Rare earths, trade leverage and a new era in US supply chains

Published 24 July 2025

Aneeka Gupta
Director, Macroeconomic Research

Baoqi Zhu
Associate Director, Quantitative Research & Multi Asset Solutions

Key Takeaways

- China's dominance in rare earth supply highlights a strategic vulnerability for the US, particularly in artificial intelligence (AI) and defence sectors.
- The $500M MP Materials–Apple deal signals accelerating US efforts to build sustainable, onshore rare earth capabilities.
- The WisdomTree Strategic Metals and Rare Earths Miners UCITS ETF offers investors access to one of the most geopolitically relevant growth themes of the decade.

China dominates the global rare earth ecosystem

China's rare earth elements (REEs) have been elevated from niche industrial inputs to powerful geopolitical levers. As the US leads global advancement in artificial intelligence (AI), it remains dependent on these critical inputs, especially the rare earth magnets essential to AI chips, which China has long used as strategic bargaining chips. Export curbs, such as the 2010 ban on shipments to Japan, have shown how quickly Beijing can weaponise REEs in response to geopolitical pressure. In April 2025, China added seven rare earths to its "dual use" export control list to counter US tariffs on Chinese tech, clearly signalling REEs as a top-tier negotiating card. But recent developments signal a turning point.

These controls are no minor inconvenience. AI innovation runs on specialised semiconductors that depend heavily on REE magnets, especially neodymium and praseodymium, which power chip performance and data centre reliability. The US's growing dominance in generative AI and edge computing is remarkable, yet it leans heavily on China's REE supply chain. With limited immediate domestic options, the US relies on 70% of its REE imports from China. This creates a strategic blind spot: if export controls tighten, it could imperil chip manufacturing, cloud infrastructure, and national competitiveness in AI. China knows this and has used its REE dominance to gain trade leverage.

MP Materials–Apple partnership: A watershed moment

This week's $500 million MP Materials–Apple deal marks a transformative leap:

- MP Materials will produce recycled rare earth magnets at Fort Worth, Texas, using feedstock from its Mountain Pass operations in California. Magnet production will begin in 2027 and target Apple devices.
- The Fort Worth facility will be significantly expanded, and Apple will collaborate on magnet making innovations and end of life recycling, which will be an industrial first for large-scale domestic REE supply.
- MP's shares jumped ~19.99%1, and the move follows the Department of Defence's $400 million investment, plus a 10 year guaranteed magnet purchase contract, demonstrating robust US public private support.

Collectively, these steps show the US on the offensive: shifting REE sourcing from a strategic vulnerability to burgeoning opportunity.

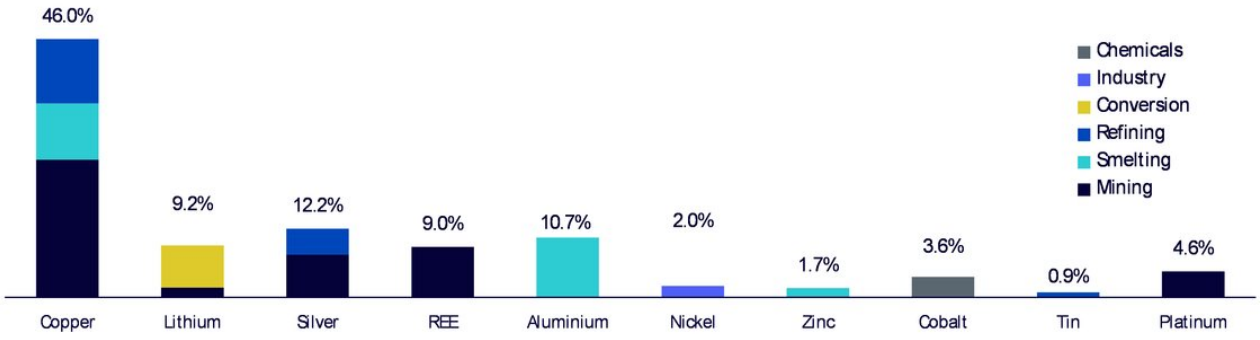
Growth outlook for the rare earths industry

While global rare earth demand is forecasted to grow at a 10–13% compound annual growth rate (CAGR) through the next decade2, China continues to command the lion's share, responsible for about 69% of mining and 90% of refining today and expected to hold 52% and 76% of those capacities by 20353. China's rare earth market alone is projected to increase from $2.8 billion in 2024 to $4.46 billion by 2030, growing at nearly 8.7% annually. This enduring dominance underscores how China remains the key gatekeeper in critical raw materials, reinforcing both its bargaining power and the urgency for Western diversification. As MP Materials scales magnet production at Fort Worth to supply Apple and others, investors can expect substantial earnings upside, structural growth across global clean-energy, automation, and national-security metal supply chains.

