THE WALL STREET JOURNAL.

DOW JONES | News Corp ****** THURSDAY, MAY 9, 2024 ~ VOL. CCLXXXIII NO. 109 WSJ.com ★★★★ $5.00

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What's News

Business & Finance

◆ **FTX said it will** have more than enough money to fully repay the defunct cryptocurrency exchange's millions of swindled customers with interest, an outcome that seemed unthinkable when it collapsed into bankruptcy in 2022. **A1**

◆ **Uber swung to a loss** last quarter as legal settlements and equity investments weighed on results even as demand for its rides and deliveries rose. **B1**

◆ **Microsoft announced** a $3.3 billion investment in a data center in Wisconsin and training programs to educate locals about AI jobs in manufacturing. **B1**

◆ **Disney and Warner** said they would offer a bundle of their streaming services to include Disney+, Hulu and Max in ad-free and ad-supported versions. **B1**

◆ **U.S. stocks ended** mixed, with the Dow rising 0.4% to extend its longest winning streak of the year, while the Nasdaq fell 0.2%. The S&P 500 was essentially unchanged. **B10**

◆ **AB InBev said** its volumes dropped by less than expected in the first quarter and the brewer backed its guidance after saying that its three-month performance was encouraging. **B3**

◆ **Intel said its revenue** for the current quarter would be lower than expected amid new restrictions on sales by chip makers to Huawei. **B4**

◆ **Toyota projected a** drop in fiscal-year profit on higher costs and announced a share buyback after posting stronger fourth-quarter net profit. **B3**

World-Wide

◆ **Israel's military** pushed forward in eastern Rafah in what it called a limited operation, as Biden warned he would stop sending U.S. bombs and artillery shells to Israel if it launched a major invasion of the Palestinian city. **A1, A6**

◆ **U.S. spy agencies** will limit how they buy and use troves of data about Americans gleaned from thousands of smartphone apps and other personal devices, according to a new policy directive. **A3**

◆ **A group of** Trump-appointed federal judges pledged to blackball graduates of Columbia University, ratcheting up a pressure campaign against universities they deem hostile to conservatives. **A5**

◆ **The House voted to** block a resolution by Rep. Marjorie Taylor Greene to oust Speaker Mike Johnson, with Democrats stepping in to help save the Republican leader. **A5**

◆ **Members of Congress** pressed public-school leaders on how they have disciplined teachers and students engaged in antisemitic behavior since the start of the Israel-Hamas war. **A4**

◆ **Neuralink encountered** a problem with the implant in its first human patient, Noland Arbaugh, that reduced the amount of data it could capture from his brain, according to a blog post the company published. **A3**

◆ **The U.K. expelled** Russia's serving defense attaché on allegations of spying and removed diplomatic protection from some Russian-government-owned properties. **A7**

JOURNAL REPORT
Small Business: Growing up working in parents' two stores. **R1-6**

France Gives Torch an Olympian Welcome

SYLVAIN THOMAS/AGENCE FRANCE-PRESSE/GETTY IMAGES

HANDOFF: Fireworks welcome the 19th-century ship carrying the Olympic torch from Athens as it arrives Wednesday on the French mainland at the port of Marseille. The torch was handed off to begin the 68-day relay to Paris for the Games' July start.

Israel Presses Fight in Rafah, Biden Vows to Withhold Arms

The Israeli military pushed forward Wednesday in eastern Rafah in what it called a limited operation, and President Biden warned he would stop sending U.S. bombs and artillery shells to Israel if it launched a major invasion of the Palestinian city.

*By **Stephen Kalin**, **Chao Deng** and **Summer Said***

Israel called its moves in Rafah "a precise counterterrorism operation," signaling it hadn't yet begun a long-anticipated major offensive on the southernmost city in the Gaza Strip, where it is believed Hamas's leaders, their last remaining battalions and some Israeli hostages are located.

