Mundoaguia." Four trumpeters played opening themes, one at a time, first from the right and then the left, the reeds and trombones answering from all directions, the rhythm section from onstage. The experience sounded immersive. It reinforced both the spaciousness of the music and its emphasis on separate parts that interlock to form overarching statements.

The approach underscored another aspect of this ensemble, with which Mr. O'Farrill has won a half-dozen Grammy Awards: Its dynamism draws not just

from its leader's singular vision but also from the wide-ranging perspectives of players born in eight nations. It has grown into a powerful vehicle, too, for the composers from whom Mr. O'Farrill commissions new works.

Mr. O'Farrill's father, the Cuban

composer Chico O'Farrill, played a seminal role in the mid-20th-century combination of Cuban music

and American jazz. Arturo, who was born in Mexico, his mother's native

country, has long furthered the tradition his father helped forge but also has deepened and broadened any notion of Afro-Latin jazz to embrace many cultures and stylistic possibilities. (One example: "Live in the Khaleej," his collaborative project with Kuwaiti guitarist and composer Ghazi Faisal Al-Mulaifi, released last month.)

Mr. O'Farrill, who is now 64 years old, also extends the wild yet rigorous legacy of Carla Bley, a celebrated composer and arranger who died in 2023 and who hired him to tour with her big band as pianist while he was

still a teenager. His December concert ended with three Bley compositions, including "Blue Palestine"—her final commissioned work for Mr. O'Farrill's orchestra.

"Mundoaguia: Celebrating Carla Bley" (Zoho, out Feb. 7)

presents studio recordings of Mr. O'Farrill's new piece and Bley's commission, along with an earlier O'Farrill composition, "Día de Los Muertos."

Bley's impact on Mr. O'Farrill shines throughout. In his liner note, Mr. O'Farrill recalls how she showed him "the three most important ingredients a composer can have: Curiosity, Integrity and Accuracy." Not to mention a sense of humor. Deep in the third movement of "Mundoaguia," Mr. O'Farrill embeds the mel-



ody of "The Star-Spangled Banner," which Bley radically reinterpreted within "Spangled Banner Minor and Other Patriotic Songs," on "European Tour 1977," released shortly before Mr. O'Farrill joined her band.

Mr. O'Farrill's music these days is often tied to social commentary. According to his note, the three sections of "Mundoaguia" address an environmental crisis that threatens our most precious element, water.

Such conceptual considerations aside, musically—through richly detailed sonic textures, brilliant shifts

of mood and tempo, and sheer power—the composition is, to date,

Mr. O'Farrill's masterpiece.

In its first section, "Glacial," his orchestra's four trumpeters—Adam O'Farrill (his youngest son) Rachel Therrien, Seneca Black and Bryan Davis—state prayerful themes that they later interpret through meditative passages. The orchestra re-

sponds as if answering questions,

with Patricia Brennan's vibraphone lending glistening sheen. In the next section, "Mundoaguia," three themes course through the orchestra in percussive fashion before evaporating into breathy passages from flutes and woodwinds, like wind across a desert, before a fast-pulsing climax arrives. The final movement, "The Politics of Water," builds duets and trios into a weave of textures until trumpets play our national anthem all the way through; melodic lines embroider its familiar melody with novel and sometimes dissonant tones. Cut to an unexpectedly calm and lovely ending, nearly a waltz, set to a heartbeat of a rhythm, like one final prayer.

Bley had asked Mr. O'Farrill if he minded her "experimenting with Middle Eastern and South Asian

sounds" in her commissioned piece. Throughout her career, Bley made complex music sound easy and found fresh wrinkles in well-worn grooves, as with the seven-beat, idiomatically Middle Eastern rhythm that opens "Blue Palestine." Bassist Ricardo Rodriguez speeds this rhythm up and solos beautifully on it in the second section. Bley also had a glorious way with ostinati. She used one to mesmerize effect in her third section, building the tenderness of melodies, played here by her daughter Karen Mantler on harmonica, underneath halos of tones from vibraphone and piano, until trumpet and clarinet lead listeners back to the full ensemble, revealed like a shoreline after a fog recedes. Bley also knew how to inspire soloists. When the throbbing rhythm of her opening returns in the final section, it forms a showcase for Adam O'Farrill's fluid yet pithy trumpet improvisations.

The closing, three-part piece "Día de los Muertos" moves from slithering to swaying to brightly pulsing. Its middle section sounds distinctly Mexican, inspired by Arturo O'Farrill's childhood memories of Mexico City's Chapultepec Park. This was before his family moved to Manhattan's Upper West Side, where a street sign now commemorates his father, Chico, who might have smiled at how seamlessly his son's composition slides into a mambo for its final section.

Through his orchestra, Mr. O'Farrill tells us who he is, how he feels, what he thinks, and how he got where he is.

Mr. Blumenfeld writes on jazz and Afro-Latin music for the Journal. He is the 2024 recipient of the Robert Palmer-Helen Oakley Dance Award for Excellence in Writing from the Jazz Journalists Association.

SPORTS

By ANDREW BEATON
AND JOSHUA ROBINSON

New Orleans
For the past 10 days, the Philadelphia Eagles have spent every waking moment coming up with a plan to slow down Patrick Mahomes and the Kansas City Chiefs.

Their coaches have studied hours of game tape, analyzing frame after frame in a bid to identify the trends, tendencies and tricks that the Chiefs will turn to when the game is on the line.

Which is a shame, because in Sunday's Super Bowl, plenty of those well-worn plays will never see the field.

As opponents have learned the hard way this time of year, the Chiefs keep their cleverest schemes and sneakiest plays hidden during the regular season. The Eagles might as well toss all that film they've watched into a Bourbon Street gutter.

"You don't know what you're going to get," Buffalo Bills defensive end Greg Rousseau said after losing in the AFC Championship. "They ran some plays that we haven't seen."

The Chiefs' willingness to keep so much of their best stuff secret explains how a team that spent the entire season looking like mere mortals can suddenly spring to life when the calendar flips to January. Hidden in their 15-2 record were a string of close victories that could easily have broken against them, with five fourth-quarter comebacks.

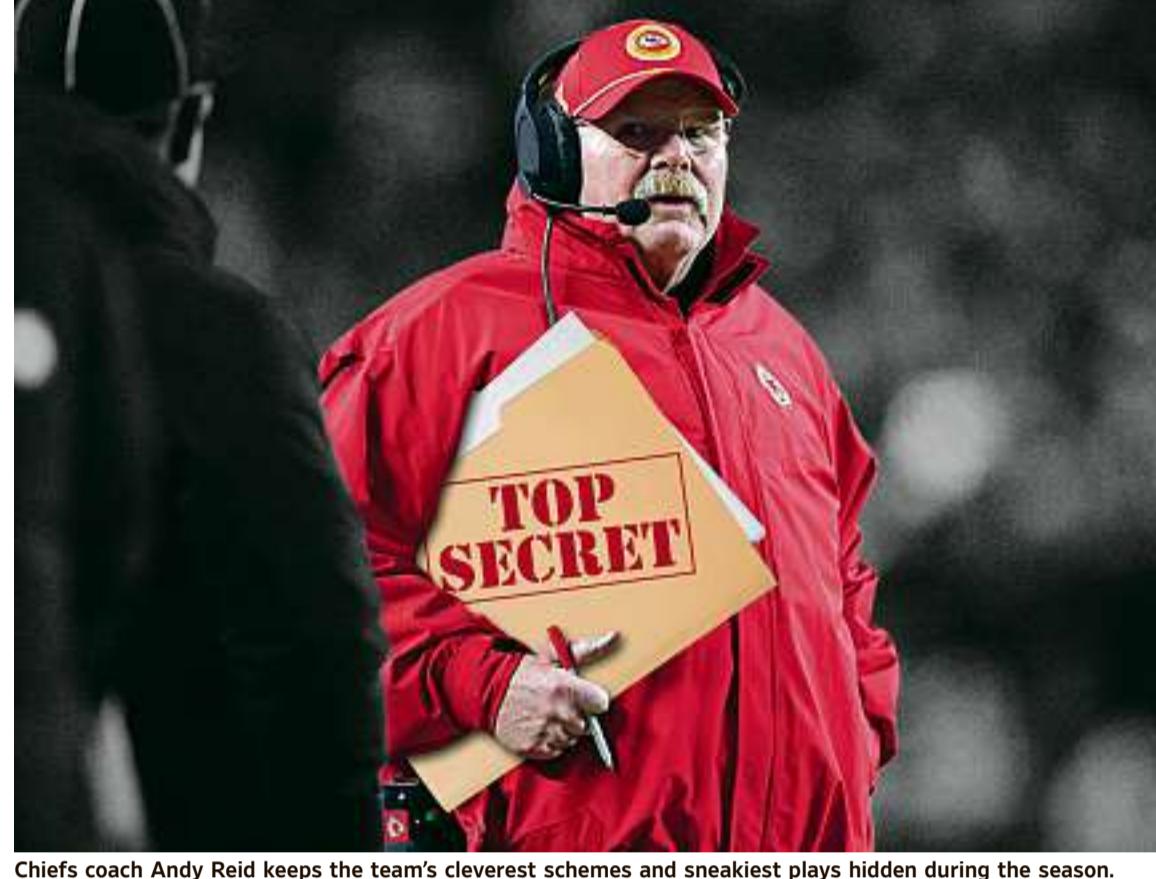
Lots of teams try to save something special for a key moment, but only one has the luxury of going through an entire regular season playing pedestrian football. While other teams are forced to go all out to secure playoff berths and division titles, the Chiefs locked up the best record in the league while relying on a vanilla set of plays.

That all changes once the games become win-or-go-home. If Kansas City's offense in the Super Bowl looks unrecognizable from the one that puttered along all season, it's because it actually is completely different.

Everything from the way the Chiefs line up and go in motion before the snap to Mahomes's willingness to run with the ball changes the moment the playoffs

The Biggest Mystery of the Super Bowl: Do the Chiefs Have a Secret Playbook?

There's a reason Kansas City starts playing like a completely different team every time the postseason rolls around. It's because they're using plays they've kept hidden all season long.



Chiefs coach Andy Reid keeps the team's cleverest schemes and sneakiest plays hidden during the season.

begin.

The challenge for Philadelphia's defense is to figure out a way to prepare for all this unknown.

"Andy Reid is an unpredictable dude," Eagles safety Lewis Cine says.

The Bills were the latest team to learn this lesson. When Buffalo beat Kansas City during the regular season, Reid didn't call a single designed running play for Mahomes. It was the same for most of the regular season. So Buffalo had no reason to expect Mahomes to start running the ball when the two teams squared off again in the playoffs.

That was exactly what the Chiefs were counting on late in

the game.

It was a trap the Chiefs had spent all season setting up—with one final flourish. In the first quarter, Mahomes had lined up in an unusual formation, with tight ends flanking him on either side. On that occasion, he handed the ball off to running back Kareem Hunt, who scored a 12-yard touchdown.

Then in the fourth quarter, the Chiefs lined up in the same set. The Bills knew exactly what was coming. Until they didn't. Expecting the same play, Buffalo's defense converged on the running back. Only this time, the ball remained in Mahomes's hands as he scampered in the opposite direc-

tion for a touchdown.

"They like to have a new play or two or three," Eagles defensive coordinator Vic Fangio said. "It just so happens that the ones they had this past game worked."

Chiefs players are coy when asked about any differences between their regular-season playbook and their approach to the playoffs. ("We don't keep our stuff hidden 'till the playoffs, we just play football," said offensive tackle Jawaan Taylor.) But the numbers make it clear that their offense underwent a sudden and radical transformation right after the regular-season ended.

For one, Mahomes has become far more willing to put his body

on the line. That touchdown run was just the second on a designed run in his entire career—and both have come in the postseason. He has also scrambled 15.2% of the time during the playoffs, including another touchdown run against Buffalo. That's nearly three times his rate of 5.5% during the regular season.

Other changes are more subtle. After going in motion on just 18.2% of snaps during the regular season, speedy rookie Xavier Worth's motion rate has shot up to 33.7% in the playoffs, according to the NFL's Next Gen Stats. His usage paid off when he played a key role in the AFC Championship victory.

The result is that the Chiefs offense has suddenly caught fire. After having the second-lowest explosive play rate during the regular season (10.6%), that has surged to 16% and 17.5% in their two playoff games this year.

The Eagles say they're doing their best to expect the unexpected. They're already on high alert for anything unusual.

Beyond that, Fangio, one of the game's most respected defensive tacticians, has been running them through different scenarios during practice, including sending in playcalls that intentionally put the defense at a disadvantage. It's their job to stop the offense anyway.

"They run plays and stuff that people ain't never seen," Philadelphia defensive tackle Milton Williams said. "So you just have to have your antennas up."

But the Eagles also didn't want to get too specific about how they're scheming against the mysteries the Chiefs might throw their way. Instead, they prefer to rip a page out of the Chiefs playbook—and keep their own counterattacks a secret, too.

"I can't really speak on that," Cine says, "because we're about to play them."

TIMMY HUPN/WSJ, JAMIE SQUIRE/GTY IMAGES/ISTOCK

The WSJ Daily Crossword | Edited by Mike Shenk



LEGAL SEPARATION | By Mike Shenk

Across													
1 Chimney-roosting crows	30 Miles off	53 Called	5 Does something knotty	56 Keep time with, in a way	59 Brief topic	6 "This tastes awful!"	64 Greedy desire	65 Jack Sparrow, e.g.	66 Hookah's kin	67 Victorious shout	68 Caught	69 Owner of the Depop seconhand fashion site	70 Skimmer's kin
5 Disheveled	34 Incense output	56 Keep time with, in a way	59 Brief topic	60 Giants linebacker in the Pro Football Hall of Fame	61 Linebacker in the Pro Football Hall of Fame	62 Male delivery	63 Greedy desire	64 Jack Sparrow, e.g.	65 Hookah's kin	66 Victorious shout	67 Caught	68 Owner of the Depop seconhand fashion site	69 Skimmer's kin
11 Toward the tail	37 Do some kitchen prep	57 Start for cow, horse, dog or lion	58 Make precious	59 Brief topic	60 Giants linebacker in the Pro Football Hall of Fame	61 Male delivery	62 Make precious	63 Greedy desire	64 Jack Sparrow, e.g.	65 Hookah's kin	66 Victorious shout	67 Caught	68 Owner of the Depop seconhand fashion site
14 Where the Nowruz new year is celebrated	38 Roll call response	62 Parking permit, perhaps	63 Make precious	64 Greedy desire	65 Jack Sparrow, e.g.	66 Male delivery	67 Make precious	68 Caught	69 Owner of the Depop seconhand fashion site	70 Skimmer's kin	71 A bunch	72 Satyric celebration	73 Breakdown follow-ups
15 Time to start walking, perhaps	41 Sign	67 Start for cow, horse, dog or lion	68 Make precious	69 Owner of the Depop seconhand fashion site	70 Skimmer's kin	71 Male delivery	72 Make precious	73 A bunch	74 Skimmer's kin	75 A bunch	76 Satyric celebration	77 Breakdown follow-ups	78 Skimmer's kin
16 It may make you start	42 Pierce portrayer	70 Start for cow, horse, dog or lion	71 Male delivery	72 Skimmer's kin	73 A bunch	74 Make precious	75 A bunch	76 Satyric celebration	77 Breakdown follow-ups	78 Skimmer's kin	79 Jam component	80 Automne preceder	81 Skimmer's kin
17 Fight fiercely	43 Blanchett of "The Aviator"	75 Start for cow, horse, dog or lion	76 Satyric celebration	77 Breakdown follow-ups	78 Skimmer's kin	79 Jam component	80 Automne preceder	81 Skimmer's kin	82 Skimmer's kin	83 Skimmer's kin	84 Skimmer's kin	85 Skimmer's kin	86 Skimmer's kin
19 Code component	44 1982 show that earned the Tony for Best Musical	79 Jam component	80 Automne preceder	81 Skimmer's kin	82 Skimmer's kin	83 Skimmer's kin	84 Skimmer's kin	85 Skimmer's kin	86 Skimmer's kin	87 Skimmer's kin	88 Skimmer's kin	89 Skimmer's kin	90 Skimmer's kin
20 Neck adornment	45 Capone chaser	80 Automne preceder	81 Skimmer's kin	82 Skimmer's kin	83 Skimmer's kin	84 Skimmer's kin	85 Skimmer's kin	86 Skimmer's kin	87 Skimmer's kin	88 Skimmer's kin	89 Skimmer's kin	90 Skimmer's kin	91 Skimmer's kin
21 Stands for a presentation	46 Key element in Greek tragedies	81 Skimmer's kin	82 Skimmer's kin	83 Skimmer's kin	84 Skimmer's kin	85 Skimmer's kin	86 Skimmer's kin	87 Skimmer's kin	88 Skimmer's kin	89 Skimmer's kin	90 Skimmer's kin	91 Skimmer's kin	92 Skimmer's kin
23 Wild	47 Washington Square Park landmark	82 Skimmer's kin	83 Skimmer's kin	84 Skimmer's kin	85 Skimmer's kin	86 Skimmer's kin	87 Skimmer's kin	88 Skimmer's kin	89 Skimmer's kin	90 Skimmer's kin	91 Skimmer's kin	92 Skimmer's kin	93 Skimmer's kin
25 Gloomy atmosphere	48 Scientific truth	83 Skimmer's kin	84 Skimmer's kin	85 Skimmer's kin	86 Skimmer's kin	87 Skimmer's kin	88 Skimmer's kin	89 Skimmer's kin	90 Skimmer's kin	91 Skimmer's kin	92 Skimmer's kin	93 Skimmer's kin	94 Skimmer's kin
26 Jude of "Cold Mountain"	49 Shimmering stone	84 Skimmer's kin	85 Skimmer's kin	86 Skimmer's kin	87 Skimmer's kin	88 Skimmer's kin	89 Skimmer's kin	90 Skimmer's kin	91 Skimmer's kin	92 Skimmer's kin	93 Skimmer's kin	94 Skimmer's kin	95 Skimmer's kin
28 It's used for cutting blades	51 Unsavory	85 Skimmer's kin	86 Skimmer's kin	87 Skimmer's kin	88 Skimmer's kin	89 Skimmer's kin	90 Skimmer's kin	91 Skimmer's kin	92 Skimmer's kin	93 Skimmer's kin	94 Skimmer's kin	95 Skimmer's kin	96 Skimmer's kin

22 Carelessly apply

24 Sound

25 100-céntimo currency

26 Lindsay of "Mean Girls"

27 "Easy on Me" singer

29 Made money from, as roulette

31 Alfred Hitchcock's last movie

32 Container for matches

33 Freshen up

35 Good sense

40 Went for

46 Many an opening shot

47 Scottie in the 1940s White House

50 Cops' quarries

52 Wishy-washy answer

53 Roll the dice, say

54 In fine fettle

55 Mail deliverers at Hogwarts

57 A bunch

58 Satyric celebration

61 Marksman's org.

62 Jam component

63 Automne preceder

Alex Ovechkin Is the Great One When There's No Goaltender

By LAINE HIGGINS

THERE WERE 0.1 SECONDS

left in regulation on Tuesday night when Alex Ovechkin scored his 25th goal of this NHL season, moving him one step closer to a record long thought untouchable.

