

Tesla's \$600-bn run-up looks past major risks to EV growth

ESHA DEY
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TESLA SHARES HAVE nearly doubled in value since the last time the firm reported earnings—a set-up that usually spells high expectations for upcoming results. But its car-selling business has become a sideshow to Elon Musk's political prominence.

A large chunk of its mammoth market value has been propped up by hopes it will be among the first to develop and market fully self-driving vehicles. Those expectations were turbocharged by Donald Trump's election victory, as investors bet the closeness between Tesla's CEO and the US President will pave the way—ignoring cash flow risks from a possible roll-back of EV incentives.

It's almost as if the company's

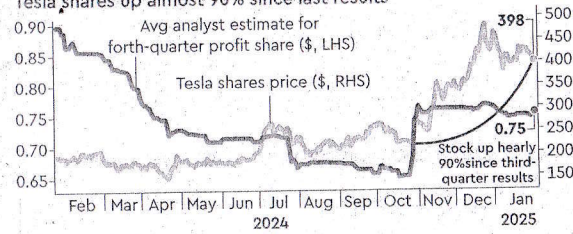
ability to profitably build and sell the cars no longer counts. Trading in the options market suggests investors are preparing for a 7% move in either direction off Tesla's fourth-quarter earnings report, due after Wednesday's market close. That would be the stock's smallest post-results swing since October 2022. Shares fell as much as 1.5% at the start of Wednesday trading.

"The market is behaving as if Tesla's results don't matter, and that may catch investors flat-footed in case of a large shock," said David Wagner, portfolio manager at Aptus Capital Advisors. "The electric car business is still about \$200 billion in market value, but it is still the funding mechanism for a lot of the actual sideshows."

The stock has added nearly \$600

POSSIBLE ROLLBACK OF INCENTIVES

Tesla shares up almost 90% since last results



Source: Bloomberg

billion to its market value since reporting the last quarterly numbers. Yet in many ways, Tesla shares have become a vehicle for investors to wager on Musk himself, rather than

the company. That has advantages, but also poses risks. On one hand, the shares are now unencumbered by mundane details of growth and profitability. —BLOOMBERG

EU to look at 'flexibilities' for carmakers over emission fines

THE EUROPEAN UNION (EU) will look at ways it can support carmakers as the industry faces the prospect of billions of euros of fines for failing to meet emissions targets this year.

The European Commission will study possible assistance as part of an action plan for the sector due this quarter, according to its Competitiveness Compass published Wednesday. The document lays out a five-year path to help the EU compete with the

world's biggest economies during the energy transition. The bloc is set to open a strategic dialogue with car manufacturers this week.

As part of that process, "we will identify immediate solutions to safeguard the industry's capacity to invest, by looking at possible flexibilities to make sure our industry remains competitive, without lowering the overall ambition of the 2025 targets," the commission said.

—BLOOMBERG