The military said its operations were still limited to areas near Rafah's border with Egypt, but some analysts said the narrowly focused moves could quickly expand into the broader assault Biden has called a "red line."

Israel's military moves on Wednesday came hours after the Biden administration said late Tuesday that it had paused a shipment of weapons including 2,000-pound bombs destined for Israel.

Biden said Wednesday he was prepared to withhold additional weapons, including artillery shells, from Israel should Israeli forces mount a major ground operation in Rafah.

"If they go into Rafah, I'm not supplying the weapons that have been used historically to deal with Rafah, to deal with the cities," Biden, a Democrat, said in an interview with CNN. He stressed the U.S. would continue to provide defensive systems so Israel could fend off missile attacks.

"I've made it clear to Bibi and the war cabinet, they're not going to get our support,

Please turn to page A6

FTX Says Defrauded Customers To Be Fully Paid Back

Once a near-total loss after its collapse, crypto exchange's assets rebounded

Defunct crypto exchange FTX said it will have more than enough money to fully repay its millions of swindled customers with interest, an outcome that seemed unthinkable when it collapsed into bankruptcy in 2022.

*By **Becky Yerak**, **Soma Biswas** and **Andrew Scurria***

FTX said in court papers Tuesday that it will have between $14.5 billion to $16.3 billion in cash after liquidating its cryptocurrency holdings and other investments, more than enough to cover the roughly $11 billion that customers and nongovernment creditors are owed.

That customer money has been trapped since November 2022, when Sam Bankman-Fried ceded control of FTX to a new management team that filed it for bankruptcy, beginning one of the largest-ever efforts to recover misappropriated funds.

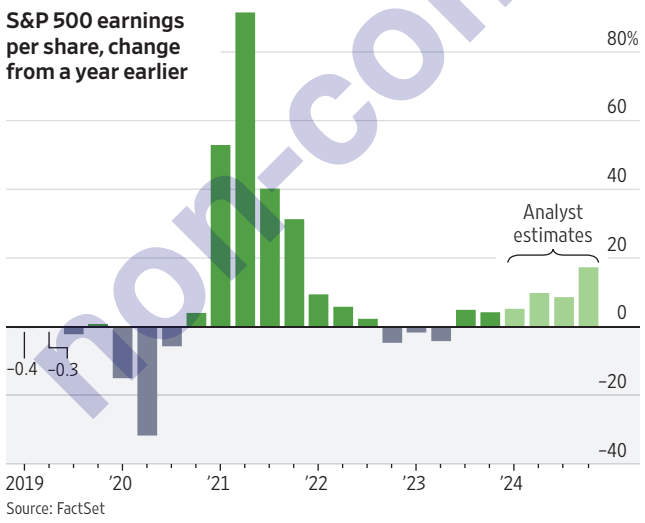
The management team found enough funds for FTX's creditors because of a rally in crypto prices and the sale of stakes the company acquired—with users' money—in speculative crypto projects and other technology ventures. The bankruptcy process gave FTX the time it needed to find buyers and fill in the nearly $9 billion balance-sheet hole it entered chapter 11 with.

If approved in court, the re-

Please turn to page A2

Profits Buoy Economy

The bulk of U.S. companies have now reported first-quarter results, and they show profit growth is picking up—a positive sign for the economy's odds of avoiding a downturn. **A2**



Desperate for Workers But Dead Set Against Migrants

West Virginia focuses on illegal immigration despite seeing few newcomers; National Guard troops sent to Texas border

BY PAUL KIERNAN

FRANKLIN, W.Va.—Not many places need warm bodies more than this picturesque town in the Appalachian Mountains. There are so many elderly people and so few workers to take care of them that some old folks have died before getting off the wait list for home visits by health aides.

"We advertise all the time," said Janice Lantz, the local senior center's director. "We can't hire a direct-care worker."