The 39-year-old Washington Capitals star is now just 17 goals shy of Wayne Gretzky's all-time record. With 29 games left, there's a legitimate chance that Ovechkin overhauls the Great One's 894 goal mark before the end of the season.

But that wasn't the only notable thing about Ovechkin's latest goal. Just as striking was the way that he scored it—by shooting the puck into an empty net.

In NHL history, no one has scored more empty-netters than Ovechkin. Over the course of his 20-year career, he's pocketed 63 goals without a goaltender on the ice, including six this season.

By way of comparison, that's seven more empty-net goals than Gretzky scored during his 20 years in the league and 25 more than Boston Bruins winger Brad

Marchand, the next-highest active player on the list.

There are those who say Ovechkin's avalanche of undefended goals diminishes his quest to break the game's goals record. Back when Gretzky was lacing up his skates, teams pulling their goalie at the end of the game still counted as a rarity.

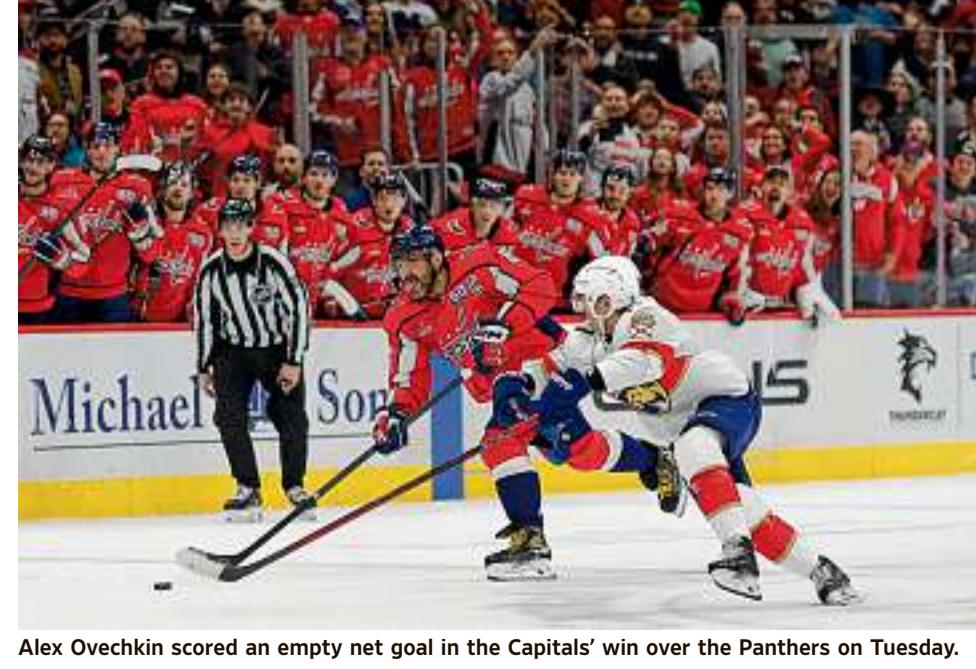
In the years since, analytics have shown how advantageous it is to have a sixth skater on the ice, giving aggressive forwards like Ovechkin more opportunities to score unimpeded.

But the fact that Ovechkin has so many empty net goals also speaks to the ways he's impacted the Capitals across his long career. Washington only gets a chance to face an empty net if their opponent is scrambling to erase a deficit.

Which is another way of saying that to score an empty-net goal, the Capitals already have to be in the lead.

And when Ovechkin is on the ice, the Capitals often find themselves ahead on the scoreboard.

Since his rookie season in 2005-06,



Alex Ovechkin scored an empty net goal in the Capitals' win over the Panthers on Tuesday.

GOFF BURKE/REUTERS

▶ Solve this puzzle online and discuss it at [WSJ.com/Puzzles](#).



Alex Ovechkin scored an empty net goal in the Capitals' win over the Panthers on Tuesday.

OPINION

Trump Gets McKinley Wrong

By Karl Rove

President Trump has a man crush on a predecessor. It isn't Washington, Jefferson or Lincoln but William McKinley.

There's much to admire in the 25th president, a decorated Civil War veteran, respected congressman and two-term Ohio governor. As president, he restored prosperity after a terrible depression, quickly won a war with Spain, and broke the Gilded Age's political stalemate, ushering in a 36-year period of Republican domination.

But Mr. Trump is drawn to McKinley for one reason: tariffs. So much so that he gave him a shout-out in his inaugural address, saying the Ohioan "made our country very rich through tariffs."

The 25th president supported tariffs, but only as a means to trade reciprocity.

One problem: On tariffs, the president gets McKinley wrong in important ways. For starters, McKinley presided over Washington in a very different time. Federal spending in 1900—the year of his presidential re-election—was 3% of gross domestic product. Last year, federal outlays were 23% of GDP. It would be impossible to rely on tariffs on nearly \$3.3 trillion in foreign imports to fund last year's more than \$6.8 trillion federal budget.

Tariffs in McKinley's time had long been a budgetary sta-

ple. From 1863 to 1913, they brought in 49% of federal revenue, and much of the rest came from excise taxes on tobacco and liquor. In 2024, 48% of revenue came from personal income taxes, 36% from Social Security and Medicare taxes, and 10% from corporate taxes. Only 1.9% came from tariffs.

Mr. Trump also doesn't grasp that McKinley's tariff views shifted as our economy grew and changed. He told a Virginia audience in 1885, "I am a high protectionist." That political boast was misleading. As House Ways and Means Committee chairman, he told business leaders pleading for higher tariffs not to tell him what they wanted but what they needed. He complained that in the tariff bills he authored as a congressman in 1890 and supported as president in 1897, he was forced to accept hundreds of Senate amendments that raised levies higher than he wanted. He had warned them that if tariffs were too high, "you diminish importations and to that extent diminish the revenue."

Moreover, he saw the effect of industrialization and technological innovation on America's economy. These raised production, increasing the importance of trade to the nation's prosperity. The U.S. needed more markets.

The change in his thinking became apparent while he worked as Ways and Means chairman to pass a tariff bill in



An 1896 McKinley campaign handkerchief.

the chance to lower trade barriers. He appointed the first U.S. trade representative, who negotiated deals with Britain, France, Argentina and other trading partners. But the Senate—dominated by high protectionists—turned the treaties down.

Following his 1900 re-election, McKinley returned to the issue, touring the country to extol reciprocity's virtues. He emphasized the idea at the Pan-American Exposition in Buffalo, N.Y., in September 1901. There he proclaimed the U.S. was in "a state of unexampled prosperity." The cause wasn't tariffs but "our capacity to produce." Expanded trade was crucial to continued prosperity, so America must negotiate mutual reductions in tariffs. Reciprocity agreements "are in harmony with the spirit of the times; measures of retaliation are not."

This was his last speech. The next day, in a receiving line, he was shot twice by a terrorist. He died eight days later.

It's impossible to know what would have happened if he had survived. But it is clear that he recognized reciprocal low tariffs were important to U.S. prosperity. That's still true today. Let's hope his fan in the Oval Office realizes it.

Mr. Rove helped organize the political-action committee American Crossroads and is author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

The Oscars Hit an Antiwoke Land Mine

By Kyle Smith

If you want to send a message, Samuel Goldwyn said, call Western Union. In the past decade, the Academy of Motion Picture Arts and Sciences has turned that dictum on its head. The best-picture Oscar has gone to a story about a black drug dealer struggling to come to grips with his homosexuality ("Moonlight," 2016), a love affair between a mute woman and a misunderstood man-fish she saves from vivisection at the hands of vicious anticommunists ("The Shape of Water," 2017), and a racist white driver who learns the error of his ways via an unexpected friendship with a black concert pianist ("Green Book," 2018).

The Oscars audience has dwindled accordingly, yet until last Thursday this year's front-runner for the awards was "Emilia Pérez," the operatic tale of a Mexican drug lord who becomes a better person by undergoing "transition" surgery. The Spanish transgender actor Karla Sofia Gascón (born Juan Carlos Gascón), who plays the title role, was nominated for best actress, and the French-made film led all others with 13 nominations. The opportunity

to celebrate transgenderism at this cultural moment, with the winners invited to say or imply "Take that, Donald Trump!" from the stage, appeared to be too tempting to pass up.

That was last week. This week, however, all Hollywood can talk about is the shocking past remarks of the nominee—who, far from being embraced as a spokesperson for tolerance, is being denounced as "racist," "hateful" and even "misogynistic." The contretemps began when a black Muslim journalist, Sarah Hagi, began to suspect that Ms. Gascón, who before "Emilia Pérez" was little-known in the U.S., had a less than welcoming attitude toward Islam.

A search on X.com (formerly Twitter) turned up such eyebrow-raising comments as this one, from 2020, originally written in Spanish: "I'm sorry, is it just my impression or are there more Muslims in Spain? Every time I go to pick up my daughter from school there are more women with their hair covered and their skirts down to their heels. Next year instead of English we'll have to teach Arabic." Shortly after the death of George Floyd, Ms. Gascón wrote, "I really think that very few people ever cared about George

Floyd, a drug addict swindler, but his death has served to once again demonstrate that there are people who still consider black people to be monkeys. Without rights and consider policemen to be assassins. They're all wrong."

The star of 'Emilia Pérez' hasn't been signaling much virtue.

Ms. Gascón was even accused of liking Hitler, based on this (seemingly ironic) comment from 2019: "This is the same old story, 'black slaves and women in the kitchen.' But it is my opinion and it must be respected. I do not understand so much world war against Hitler, he simply had his opinion of the Jews. Well, that's how the world goes."

Perhaps most ill-advisedly, Ms. Gascón made fun of the Oscars ceremony itself, writing of the notoriously dull 2021 broadcast, "More and more the #Oscars are looking like a ceremony for independent and protest films. I didn't know if I was watching an Afro-Korean festival, a Black Lives Matter demonstration or the 8M. Apart from

that, an ugly, ugly gala." ("The 8M" refers to March 8, International Women's Day.)

Overnight, a walking symbol of Hollywood's love, tolerance, empathy and inclusivity was rebranded as the opposite of all these things. Hollywood was skipping merrily toward rewarding the wokiest movie of the year when it stepped on an antiwoke land mine.

What now? Funny enough, Ms. Gascón might have done the industry a favor. With a Rotten Tomatoes audience-approval rating of only 18%, "Emilia Pérez" was poised to be perhaps the most widely hated best-picture winner in Oscar history. Should the controversy inspire the Academy to bestow its top prize on a better-liked musical about tolerance—the funny and sumptuous "Wicked," which has earned more than \$450 million at the domestic box office ("Emilia Pérez," a Netflix feature, was barely released in theaters)—it'll be a sharp rebuke to those who say Oscar has lost touch with the audience. And the whole mess might inspire the Academy to rethink its policy of using its big night for political activism.

Mr. Smith is the Journal's film critic.

China Watches as Russia's Economy Teeters

By Thomas J. Duesterberg

Xi Jinping has been a close observer of Russia's three-year old war in Ukraine. China's president has been supplying his "dear friend" Vladimir Putin with advanced technologies and helping to prop up the Russian economy, and he is studying Russia's ability to withstand Western sanctions. Mr. Xi is searching for clues on how the West might try to punish China for crushing Taiwanese independence.

Mr. Putin claims the Russian economy is doing fine, but it isn't. The combined effects of conscription, defense-production increases and a mass exodus of working-age men have led to labor shortages that are driving up wages and weakening the defense industrial sector. Officially inflation is 10%, though most economists think it's much higher. Rents in major cities are beyond the reach of most middle-class residents. Interest rates on commercial loans are 21% and expected to rise further, sapping the financial via-

bility of Russian companies. Banks are challenged by Kremlin requirements to provide below-market rates and almost unlimited levels of credit to military-related firms. Moscow is cutting social spending to meet its war needs. The ruble is highly unstable.

With U.S. leadership, sanctions have cut off Russia's ability to raise capital from Western sources. In 2023 and 2024 several auctions of ruble bonds

banks. Beijing doesn't want to lose access to the dollar-denominated financial system.

Russia's only remaining sources of funding are its national wealth fund and revenues from oil and gas exports. The fund has been forced to liquidate holdings to pay for current needs. It held about \$300 billion in foreign reserves before the war, which are now frozen. Its prewar domestic holdings, also about \$300 billion, have been drawn down by two-thirds. At current rates the liquid reserves will be depleted sometime in 2025.

Since the war's start, Russia has been sending 90% of its oil exports to China and India, but ports in both countries have begun refusing to take delivery for fear of sanctions on their banks and other companies. Northern European countries are also pulling back. The last gas pipeline source from Russia to Europe closed at the end of 2024.

Without access to new liquidity, Mr. Putin has few good options to meet his budget. He can print money, which could lead to hyperinflation, or he can raise taxes, which could

lead to social unrest. The already-stressed Russian people have signaled their opposition to both options.

China has done what it can to help, increasing exports to the Russian market of electric vehicles and other manufactured consumer goods. But Chinese banks have been subjected to sanctions for facilitating Russian acquisition of military goods. China's economy is also slumping. Further sanctions could put Beijing's appetite for conflict with the West to the test.

President Trump recently threatened Moscow with new sanctions unless Mr. Putin agrees to a quick peace in Ukraine. The Russian president should take the threat seriously because his country's ravaged economy is teetering on the edge. Another round of severe sanctions could push it into outright crisis. If that happens, Mr. Xi will certainly get the message. He'll be forced to think about the price of his own aggression against Taiwan.

Mr. Duesterberg is a senior fellow at the Hudson Institute.

failed. This suggests that Russian banks and oligarchs are increasingly reluctant to take on debt issued by the stressed Kremlin. Bond yields for 10-year sovereign issues have soared. The entire stock of sovereign debt has declined by 35% since the war began.

China has also grown leery of buying Russia's war bonds as it fears sanctions on its own

lead to social unrest. The already-stressed Russian people have signaled their opposition to both options.

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Mr. Duesterberg is a senior fellow at the Hudson Institute.

BOOKSHELF | By Dave Shiflett

A Brawl Over Big Sky Country

The Crazies

By Amy Gamerman

Simon & Schuster, 464 pages, \$29.99

"Wind prospector" is an arresting job title, suggesting an entrepreneur brimming with animal spirits and eager to find a way of converting wind into electricity—and profits. Amy Gamerman's "The Crazies" features just such a spirited entrepreneur and a cast of other compelling characters, including struggling ranchers, bucolic billionaires, Native American traditionalists, and the lawyer (and landowner) who sprang Britney Spears from a marriage that came hot on the heels of the bride and groom viewing "The Texas Chainsaw Massacre."

The Crazies in this drama are not only human. The term is colloquially applied to a collection of 30 or so stunning Montana mountains with a history of adoration and conflict. Long ago, the Crow and Cheyenne fought over the region's prime hunting land, which was eventually covetous by railroad men and ranchers. The ranchers in recent times have included Rick Jarrett, a struggling fifth-generation cattleman who had hopes to make ends meet long enough to pass his 2,000-acre spread along to the sixth generation.

Enter, in 2004, Marty Wilde, a swashbuckling wind prospector who toured Jarrett's ranch and declared: "I think we can make something happen here." Of Wilde, Ms. Gamerman writes: "He didn't pan for gold in a stream; he sought it in the air." Montana, she reports, has "some of the best wind in the Lower 48," and it blew across Jarrett's ranch at an average of 18 miles an hour—perfect for wind farming, as Wilde noticed. Turbines promised to perform "a magical alchemy that would erase Jarrett's debts and narrow the gap that separated him from his neighbors."

The gap separating Jarrett and his neighbors was, in metaphorical terms, a grand canyon. Russell Gordy, an oil and gas billionaire, owned around 200,000 acres of Western ranch land, including 40,000 Montana acres near the Crazies that he had purchased in 2002 for \$40 million. While Jarrett owned a 30-year-old car, Mr. Gordy owned two planes and a few helicopters.

Similarly, the Las Vegas lawyer David Chesnoff, whose 200-acre ranch in the Crazies boasted frontage on the trout-rich Yellowstone River, had celebrated his 50th birthday at Caesars Palace with 700 guests. His client list included David Copperfield, Paris Hilton and a few Hell's Angels, plus Ms. Spears, whose hasty, post-film-watching marriage, at Vegas's Little White Wedding Chapel, he had managed to get annulled within three days.

The wealthy admirers of the Crazies, who might spend a month or two annually at their trophy ranches, would rather sit beside a barking dog on a trans-Pacific flight than have their mountain views marred by Jarrett's proposed turbines, an opposition shared by Crow activists, who deemed the ground sacred. A range war, of an elevated sort, was under way.

The wind blew across his Montana ranch at an ideal rate of 18 miles an hour. His neighbors wanted nothing to do with turbines.

Ms. Gamerman, a longtime Wall Street Journal contributor, conveys the craziness of this saga with empathy and vivid detail, as well as capturing the conflicting principles and colliding interests that underlay the drama, not to mention the bureaucratic ordeal. We get a chronicle of the hoop-jumping required to proceed with a wind farm, even a small farm of the kind proposed by Jarrett (along with a few of his neighbors). The sequence of data mapping, wind studies, public hearings, commission meetings, and a lawsuit to delay construction is a reminder that, while dreams of riches come and go, regulatory grind is eternal.

Potential eye-glaze is avoided by Ms. Gamerman's lively prose and sharp portraiture, not least the contrast she provides between the oligarchs, as Mr. Gordy and his wealthy neighbors came to be known, and the turbinites—Jarrett and his allies. The latter hoped that a wind fall would allow them to purchase a \$10,000 bull to genetically spark their cattle herd. Meanwhile, amid the wrangling, Mr. Gordy's sporting-goods emporium—a hobby of sorts—offered a set of handcrafted shotguns valued at \$550,000. Ms. Gamerman reminds us that the golden people don't always glitter, as when a billionaire's girlfriend spikes a romantic competitor's brownie with Ex-Lax to ensure alone time with the target of their shared desire.

Crazy Mountain Wind, as the turbine project was named, eventually caught the eye of a San Francisco firm, which spent \$10 million developing it. Sadly, Wilde was crushed in a tractor accident in 2017. An injunction to stall completion of the project ended up with a sympathetic judge who found the oligarchs' arguments persuasive. The view-blocking turbines would stand at 495 feet, "nearly twice the height of Montana's tallest building," Ms. Gamerman writes. Worse yet, as a plaintiff lawyer warned, eagles would fly into the machines and be "Cuisinarted."

The oligarchs' lawsuit, which they won in 2019, took the wind out of Crazy Mountain Wind's sails. "Litigation was fatal to project financing," Ms. Gamerman says, and while counter suits came to nothing, Mr. Gordy and Mr. Chesnoff acknowledged that the defendants had been deprived of the right to use their property in a way they desired. A settlement followed, though the terms haven't been made public.

The story ends with Jarrett's 2023 funeral (for some years he had suffered from Parkinson's). Ms. Gamerman, whose heart is clearly with the underdog ranchers, cites a study insisting that unabated climate change will create droughts, famines and over "a billion climate refugees." Plus war. Ergo, "every wind project, however small, becomes essential." Meeting net-zero climate goals, she adds, would require a "thousandfold" increase in wind-generation capacity. Readers might reasonably conclude that we will see palm trees in Anchorage before turbines get a chance to save us.

Mr. Shiflett posts his original music and writing at Daveshiflett.com.