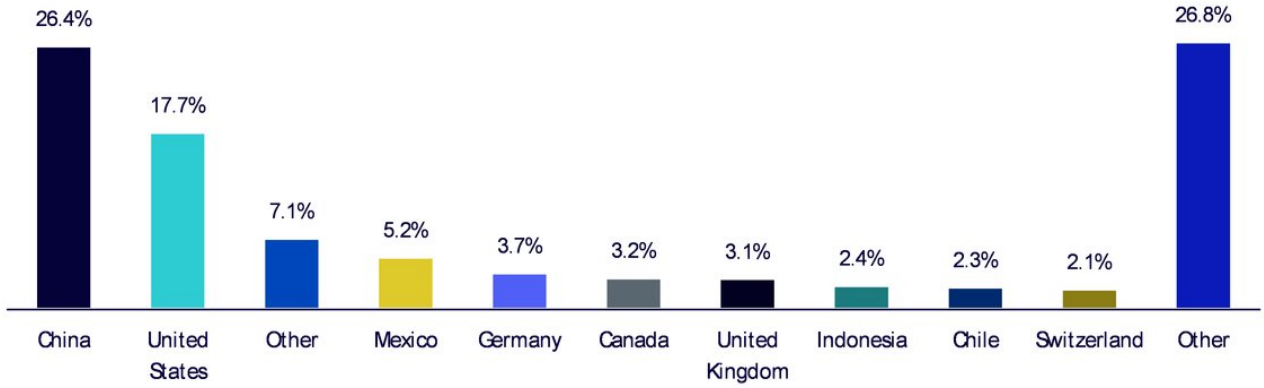
A thematic gateway to global resource realignment

These high-profile partnerships and government support are reshaping the landscape, and the WisdomTree Strategic Metals and Rare Earths Miners UCITS ETF (RARE) stands to benefit. MP Materials Corp is the top holding (7.1%) of the WisdomTree Strategic Metals and Rare Earths Miners UCITS ETF. MP Materials Corp stands out for operating the only major US rare-earth mine (Mountain Pass).

The WisdomTree Strategic Metals and Rare Earths Miners UCITS ETF seeks to track the price and yield performance of the WisdomTree Energy Transition Metals and Rare Earth Miners Index. The Index is designed to identify globally listed companies from developed and emerging markets involved in the Energy Transition Metals Value Chain (ETMVC). Companies that belong to the ETMVC are identified and classified into **10 metal categories** - aluminium, cobalt, copper, lithium, nickel, platinum, silver, tin, zinc, and rare earth elements (REE) and within mining subsectors such as mining, refining, smelting, chemicals, conversions, industry.



While China drives a significant share, the rest of the world, particularly the US, Australia, Canada, Europe, and select emerging markets, is accelerating REE development through projects and policy support. RARE's global diversification ensures investors benefit from this broadened growth narrative. The WisdomTree Energy Transition Metals and Rare Earth Miners Index is fairly diversified across size with its highest allocation at 55.3% in midcaps, 24.9% in large caps and 19.8% in small caps4.



Valuation and performance edge

Notably, year-to-date (YTD), the WisdomTree Strategic Metals and Rare Earths Miners UCITS ETF (+33.1%) has outperformed the MSCI All Country World Index (10.10%) by over 21.69%5, underscoring the strength of the theme amid shifting macro and political currents.

The WisdomTree Energy Transition Metals and Rare Earth Miners Index currently trades at a lower price to earnings (P/E) and price-to-book (P/B) ratio and a higher forward growth multiple than the MSCI All Country World Index—reflecting both relative value and earnings momentum. In addition, quality metrics such as Return on Assets (ROA) are also higher than the benchmark.



Outlook: timing the rare-earth momentum

The race for rare earth dominance isn't just technological – it's strategic. As China increasingly uses REEs as diplomatic leverage while the US accelerates onshoring efforts, investors have a narrow window to position for both short-term policy momentum and long-term structural gains. The WisdomTree Strategic Metals and Rare Earths Miners UCITS ETF offers a clean, thematic vehicle to capitalize on this shift in global industrial power, and perhaps even flip dependencies on their head.

1 Bloomberg as of 15 July 2025
2 International Mining and Resources Conference + Expo (IMARC), Rare Earths Exchanges
3 Barrons as of 31 January 2025
4 WisdomTree, FactSet, Bloomberg as of 30 June 2025.
5 Bloomberg from 31 December 2024 to 17 July 2025.

Important Risks Related to this Article

IMPORTANT INFORMATION

Marketing communications issued in the European Economic Area ("EEA"): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland. **Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority. WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as "WisdomTree" (as applicable). Our Conflicts of Interest Policy and Inventory are available on request. This marketing communication has been prepared for professional investors, but the WisdomTree products set out in this document may be available in some jurisdictions to any investors, subject to applicable laws and regulations. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every person or entity to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory, tax and investment advice on the suitability and consequences of an investment in the products. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and affer seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment. An investment in exchange-traded products ("ETPs") is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks. The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes. This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or

guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents. This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements. WisdomTree Issuer ICAV The products discussed in this document are issued by WisdomTree Issuer ICAV (“WT Issuer”). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland (“CBI”). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) under the laws of Ireland and shall issue a separate class of shares ("Shares”) representing each fund.

The Fund is described in a Key Information Document (KID) or Key Investor Information Document (KIID) for UK investors, and the prospectus of WT Issuer (“WT Prospectus”). A copy of the WT Prospectus and the KID / KIID is available, for EEA/UK only, in English at www.wisdomtree.eu. Where required under national rules, the KID will also be available in the local language of the relevant EEA Member State. Investors should read the WT Prospectus before investing and should refer to the section of the WT Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the Shares. The summary of investor rights associated with an investment in the fund is available in English on WisdomTree Europe's website. WisdomTree Management Limited may decide to terminate the arrangements made for the marketing of its collective investment undertakings. In such circumstances, shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to redeem their shareholding in the fund free of any charges or deductions for at least 30 working days from the date of such notification. Notice to Investors in Switzerland – Qualified Investors This document constitutes an advertisement of the financial product(s) mentioned herein. The prospectus and the key investor information documents (KIID) are available from WisdomTree's website: https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports Some of the sub-funds referred to in this document may not have been registered with the Swiss Financial Market Supervisory Authority (“FINMA”). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent. For Investors in France:

The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto. **For Investors in Malta:** This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority. **For Investors in Monaco:** This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.