

MP Materials Is Bought By Uncle Sam

In a unique event, the US government, specifically the Department of Defense (DoD), bought a 15% stake in the nation's largest rare earth miner, MP Materials (MP). The DoD is buying \$400 million of MP's convertible preferred stock. The transaction will make the government MP's largest shareholder. The following quote on the benefits of the partnership to the country is from MP CEO James Litinsky, courtesy of Forbes:

This partnership will dramatically accelerate America's rare earth magnet manufacturing capabilities, ensuring a secure and resilient supply chain for our national defense and critical industries.

The partnership between DoD and MP aims to accelerate the development of the nation's rare earth magnet supply chain and construct a new '10X' magnet facility. Specifically, its goal is to significantly expand U.S. production of neodymium-iron-boron (NdFeB) magnets, which are critical for military and commercial applications, such as F-35 jets, electric vehicles, and wind turbines. Currently, China produces nearly 90% of NdFeB magnets.

The benefits of the transaction for the country include strategic independence of critical minerals and economic growth. However, the partnership presents the government with risks in terms of market valuations and financial risk if MP can't live up to expectations. As shown, MP shares rose about 50% on the news.



What To Watch Today

Earnings

Monday Jul 14	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Fastenal FASTUS	0.56	0.51		2.08B	1.92B		\$3.09B	Q2	AM ★ 📌
FB Financial FBKUS	0.88	0.84		136.86M	128.22M		\$2.1B	Q2	PM ★ 📌

Economy

- No economic reports today

Market Trading Update

As [discussed on Friday](#):

?Given those more overbought technical conditions, the market could enter a period of sideways consolidation or a mild pullback in the next 2-4 weeks. The catalyst for such a correction is unknown, but when markets are very complacent, a reason usually appears in short order. Given elevated RSI and Williams %R, upside is likely capped in the near term unless macro or earnings catalysts re-accelerate buying interest.?

Adding to that analysis, I noted in this past weekend's [#BullBearReport](#) that the bull case remains strong, but with the market priced for perfection, any catalyst from economic data or weak earnings guidance could trigger a pullback. Investors should prepare for increased volatility and continue monitoring sector leadership for signs of rotation.

3-Month Market Outlook

On Friday, during my discussion with Adam Taggart, I discussed the probabilities of market outcomes over the next 3 months based on current technical, fundamental, and economic underpinnings. While nothing is guaranteed, and the outlook could certainly change next week, the following is our current thinking.

Bull Case (Probability: 50%)

Drivers:

- **Strong Q2 earnings**, especially from tech (NVDA, AVGO, MSFT), confirm accelerating AI-driven growth.
- **Fed cuts in September or November** as inflation continues to trend lower.
- **Global liquidity improves**, with dovish policy shifts in Europe and China.
- **Momentum chasing & FOMO** remain strong; CTAs and retail driving advance.
- **Seasonality**, as July and early August tend to favor equities.

3-Month Outcome:

- **Target**: 6,575 to 6,600 (+5%)
- **Narrative**: The AI productivity boom + dovish Fed = bullish expansion?
- **Volatility**: VIX stays sub-15; equity risk premium compresses

Bear Case (Probability: 35%)

Risks:

- **Inflation reaccelerates** (CPI/PCE prints hot), delaying Fed cuts into 2026.
- **Earnings disappointments** outside of AI/tech.
- **Bond yields spike**; 10-year Treasury >5%, compressing P/E multiples.
- **Geopolitical/election shocks**; U.S. political risk premium rises into Q4.
- **Overbought conditions unwind**; RSI >70, stretched positioning, low put/call ratios.

3-Month Outcome:

- **Target**: 5,950 to 6000 (?5%)
- **Narrative**: Market priced perfection? macro cracks are forming?
- **Volatility**: VIX spikes >20; sector rotation into defensives (healthcare, utilities)