OPINION

REVIEW & OUTLOOK

About Those Beachfront Gaza Condos

President Trump's idea that the U.S. might remove and relocate some two million Palestinians from Gaza and then "own" and rebuild the strip isn't going to happen soon, if ever. But the idea, however preposterous, does have the virtue of forcing the world to confront its hypocrisy over the fate of the Palestinian people.

The reaction to Mr. Trump's flyer was predictably hyperbolic. Some called it "ethnic cleansing," as if the U.S. military would round up two million Gazans against their will. Others criticized Mr. Trump for U.S. imperialism, contrary to his campaign theme of deriding foreign interventions. For those reasons and more, his Gaza daydream is fanciful.

But note that Mr. Trump expressed admirable sympathy for the Palestinians and their plight. The Gaza strip "has been a symbol of death and destruction for so many decades and so bad for the people anywhere near it," he said Tuesday at a press conference with Israeli Prime Minister Benjamin Netanyahu. Who could disagree with that?

He went on to say "we should go to other countries of interest with humanitarian hearts, and there are many of them that want to do this and build various domains that will ultimately be occupied by the 1.8 million Palestinians living in Gaza, ending the death and destruction and frankly bad luck."

"This can be paid for by neighboring countries of great wealth. It could be one, two, three, four, five, seven, eight, 12. It could be numerous sites, or it could be one large site. But the people will be able to live in comfort and peace and we'll get—we'll make sure something really spectacular is done."

It's easy to dismiss this as the fantasy of a

Critics deride Trump's idea, but what are they offering Palestinians?

presidential huckster who imagines Trump condos on a Gaza Gold Coast. But is his idea so much worse than the status quo that the rest of the world is offering?

The famous "two-state solution," with a Palestinian state next to Israel, won't happen as long as Hamas still runs Gaza and could run the West Bank.

The Arab states aren't clamoring to send in peace-keeping forces to eradicate Hamas or govern the strip. The best the world can come up with is to mouth the "two-state" platitude and let Gaza remain a hell-hole where Hamas will revive its reign of terror, and Palestinians who want something different will be tossed off buildings.

The reaction to Mr. Trump's brainstorm highlights in particular that the Arabs don't really care about the Palestinians. Egypt refused to take over Gaza when Israel offered it along with the Sinai Peninsula after the 1978 Camp David Accords. Egypt wouldn't even let Palestinian civilian women and children leave Gaza for a temporary refuge at the height of the recent Hamas-Israel war.

As for Jordan, in 1971 King Hussein killed and expelled Palestinian nationalists who threatened Hashemite rule. "No refugees in Jordan, no refugees in Egypt," said Jordan's King Abdullah II after the Oct. 7, 2023 massacre. Neither country wants Palestinian migrants who might bring jihadist impulses backed by money and guns from Iran.

We doubt Mr. Trump has any appetite to send in the 82nd Airborne to occupy Gaza. We know the American people don't. But perhaps his pitch will cause the rest of the world to do more to support a post-Hamas government in Gaza that would let Palestinians live in a territory that is better than hell on earth.

A Josh Hawley-Bernie Sanders Mind Meld

These are confusing political times on the right, as self-styled conservatives adopt left-wing economics. The latest example is the mind meld between Missouri Sen. Josh Hawley and Vermont socialist Bernie Sanders on a bill to cap credit-card interest rates at 10%.

"Working Americans are drowning in record credit card debt while the biggest credit card issuers get richer and richer by hiking their interest rates to the moon," Mr. Hawley says in a Monday press release. "It's not just wrong, it's exploitative." Mr. Sanders must be smiling.

The Republican Senator says President Trump endorsed a 10% interest rate cap during the campaign, and now's the time to deliver. Mr. Trump floated this sop to voters seemingly without giving a thought to the negative consequences. But Mr. Hawley purports to be a serious thinker, so why hasn't he?

Remember when economists and Republicans criticized Kamala Harris for proposing price controls on groceries? Well, a cap on interest rates is a price control on credit. When you put a price control on something, you are asking for less of it. Apologies for this lesson in Econ 101, but that's where we are with the political class these days.

It's true that credit-card rates have climbed over the last decade. This is what happens when inflation rises and the Federal Reserve raises interest rates in response. The average monthly annual percentage rate on new credit cards is 24.3%—meaning that someone will pay \$20.25 in interest a month on a \$1,000 unpaid balance.

They want a 10% cap on credit-card rates that would mean less credit.

A 2022 paper by Federal Reserve Board staff found that card issuers in recent years have also steered more card revenue into consumer rewards like travel miles. It

noted that banks are originating "credit cards to riskier borrowers who paid higher interest rates."

Credit card delinquencies have also increased over the past couple of years, so banks are charging higher rates to compensate. Delinquency rates are now roughly the same as in early 2009. People typically prioritize payments on mortgages and auto loans over unsecured debt, which is why credit cards carry higher rates. Yet credit-card profits have remained relatively stable over time.

In other words, credit-card issuers aren't getting "richer and richer." They've adjusted rates to compensate for increasing costs and customer risk. Capping the interest rate at 10% would render most credit cards unprofitable. Issuers might try to compensate by charging higher fees. But the 2009 CARD Act restricts the kinds of fees issuers can charge.

The result of that law is instructive. Card issuers responded by raising rates and reducing credit to non-prime borrowers. A paper by the Philadelphia Fed concluded the law "likely had an adverse effect on non-prime borrowers." The same would be true of the Hawley-Sanders bill. Some might have to turn to payday loans, which carry higher fees.

Mr. Trump won the election by promising to renew broad prosperity. A cap on interest rates would contribute to the opposite.

A Budget for French Decline

French President Emmanuel Macron's era of pro-growth reform is over. That's the signal from the new 2025 budget, and Mr. Macron is the main architect of his own demise.

Mr. Macron's ill-advised snap election last year left the French Parliament divided among the hard left, hard right and an enfeebled Macronist center. This is ungovernable even by French standards. The government can bypass a vote and push through legislation by invoking Article 49.3 of the French Constitution. And that's what Prime Minister François Bayrou did Monday to impose a budget.

The signature achievement of Mr. Bayrou's budget is to bring the French budget deficit to about 5.4% of GDP, down from 6.2% last year. That puts France closer to the European Union's 3% target—but so what? The budget does this by raising taxes on the productive parts of the French economy without reining in the unaffordable entitlement state.

The average corporate tax rate is 25%, but this budget includes a one-time increase that drives it as high as 41.2% on France's largest businesses. There's also a complicated one-time tax hike expected to raise some €2 billion in additional revenue from individuals.

The temptation will be to make these one-time surcharges permanent if the economy doesn't grow faster. The budget also increases the tax on financial transactions to 0.4% from 0.3% and nearly triples the tax on economy-class plane tickets within Europe to €7.30 from €2.63, among other levies.

These taxes "on companies that produce in France" are "incredible," Bernard Arnault, head

More tax increases that will slow growth, as Macron's influence ebbs.

of the luxury-goods company LVMH, said last week. "If you actually wanted them to relocate, that would be the ideal way to do it."

Many of the supposed budget savings come from unspecified cuts to government ministries or budget gimmicks, and behold what Mr. Bayrou's budget failed to cut. The French education

system has become bloated as the birth rate declines, but under pressure from unions the Bayrou budget preserves 4,000 excess teaching jobs. The right-wing National Rally had wanted to cut expenditures on health-care for foreigners, which it views as a lure for illegal immigration, but the budget instead freezes spending on overall state medical aid at 2024 levels.

This lack of spending restraint is the price Mr. Bayrou paid to preserve his government. When Article 49.3 is invoked, the National Assembly's recourse is a no-confidence vote that blocks the legislation and topples the government. That's what happened in December when Mr. Bayrou's predecessor Michel Barnier tried to ram through a budget.

MPs voted Wednesday night on censure motions brought by the left-wing France Unbowed and its allies, but the Socialists declined to join them, preserving Mr. Bayrou's government. Socialist leader Olivier Faure hopes to persuade Mr. Macron "that a left-wing Government is needed" and increase social spending later.

Mr. Macron could also try to break the gridlock by calling another snap election this summer. But on present course his Presidency looks set to end by defeating the pro-growth reform era he promised.

OPINION

Trump's Plan to Free the Palestinians

By Elliot Kaufman

President Trump shocked the world with his proposal to resettle Gazans in nearby countries, but not because the idea is cruel. Few critics dispute his point that it would benefit the displaced to escape the "demolition site" of Gaza and live in peace rather than as cannon fodder. The real disturbance, after decades to the contrary, is to think seriously about what it would mean to put Palestinian lives first rather than sacrificing them to the lost cause of Palestine as their leaders always do.

On Oct. 19, 2023, Hamas leader Khaled Mashal suggested that to achieve the dream of Israel's destruction, and with it an Arab Palestine from the river to the sea, millions of Palestinians might have to die. The prospect doesn't trouble him. Years earlier the Palestine Liberation Organization's Yasser Arafat and Mahmoud Abbas turned down Israeli offers of statehood—unprecedented for a national liberation movement—and the Palestinian leader from the 1920s through the '40s, Hitler ally Amin al Husseini, did much the same before and at Israel's founding.

The purpose of the Gaza Strip is to keep them as perpetual refugees waging a forever war on Israel.

Reimagining the failed Arab drive to wipe out the Jews, only a few years after the Holocaust, as a story of Palestinian victimization and valiant resistance to Zionist aggression is the essence of the lost cause. Each major Palestinian leader has preferred his own generation to suffer rather than consent to live alongside a Jewish state on any part of the Jewish homeland.

This is the worst kind of nationalism, an eliminationist one that brings its people only misery. But Arab



Trump and Netanyahu at the White House Tuesday.

international community. I wrote on these pages in May that backing Egypt in this decision was Joe Biden's worst mistake of the war, making it longer, bloodier and less decisive than it ought to have been.

When Mr. Trump says he would like to "resettle people permanently in nice homes and where they can be happy and not be shot, not be killed," he is accused of inhumanity. The humane solution, by liberal lights, is to sacrifice another generation of Palestinians to permanent refugee status and a forever war on Israel. That's what life in Gaza holds for them.

Most Israelis, for their part, can hardly believe their good fortune. Leading political commentator Amit Segal quotes Psalms: "When the Lord restored the fortunes of Zion, we were like dreamers." Nadav Eyal, his liberal counterpart, suggests Mr. Trump's idea could be effective leverage for a Saudi deal. Let Riyadh take credit for saving Gaza by making peace with Israel. Others see the threat of U.S. control as a way to prod Arab states to take responsibility for Gaza. A new range of possibilities has opened up. Conservative publisher Rotem Sella writes, "Tonight, 'total victory' has turned from an abstract idea into a clear and near reality."

All know that a President Kamala Harris would sooner have suggested the evacuation of Israel than of Gaza. Prime Minister Benjamin Netanyahu gambled by resisting Mr. Biden's conventional ideas for the "day after" the war, most of them likelier to hasten the next war than to bring peace. Now, in dealing with Mr. Trump, Israel can reap the reward.

That's what many find so intolerable about Mr. Trump's idea. Not that it would hurt Palestinians—it would help them—but that it would set back the lost cause, which, profligate as ever with Palestinian lives, had seemed to prosper so wonderfully from the war in Gaza and the death squads' work on Oct. 7, 2023.

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

omegawatches.com



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With one leap towards history, OMEGA counts down the hours, minutes, and seconds to the Olympic and Paralympic Winter Games Milano Cortina 2026. As Official Timekeeper, we'll be there the moment the clock strikes zero. On February 6, 2026, at the Olympic Winter Games, we'll capture more than just time—we'll capture every heartbeat, every record-breaking moment, and every dream set into motion.



OMEGA
OFFICIAL TIMEKEEPER



BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, February 6, 2025 | B1

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Streaming Business Lifts Disney

Entertainment firm is transforming unit into hub for sports, news, movies, TV

By ISABELLA SIMONETTI

Streaming gains bolstered Disney's performance in the final three months of last year, giving the company fresh momentum for its continuing effort to turn Disney+ into a must-have entertainment hub.

Earnings at Disney topped Wall Street expectations for key metrics including revenue, net income and streaming profit. A strong box-office showing by 'Moana 2' lifted its studio business during the period, capping a strong year for the company's theatrical releases.

Disney's entertainment streaming business—home to Disney+ and Hulu—reported a profit of \$293 million for the December quarter, compared with a \$138 million loss a year earlier. That profit exceeded analysts' expectations by more than \$100 million.

After years of heavy investment in streaming, the company has implemented more cost controls and fine-tuned its approach. It is now betting that Disney+ is the best way to centralize its portfolio of sports, news, movies and TV shows.

"It's going to be the portal into all things Disney," finance chief Hugh Johnston said of Disney+ in a Wednesday CNBC



A strong box office for 'Moana 2' propelled Disney's studio business in the quarter.

interview. Johnston said customers want simplicity.

Disney and other legacy media companies have had to build streaming businesses from scratch, while contending with the challenges of cord-cutting. Meanwhile, Netflix has established itself as the dominant global streamer and is increasingly adding live programming, including some sports like this year's Christmas Day NFL games.

Disney sees its vast portfolio of live sports and live programming as a competitive edge, Chief Executive Bob Iger said on a call with analysts. For sports fans, "it's about sports every single day of the year and every hour of the day," Iger said, drawing a line between Disney and its rival.

It plans to add new live sports shows that will be ex-

clusive to Disney+, including a daily episode of popular show SportsCenter, and aims to launch a new ESPN direct-to-consumer service early this fall that will also be available on Disney+. The new ESPN offering will include sports betting and fantasy, Iger said.

Hulu and ESPN tiles added to Disney+ have encouraged more subscriber engagement, the company said. Iger said Disney is in a position to add streaming subscribers and improve the unit's profitability in the coming years.

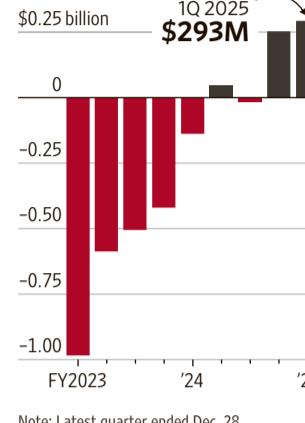
Price increases during the

period buoyed its streaming revenue and Disney+ lost fewer customers from the price hike than expected. The company's two biggest streaming services, Disney+ and Hulu, had 178 million paid subscribers at the end of December, up from 177.3 million at the end of the prior quarter.

Disney, Fox and Warner in January called off a separate planned sports streaming joint venture called Venu Sports in the face of legal challenges. Exiting from that venture is likely to lead to a \$50 million hit to Disney's sports operating income in the

178M
Paid subscribers at
Disney+ and Hulu
streaming services at
Dec. 31.

Disney streaming business operating profit



Note: Latest quarter ended Dec. 28

Sources: S&P Capital IQ; the company

current quarter, the company said.

Earlier this year, Disney agreed to combine its Hulu + Live TV streaming service with sports-focused Fubo TV, ending Fubo's litigation over the formation of Venu.

Disney shares fell 2.4% Wednesday.

Companywide revenue increased 5% to \$24.7 billion in the quarter ended Dec. 28. Net income climbed 34% to \$2.6 billion.

Disney's studio business reported a profit of \$312 million, compared with a \$224 million loss a year earlier, helped by "Moana 2," which has grossed more than \$1 billion since its release late last year.

Hurricanes Milton and Helene dinged the performance of Disney's Experiences unit,

Please turn to page B2

An 'Egg Surcharge' Adds New Frustration For Diners

By JOSEPH PISANI

Ryan Crabbe's recent Waffle House breakfast order came with something unexpected: a 50-cent fee for each egg on his plate.

"It was pretty shocking to see that," said Crabbe, a construction project manager from Atlanta. "Definitely never seen anything like that before."

As egg prices have skyrocketed due to bird flu, some restaurants passing on the added cost by asking customers to pay per egg. Rather than lifting prices on their menus, which are costly to reprint, they are letting diners know upfront that each egg in an omelet, breakfast burrito and French toast comes with a fee. Restaurants are calling the egg surcharges temporary, hoping that will make them more palatable to diners.

It wasn't for Crabbe, who said his two over-easy eggs from Waffle House added \$1 to his bill. His son's scrambled egg bowl pushed the total, including tax and tip, beyond the \$20 he usually pays.

"\$27 for an adult and a 12-year-old to eat at Waffle House is pretty alarming," the 49-year-old said. "It definitely starts to make you reconsider your choices in terms of eating out."

Waffle House, which has 1,900 locations, said the surcharge was added this week and it will monitor egg prices and remove the fee if it can. The breakfast chain says it serves more than 270 million eggs a year.

Storm's Drive-In, a burger restaurant with three locations in Texas, is charging diners 30 cents for each egg used in its breakfast tacos and French toast. Owner Mike Green added the temporary surcharge in mid-January when the price of eggs became too much to swallow. "I absorbed the cost as long as I could," he said.

His most-recent order of eggs, at the beginning of the month, cost \$119.31 for a case of 180 eggs, or 66 cents an egg. That is more than triple what he paid in May 2024—\$36.40 for the case, or 20 cents each egg.

So far, the egg fee hasn't hurt sales: "My customers all understand," said Green. "I haven't had any negative feedback."

A 30-cent-per-egg surcharge didn't stop Daran Please turn to page B2

Options Traders Bet Tech Stocks' Rally Will Last

By KRISTAL HUR

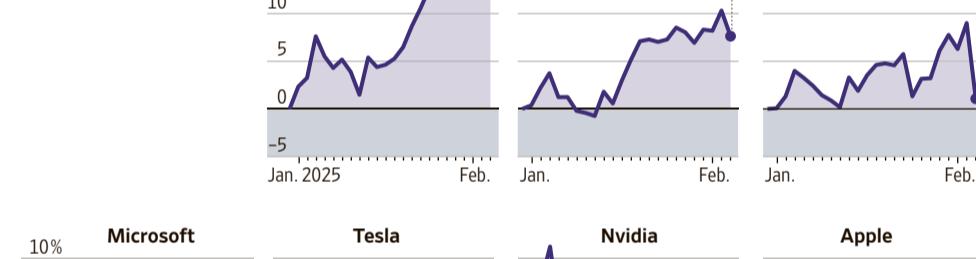
Wall Street's AI trade soured last week, but investors are still firmly clutching the playbooks that worked so well over the past two years.

They are positioning for big technology shares to keep climbing by scooping up options contracts that would pay out if stocks such as Apple and Amazon.com race higher in the next few weeks.

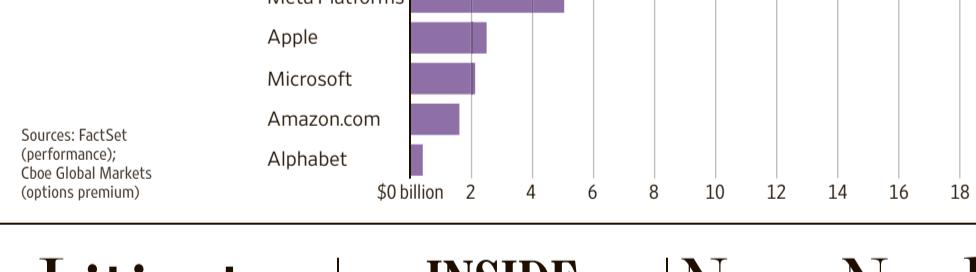
Tech stocks were throttled by the emergence of Chinese startup DeepSeek, whose artificial-intelligence platform appears up to snuff with Silicon Valley models, despite being developed at a fraction of the cost. The shares took another hit Monday after President Trump brandished tariff threats against China, Canada and Mexico.

