From Rare Earths to Japanese Resilience: Navigating the Shifting Global Investment Landscape

Published October 21, 2025

Jeremy Schwartz, CFA
Global Chief Investment Officer

Samuel Rines
Macro Strategist, Model Portfolios

Jeremy J. Siegel
WisdomTree Senior Economist

Jeff Weniger, CFA
Head of Equity Strategy

Key Takeaways

- China's control over rare earths presents a strategic vulnerability for the U.S. Professor Siegel has called for a rare earths equivalent of the Strategic Petroleum Reserve to address this critical gap.
- Recent Japanese elections solidified a pro-U.S., pro-market stance, supporting tax cuts and defense spending. This positions Japan as a compelling equity opportunity, especially with its appealing equity risk premium.
- Gold acted as a reliable short-term hedge during last week's tariff shock, while Bitcoin and Ethereum suffered outsized losses.

Markets are navigating a fragile geopolitical environment where headlines increasingly shape sentiment. In a recent timely *Office Hours* event, Professor Jeremy Siegel, Sam Rines, Jeremy Schwartz and Jeff Weniger explored key issues shaping global portfolios. Below is a summary of the discussion.

Siegel Got Right into Rare Earths

Professor Siegel didn't mince words: "It's a scandal that we don't have a strategic reserve of rare earths." China refines over 90% of these elements and mines more than 60% globally, giving it massive leverage over the manufacture of everything from semiconductors to electric vehicles.

China has weaponized rare earths before, most notably against Japan during a diplomatic dispute over a decade ago. With recent talk of a 100% U.S. tariff on Chinese goods (a move widely seen as a negotiating tactic), China's decision to float a rare earths embargo underscores its willingness to play hardball.

Siegel called for a rare earths concept along the lines of the Strategic Petroleum Reserve. He emphasized that the threat is more severe than during the oil embargoes of the 1970s, noting that "China's rare earths monopoly far exceeds the stranglehold OPEC had on oil."

This kind of strategic vulnerability is becoming harder for investors and policy makers to ignore. Encouragingly, large institutional players like JPMorgan are stepping up, with a $1.5-trillion commitment to domestic investments, including supply chain resiliency and critical minerals.

October 10th's Ugly Action Had the Panel's Attention

The announcement of potential tariffs earlier this month served as a market-wide stress test. In the violent session, the S&P 500 and NASDAQ dropped around 3%–4%, but crypto assets fell much more; Ethereum and Bitcoin both witnessed double-digit declines. Siegel highlighted an issue in crypto: the asset class didn't function as a safe haven during the tumult.

"Bitcoin is not a geopolitical hedge," he noted. "You could say it's beta, very high beta."

In contrast, gold barely moved and remains in a strong uptrend. Treasury yields fell, as expected in a flight-to-safety scenario, with the 10-Year yield dropping from around 4.11% to 4.04%.

These reactions reinforce gold's role as a credible short-term hedge and raise doubts about crypto's ability to function as a store of value during stress.

Japan's Political Headlines Entered the Fray

The conversation then turned to Japan, where recent elections have reaffirmed a pro-market, pro-U.S. stance. The ruling Liberal Democratic Party (LDP), even amid coalition tensions, is doubling down on policies that include tax cuts, increased defense spending and domestic industrial investment.

"This is a very different Japan than a decade ago," Rines explained. "They're building out counter-strike capabilities. They're pro-Taiwan. This is not your grandfather's Japanese politics."

Importantly, this political momentum is translating into economic opportunity. There is a stark valuation contrast between the U.S. and Japan. While the S&P 500 trades near 24 times forward earnings with a 2.5% equity risk premium (relative to TIPS), the WisdomTree Japan Hedged Equity Fund (DXJ) trades around 12–14 times earnings, with a much larger equity risk premium of 8%.

"Japan is the anti-bubble,"" Schwartz said. "Buffett wishes he could own twice as much. We built our WisdomTree Japan Opportunities Fund (OPPJ) to mirror that exposure, anchored in Buffett's five trading houses, but going broader with similar quality names."