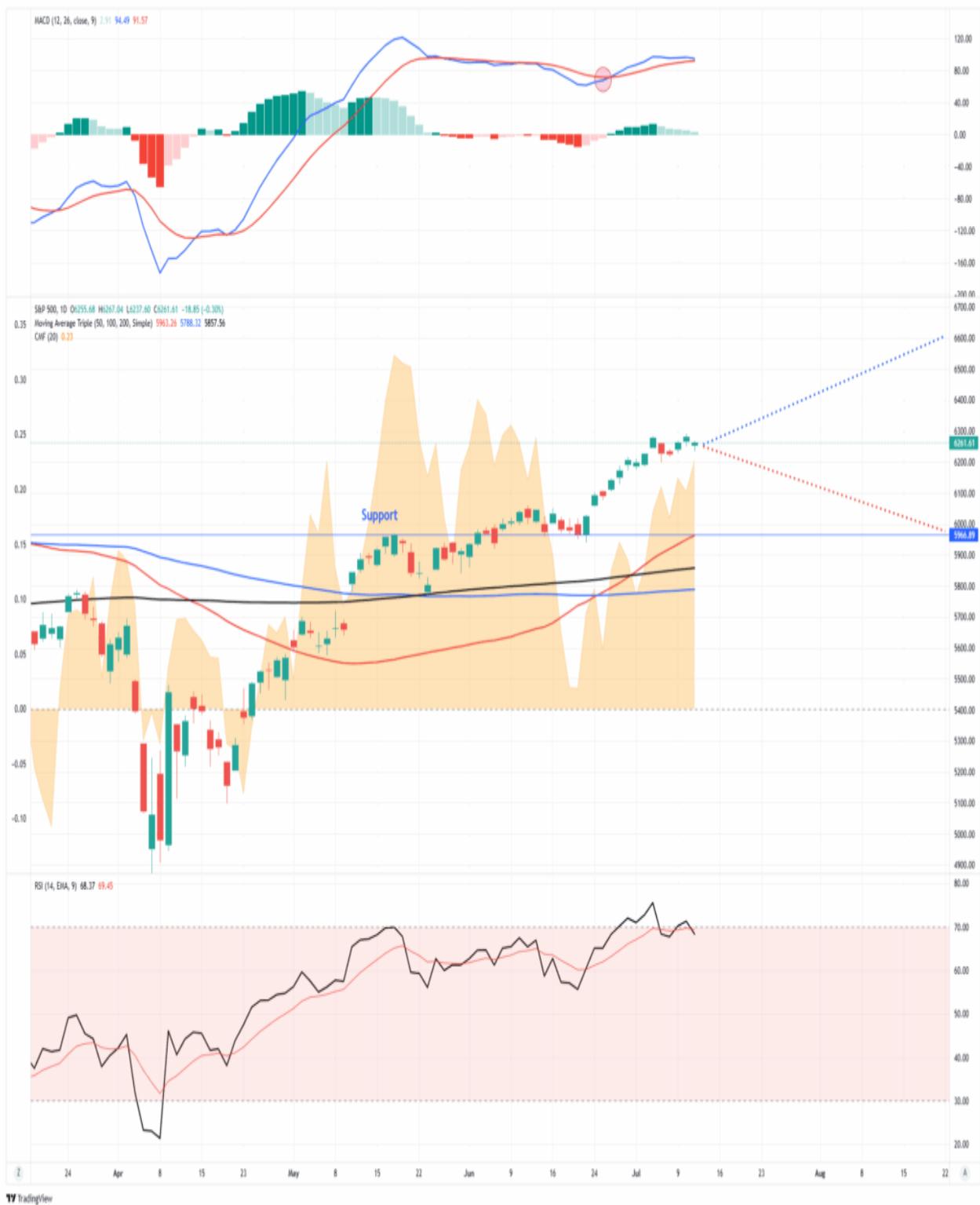
Neutral Case (Probability: 15%)

?�Scenario:

- **Fed remains data-dependent**,�*avoiding cuts but not hiking.*
- **Earnings come in line**;�*there�are�no upside surprises outside AI megacaps.*
- **Market churns sideways**�*as investors digest valuation stretch.*
- **Rotation from tech to cyclicals**,�*with financials and energy catching bids.*

?�3-Month Outcome:

- **Target**:�**6,135 to 6,390**�(� 2%)
- **Narrative**:�*?Healthy digestion phase after a historic run?*



While I have no idea what the next three months will bring, this is not a risk-free market. As noted in the Portfolio Tactics section below, now is a good time to implement risk management measures in your portfolio. Even if the 50% upside probability turns out to be correct, rebalancing risk in portfolios will not significantly impair forward returns.

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The Week Ahead

Earnings season begins in earnest this week with the largest banks and smaller regional banks reporting on Tuesday and Wednesday. Netflix will report on Thursday, with AMEX and MMM on Friday. See the section below for more on our expectations from the slew of earnings announcements over the coming few weeks.

Tuesday's CPI and Wednesday's PPI reports will be very helpful in appreciating how tariffs are impacting inflation. Thus far, there has been a negligible effect. However, the June reports will fully capture a period when the tariffs were being enforced. If data continues to be on the weak side, we suspect the Fed will become more dovish. However, higher-than-expected inflation data may allow them to continue to postpone rate cuts. Also of note this week will be retail sales on Thursday.