A slate of generally encouraging Please turn to page B10

Magnificent Seven share-price performance, year to date



Value of options premium traded last week



Sources: FactSet (performance); Cboe Global Markets (options premium)

SEC Reassigns a Top Litigator Who Battled Crypto Giants

By DAVE MICHAELS

a market value of about \$3.5 billion.

Trump embraced crypto during his most recent run for the White House and many crypto executives backed his election. Trump issued an executive order on Jan. 23 that

called for a new regulatory framework for crypto.

Jobs such as the one Tenreiro held aren't political appointments and don't tend to turn over when a new administration takes office.

The commission, now under Republican control, moved him to a role in the agency's office of information technology, people familiar with the matter said.

Tenreiro was the key man for a litigation strategy that was hatched under former Chair Gary Gensler. The SEC

wagered that courts would find many crypto assets were sold illegally because they didn't comply with investor-protection laws.

Many of the SEC's legal arguments have been accepted during preliminary phases of the litigation.

The commission won settlements in some of its cases, but other major lawsuits, such as one against Coinbase Global, remained pending at the end of the Biden administration.

The SEC is now expected to settle those lawsuits on terms favorable to the companies or dismiss them outright, rather than continuing to litigate.

Crypto startups and exchanges complain that compliance with existing SEC rules is

Please turn to page B5

Under Trump, the agency is expected to settle or drop crypto suits.

INSIDE



FASHION

Capri's plan to revive Versace, Michael Kors backfired for brands. B2



TECHNOLOGY

Search giant Google eliminates diversity hiring targets, reviews other programs. B4

Novo Nordisk Outlook Reassures Investors; Shares Finish Higher

By DOMINIC CHOPPING AND PETER LOFTUS

Novo Nordisk shares rose Wednesday after the drugmaker reported strong sales growth for its blockbuster obesity and diabetes drugs and issued a forecast for full-year 2025 results that topped analysts' expectations.

Novo Nordisk shares climbed 4.5% in European trading, and its American depository shares rose 3.8% after the company reported results.

Investors who had become concerned about an obesity market slowdown, as well as Novo Nordisk's competitive position, breathed a sigh of relief.

"The story continues to be about market expansion for obesity," said David Moore, president of Novo Nordisk's U.S. unit, on a conference call with analysts.

Heading into Wednesday's

report, investors had been increasingly concerned by the future of the obesity market in the U.S. after Eli Lilly, the company's biggest competitor in the booming weight-loss market, recently reported a sharp sales miss for its medications.

There also has been growing concern over Novo Nordisk's ability to compete against Lilly following a disappointing next-generation obesity drug trial.

Novo Nordisk said sales of Wegovy more than doubled to 19.87 billion Danish kroner, or \$2.76 billion, in the fourth quarter, which was just shy of estimates. Sales of diabetes drug Ozempic rose 12% from a year earlier, as expected.

Overall sales jumped by a bigger-than-expected 30% in the quarter though, thanks in part to pricing adjustments in the U.S., and the company ex-

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Prices for eggs have skyrocketed due to bird flu.

Diners Swallow Egg Charge

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Adair from Minneapolis from ordering a six-egg omelet at Kroll's Diner in Fargo, N.D., when he visited last weekend. Adair, a 55-year-old hospitality consultant, said the restaurant had signs on each table explaining the temporary surcharge. "I liked their approach," Adair said. "They were upfront."

The omelet cost

Adair an extra

\$1.80. His

wife's pancakes cost an extra 30 cents for the egg in the batter. He was fine with the fees, and it seemed others were, too. "The place was packed," he said.

Bird flu has sent egg

prices soaring since 2022,

but things have gotten

worse in recent months as

the deadly virus has spread rapidly. In January, 14 million chickens were killed due to

bird-flu concerns, up from

13.2 million in December, according to the U.S. Department of Agriculture.

Fewer chickens means

fewer eggs, and the short

supply is causing prices to

soar, said Karyn Rispoli, man-

aging editor of the egg divi-

sion of Expana, which sets



agricultural prices. There were just over 300 million chickens in the U.S. at the start of January, far below the industry standard of having one chicken for every person living in the country, Rispoli said. There were about 340 million people in the U.S. according to the most-recent estimate from the U.S. Census Bureau. It could take a year or more for flocks to recover and prices to improve.

"It's a dire position the industry is facing," she said.

Bon Temps Creole Cafe in San Luis Obispo, Calif., added a \$1 egg surcharge last month, but dropped it two

weeks later after owner

Phil Lang figured

out a cheaper

way to get eggs:

buy them from a

store rather than a distributor.

(Lang didn't want

the store's name

printed, partly so

it doesn't run out of

eggs.)

Major supermarkets

and big-box retailers such

as Walmart haven't been

passing as much of the

cost of eggs to consumers,

hoping to get shoppers in

their doors, Expana's Rispoli

said.

Lang drives to the store

three times a week, filling his

cart with six cases of eggs

each time. "I get a lot of looks

and comments," he said. Ma-

neuvering the cart over the

speed bumps in the parking

lot is nerve-racking. "You

have to crawl over them to

not break any eggs."

The Journal Podcast: The Snowballing Problems at Vail Resorts



Scan this code to listen to a podcast about Vail Resorts, which recently has been facing issues with overcrowding and labor disputes. WSJ dives into how it might be a victim of its own success.

BUSINESS & FINANCE

Capri CEO Says Strategy to Revive Versace, Kors Backfired on Brands

By SUZANNE KAPNER

has intensified since Capri's proposed \$8.5 billion merger with rival Tapestry was blocked by the Federal Trade Commission last year.

Beginning in the fall of 2023, Capri tried to elevate the Versace brand by emphasizing more sophisticated pieces and the craftsmanship that went into

making them—a play on the quiet-luxury trend that was gaining steam.

While the move played well with Versace's top spenders, it turned off a broader set of customers. Idol said Versace removed too many statement items and cut back on lower-priced goods that appealed to more-aspirational consumers. Versace revenue sank 15% in the period that ended Dec. 28.

The company's brands have been in free fall for years. The pressure to turn them around

"fun and elegant," Idol said. It also will introduce less expensive goods to appeal to a broader audience.

Versace recently introduced a sneaker called the Galaxyia that sells for \$550, less than half the price of some other models.

Idol said the Versace brand still resonates with shoppers, and that its eyewear and fragrance businesses continue to perform well.

Kors tried to appeal to younger shoppers by adding too many fashion pieces, which turned off its core customers. It also raised prices too much over the past 24 months, Idol said. As consumers became pickier about what they were buying, Kors had to discount more. Now, the brand is resetting its prices: Clothing prices will come down 30% to 40% starting in the spring.

Idol tamped down expectations that Capri is actively looking to sell Versace and Jimmy Choo, but didn't rule out the possibility altogether. Some industry watchers have wondered whether Capri would try to sell the brands so it could focus on reviving Kors.

"We're always going to listen to interested parties," Idol said, adding that his current strategy is to rebuild these brands.

Capri's management needs to "stop treading water and start fixing the issues so that they can get back into growth," said Neil Saunders, who tracks the retail industry as managing director of research firm GlobalData.

Saunders said the softness in the luxury market doesn't explain Capri's chronic under-performance, given that the company's results have been worse than many competitors.

"It signifies that the brands are losing traction with many shoppers," he said.

Starboard Launches A Proxy Fight at Kvenve

By ROB CURRAN

Activist investment firm Starboard Value has launched a proxy battle with pharmacy supplier Kvenve, running a slate of four board nominees including Starboard head Jeff Smith.

Kvenve, a maker of over-the-counter medical products such as Band-Aids and Tylenol, was spun off by Johnson & Johnson in a 2023 initial public offering.

Shares of Kvenve are up by 1.3% in the past 12 months. Rival Haleon, which sells Advil, are up 15% over the same period.

In a filing with the Securities and Exchange Commission, Starboard complimented the Kvenve franchise, but expressed disappointment with management and share-price performance.

Despite the company's promising future prospects, Kvenve has suffered from persistent disappointing and deteriorating financial results, missed commitments, and ineffective board oversight, resulting in stock price underperformance and a significant valuation discount compared to peers, Starboard said in its filing.

Starboard's nominees are Michelle Millstone-Shroff, Cara Robinson, Bindu Shah and Smith.

Millstone-Shroff was an executive at Bed Bath & Beyond, including a role as president and chief operating officer of its buybuy Baby unit.

Robinson was an executive at the beauty-products arm of consumer-products conglomerate Unilever.

Shah is an executive at fashion brand Tory Burch.

In October, Smith said that Kvenve should drill down on fixing its underperforming skin health and beauty segment that he believed was weighing on the company's overall performance. Smith also advocated for improving the company's marketing strategy.

Continued from page B1

Activist investment firm Starboard Value has launched a proxy battle with pharmacy supplier Kvenve, running a slate of four board nominees including Starboard head Jeff Smith.

Both Wegovy and Ozempic are still on the U.S. Food and Drug Administration's drug-shortage list. This has allowed compounding pharmacies to make their own versions of the drugs, which amount to lower-cost competition for the original brands.

Moore said Novo Nordisk is in discussions with the FDA to remove the drugs from the shortage list, which he said would help curtail production of the compounded versions.

Novo Nordisk has committed billions of dollars to new manufacturing capacity on top of an \$11 billion deal to buy three manufacturing sites previously owned by Somerset, N.J.-based Catalent to boost its production capability. It said Wednesday it would step up capital expenditure by around 18 billion kroner this year to 65 billion kroner, mainly due to capacity investments.

Novo Nordisk's semaglutide, which is sold as Wegovy for weight loss and Ozempic for diabetes, faces patent expiration in the early 2030s, so the company has been working to develop the

next generation of obesity drugs that it hopes will accelerate weight loss and boost other areas of patient health.

Weight-loss data from a trial of its CagliSema drug recently fell short of expectations, wiping nearly \$100 billion off the company's market value. Shares regained some ground last month after another experimental drug called Amyretin showed encouraging results, but the stock has still fallen by over 40% since last summer on the CagliSema disappointment, competitive concerns and pricing pressures.

Novo Nordisk said Wednesday that it plans to further explore the weight-loss potential of CagliSema with a new phase 3 trial in 2025, but to secure supply-chain readiness, it now expects to file for the first regulatory approval of the drug during the first quarter of 2026. That is a delay to initial plans for a filing toward the end of 2025.

Novo Nordisk's net profit in the fourth quarter rose 29% to 28.23 billion kroner, ahead of the 26.06 billion kroner forecast by analysts in a FactSet poll.

Sales rose to 85.68 billion kroner, versus the 80.14 billion-kroner FactSet estimate.

Continued from page B1

which is home to its theme parks and cruises. Milton led to a one-day closure of Walt Disney World Resort and the cancellation of a cruise itinerary.

Experiences' income of \$3.1

billion for the final three months of 2024 was relatively unchanged compared with the prior-year period.

Disney reiterated that it expects operating income in the Experiences division to grow by 6% to 8% in its 2025 fiscal year, with most of that growth coming during the second half.

Operating income for Disney's traditional TV business declined 11% to \$1.1 billion. Its domestic business fared better, with operating income for the final quarter flat year over year.

Hurricanes hurt results at Disney's theme parks and cruises.

DANIEL CARDE/ZUMA PRESS

CHARLOTTE DE LA FUENTE/BLOOMBERG NEWS

Streaming Bolsters Walt Disney

Continued from page B1

which is home to its theme parks and cruises. Milton led to a one-day closure of Walt Disney World Resort and the cancellation of a

Low-Cost EVs Pivotal To Growth, VW Says

By DOMINIC CHOPPING

Volkswagen outlined a five-year plan for its namesake brand Wednesday that includes launching a new low-cost electric car as it plots a path to growth following a major cost-cutting agreement.

Faced with a tough economic environment, high domestic costs, stuttering demand for electric vehicles and increasing competition from lower-cost Chinese EV makers, the German auto giant spent months negotiating ways to boost its competitiveness with worker representatives last year.

After a series of strikes, Volkswagen agreed a deal with its union to reduce its

workforce by more than 35,000 and cut billions of dollars a year in costs, while averting immediate factory closures in Germany.

As part of plans to get the Volkswagen brand back on track, it said Wednesday that the company's main Wolfsburg plant will become a key hub for production of a new all-electric compact car platform, with low-cost entry-level electric cars forming a cornerstone of the brand's future path.

VW said it would produce a new entry-level electric model at Wolfsburg that will come with a price tag of about 20,000 euros (\$20,761) when it goes into production in 2027.

Ahead of that, the company's first all-electric small car based on an updated platform will reach dealerships next year and cost less than €25,000, it said.

"With the conclusion of negotiations in December, we set the largest future plan in Volkswagen's history in motion," VW Passengers Cars Chief Executive Thomas Schaefer said. "A key step in this is making e-mobility attractive for everyone."

The company said it was creating space at Wolfsburg for modern technologies and introducing new production processes to make the plant its center for all-electric compact cars as well as developing a next generation platform



The carmaker has plans to produce a new entry-level electric model by 2027.

KRISTIAN BUCS/BLOOMBERG NEWS

that would also be used for other brands within the group.

It aims to build the next-generation electric Golf on the new platform there, along with the electric T-Roc.

"It will now be crucial to work consistently on the preparations required for success

in the years to come," said Daniela Cavallo, Chairwoman of the Volkswagen Works Council.

"Volkswagen must set the course in terms of complexity, work procedures and synergy effects."

The company said it has set a target for its VW brand to

become the technologically leading volume manufacturer globally by 2030, and at the same time will strengthen competitiveness through cost synergies and extending its existing model portfolio.

It aims to launch nine new models by 2027.

Toyota Boosts Guidance, Plans China EV Unit

By KOSAKU NARIOKA

Toyota Motor raised its annual earnings guidance after posting higher third-quarter net profit and said it will establish an electric-vehicle unit in China, seeking to shore up its operations in the world's largest auto market.

The Japanese carmaker said Wednesday that net profit climbed from a year earlier for the three months ended December, beating analysts' estimates, as revenue grew.

Toyota said the new Shanghai-based subsidiary will develop and produce Lexus-branded battery EVs. The unit also will make batteries for the group's businesses.

The wholly owned unit is expected to make 100,000 vehicles annually, with production scheduled to begin in 2027 or later, the company said.

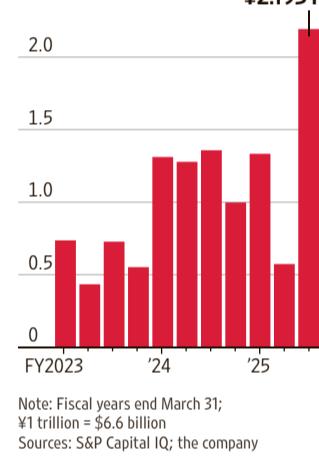
Toyota Motor remained the world's biggest carmaker in 2024, with sales of 10.8 million vehicles globally, as it benefited from a shift among consumers in the U.S. and some other markets to hybrid cars from fully electric vehicles.

But like many other global carmakers, it struggled in China as a cutthroat price war and consumers' shift away from conventional gas-powered vehicles disrupted the world's largest auto market.

Toyota shares rose Wednesday after it boosted its outlook and reported better-than-expected quarterly results. The stock ended 3.1% higher in Tokyo, virtually recouping losses recorded earlier this week following the U.S. tariff announcement.

The U.S. announced new tariffs against Mexico and Canada on Saturday before striking last-minute deals to

Toyota quarterly net profit



delay them.

To sell cars in the U.S., Japanese automakers like Toyota not only produce them at U.S. plants or import from Japan, but they also make them in Mexico and import to the U.S.

Toyota said Wednesday that third-quarter net profit climbed 62% from a year earlier to ¥2.193 trillion, equivalent to \$14.21 billion. That exceeded the estimate of ¥1.175 trillion in a poll of analysts by data provider Quick.

Revenue rose 2.9% to ¥12.391 trillion despite lower vehicle sales.

The bottom line also was helped by one-off gains related to a change in the way Toyota holds foreign-currency-denominated assets, the company said.

For the fiscal year ending March, Toyota expects net profit to decline 8.6% to ¥4.52 trillion and revenue to increase 4.2% to ¥47 trillion. It previously forecast ¥3.57 trillion in net profit on ¥46 trillion in revenue.

The company left its fiscal-year group sales forecast unchanged at 10.85 million vehicles.

Ford Guides for a Decline In Adjusted 2025 Earnings

By CHRISTOPHER OTTS

Ford Motor posted higher revenue and a 2.4% increase in net income for the fourth quarter of 2024. But its forecast for this year isn't as upbeat.

The Dearborn, Mich.-based automaker is guiding for a significant drop in adjusted pretax earnings in 2025, saying losses generated by its electric-vehicle business will continue to weigh on profitability.

For the full year of 2024, its adjusted earnings before interest and taxes was \$10.2 billion, on the low end of its forecast.

In 2025, the company expects to earn between \$7 billion and \$8.5 billion in adjusted pretax profit. Sherry House, Ford's vice president of finance, attributed the decline to

weaker pricing power and lower sales due to dealerships no longer needing to rebuild inventory.

While many analysts expected Ford's EV business to narrow losses this year, the carmaker is projecting a potential wider hole of another \$5 billion to \$5.5 billion in red ink. That forecast assumes the current consumer tax credit will remain in place.

Revenue in the fourth quarter was \$48.2 billion, up 5% over the previous-year period.

Adjusted earnings per share 39 cents versus analysts' estimates of 34 cents.

Adjusted Ebit was \$2.1 billion, up 1% over a year earlier.

For the first quarter, Ford expects to break even on adjusted Ebit.

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Google Drops Diversity Hiring Targets

Search giant is reviewing other DEI programs amid a retreat by tech firms

By MILES KRUPPA

Google is eliminating its goal of hiring more employees from historically underrepresented groups and reviewing some diversity, equity and inclusion programs, joining other tech giants rethinking their approach to DEI.

In an email to employees Wednesday, Google said it would no longer set hiring targets to improve representation in its workforce.

In 2020, amid calls for racial justice following the police killing of George Floyd, Google

set a target of increasing by 30% the proportion of "leadership representation of underrepresented groups" by 2025.

Parent company **Alphabet's** annual report released Wednesday omitted a sentence stating the company was "committed to making diversity, equity, and inclusion part of everything we do and to growing a workforce that is representative of the users we serve." The sentence was in its reports from 2021 through 2024.

Black and Latino people have long been underrepresented in the tech industry. Google's 2024 diversity report said 5.7% of its U.S. employees were Black and 7.5% were Latino. Four years earlier, those figures were 3.7% and 5.9%, respectively.

Google said it was evaluating whether to continue releasing annual diversity reports, which it has done since 2014.

The evaluation is part of a broader review of DEI-related grants, training and initiatives, including those that the email said "raise risk, or that aren't as effective as we'd hoped."

Google also said it was reviewing recent court decisions and executive orders by President Trump aimed at curbing DEI in the government and federal contractors. The company is "evaluating changes to

our programs required to comply," the email said.