Fed Expectations and the Policy Landscape

Looking ahead to the next Federal Reserve meeting, Siegel expects a 25-basis point rate cut, citing softening labor data and benign inflation trends. While the Fed will receive September's CPI data three days before its October 29 decision, Siegel believes the path of least resistance is toward easing, unless an unexpected inflation shock occurs.

Meanwhile, the U.S. government shutdown lumbers along, with odds of a near-term resolution deteriorating on Polymarket, the betting market. A prolonged shutdown could impact holiday retail sales, which rely on satisfactory consumer sentiment.

Siegel flagged this as another potential source of volatility but emphasized that any slowdown is more likely to lead to "stall speed" growth rather than a full-blown recession.

The Office Hours Session Had Heavy Gold Talk

Beyond its safe-haven function, gold is evolving into a digital asset proxy. Siegel pointed to rising central bank demand and growing interest in gold-backed stablecoins, which are digital tokens that represent claims on physical gold.

"There's talk of digitizing gold," he said. "It's far more stable than Bitcoin in the short run, and it could become a low-cost way to transact internationally."

For investors looking to maintain equity exposure while adding gold, the WisdomTree Efficient Gold Plus Equity Strategy Fund (GDE) made its way into the conversation. It layers gold futures on top of large-cap equity exposure, so 2025 has been very kind to the strategy.

Schwartz emphasized this approach's appeal is in the ability to own alternatives like gold without crowding out core positions. He noted GDE's status as one of WisdomTree's top-performing strategies this year.

Siegel Isn't Disturbed by the Federal Fisc

Questions about U.S. debt sustainability continue to swirl, but Siegel was dismissive of alarmism.

"I'm not worried about the debt situation," he said. "Not until the bond market tells us to worry."

He emphasized that spreads between investment-grade and non-investment-grade corporates remain tight, signaling limited market concern. If inflation rises due to excess spending, equities and real assets are the ideal long-term hedges.

Wrapping the Call with Geopolitics and Rare Earths

The market is increasingly being shaped by geopolitics, supply chain vulnerabilities and monetary shifts. This part of the *Office Hours* webinar focused on investors needing to rethink geographic allocations, diversify risk exposures and tap capital-efficient structures.

Be sure to join us for our upcoming "Office Hours" sessions!

We have a full lineup—each designed to keep you informed and ahead of the markets. Reserve your spot today and add them to your calendar.

Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal.

DXJ/OPPJ: Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. The Fund focuses its investments in Japan, thereby increasing the impact of events and developments in Japan that can adversely affect performance. Investments in currency involve additional special risks, such as credit risk, interest rate fluctuations and derivative investments, which can be volatile and may be less liquid than other securities and more sensitive to the effect of varied economic conditions. As this Fund can have a high concentration in some issuers, the Fund can be adversely impacted by changes affecting those issuers. Due to the investment strategy of this Fund it may make higher capital gain distributions than other ETFs. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time.

GDE: The Fund is actively managed and invests in U.S listed gold futures and U.S. equity securities. The Fund's use of U.S. listed gold futures contracts will give rise to leverage, magnifying gains and losses and cau sing the Fund to be more volatile than if it had not been leveraged. Moreover, the price movements in gold and gold futures contracts may fluctuate quickly and dr amatically, and have a historically low correlation with the returns of the stock and bond markets. U.S. equity securities, such as common stocks, a re subject to market, economic and business risks that may cause their prices to fluctuate. The Fund's investment strategy will also require it to redeem share s f or cash or to otherwise include cash as part of its redemption proceeds, which may cause the Fund to recognize capital gains.

Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

Professor Jeremy Siegel is Senior Economist to WisdomTree. This material contains the current research and opinions of Professor Siegel, which are subject to change, and should not be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. The user of this information assumes the entire risk of any use made of the information provided herein. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.