Monday		Tuesday		Wednesday		Thursday		Friday
Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open
FAST FASTENAL	SLP SimulationsPlus	JPM JPMorgan Chase & Co.	JHNT J.D. HUNT	ASML ASML	UAL UNITED	TSM tsmc	NFLX NETFLIX	HBAN Huntington
EGDK Equity Bancshares, Inc.	FBK FirstBank	C citi	NWC NationsRent	BAC Bank of America	AA Alcoa	PEP PEPSICO	IBKR Interactive Brokers	MMM 3M
BlackRock	BlackRock	WFC WELLS FARGO	OMC Omnicom Group	GS Goldman Sachs	KM KINDER MORGAN	CTAS CINTAS	MRTN MARTEN	RF Regions
STT State Street	STT State Street	BLK BlackRock	FULT Fulton Financial Corporation	PGK Progressive	SLG SL Green Realty Corp.	USB US Bancorp	QZK Bank OZK	TFC Truist
BK BNY Mellon	BK BNY Mellon	STT State Street	PINN Pinnacle Financial Partners	JNJ Johnson & Johnson	SNV Synovus	TCB Texas Capital Bank	FNB First National Bank	SLB SLB
ANG Angi	ANG Angi	BNY BNY Mellon	KEST Kestra	MS Morgan Stanley	TFIN Triumph Financial	ABT Abbott	SFNC Simmons Bank	AXP American Express
ADJ Albertsons	ADJ Albertsons	ANG Angi	WAFD WaFd Bank	PNC PNC	FR First Industrial Realty Trust	TRV Travelers	WAL Walgreens	SCHW Charles Schwab
ERIC Ericsson	ERIC Ericsson	ADJ Albertsons	ERIC Ericsson	PLD Prologis	ICMB ICM Bancorp	WBS Webster Bank	WIP Wipro	ALLY Ally
SAND Sandvik	SAND Sandvik	ERIC Ericsson	ERIC Ericsson	MTB M&T Bank	GSBC Great Southern Bank	FITB Fifth Third Bank	MCPB Metropolitan Commercial Bank	CMA Cullen
		ERIC Ericsson	ERIC Ericsson	REXR Rexford Industrial	NOV Novartis	COH Cohen & Steers	ALV Autoliv	

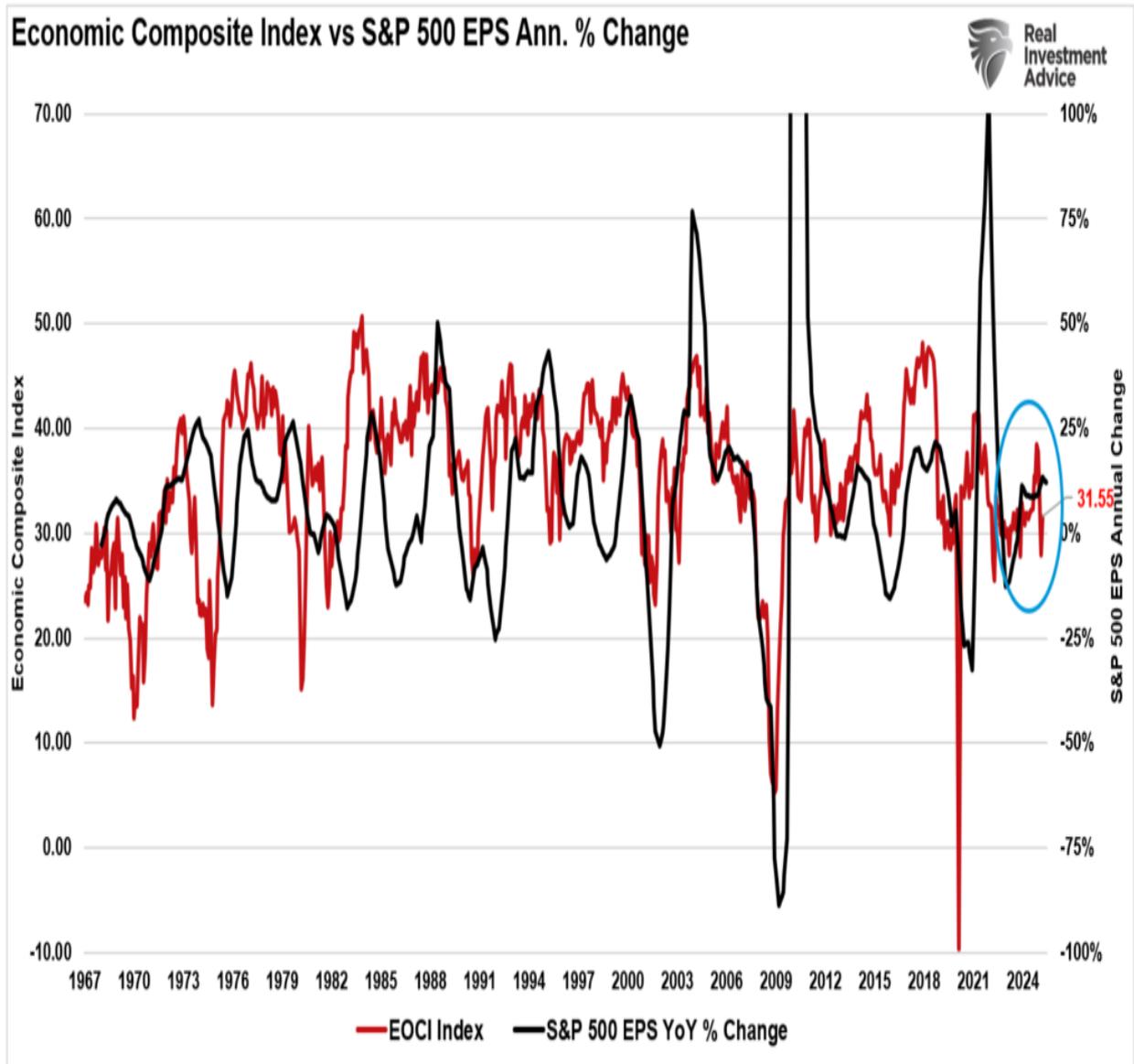
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Q2-2025 Earnings Season Preview