The company said it would continue opening and expanding offices in cities with diverse workforces.

"We'll continue to invest in states across the U.S.—and in many countries globally—but in the future we will no longer have aspirational goals," the email said.

Google said it would maintain its resource groups for underrepresented employees.

Google's chief people officer, Fiona Cicconi, said in the email that the company has

"always been committed to creating a workplace where we hire the best people wherever we operate, create an environment where everyone can thrive, and treat everyone fairly. That's exactly what you can expect to see going forward."

Facebook owner **Meta Platforms** last month eliminated the team overseeing its diversity efforts and ended its representation goals for interviewing and hiring women and minorities.

Meta's vice president of human resources, Janelle Gale, told employees the "legal and policy landscape surrounding diversity, equity and inclusion efforts in the United States is changing."

Amazon in December told employees it would wind down

some of its diversity initiatives by the end of 2024. It has removed from its website the phrase "diversity, equity and inclusion are good for business," while keeping other references to diversity and inclusion.

Several companies have been targeted with shareholder proposals aimed at ending DEI efforts. **Apple** has recommended that shareholders reject a proposal from the National Center for Public Policy Research, a conservative think tank, to end the company's inclusion and diversity efforts.

And a number of companies have changed or removed language about diversity from their annual reports.

—Preetika Rana and Meghan Bobrowsky contributed to this article.

5.7%

Percentage of Black U.S. workers at Google, according to 2024 report.

Uber Shares Fall as Operating Income Misses Forecasts

By PREETIKA RANA

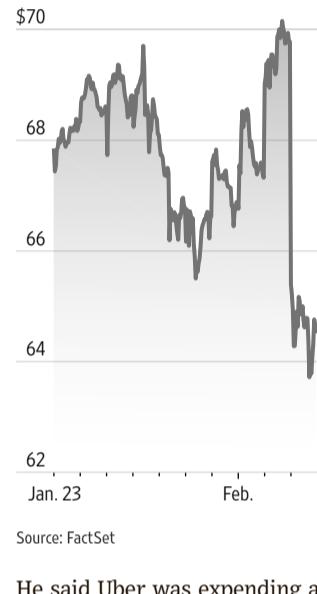
Uber Technologies' stock fell Wednesday after the company reported lower-than-expected operating income, and highlighted its plans to prepare for the arrival of robotaxis.

The adoption of Waymo self-driving cars in cities including San Francisco and **Tesla's** robotaxi plans have investors wondering if the technology poses a threat or opportunity for Uber.

The company aims to become the platform for robotaxis.

It is building new app features, investing in physical infrastructure and training support staff, and has made deals with autonomous-vehicle companies, including one with Waymo in Austin, Texas.

"Investors are debating whether AVs pose a risk, or present a massive opportunity for Uber," Chief Executive Dara Khosrowshahi said.



He said Uber was expending a lot of energy to be ready for the future.

The company's shares fell 7.6% in Wednesday's trading.

In the December quarter, Uber's operating income rose

from a year earlier to \$770 million—but significantly undershot the \$1.19 billion that analysts had expected.

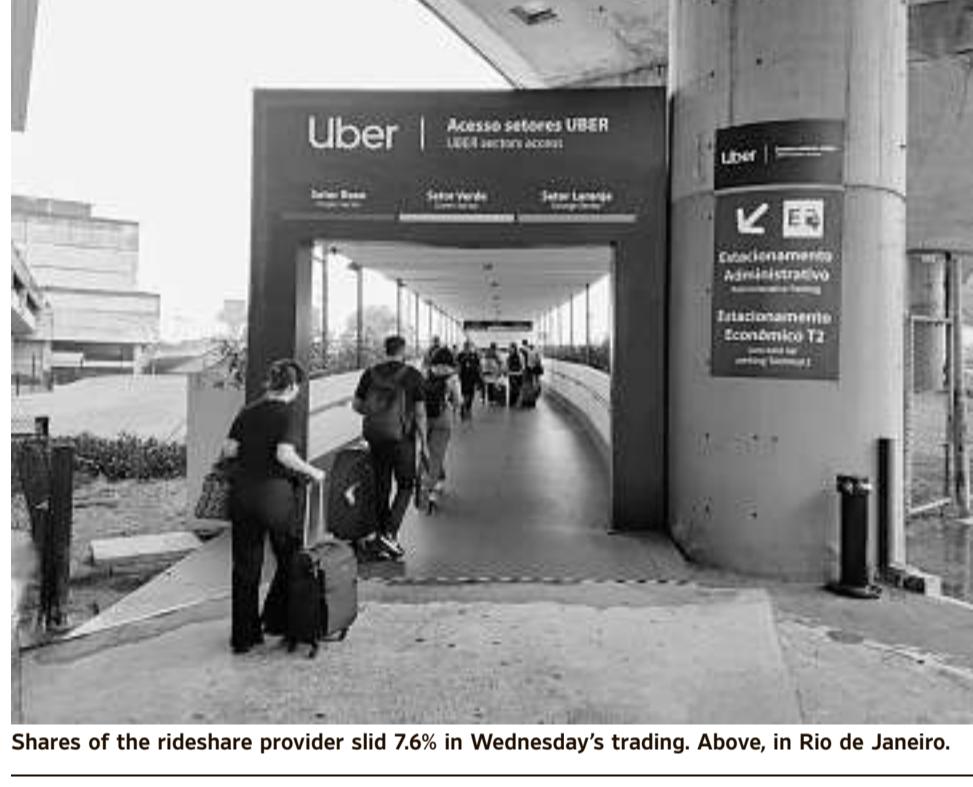
Net income jumped to \$6.88 billion, thanks largely to a tax valuation release.

Gross bookings, or the value of transactions on Uber's app, rose by a stronger-than-expected 18%. That helped lift Uber's revenue—it's cut of those bookings—by 20%.

For the current quarter, Uber expects gross bookings of \$42.2 billion to \$43.5 billion. Consensus forecasts were near the top of that range.

The company forecasts adjusted earnings, which strip out some costs, including taxes and interest, of \$1.79 billion to \$1.89 billion. That is broadly in line with analysts' forecasts.

This year, it expects U.S. ride prices to increase marginally, as it passes higher insurance costs onto passengers.

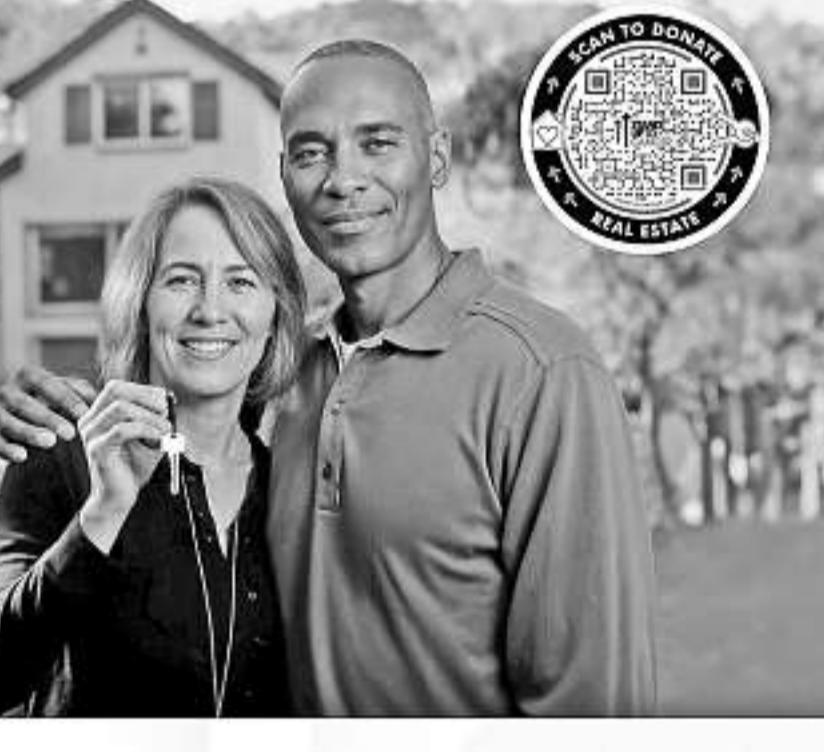


Shares of the rideshare provider slid 7.6% in Wednesday's trading. Above, in Rio de Janeiro.



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TECHNOLOGY & MEDIA WATCH

PANDORA

Revenue Increases, Buyback Planned

Pandora said it would launch a new buyback after fourth-quarter revenue rose on a strong performance in the U.S., but its outlook for 2025 missed expectations.

The Danish jeweler on Wednesday said it booked revenue of 11.97 billion Danish kroner (\$1.67 billion) for the last three months of 2024, up 11% organically compared with the prior-year period.

The result came slightly ahead analysts' forecast of 11.85 billion kroner, according to consensus estimates provided by the company.

Like-for-like sales grew by 6% during the quarter and 9%

in the U.S.

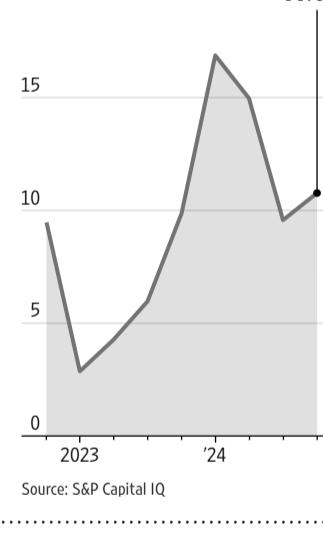
Earnings before interest and taxes climbed to 4.15 billion kroner from 3.67 billion kroner. The EBIT margin was 34.7%, compared with analysts' projections of 34.6%.

For 2025, the company expects organic revenue growth between 7% and 8%, as well as an EBIT margin of around 24.5%. The guidance compares with analysts' projections of 9% and 24.7%, respectively, according to the same consensus.

In a separate statement, the company said it will launch a new share buyback program for a maximum consideration of 4 billion kroner, which will run from Feb. 6 to Jan. 30, 2026 at the latest.

—Andrea Figueras

Pandora quarterly revenue, change from a year earlier



NEWS CORP

Earnings Rose in Latest Quarter

News Corp's revenue and profit increased in its fiscal second quarter, reflecting gains at its Dow Jones, digital real-estate services and book-publishing segments.

Quarterly revenue at the company, whose properties include The Wall Street Journal and HarperCollins Publishers, increased 4.8% to \$2.24 billion. Analysts had expected revenue of \$2.18 billion.

Like-for-like sales grew by 6% during the quarter and 9%

News Corp earned \$215 million, or 38 cents a share, in the quarter. Analysts had expected earnings of 30 cents a share. A year ago, the company reported earnings of \$156 million, or 27 cents per share.

Class A shares slid 0.6% in after-market trading. The stock has risen 19% over the past 12 months.

Book-publishing revenue grew by 8.2% to \$595 million.

The Journal said digital subscriptions fell by less than 1% from the September quarter.

News Corp earned \$215 million, or 38 cents a share, in the quarter. Analysts had expected earnings of 30 cents a share. A year ago, the company reported earnings of \$156 million, or 27 cents per share.

Dow Jones revenue rose 2.7% from the year-ago quarter and earnings grew 6.7%.

Advertising revenue for the segment declined 4%, reflecting a decrease in print advertising. Digital advertising accounted for 64% of total advertising revenue in the quarter.

—Jeffrey A. Trachtenberg

NEW YORK TIMES

Digital Subscribers, Revenue Increase

The New York Times added 350,000 digital subscribers last quarter, accelerating gains and increasing its online subscriber base to 10.8 million.

Shares in the media company dropped nearly 12% in Wednesday's trading.

More than 11.4 million people now subscribe to at least one of the Times's digital or print products. Those include news, as well as games and cooking offerings, the Athletic, and Wirecutter, its consumer product-review site.

Revenue rose 7.5% to \$726.6 million, while net profit increased to \$123.7 million.

The company reported

\$3.2 million of pretax litigation costs tied to its lawsuit against Microsoft and OpenAI. The Times sued the companies in December 2023, accusing them of illegally using its journalism to help develop AI products.

Digital-subscription revenue rose in the fourth quarter rose 16% to \$334.9 million.

Those users now pay an average of \$9.65 a month.

Digital-advertising revenue rose, and now makes up nearly three-quarters of total ad revenue.

The Athletic reported an adjusted operating profit, marking its second consecutive positive quarter.

The Times expects both digital subscription revenue and digital ad revenue to grow this quarter.

—Alexandra Bruell

AMD

Europe Regulator Looks at ZT Deal

The European Commission started looking at Advanced Micro Devices' \$5 billion acquisition of ZT Systems, setting a March 12 deadline to decide whether or not to clear the deal or launch an in-depth investigation.

AMD notified the commission about its bid for the New Jersey-based server builder on Tuesday, according to the regulator's website.

The chip maker agreed to buy ZT Systems, which designs data-center equipment for cloud computing and artificial intelligence, last August in a move to take on Nvidia's dominance in the fast-growing AI space.

—Edith Hancock

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BUSINESS & FINANCE

Crypto Sector Looks to SEC's New Task Force for Quick Help

Groups have a wish list they say could bring greater regulatory clarity

By MENGQI SUN

Many in the cryptocurrency industry are optimistic that a new task force formed by the U.S. securities regulator will provide a road map for growth in the industry that contrasts with the regulation-by-enforcement approach under the Biden administration.

The Securities and Exchange Commission, under acting Chairman Mark Uyeda, said on Jan. 21 it is launching a task force "dedicated to developing a comprehensive and clear regulatory framework for crypto assets." Republican SEC Commissioner Hester Peirce, known among crypto enthusiasts as "CryptoMom," is leading the task force. The regulator announced a few more adviser appointments to the task force on Tuesday.

The formation of the task force, announced a day after President Trump's inauguration, was welcomed by the virtual-currency industry, which has been eagerly awaiting moves by Trump to bring it greater legitimacy. Crypto policy advisers are already putting out proposals for what

the SEC should first tackle under its existing jurisdiction and are hoping the regulator will act right away without waiting for Congress to pass legislation or confirm Trump's nominee for SEC chairman, Paul Atkins.

The SEC has said the task force would set clear regulatory lines under its current jurisdiction provided by Congress, in addition to imposing enforcement actions. It also would provide

The industry has eagerly awaited moves to build its legitimacy.

paths for crypto companies to register with regulators and frameworks for what industry players would need to disclose to the government. The task force, consisting of agency staff, also will hold roundtables and solicit public input via an agency email address.

"There are a lot of tools that the SEC has and just hasn't been exercised in the past; this is a process that will start this conversation," said Kristin Smith, chief executive of crypto-advocacy group Blockchain Association.

First steps

Smith said the agency could do several things right away

that could help companies better understand the rules of the road. These include issuing more interpretive guidance on various issues, such as when staking, a method by which some crypto networks process and validate a transaction, should be considered a security by regulators. In staking, crypto investors can essentially pledge their computing power and crypto holdings to a network for a specified period in exchange for a reward.

The industry also could benefit from new rule-setting with comment periods allowing the public to weigh in, she said. Additionally, companies could be en-

couraged to request so-called no-action letters to the SEC in which they can ask the agency's staff to address whether a product or service would violate securities law.

The crypto industry has criticized the approach taken by the SEC over the past four years under former Chair Gary Gensler, in which the regulator relied primarily on enforcement actions to regulate crypto retroactively and adopted legal interpretations along the way, rather than

proposing rules.

"The result has been confusion about what is legal, which creates an environment hostile to innovation and conducive to fraud. The SEC can do better," the agency said in the statement announcing the task force.

Industry response

Some crypto companies are answering the agency's call for ideas.

A16z Crypto, venture-capital firm **Andreessen Horowitz**'s crypto arm, in a blog post proposed changes that the firm says the SEC can adopt "immediately and easily" to make crypto more accessible while providing investor protections.

One thing the regulator could do, the firm suggests, is to enable traditional broker-dealers to transact in the crypto space. The firm's chief compliance officer, a co-author of the blog post, said current regulations restrict broker-dealers from engaging with crypto because they require brokers to obtain separate approvals and impose more rules on those looking to provide custody for crypto assets.

A16z also said the SEC should develop tailored requirements for broker-dealers to register to deal in crypto assets and establish oversight mechanisms to ensure compli-



Republican SEC Commissioner Hester Peirce, aka 'CryptoMom'.

AL DRAGO/BLOOMBERG NEWS

ance with anti-money-laundering rules. The SEC also can work with industry groups, such as the Financial Industry Regulatory Authority, to issue joint guidance on the operational risks related to crypto, the firm said.

J.W. Verret, a professor of securities law and forensic accounting at George Mason University who has served on the SEC investor advisory committee, hopes the SEC can also issue guidance on defining what qualifies as a security.

He added that the regulator also could adopt a private offering exemption, similar to an existing exemption used often by venture-capital firms investing in Silicon Valley start-

ups. Verret said that could be a way to implement Peirce's "safe harbor" idea of giving a grace period from certain securities law requirements to decentralized network developers. He said the proposed exemption would allow investors to back decentralized crypto projects, or those without a central company running the project.

Verret is optimistic that the SEC is listening to the crypto community, even as debate over how to regulate the industry continues. "The ethos of crypto is to embrace debate—that is the strength of crypto, and having these open forums at the SEC would be a great thing," he said.

SEC Moves Top Crypto Litigator

Continued from page B1
technically infeasible because digital assets are issued and traded differently than stocks

and bonds.

Tenreiro's work on crypto dates to the first Trump administration, when the agency cracked down on a boom in public sales of cryptocurrencies, many of which involved fraud.

Trump's SEC chairman at the time, Jay Clayton, said most coin offerings qualified as securities and criticized the market for neglecting to follow investor-protection rules.

Under Gensler, who suc-

ceeded Clayton, Tenreiro rose to run the agency's special crypto-enforcement unit. A top enforcement official promoted him in December to be the agency's head of litigation.

Jason Gottlieb, a defense attorney for crypto firms who litigated with the SEC, said he disagreed with the legal strategy that Tenreiro was asked to execute—achieving regulation of crypto through the courts.

Writing new rules for the

industry would have given investors more protection in the near term while allowing the industry to grow, he said.

But he added, Tenreiro was a principled adversary. "He's a hell of a good litigator and a bulldog, but an ethical bulldog," Gottlieb said.

Tenreiro's reassignment follows acting SEC Chairman Mark Uyeda's decision in January to start a task force that is charting a new strategy for

dealing with crypto. The announcement, which put Republican Commissioner Hester Peirce in charge of the task force, criticized Gensler's emphasis on using enforcement to bring the market under SEC jurisdiction.

"The commission refused to use regulatory tools at its disposal and incessantly slammed on the enforcement brakes as it lurched along a meandering route with a des-

tinyation not discernible to anyone," Peirce wrote on Tuesday.

Peirce said the commission is weighing a sort of temporary amnesty program for cryptocurrency issuers that provide basic disclosures to investors.

Coins whose issuers do so would be allowed to trade freely on cryptocurrency exchanges without second-guessing by the SEC, she said.