West Virginia shares a demographic dilemma afflicting many parts of the country: an aging population and unfilled jobs. Decades of migration out of Appalachia have left West Virginia older, less educated and less able to work than other parts of the U.S. Its labor-force participation rate—the share of the 16-and-older population either working or looking for work—was 55.2% in March, the second-lowest in the country.

Some other states, including Maine, Indiana and Utah, have sought immigrants to shore up their workforces. But while West Virginia represents one extreme in its labor needs, it represents another in its resistance

Please turn to page A8

The Dress Code for Snack Execs: Bring the Stretchy Pants

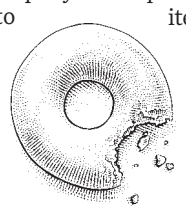
* * *

Food-company directors sample lots of America's sandwiches and pretzel bites

BY JENNIFER WILLIAMS

Corporate directors have hefty responsibilities at quarterly board meetings. They oversee strategy, governance, executive compensation—real serious stuff. But those elite few serving on food-company boards *truly* bite into their work.

In the name of due diligence, for instance, directors munch throughout the board meetings of J & J Snack Foods, the company behind the SuperPretzel, ICEE frozen treats and Dippin' Dots.



Expanding duties

In any discussion, at least one director inevitably excuses themself from the long conference-room table to fetch more snacks, and no one takes offense, according to director Roy Jackson. "Somebody's doing a presentation and it is like, you know, sorry. I've got to have a pretzel bite or churro," he says.

To attract inflation-weary diners, restaurants are relying on promotions such as limited-time dishes and expanded menus. Packaged food and snack brands are using new offerings to entice shoppers.

With quarterly meetings now under way, boards have lots of eating to do.

The product sampling allows food-company directors—typically corporate executives or former ones—to give feedback on current fare as well as items not yet released.

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Finding a Drug to Keep Weight Off Is Next Goal

BY BETSY MCKAY

Aida Diaz sat down at a table laden with fried chicken, french fries, salad and more.

Pick what you want for dinner, researchers at Columbia University instructed the 27-year-old New Yorker. Diaz filled her plate with salad, a bit of canned tuna, and chicken, grilled, not fried.

Then she grabbed a fry—*because who can resist?*—and a couple of spoonfuls of mac and cheese. "They said this is the hardest part," said Diaz, who is trying to keep more than 35 pounds off.

It sure is. Researchers including the team at Columbia and drugmakers are trying to solve the biggest problem in the weight-loss industry today: how to keep weight off once you lose it.

Hundreds of thousands of people have shed tons of weight on blockbuster drugs including Ozempic and Wegovy. But many put the pounds back on when they stop taking the medications. Millions of others like Diaz who lost weight by changing their diets and exercise habits struggle not to regain.

Drugs or procedures to keep weight off could fuel an even bigger bonanza than Ozempic and its immensely profitable cousins. Losing weight is temporary, but maintaining it is lifelong. Maintaining weight is also a different challenge from losing it.

Makers of the weight-loss juggernauts have a big problem to overcome: Many people stop taking GLP-1 drugs. Their insurers won't pay for the drugs, they can't tolerate the side effects, or they don't want to take the medication long term. Only 14% of people surveyed in 2023 by KFF, the health-policy research organization, were interested in taking a weight-loss drug once

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INSIDE

PERSONAL JOURNAL
Turbulence over preboarding rattles Southwest passengers. **A9**

SPORTS
In Major League Soccer, Messi is on the receiving end of fewer tackles and fouls. **A12**

U.S. NEWS

Booming Profits Keep Economy Humming

Despite slower hiring, CEOs remain upbeat and major downturn appears improbable

By Justin Lahart

Job growth took a step down in April, as reported in Friday's employment numbers. But there is a world of difference between a slightly weaker labor report and the types of job losses that could push the economy into a recession.

With corporate profits on an upswing, a major downturn in the economy could be far away.