The macro-tailwinds of easing trade tensions, falling energy prices, and optimism over Fed rate cuts have helped equity markets return to new highs in June. However, some of those advances will be tested in the coming weeks, as there is a risk of earnings disappointment, particularly as we see continued weakness in the economic data. The Economic Composite Index (roughly 100 data points) has decreased sharply in the last two months. Historically, earnings track real economic activity, suggesting a risk of disappointment exists.

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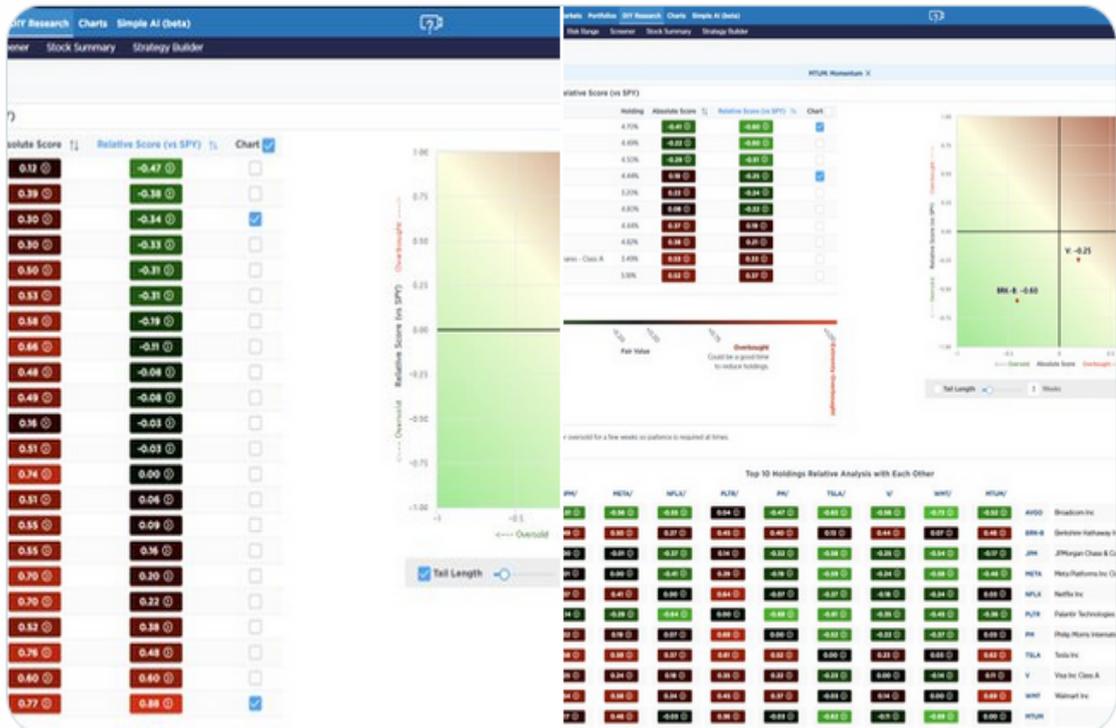
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The #momentum dip over the last three weeks, and the #chase for #highbeta is often a warning sign and an opportunity. Momentum dips are usually a good buying opportunity, so taking #profits in high beta and rotating towards large cap momentum may be opportunistic. h/t SimpleVisor.com



?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)

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