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NEW HIGHS AND LOWS

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

Wednesday, February 5, 2025

Stock	52-Wk % Sym	Hi/Lo Chg	Stock	52-Wk % Sym	Hi/Lo Chg	Stock	52-Wk % Sym	Hi/Lo Chg
BlackSkyTechW BSKWIS	0.40 -0.56	-0.56	Costco COST	19.03 0.29	0.29	FCM GCGrosvnor	13.73 0.6	0.6
BoltEagleAcnA BEAG	10.40 0.2	0.2	CriticalMetalsV CMMLW	0.65 48.8	48.8	JACN JanssHenderso	11.45 0.44	0.44
BoneBoltW BBBLW	95.00 2.96	2.96	CrowdStrike CRWD	41.39 2.34	2.34	JHG JHG	45.99 4.4	4.4
BritishAmTob BTI	107.17 1.4	1.4	CumberlandPhm CPIX	6.43 35.1	35.1	JohnsonsContro	10.50 0.2	0.2
BroadridgeFin BR	242.39 -0.2	-0.2	D CloudStar DTSA	10.15 0.2	0.2	KJL KJL	10.00 0.3	0.3
ByteflyNetw BFLY	4.79 -1.7	-1.7	DTSR DTSR	20.10 0.9	0.9	LNT LNT	10.00 0.3	0.3
CloudGold AGI	22.62 3.3	3.3	Genpact G	4.98 0.1	0.1	LogitechG GLP	59.03 Lensar
Allot ALLT	9.00 -0.1	-0.1	Globe4Satellite GILT	17.97 1.5	1.5	LNSR LNSR	12.30 3.0	3.0
Armen AEE	97.29 2.2	2.2	Globe4Satellite GILT	4.20 0.1	0.1	LiveLyv LIVLY	74.99 0.3	0.3
AmerGold AGOL	7.56 0.7	0.7	Globe4Satellite GILT	4.25 0.1	0.1	LLVYK LLVYK	11.11 0.1	0.1
AsperTech AZPN	265.25 0.5	0.5	Globe4Satellite GILT	4.25 0.1	0.1	LuX N	6.99 0.0	0.0
AutoZone AZO	349.00 3.2	3.2	Globe4Satellite GILT	4.25 0.1	0.1	RedVelvet RVD	55.32 1.2	1.2
Avant AptV	19.45 -0.5	-0.5	Globe4Satellite GILT	4.25 0.1	0.1	RDX RDX	40.07 0.0	0.0
AxonTherap AXSM	11.00 1.0	1.0	Globe4Satellite GILT	4.25 0.1	0.1	Relay RELY	25.44 5.0	5.0
Bj'sWholesale BJ	104.94 1.0	1.0	Globe4Satellite GILT	4.25 0.1	0.1	RIBBU RIBBU	10.11 0.1	0.1
BakerHouses BKR	48.94 1.9	1.9	Globe4Satellite GILT	4.25 0.1	0.1	ROI ROI	9.62 5.8	5.8
BancoSantander SAN	5.64 9.6	9.6	Globe4Satellite GILT	4.25 0.1	0.1	RohmRobin ROH	5.87 1.8	1.8
BankOZK OZK	52.03 2.2	2.2	Globe4Satellite GILT	4.25 0.1	0.1	RovalBalV RALV	14.76 1.6	1.6
BigBearai BBAI	7.54 4.48	4.48	Globe4Satellite GILT	4.25 0.1	0.1	RovalBalV RALV	16.76 0.5	0.5
BigCrest BCRA	9.00 6.4	6.4	Globe4Satellite GILT	4.25 0.1	0.1	RovalBalV RALV	17.46 0.5	0.5
BlackBerry BB	5.00 10.0	10.0	Globe4Satellite GILT	4.25 0.1	0.1	RovalBalV RALV	18.00 0.5	0.5
BlackSkyTech BSKY	18.33 -0.2	-0.2	Globe4Satellite GILT	4.25 0.1	0.1	RovalBalV RALV	18.33 0.5	0.5

Bigest 1,000 Stocks | WSJ.com/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:

iNew 52-week high; **1**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.

Wednesday, February 5, 2025

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	
A B C												
AAON	AAON	114.90	3.97	Arm ARM	173.26	11.06	CMS CMS	67.12	0.94	GE Healthcare GEHC	87.17	0.24
AECOM	AECOM	104.93	0.75	AspenTech APEN	265.25	1.28	CNA CNA	48.83	0.14	GE Vernova GEV	367.79	11.34
Aflac AFL	AFL	107.29	0.53	Atlassian ATSL	106.57	4.84	INDL INDL	116.27	-0.16	GlobalFoundries GF	29.70	-0.26
AGNC Inv AGNC	AGNC	10.11	0.04	AtmosEnergy ATMO	145.06	2.66	IPD IPD	116.27	2.01	GlobalFoundries GF	29.70	-0.26
Ansys ANSS	ANSS	347.01	0.05	Autodesk ADSK	311.36	1.54	IPV IPV	116.27	0.03	GlobalFoundries GF	29.70	-0.26
ASE Tech ASX	ASX	10.09	0.21	AutoZone AZO	147.30	3.48	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
ASML ASML	ASML	742.59	11.18	AutoZone AZO	147.30	3.48	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
AT&T T	T	44.74	0.22	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
ATTI ATI	ATTI	65.86	2.14	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
AbbottLabs Abbott	ABBV	132.06	2.96	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
AbbVie Abbott	ABBV	191.75	1.80	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
Accenture ACN	ACN	398.23	6.63	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
AcuityBrands ACR	ACR	324.11	7.00	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
Adobe ADOBE	ADOBE	437.63	-2.60	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
AdvDrainageSys ADVS	ADVS	116.01	-1.55	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
AdvMicroDevices AMD	AMD	112.00	-7.49	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
Aegon AEG	AEG	6.46	0.21	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
AerCap AER	AER	96.55	1.81	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
Affirm AFFM	AFFM	62.00	3.27	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
Aig AIG	AIG	27.93	0.95	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
AirProducts APP	APP	333.15	-2.52	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
Airbnbn ABR	ABR	120.60	-1.14	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
AkamaiTech AKAM	AKAM	109.92	2.55	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
AlamosGold AGI	AGI	223.33	0.84	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
AlaskaAir ALK	ALK	74.91	-0.64	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
Albermarle ALB	ALB	78.98	-2.60	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
Albertsons ALB	ALB	20.40	0.15	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
Alcoa AA	AA	36.03	-0.21	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
Alcon ALC	ALC	93.50	1.93	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
AlexandriaREst ALEX	ALEX	19.02	2.55	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26
Alibaba BABA	BABA	99.26	-3.07	Avantor AVTR	21.99	-0.02	IPVX IPVX	116.27	-0.03	GlobalFoundries GF	29.70	-0.26

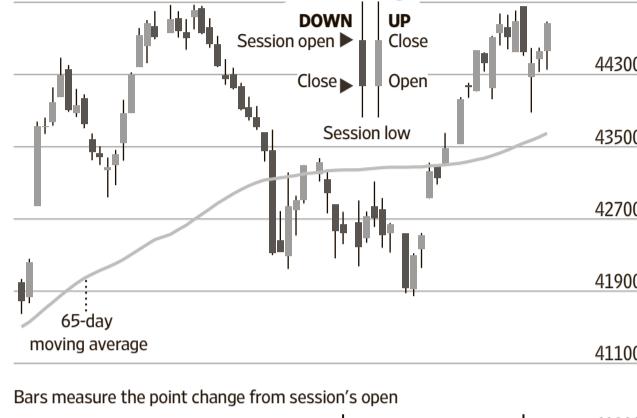
MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

44873.28 ▲ 317.24, or 0.71%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 27.09 25.72
 P/E estimate * 20.73 18.53
 Dividend yield 1.82 1.90
 All-time high 45014.04, 12/04/24



Bars measure the point change from session's open

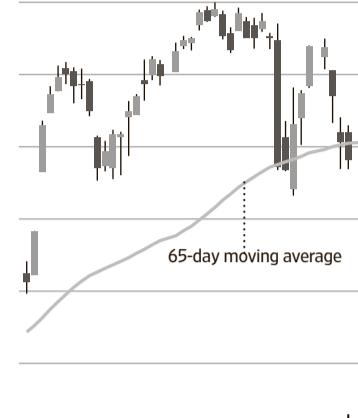
Nov. Dec. Jan. 40300 41100 41900 42700 43500 44300 45100

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; †Based on Nasdaq-100 Index

S&P 500 Index

6061.48 ▲ 23.60, or 0.39%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 25.52 22.85
 P/E estimate * 22.33 22.15
 Dividend yield * 1.22 1.49
 All-time high 6118.71, 01/23/25



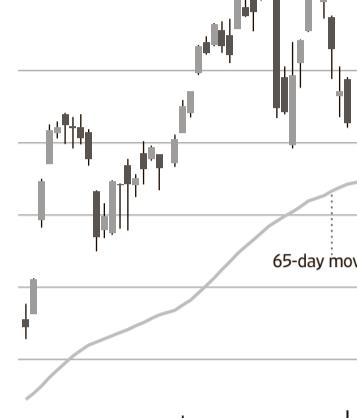
Nov. Dec. Jan. 5500 5600 5700 5800 5900 6000 6100

*Primary market NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Nasdaq Composite Index

19692.33 ▲ 38.31, or 0.19%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 33.38 30.87
 P/E estimate * 27.20 29.65
 Dividend yield * 0.70 0.88
 All-time high: 20173.89, 12/16/24



Nov. Dec. Jan. 17600 18400 18800 19200 19600 20000

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	44886.88	44352.99	44873.28	317.24	▲ 0.71%	45014.04	37735.11	16.0	5.5	8.5
Transportation Avg	16207.00	16096.35	16137.31	32.28	▲ 0.20%	17754.38	14781.56	0.4	1.5	2.0
Utility Average	1012.42	998.68	1004.92	10.40	▲ 1.05%	1079.88	829.38	20.0	2.3	2.2
Total Stock Market	60395.29	59829.54	60385.48	281.51	▲ 0.47%	60885.79	49314.67	21.6	3.4	9.9
Baron's 400	1309.51	1297.69	1309.47	10.18	▲ 0.78%	1356.99	1068.70	22.5	4.6	9.0

Nasdaq Stock Market

Nasdaq Composite	19696.94	19498.90	19692.33	38.31	▲ 0.19%	20173.89	15282.01	25.0	2.0	11.8
Nasdaq-100	21662.98	21408.64	21658.16	91.24	▲ 0.42%	22096.66	17037.65	22.0	3.1	13.8

S&P

500 Index	6062.86	6007.06	6061.48	23.60	▲ 0.39%	6118.71	4953.17	21.3	3.1	10.4
MidCap 400	3248.62	3216.07	3247.77	29.01	▲ 0.90%	3390.26	2762.35	17.6	4.1	7.4
SmallCap 600	1457.07	1444.01	1457.07	12.78	▲ 0.88%	1544.66	1241.62	15.9	3.5	4.3

Other Indexes

Russell 2000	2316.23	2293.38	2316.23	26.03	▲ 1.14%	2442.03	1942.96	18.8	3.9	5.0
NYSE Composite	20130.17	19964.61	20128.89	164.29	▲ 0.82%	20272.04	17068.54	16.9	5.4	6.4
Value Line	631.18	626.01	631.12	4.59	▲ 0.73%	656.04	568.94	8.8	3.3	0.2
NYSE Arca Biotech	6328.54	6194.78	6318.63	123.85	▲ 2.00%	6318.63	4861.76	24.1	10.0	7.5
NYSE Arca Pharma	988.38	966.38	984.22	17.84	▲ 1.85%	1140.17	912.71	-1.0	5.3	7.4
KBW Bank	138.63	137.07	138.54	1.23	▲ 0.90%	139.37	92.30	48.2	8.7	-0.4
PHLX® Gold/Silver	163.88	160.40	162.12	4.06	▲ 2.57%	175.74	102.94	45.1	18.2	9.2
PHLX® Oil Service	75.08	74.11	74.99	0.86	▲ 1.16%	95.25	68.88	-4.7	3.3	3.8
PHLX® Semiconductor	5102.40	4945.65	5091.50	114.91	▲ 2.31%	5904.54	4306.87	15.5	2.2	13.8
Cboe Volatility	17.75	15.77	15.77	-1.44	▲ 8.37%	38.57	11.86	22.9	-9.1	-12.1

§Nasdaq PHLX

Sources: FactSet; Dow Jones Market Data

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours High	Low
Ford Motor	F	18,513.2	9.48	-0.53	-5.29	10.07	9.34
Snap	SNAP	9,137.6	10.68	0.05	0.47	10.75	10.61
Intel	INTC	8,677.1	19.49	-0.16	-0.81	19.66	19.16
NVIDIA	NVDA	8,336.1	124.35	-0.48	-0.38	128.78	116.24
International Paper	IP	6,811.8	53.88	...	unch.	54.23	53.28
SPDR Portfolio S&P 500	SPLG	6,402.5	71.13	0.04	0.06	71.17	71.05
Pfizer	PFE	5,894.9	26.45	0.01	0.04	26.50	26.37
Qualcomm	QCOM	4,901.2	168.50	-7.36	-4.19	185.00	156.46

Percentage gainers...

American Superconductor	AMSC	216.6	29.29	3.77	14.77	29.78	25.41
Coherent	COHR	502.8	101.03	10.93	12.13	102.47	90.10
Crown Holdings	CCK	178.8	92.01	6.91	8.12	93.05	85.10
Syndax Pharmaceuticals	SNDX	235.7	15.80	1.15	7.85	16.50	14.65
Dyne Therapeutics	DYN	71.1	16.79	1.11	7.08	16.80	15.30
International Paper	IP	106.5	31.22	-9.90	-24.08	41.12	30.99
Impinj	PI	219.3	96.68	-30.38	-23.91	129.50	87.05
Skyworks Solutions	SWKS	1,202.3	67.02	-20.06	-23.04	89.80	62.80
Symbolic	SYM	82.0	25.60	-5.32	-		

COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.							
Feb	4,3860	4,4360	4,3860	4,4345	0,0920	2,341	
March	4,3590	4,4565	4,3430	4,4440	0,0905	101,398	
Gold (CMX)-100 troy oz.; \$ per troy oz.							
Feb	2850.00	2880.50	2848.00	2871.60	18.30	15,937	
March	2858.50	2893.30	2858.00	2880.60	17.90	12,022	
April	2873.70	2906.00	2870.10	2893.00	17.20	407,732	
June	2898.70	2930.90	2895.90	2918.40	17.70	67,367	
Aug	2920.60	2933.20	2920.60	2942.30	18.00	21,190	
Oct	2950.00	2976.80	2946.00	2965.90	18.40	4,008	
Palladium (NYM)-50 troy oz.; \$ per troy oz.							
Feb	1027.00	1030.00	1014.40	1014.40	4.70	16	
March	1009.50	1026.00	1001.50	1019.20	4.50	14,727	
Platinum (NYM)-50 troy oz.; \$ per troy oz.							
Feb	978.40	1018.00	977.90	1015.60	13.10	2	
April	1011.70	1027.40	1007.40	1025.80	13.40	65,158	
Silver (CMX)-5,000 troy oz.; \$ per troy oz.							
Feb	32.805	32.805	32.635	32.857	-0.031	944	
March	32.870	33.215	32.630	32.976	-0.046	121,368	
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.							
March	72.76	72.97	70.96	71.03	-1.67	276,301	
April	72.34	72.53	70.69	70.74	-1.60	168,388	
May	71.81	72.01	70.30	70.34	-1.53	128,304	
June	71.25	71.46	69.85	69.89	-1.45	173,519	
Sept	69.59	69.72	68.42	68.46	-1.24	101,749	
Dec	68.18	68.39	67.20	67.23	-1.09	165,787	
NY Harbor ULSD (NYM)-42,000 gal.; \$ per gal.							
March	2.4369	2.4441	2.3809	2.3842	-0.046	103,326	
April	2.3854	2.3917	2.3342	2.3372	-0.042	60,091	
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.							
March	2.0113	2.1051	2.0392	2.0507	-0.0483	97,718	
April	2.3292	2.3342	2.2773	2.2852	-0.0426	82,486	
Natural Gas (NYM)-10,000 MMbtu-\$ per MMbtu.							
March	3.229	3.375	3.161	3.360	.107	285,436	
April	3.239	3.373	3.175	3.359	.094	125,460	
May	3.321	3.446	3.262	3.434	.087	140,429	
July	3.688	3.788	3.632	3.782	.072	90,485	
Oct	3.774	3.873	3.727	3.868	.063	127,957	
Jan'26	4.672	4.763	4.637	4.759	.062	124,279	

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.							
March	494.00	498.50	490.50	489.75	493.25	-1.25	654,135
May	504.25	509.00	501.50	504.75	...	526,984	
Oats (CBT)-5,000 bu.; cents per bu.							
March	350.00	369.50	355.00	367.75	8.50	2,080	
May	364.00	369.00	360.75	368.00	3.50	1,388	
Soybeans (CBT)-5,000 bu.; cents per bu.							
March	1073.50	1079.75	1053.00	1057.00	-18.00	318,340	
May	1086.00	1092.50	1068.00	1072.25	-15.75	238,106	
Soybean Meal (CBT)-100 tons; \$ per ton.							
March	313.80	314.70	306.90	308.30	-5.70	194,845	
May	322.00	322.70	314.90	316.30	-5.70	143,487	
Soybean Oil (CBT)-60,000 lbs.; cents per lb.							
March	45.75	45.99	44.77	45.09	-.67	173,336	
May	46.36	46.48	45.31	45.60	-.67	167,697	
Rough Rice (CBT)-2,000 cwt.; \$ per cwt.							
March	13.55	13.65	13.38	13.50	-.05	10,119	
May	13.78	13.84	13.60	13.69	-.06	1,652	
Wheat (CBT)-5,000 bu.; cents per bu.							
March	577.25	584.25	569.50	572.25	-.47	210,139	
May	588.75	595.25	581.75	584.50	-.42	111,033	
Wheat (KC)-5,000 bu.; cents per bu.							
March	591.00	603.25	588.75	591.75	-3.00	128,872	
May	602.00	612.25	598.25	601.25	1.06	276,432	
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.							
March	268,475	271,500	267,550	270,725	2.475	34,259	
April	267,875	271,125	267,025	270,475	2.850	14,076	
Cattle-Live (CME)-40,000 lbs.; cents per lb.							
Feb	202,475	204,350	202,400	203,600	1.725	31,610	
April	189,900	201,975	198,900	201,300	2.650	167,664	
Hogs-Lean (CME)-40,000 lbs.; cents per lb.							
Feb	85.450	86.725	85.425	86.650	1.575	24,510	
April	90.125	91.825	89.975	91.550	1.800	122,148	
Lumber (CME)-27,000 bd. ft.; \$ per 1,000 bd. ft.							
March	566.50	574.00	566.50	573.50	5.00	5,161	
May	592.00	597.50	590.50	596.00	2.50	1,446	
Milk (CME)-200,000 lbs.; cents per lb.							
Feb	20.40	20.45	20.21	20.34	.06	3,707	
March	19.97	20.16	19.77	20.01	.08	5,456	
Cocoa (ICE-US)-10 metric tons; \$ per ton.							
March	10,838	10,856	10,426	10,514	-.399	28,965	

Source: FactSet

Macro & Market Economics

Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended January 31. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import and demand data are available monthly only.