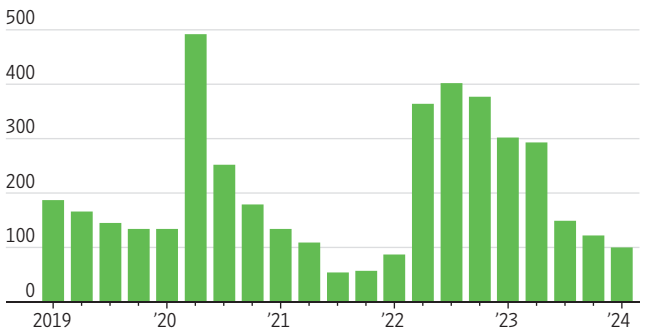
The bulk of U.S. companies have now reported first-quarter results, and they show profit growth is picking up. Earnings per share for companies in the S&P 500 now look to be up 5.2% from a year earlier, according to FactSet, better than the 3.4% analysts expected at the end of March, and marking the strongest growth in nearly two years.

Company results coming in ahead of the estimates is a regular occurrence. More unusually, analysts also spent last month lifting their current-quarter estimates. They now expect second-quarter earnings per share to gain 9.8%, compared with 9% at the end of March. The last time analysts spent the first month of a quarter raising rather than lowering earnings estimates was during the fourth quarter of 2021, according to FactSet earnings analyst John Butters.

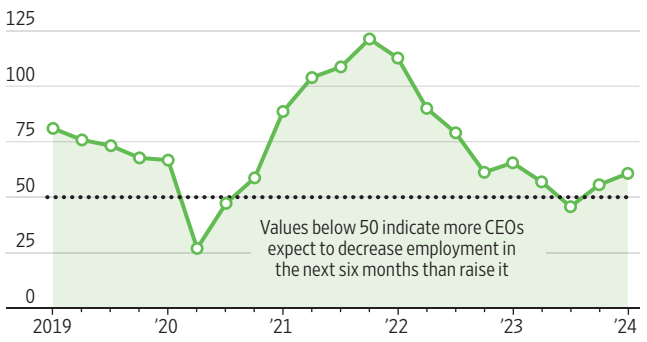
Corporate profits are important because they show the U.S. economic engine continues to purr. While some other economic indicators, such as consumer-sentiment readings, have been downbeat, and inflation has ticked up, a strong U.S. profit performance typically points toward continued expansion.

The drift higher in earnings estimates might be because companies, instead of feeling a need to temper analysts' optimism and nudge estimates lower, are upbeat themselves. Among companies in the S&P 500, the term "recession" showed up in just 100 transcripts of earnings calls, investor events and conferences recorded in the first quarter, according to FactSet. That was down from 302 in the first quarter of 2023, and the fewest in two years.

S&P 500 company transcripts mentioning 'recession', quarterly



CEO U.S. employment index, quarterly



Sources: FactSet (transcripts); Business Roundtable, via FactSet (index)

Survey-based measures of corporate sentiment have picked up. The Business Roundtable's index of chief executive officers' economic outlook rose to the highest level in the first quarter since the second quarter of 2022. Indexes of CEOs' hiring and capital-spending expectations have gained ground. A survey of chief financial officers conducted by Duke University's Fuqua School of Business with the Federal Reserve banks of Atlanta and Richmond showed a similar increase in optimism.

"There is not a reason if profits are good to retrench," said the Duke economist John Graham, who directs the CFO survey. Moreover, many CFOs say their companies are still struggling to attract workers.

For now, Graham thinks companies are in the mode of adding workers when the profit outlook is good, and holding employment steady if the outlook becomes shaky, rather than shedding the employees they put so much effort into hiring. So even if earnings do falter, companies might be slow to turn to layoffs.

Indeed, while there were high-profile layoff announcements from companies including Tesla and Amazon.com last month, overall layoff activity remains low. The Labor Department reported that the total number of workers laid off from their jobs in March came to a seasonally adjusted 1.526 million. That was the fewest since December 2022. In prepandemic 2019 (a good year for the job market) the monthly layoff count averaged 1.818 million. Initial claims for unemployment insurance—a leading indicator of layoff activity—have remained low.