Inventories, 000s barrels

	Current	Expected change	Previous week	Year ago	4-week avg	5-year avg		Imports, 000s barrels per day
Crude oil and petroleum prod	1,210,642	...	1,213	1,227	1,221	1,247		8,621
Crude oil excluding SPR	423,790	1,300	415	427	416	445		6,915
Gasoline	251,088	...	249	251	247	250		593
Finished gasoline	18,272	100	18	15	17	20		11
Reformulated	16	...	0	0	0	0		0
Conventional	18,256	...	18	15	17	20		11
Blend. components	232,816	...	231	236	231	230		583
Natural gas (bcf)	2,571	...	3	3	3	2		...
Kerosene-type		</td						

BUSINESS & FINANCE

Buyback and Results Boost Santander

Bank is latest in Europe to unveil plans for big returns to shareholders

By ADRIÀ CALATAYUD

Banco Santander said it plans to buy back 10 billion euros, or \$10.38 billion, of its own stock after it reported fourth-quarter results that exceeded expectations, sending shares sharply higher.

Spain's biggest lender by assets became the latest bank in Europe to outline plans for bumper returns to shareholders. European banks took

steps to clean up their balance sheets and restore profitability amid high interest rates in recent years and have continued to hand money back to shareholders even as central banks moved to lower rates.

Santander said Wednesday that it expects to return €10 billion to shareholders through stock repurchases from its earnings this year and next on top of its dividend. Its plans came hot on the heels of buyback announcements on Tuesday from UBS Group, Intesa Sanpaolo and BNP Paribas.

The news sent the stock up, rising more than 8% higher in European trading to levels last

seen in 2018.

The bank said it plans to start a new buyback program of about €1.59 billion on Thursday for which it already obtained regulatory authorization.

Santander said it was confident it would be able to boost profitability again in 2025, raising a key profitability target despite projecting broadly stable revenue for the year.

Net profit for the quarter was €3.265 billion, up 11% on year, Santander said.

Total income for the quarter rose 10% to €16.03 billion, mainly driven by higher net fee income. Net interest income—the difference between

what a bank earns on loans and what it pays clients for deposits—came to €11.99 billion, up 6.8% on the prior quarter.

Analysts had expected Santander to post a net profit of €2.95 billion on revenue of €15.39 billion, according to consensus estimates provided by Visible Alpha.

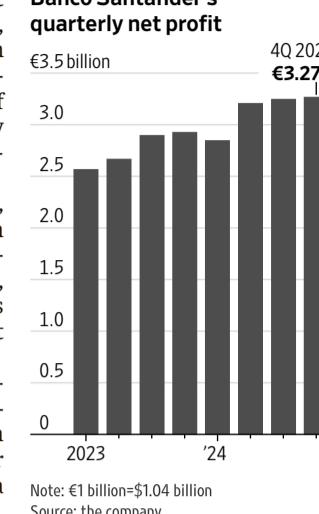
The bank attributed the profit rise to increases at its main income streams that offset higher costs and a hit from a U.K. provision to cover potential costs from a court ruling on the disclosure of dealer commissions on car loans.

For 2025, Santander expects revenue of about €62

billion, mid-high-single-digit growth in net fee income, lower costs and a return on tangible equity—a key profitability metric for banks—of more than 17%. It previously targeted a 2025 return on tangible equity of 15% to 17%.

Santander executive chair, Ana Botín, said in a call with analysts she expected a challenging environment in 2025, but that the bank's progress toward its 2025 targets put it well ahead of plan.

The bank's full-year revenue climbed 7.9% to €61.88 billion in 2024 and its return on tangible equity for the year stood at 16.3%, up from 15.1% a year before.



Note: €1 billion=\$1.04 billion
Source: the company

TotalEnergies Plans \$2 Billion Quarterly Stock Buyback

By ADAM WHITTAKER

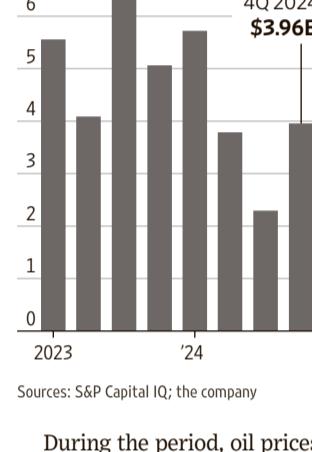
TotalEnergies set out a \$2 billion quarterly share buyback target for 2025 after net profit jumped on higher gas prices and increased refining margins.

The French oil-and-gas company reported a fourth-quarter net profit of \$3.96 billion, up 72% on the prior quarter after strong earnings in its integrated LNG and integrated power divisions. Despite this, it missed the \$4.21 billion analysts had expected, according to a Visible Alpha consensus.

Adjusted net profit—a company-preferred metric—rose to \$4.41 billion from \$4.07 billion the previous quarter. This compares with the \$3.94 billion analysts had expected.

Cash flow from operations climbed to \$12.51 billion, a 74% increase on quarter. It said it would target share buybacks of \$2 billion a quarter in 2025.

TotalEnergies' quarterly net profit



Sources: S&P Capital IQ; the company

During the period, oil prices declined 5% on quarter, but this was partially offset by higher gas prices. The downstream division's refining margins remained weak but increased on quarter.

The company's upstream division reported adjusted net operating profit of \$2.31 billion while earnings from its LNG division jumped 35% on quarter, boosted by 6% production growth and average LNG prices above \$10 per million British thermal unit.

Meanwhile, the company's integrated power division reported adjusted net operating profit of \$575 million, an increase of 19% compared with the prior quarter.

Within its downstream division, adjusted net operating profit rose 12% on quarter to \$680 million as TotalEnergies benefited from a jump in its refining margin to \$25.90 a metric ton, an increase from \$15.40 a ton in the prior quarter.

Hydrocarbon production was 2.43 million barrels of oil-equivalent per day, in line with its guidance of between 2.4 million and 2.45 million oil-equivalent barrels a day.

French Energy Giant to Convert ADRs Into Listed Shares in New York

TotalEnergies said it plans to convert its American depositary receipts into listed shares on the New York Stock Exchange to improve liquidity and attract more U.S. investors.

Chief Executive Patrick Pouyanne said Wednesday that the move doesn't constitute a dual listing, with Paris remaining the company's headquarters and primary market for new shares.

TotalEnergies has been examining the technical aspects for several months and plans to make the conversion this year, Pouyanne said.

He added that the technical details of the switch are complete but work around legal contracts is continuing.

The Paris- and New York-listed shares will be transferable from one market to the other and share prices will be correlated to the closest exchange rate, Pouyanne said.

TotalEnergies ADRs closed 1.9% higher at \$60.32 on Wednesday and are up 10.7% over the year to date. Paris-listed shares climbed 1.7% to €58.01 and are up 8.7% over the year to date.

The move to attract

more U.S. investors comes as institutional European investors have shunned fossil-fuel stocks. American investors appreciate oil-and-gas shares more than the European investors and the move could boost TotalEnergies liquidity, Pouyanne said.

Speaking on Wednesday, Pouyanne said the proportion of American institutional shareholders in TotalEnergies has risen to around 50%, while European institutional investors have sold shares. This is despite the company investing heavily in low-carbon energies, he added.

CORPORATE WATCH

IN SIGNIA FINANCIAL

Brookfield Targets Australian Firm

SYDNEY—Brookfield Asset Management made a US\$1.93 billion proposal for Insignia Financial, becoming the Australian wealth manager's third suitor.

Insignia on Wednesday said that Brookfield made a nonbinding proposal of 4.60 Australian dollars, equivalent to US\$2.88, a share. That is the same value as the proposal made last month by CC Capital Partners, and later matched by Bain Capital.

—Stuart Condie

ALLSTATE

Wildfire Loss Put At \$1.1 Billion

Allstate expects to record a \$1.1 billion loss from the wildfires in Southern California in January, the company said.

The insurer said Wednesday it has been reducing market share in California since the beginning of 2007.

In the fourth quarter, catastrophe losses took \$315 million out of Allstate's homeowners insurance business, up from \$21 million the year before. The loss widened 18% in 2024.

—Katherine Hamilton

brand-licensing company Authentic Brands Group to buy Forever 21 out of bankruptcy in 2020, saving the chain from liquidation.

Forever 21's owners last month announced that they are exploring strategic options for the chain's operations. The retailer has faced fierce competition from deep-discount online Chinese retailers Shein and Temu.

A spokesperson for Forever 21 reiterated that the company's owners are exploring a range of strategic options for the retailer's operations and said that they are working diligently to achieve the best possible outcome.

BRG declined to comment.

—Soma Biswas, Alexander Gladstone, Jodi Xu Klein

HARLEY-DAVIDSON

Stock Falls After Weak Forecast

Harley-Davidson had a rough 2024. The motorcycle maker warned this year might not be much better, sending its shares 1.6% lower in Wednesday's trading.

The company projected motorcycle-sales revenue and per-share earnings in 2025 could fall as much as 5%. Chief Executive Jochen Zeitz

said Harley has been hurt by high interest rates and low consumer confidence.

Harley has cut production in the face of weak demand that has affected much of the power-sports industry. It shipped just under 150,000 bikes in 2024, a 17% drop from 2023.

Its adjusted loss was 93 cents a share in the fourth quarter, a much steeper loss than Wall Street had expected, per FactSet.

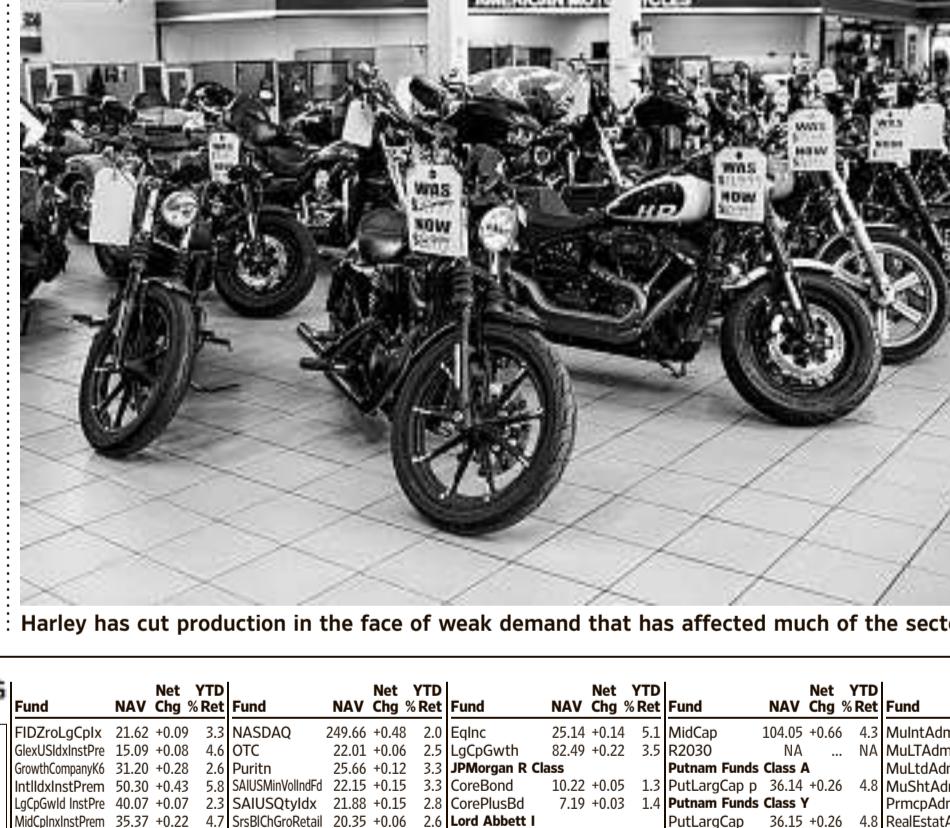
Full-year earnings and revenue both fell.

LiveWire, the company's electric-motorcycle spinoff, sold 612 bikes in 2024 and lost \$110 million, a slight improvement on 2023's loss.

Harley's lending arm was a bright spot. Its revenue and profit both grew last year due to higher interest rates.

The company's shares finished Wednesday's trading at \$26.40.

—John Keilman



Harley has cut production in the face of weak demand that has affected much of the sector.

ORSTED

Investment Program Cut 25%

Orsted cut its investment program to 2030 by 25% despite posting full-year results it said are in line with expectations.

The Danish group energy group said 2024 Ebitda excluding new partnerships and cancellation fees reached 24.8 billion Danish kroner, or \$3.45 billion, in line with expectations, but acknowledged it experienced challenges, especially related to its U.S. offshore-wind business.

These forced Orsted to reduce its investment program to 2030 by around 25% compared with its previous plans, leaving its value ranging between 29 billion and 33 billion kroner, it said.

"We'll reduce our investment program towards 2030 through a stricter, more value-focused approach to capital allocation," said Rasmus Erroe, group president and chief executive officer of Orsted.

The cuts won't affect Orsted's renewable projects under construction, the group said.

The update comes just four days after Erroe took over from former CEO Mads Nipper, as the group grapples with supply-chain bottlenecks, high financing costs and U.S. President Trump's opposition to wind power.

—Cristina Gallardo

Mutual Funds

Wednesday, February 5, 2025											
Fund	Net NAV	Chg %	YTD % Ret	Fund	Net NAV	Chg %	YTD % Ret	Fund	Net NAV	Chg %	YTD % Ret
AB Funds	64.53	+0.55	4.8	LgCo	40.21	+0.16	3.1	TtldIdxInstPr	14.01	+0.08	4.3
MunInclnShare	11.26	+0.05	1.2	US CoreEq1	44.80	+0.26	3.6	USdIdxInstPr	10.31	+0.05	4.0
AB Funds - ADV	49.03	+0.31	4.3	US CoreEq2	39.96	+0.27	3.6	Fidelity Advisor I	33.46	+1.12	3.6
LgCrPGrAdv	114.57	+0.77	4.7	US Small	50.89	+0.48	4.0	USdIdxInstPr	40.67	+0.06	3.6
American Century Inv	9.75	+0.05	1.3	GroOpp	206.93	+1.61	4.5	Fidelity Freedom	10.22	+0.05	1.3
Grwth	59.22	+0.12	2.1	AggRdInst	9.48	+0.04	1.4	Fidelity SAI	9.00	+0.05	1.4
Ultra	10.11	+0.05	1.3	CorBdInst	35.60	+0.38	3.6	Fidelity Select	9.00	+0.05	1.4
American Funds CI A	9.50	+0.11	1.9	TtldIdxInstPr	51.84	+0.30	5.2	Fidelity Select	33.46	+1.12	3.6
CaplBA	71.64	+0.63	3.9	BlackRock Funds Inst	28.95	+0.02	1.3	Fidelity Select	33.46	+1.12	3.6
CapWGrA	66.61	+0.42	4.8	BlackRock Fund III	9.55	+0.02	1.3	Fidelity Select	33.46	+1.12	3.6
EupcAc	56.65	+0.41	5.5	EdgewoodGrowth Inst	8.76	+0.05	1.4	Fidelity Select	33.46	+1.12	3.6
FdnWVA	84.73	+0.65	5.0	Edgewood Growth Instit	70.34	+0.16	3.1	Fidelity Select	33.46	+1.12	3.6
GwthA	78.67	+0.27	5.7	Fidelity Invest	10.32	+0.03	2.1	Fidelity Select	33.46	+1.12	3.6
Hi TrA	9.87	+0.03	1.7	Federated Hermt Int	23.68	+0.12	3.1	Fidelity Select	33.46	+1.12	3.6
ICAA	60.65	+0.1									

MARKETS

Indexes Rise as Earnings Take Spotlight

Alphabet and AMD stocks drop, while Hot Wheels sends Mattel soaring

After trade-war fears ballooned early this week, an old reliable—earnings season—retook center stage in markets.

Major stock indexes notched modest gains. The Dow Industrial Average led the pack, climbing 0.7%, or 317 points, to 44873.28, while the S&P 500 rose by 0.4%, or 24 points, to 6061.48.

Investors pored over quarterly reports from Alphabet and chip maker Advanced Micro Devices, both of which disappointed. That dragged on the tech-heavy Nasdaq Composite, which eked out a 0.2% increase to 19692.33. The relatively muted trad-

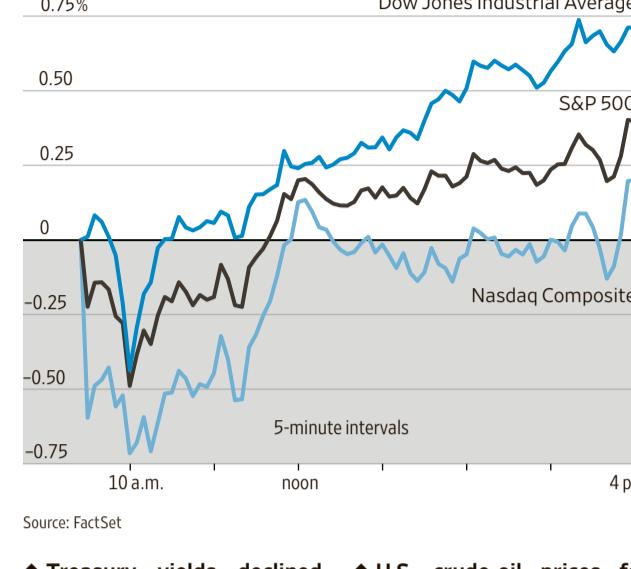
ing suggests investors have calmed their nerves since President Trump threatened wide-ranging tariffs against the U.S.'s three largest trading partners.

Trump's tit-for-tat threats with officials in Canada and Mexico have receded for now. At the same time, China's response to tariffs was considered by Wall Street to be fairly tame, with new levies imposed on a slim slice of U.S. goods.

Some analysts cautioned, however, that investors might be underestimating the risk of a lengthier trade spat.

Elsewhere:

- ◆ Earnings drove some big moves, with Alphabet falling 7.3% and AMD dropping 6.3%. Mattel stock surged 15% thanks to better-than-expected results that included a jump in Hot Wheels sales.

Index performance on Wednesday

Source: FactSet

- ◆ Treasury yields declined, with the 10-year settling at 4.421%. The Treasury said it wasn't planning to step up debt issuance anytime soon.
- ◆ U.S. crude-oil prices fell. Benchmark futures retreated 2.3%, to \$71.03 a barrel, after domestic crude stockpiles grew more than anticipated.

◆ Gold futures surpassed \$2,900 a troy ounce intraday for the first time and ended at a record \$2,871.60.

◆ Chinese stock indexes fell as mainland benchmarks reopened after a New Year break.

◆ Bitcoin prices slipped below \$98,000.

—Angus Berwick and David Uberti

STOCK SPOTLIGHT**Walt Disney**

Streaming gains and a strong box office showing by "Moana 2" bolstered Disney's performance last quarter. Shares slipped 2.4%, though, as some investors were disappointed the earnings forecast wasn't raised.

Uber

The ride-hailing company's quarterly operating income significantly undershot expectations. Shares lost 7.6%.

Snap

Shares in Snapchat's parent fell 8.4%, despite the social-media company posting a surprise quarterly profit and higher-than-expected revenue. Some analysts cut price targets amid concerns about user growth and an app-transition rollout.

Novo Nordisk

The Ozempic and Wegovy maker forecast sales growth would slow this year, but posted stronger-than-expected results for last quarter. U.S.-listed shares rose 3.8%.