The economy isn't a perpetual-motion machine, where profit growth leads to employment growth, employment growth leads to consumer-spending growth, and spending growth leads to profit growth in a never-ending virtuous circle. The Fed has raised interest rates sharply in its bid to cool inflation, and the danger remains that its rate increases will eventually push the economy into a recession. Experience shows that the economy can go from good to bad in a hurry.

But so far, people have kept shopping, with consumer spending growing at an inflation-adjusted 2.5% annual rate in the first quarter, according to the Commerce Department. Year-over-year wage gains have cooled, but have outpaced inflation since last May, providing workers with the wherewithal to spend. Productivity gains have allowed businesses to maintain profit margins despite wage increases.

When profits start faltering, it will be a good time to worry about jobs. But they aren't faltering yet.

U.S. WATCH

TIMOTHY A. CLARY/AFP/GETTY IMAGES (4); JOHNNY NUNEZ/WIREIMAGE/GETTY IMAGES (SLICK RICK)

A preview of the American Museum of Natural History's 'Ice Cold: An Exhibition of Hip-Hop Jewelry' shows the crown and eye patch of Slick Rick, pictured in inset; Tyler, the Creator's 'Bellhop Necklace' pendant; Ghostface Killah's 'Eagle' bracelet. Also, lower left, the 'Fingers of Def' four-finger ring.

EDUCATION

New Student Loans Set at Higher Rate

The cost of borrowing for college is about to get more expensive.

New 10-year U.S. Treasurys were sold at auction Wednesday with a 4.483% yield. Interest rates on new federal undergraduate student loans are determined each year by adding the yield on the 10-year Treasury note in the May auction to a fixed premium of 2.05 percentage points.

That means that the interest rate on a new student loan should rise to around 6.5% in July, the highest level since 2008, from 5.5% currently.

That 10-year Treasury yield has climbed a lot since a year ago. But it could have been worse for borrowers.

In secondary-market trading, the 10-year yield reached as high as roughly 5% in October. It was above 4.6% last week, before data showed cooling in the labor market, causing investors to increase bets on interest-rate cuts by the Federal Reserve.

—Sam Goldfarb

GEORGIA

Election Interference Case Likely Delayed

A Georgia appeals court on Wednesday agreed to review a lower-court ruling allowing Fulton County District Attorney Fani Willis to continue to prosecute the election interference case against Donald Trump.

The move seems likely to delay the case and is the second time in as many days that the former president has gotten a favorable ruling that could push any future trials beyond the November election, when he is expected to be the Republican nominee for president. A day earlier, the judge in his Florida classified-documents case indefinitely postponed that trial date.

Trump and some other defendants in Georgia had tried to get Willis and her office removed from the case, saying her romantic relationship with special prosecutor Nathan Wade created a conflict of interest. Superior Court Judge Scott McAfee in March found that no conflict of interest existed that should force Willis off the case.

—Associated Press

CALIFORNIA

Two Children Swept Away by Creek Die

Two young siblings died after being swept away by a rapidly flowing creek in Southern California's San Bernardino Mountains, authorities said.

The tragedy occurred on Tuesday when a mother took her 4-year-old daughter and 2-year-old son to spend the afternoon at Thurman Flat picnic area on Highway 38 near Mill Creek, the San Bernardino County Sheriff's Department said.

They were playing along the creek when at one point the mother was attending to her son and her daughter was taken downstream, the department said. "The mother searched for her but could not locate her," the department said. "When she returned, her son was missing and assumed to be down river as well."

Rescue crews eventually found both children. The siblings were taken to local hospitals and pronounced dead after extensive efforts to save their lives, the department said.

—Associated Press

OBITUARY

Pete McCloskey, 96, Ran Against Nixon

Pete McCloskey, a pro-environment, antiwar California congressman who co-wrote the Endangered Species Act and co-founded Earth Day, has died. He was 96.

A Republican "in the mold of Teddy Roosevelt," as he often put it, McCloskey also ran for president against an incumbent Richard Nixon in 1972. He battled party leaders while serving seven terms in Congress and went on to publicly disavow the GOP in his later years.

He died at home Wednesday, according to Lee Houskeeper, a family friend.

McCloskey cited disillusionment from influence peddling and ethics scandals under the George W. Bush administration as reasons why he switched parties in 2007 at the age of 79.

His enduring legacy is the Endangered Species Act, which protects species designated as endangered or threatened and conserves the ecosystems on which they depend.

—Associated Press

FTX Can Repay Its Customers

Continued from Page One

payment plan would make FTX the rare case of financial fraud that compensates its victims in full, and relatively quickly. By way of comparison, account holders at Bernard Madoff's firm have waited over a decade-and-a-half for their stolen money to trickle back after his 2008 arrest for operating a Ponzi scheme.

Aside from FTX's millions of individual customers, some of Wall Street's biggest investment firms are among the winners. They bet that, when FTX filed for bankruptcy, many of its customers would want to—or need to—cash out their claims against the exchange rather than wait years to see how much they might recover.

Asset managers including Oaktree Capital Management, Attestor, Canyon Capital, Farallon Capital Management and Silver Point Capital hold more than $3 billion in customer claims they bought, court filings show. The firms didn't return requests for comment.

Soon after FTX filed for bankruptcy, customer claims could be purchased for as little as 3 cents on the dollar, said Thomas Braziel, an investor in distressed debt and crypto assets whose firm has bought claims from FTX customers. Customers who sold their claims for pennies on the dollar might have seller's remorse. FTX said Tuesday 98% of its users are expected to recover 118% of their account balances.

"This is historic," Braziel said. "That's got to be the highest return of all time" for creditors in a bankruptcy.

FTX previously said it would be able to pay its millions of users more or less in full for the amounts they had in their crypto trading accounts when the company filed for chapter 11. On Tuesday, it said it would not only cover those account balances in full but would pay 9% interest to most users, dating back to the bankruptcy filing.

U.S. prosecutors called FTX a massive fraud and charged Bankman-Fried and other former executives with fraud; he was sentenced in March to 25 years in prison for stealing billions of dollars from customers. The bankruptcy plan filed on Tuesday marks the first time FTX confirmed it expects users to recover their funds in full.

Driving the turnaround in users' fortunes was a rebound in cryptocurrency prices. A large portion of FTX's assets are tied to the volatile market for digital assets, many of which rose in value since the bankruptcy filing—especially solana, a token closely tied to Bankman-Fried that multiplied sevenfold since the bankruptcy filing.

Some customers complained they're being repaid in cash—not the crypto they deposited—based on the values in their frozen FTX accounts. That means they have missed out on the asset appreciation in cryptocurrencies as prices roared back after 2022's meltdown.

Saul Ewing bankruptcy lawyer Candice Kline said being paid in full in bankruptcy differs from being made whole in an economic sense. "Actual market value, time value of money beyond some interest, and opportunity cost will still hound creditors digesting this good news," she said.

In addition to the recent bull run in prices of bitcoin, ether and solana, customers and investors can thank the rising value of FTX's venture capital investments and its success in finding and clawing back assets that were transferred out of the company shortly before its bankruptcy filing, said Erin Broderick, a lawyer for a group of FTX claim holders. For instance, FTX sold most of its stake in Anthropic, an artificial-intelligence startup backed by Alphabet's Google and Amazon.com, for $884 million this year—267% above the original purchase price.

Holders of FTX's proprietary FTT token won't receive anything under FTX's plan. Nor will the exchange's equity owners, which include Sequoia Capital, Ontario Teachers' Pension Plan, and SoftBank Group and FTX's various celebrity backers who include NFL quarterback Tom Brady and model Gisele Bündchen.

CORRECTIONS & AMPLIFICATIONS

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