Chipotle Mexican Grill

The restaurant chain cut its sales outlook for this year, knocking shares down 2.6%. Investors fear President Trump's tariff threats on Mexican and Canadian imports could drive up Chipotle's costs.

Nissan and Honda

Nissan's board plans to reject Honda's terms for a merger, endangering a plan announced less than two months ago. In Tokyo, Nissan shares fell 4.9%, while Honda's rose 8.2%.

Match

The owner of the Tinder and Hinge dating apps said it had replaced its chief executive. It also posted lower quarterly earnings, and forecast sales that missed investors' expectations. Shares fell 7.9%.

Traders Bet On Rise of Tech Stocks

Continued from page B1
aging earnings results and commentary from executives reassured investors that the spending spigots are still wide open.

Companies including Meta Platforms and Microsoft said the emergence of DeepSeek wouldn't deter them from ambitious investments.

Three of the big tech stocks in the Magnificent Seven—Amazon, Apple and Meta—have climbed since Jan. 24, before DeepSeek spooked investors. Meta is the bright spot: Its shares have hit repeated all-time highs and are in the midst of a 13-session winning streak, their longest on re-

cord.

Nvidia stock is up 5.4% over the past seven sessions. The Magnificent Seven have gained more than \$83 billion in market value over that period, according to Dow Jones Market Data.

In coming days, investors will parse earnings reports from the likes of Amazon,

to the Magnificent Seven changed hands last week, the biggest weekly tally so far this year, according to Cboe Global Markets data. More than \$26 billion was tied to call options that offer the right to buy a stock at a set price by a certain date.

Call option activity tied to

Meta reached its highest level since April 2024, according to Cboe, while activity tied to Microsoft hit levels not seen since July 2023.

In recent days, some of the most actively traded Apple contracts have been calls tied to shares jumping to \$245 and \$250, Cboe data show. They closed Tuesday at \$232.47. For Amazon, traders snapped up bets that the stock would climb to \$255 and \$260,

up from Tuesday's close of \$236.17.

One factor behind the quick bounceback in tech stocks: Some investors are already skeptical about DeepSeek's capabilities and whether the company poses a threat to the AI trade. OpenAI said it is probing whether the company trained its chatbot using OpenAI's models, casting doubt on just how impressive DeepSeek's technology is.

Others point out that some U.S. companies such as Meta and Apple could benefit from a cheaper large language model, the technology underlying chatbots like ChatGPT. Some executives have cheered having broader access to AI models.

Rhett Zeid, a full-time trader in New Jersey, added to his pile of Tesla calls expiring in June during the tech rout last week. The 26-year-old has been a staunch Tesla bull since the pandemic, when a launch of Elon Musk-owned SpaceX's

Falcon 9 rocket convinced him of the chief executive's business acumen.

He plans to start gradually selling those calls when the stock reaches \$455. Zeid says the emergence of DeepSeek hasn't changed his belief that the EV maker will eventually produce the fully driverless robo-taxis that Musk has teased for years, making Tesla's stock the AI play "of the century."

"I mean, it's pretty much a sealed deal," said Zeid. "2025 and beyond should be pretty awesome."

AUCTION RESULTS

Here are the results of Wednesday's Treasury auction. 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.

17-WEEK BILLS

Applications	\$191,865,804,100
Accepted bids	\$64,191,119,100
* noncompetitively	\$594,195,300
* foreign noncompetitively	\$0
Auction price (rate)	98.610014 (4.20%)
Coupon equivalent	4.323%
Bids at clearing yield accepted	63.45%
Cusip number	912797PR2

The bills, dated Feb. 11, 2025, mature on June 10, 2025.

The Wall Street Journal CFO Network Summit

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Karen LoDico
CFO
Morgan Lewis

Robby Starbuck
Filmmaker and Conservative Activist

Sachi Vora
Global Managing Partner
Financial Officers Practice, Heidrick & Struggles

OVERVIEW

The Wall Street Journal CFO Network meets at a moment of significant change and unpredictability for businesses. A new administration with bold policy proposals on taxes, tariffs, immigration and more. The ongoing and rapid developments in artificial intelligence, which raise questions about the speed of innovation and return on investment. An uneven U.S. economy, with some consumers still feeling the pinch from inflation. A backlash to corporate ESG and DEI policies, and geopolitical tensions that show little sign of resolution.

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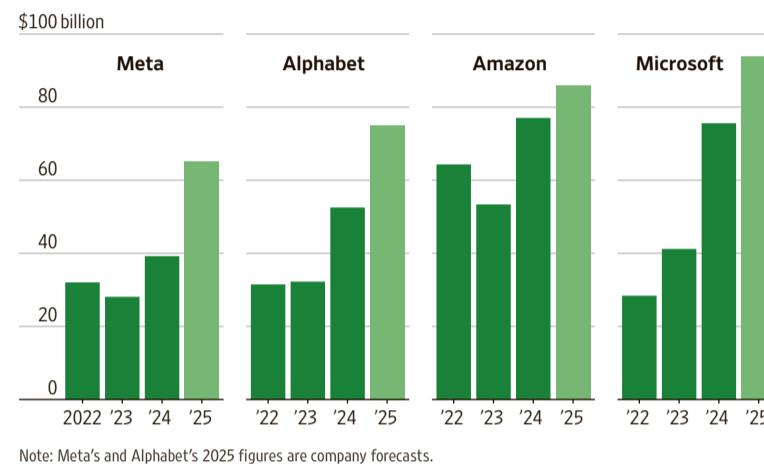
HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

AI Race Is Still On as Google Antes Up



The company's latest results showed disappointing cloud revenue growth.



Note: Meta's and Alphabet's 2025 figures are company forecasts. Amazon's and Microsoft's 2025 figures are analyst projections. Sources: the companies; Visible Alpha

Alphabet unit plans major outlay after rivals Microsoft and Meta have been pulling ahead in investments

Google's latest artificial-intelligence splurge doesn't have the best timing. It still looks necessary.

Sundar Pichai, chief executive of Google and its parent, **Alphabet**, used the company's fourth-quarter report Tuesday to unveil plans to make \$75 billion in capital expenditures this year. That is a major jump from the \$52.5 billion spent last year and amounts to 19% of Wall Street's projected revenue for the year. Google's capital outlay has grown remarkably over the past decade, but has averaged less than 13% of annual revenue during that time.

That revelation came in a report showing disappointing revenue growth for Google's cloud and device businesses, which brought Alphabet's total revenue for the quarter slightly under Wall Street's projection of \$96.6 billion. That marks the company's first revenue miss in two years, according to FactSet data, and comes a week after **Microsoft** showed disappointing growth in its own cloud business. Alphabet's share price tumbled more than 7% on Wednesday.

Analysts were widely expecting Google to boost its capex plans, with the company being a bit late to that expensive party. Microsoft

and **Meta Platforms** are both on track to spend more than 30% of their revenue this year on capital expenditures, according to consensus projections from Visible Alpha. Microsoft's total capital bill alone is expected to top \$90 billion this calendar year, while Meta recently unveiled plans to bump its own spending up more than 60% to as much as \$65 billion this year. Given that generative AI depends on the raw horsepower of massive networks of expensive computing chips from companies including **Nvidia**, a business like Google can't afford to play it cheap and allow rivals to outbuild it.

That at least was the consensus thinking two weeks ago—before revelations from a Chinese AI startup called DeepSeek raised questions about just how much computing power is really needed to build advanced AI models. The ensuing market sell-off was particularly painful for megacap tech giants closely hinged to AI; Alphabet's stock price lost more than 4% of its value that day, while Nvidia's is down nearly 20%.

But big tech leaders have since pushed back hard on that idea, noting that more powerful computing will still produce better quality AI. Meta Chief Executive

Mark Zuckerberg said on his own earnings call last week that the ability to invest "very heavily" in capex would be a strategic advantage for companies with the means to do it. On Tuesday's call, Pichai said Google's approach to AI development produces a lot of efficiencies given the company's focus on lowering cost per query. "It's as big as it comes, and that's why you're seeing us invest to meet that moment," Pichai said of the AI opportunity.

Google at least has a few advantages here. Its lucrative search-advertising business is still going strong; operating margins for its Google Services segment hit 39% in the latest quarter compared with 35% in the same period the previous year. And while its cloud revenue growth disappointed, Google Cloud's operating income more than doubled year over year to just over \$2 billion in the latest quarter.

Alphabet also has the highest net cash balance of its peers: \$99 billion compared with Microsoft and Meta at \$42 billion and \$49 billion, respectively.

In an AI spending match, the deepest pocket can't afford to sit on the bench.

—Dan Gallagher

A Hot New Label for Luxury Brands to Mull: 'Made in America'

Would a Birkin handbag be less appealing if it was made in Paris, Texas, rather than the French capital?

Most luxury brands have clung tightly to their European manufacturing base, but a move stateside will make more sense if a trade war erupts.

President Trump has threatened to put higher import duties on European goods to close the U.S. trade deficit with the European Union. There is still no detail about how high any tariffs might be, or whether they would target only certain products such as German cars. But Europe's luxury-goods companies risk getting caught in the crosshairs, just as the U.S. market becomes increasingly important for the industry.

Designer brands could deal with tariffs in a couple of ways. One option is to charge their customers more. But this strategy would be tricky to pull off now, as the luxury industry has developed a reputation for price gouging.

LVMH founder Bernard Arnault said on the company's latest earnings call that customers feel "ripped off" after luxury brands

raised prices aggressively in recent years.

It is not a great time to ask American consumers for more money, as demand is fragile. After 10 consecutive quarters of shrinking, U.S. luxury spending showed signs of improvement at the end of last year, based on credit-card data from Bank of America.

Brands hope that improving demand from U.S. shoppers will eventually offset weak sales to Chinese consumers, and won't want to do anything that might upset the recovery.

Moving some manufacturing stateside would allow brands to avoid tariffs altogether. Luxury companies might even save money in the long term—energy is much cheaper in the U.S. than in Europe and subsidies are available in some states to build factories that provide local jobs.

Luxury brands do plenty of outsourcing, but it tends to happen nearby. According to consulting firm Bain, around 55% of global luxury goods are produced in Italy, mainly by independent factories that take on work for big brands.

The "Made in Italy" or "Made in France" labels on expensive



Louis Vuitton has three large factories in the U.S. that produce handbags for the local market.

handbags and clothing do increase their appeal to some consumers. And certain luxury goods can't be made elsewhere as they are tied to a specific region. Champagne production must happen in northeast France, Swiss watch manufacturing in Switzerland.

But mass-market luxury brands such as Gucci or **Prada** are a bit more footloose. **Moncler**, the maker of \$3,000 Puffer jackets, manufactures in low-cost Romania. This hasn't dent its appeal, says Bernstein luxury analyst Luca Solca. Once a luxury brand operates the factory itself and keeps standards high, its customers are

less likely to react badly to production in a new country.

Manufacturing outside Europe hasn't harmed LVMH-owned Louis Vuitton either. The brand already has three large factories in America that produce handbags for the local market. These purses carry a "made in U.S.A. of imported materials" label and shoppers don't seem to mind. Louis Vuitton ranked as Americans' favorite luxury brand in the latest UBS consumer survey.

LVMH's Arnault said the company might move even more production to the U.S. in the future. Tax increases in France, coupled

with the threat of tariffs, make producing in America more appealing. It is also good business considering LVMH makes a quarter of its sales in the U.S. these days.

Certain labels are prized by consumers precisely because their goods are handmade in Europe—that means **Hermès** probably won't be relocating to Texas any time soon.

But for brands a little lower in the luxury hierarchy, American factories could turn out to be a smart defense in a more protectionist global economy.

—Carol Ryan

Merck Is Suffering From a Classic Pharma Problem

Investors have taken to punishing pharma companies that appear unable to gauge demand for their top products.

Consider **Pfizer**: The company's inability to accurately project demand for its Covid-19 products sent its stock tumbling to historic lows in 2023—where it has remained ever since. Even investor darling **Eli Lilly**, which reports its fourth-quarter results on Thursday, has faced pressure after appearing to be caught off guard by slower growth in its weight-loss and diabetes drugs.

Now it is **Merck** & Co. under the microscope. On Tuesday, the company reported fourth-quarter earnings that beat expectations, with \$15.6 billion in sales surpassing Wall Street estimates. But Merck's vaccine business in China is slowing much more than the company had previously estimated. In a grim update, Merck announced it is temporarily halting shipments of HPV vaccine Gardasil—its second-biggest product—to China.

"Like many other companies, we've seen increased pressure on discretionary consumer spending, including across the vaccine space

more broadly, and demand for Gardasil has not recovered to the level we had expected," Merck Chief Executive Robert Davis told analysts on a Tuesday call. The company even walked back its long-term target of \$11 billion in annual Gardasil sales.

The fallout was swift: The company's 2025 guidance, which fell short of Wall Street expectations, sent its stock down 9% on Tuesday and a further 1% on Wednesday, bringing its decline over the past year to 29%.

In an interview, Merck's Davis explained that due to high inventory levels and financial difficulties affecting the company's local partner, Merck made a decision to pause shipments. And while the company still sees growth potential in China, he emphasized that by taking the company's guidance down to such a level, Merck is basically "derisking our company's exposure to China Gardasil in the mind of investors and refocusing people on where our growth opportunities are." And, he noted, if China Gardasil sales and the impact of foreign currency exchange are stripped out, the company is grow-

Forward price/earnings multiple



ing 7% to 9% this year, driven by areas such as oncology and animal health.

Still, the focus on Gardasil's slowdown highlights a larger issue for Merck: its growing dependence on its other big blockbuster, cancer immunotherapy Keytruda. Merck now finds itself in the same precarious position that has tripped up other pharma giants: when one product becomes a major hit.

Keytruda accounts for about 45% of total revenue, raking in \$29.5 billion out of \$64 billion in 2024. It continues to deliver outsize growth.

Keytruda's growth is a good thing, of course. This is a testament to the drug's strong efficacy for patients and Merck's success in expanding its approved indications. However, that success comes with a downside: heavy reliance on a product facing patent expiration in 2023.

While Merck insists it is firing on all cylinders, with promising new drugs such as Winrevair—recently approved for pulmonary arterial hypertension—some investors are struggling to see beyond Keytruda. The company reaffirmed its openness to dealmaking during Tuesday's call, and acquisitions like the \$11 billion purchase of immunology-focused biotech Prometheus in 2023 have helped strengthen its pipeline.

Davis stressed that the company's pipeline of 20 late-stage assets positions it for long-term growth, including antibody drug conjugates and a new cholesterol drug with blockbuster potential. "We see greater than \$50 billion of

potential revenue opportunity by the mid-2030s coming from these assets," Davis said. "That goes a long way to address the Keytruda loss of exclusivity, which is why I say it is more of a hill than a cliff."

Additionally, he said, the company expects 30% to 40% of Keytruda patients eventually switching over to the company's under-the-skin injection, which would ensure the drug's sales won't decline as sharply as some might fear.

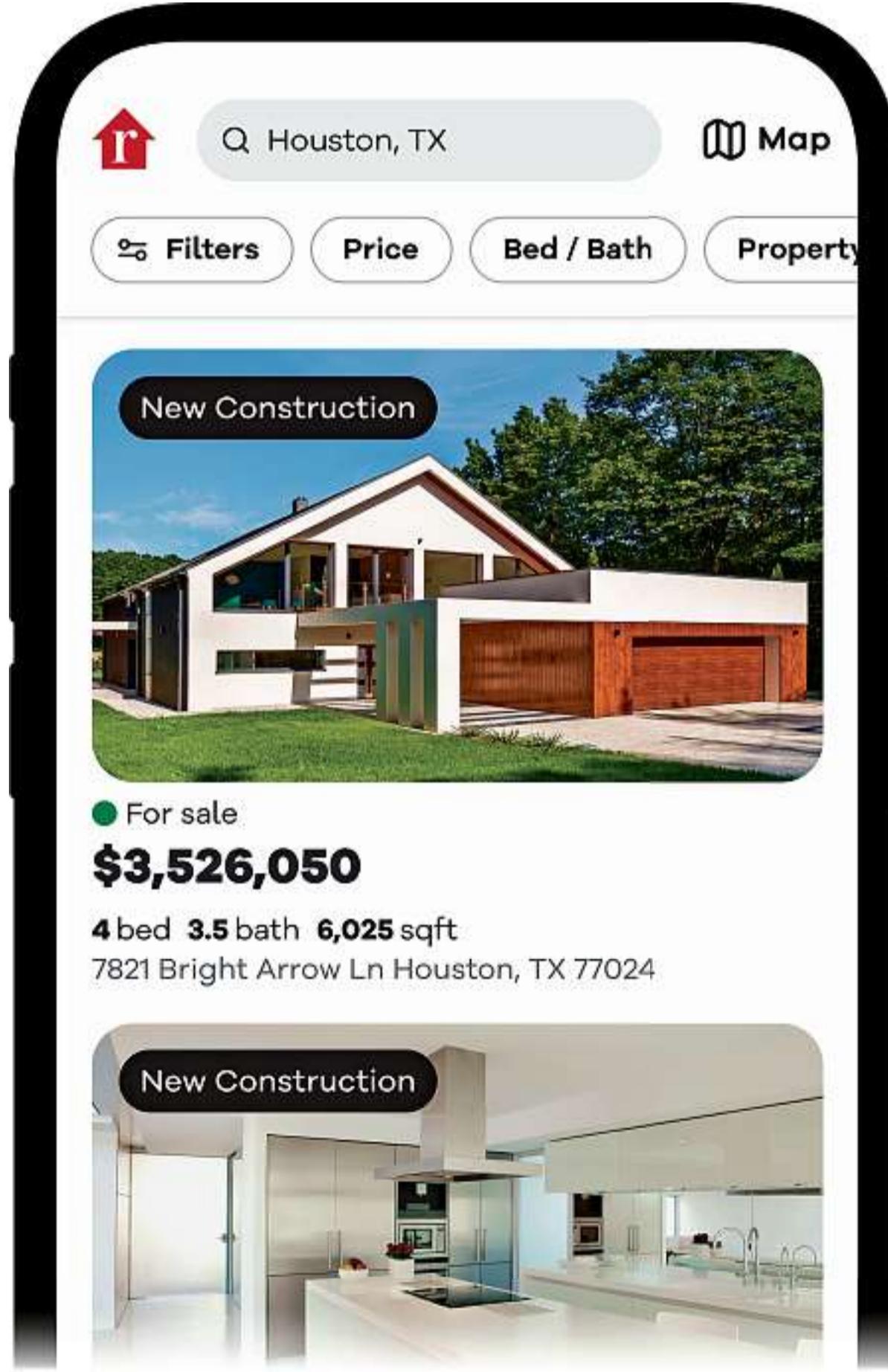
Will Sevush, a healthcare strategist at Jefferies, compares Merck's situation to **AbbVie's** struggles as it approached the patent cliff for its blockbuster Humira. At the stage Merck is now in, about three years before AbbVie neared competition for Humira in the U.S., its forward price/earnings multiple shrank to just 7. Merck's multiple is currently at 9.8, well below its 10-year average of 14.1, according to FactSet.

The good news is the company is diversifying itself away from Keytruda and it still has plenty of time to do more. But with the clock ticking on Keytruda patents, investor skittishness over the company's growth prospects probably isn't going away soon.

—David Wainer

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