

# INVESTMENT VIEWS

JULY 31, 2025

## CORRECTION OVERDUE AND NEEDED

### Please Fasten Your Seatbelts



This is the common refrain when you are about to experience some turbulence on an airplane. Our belief is that the light has become illuminated for the stock market and many factors have led us down this road. We are still of the belief that we are in a bull market and the economy is on solid footing. The most recent GDP reading negated a technical recession (two consecutive quarters of negative GDP) that was widely anticipated to occur this year. While the economy is not roaring, corporate earnings and consumer spending have been resilient. Cracks are beginning to show as employment numbers have been bumpy (at best) and could be foreshadowing further GDP declines. There are other yellow flags that are causing us to bring in the reigns and take profits in positions that have had tremendous runs so far this year.

A major source of the markets continued advance has been the amount of people placing bets against the market. Through June short interest in the U.S. stock market was at a level rarely seen throughout history. Short sellers are guaranteed future buyers in the stock market and they have been forced to cover for a few months now. This will eventually come to an end and the market will lose a major source of buyers.

Over the last five years, the August-September period is the worst two consecutive months for the S&P 500. Since 1989, August is the only month with the first trading day being negative on average. On top of that, the last 5 Septembers have only been up 25% of the time with an average decline of 4.1%.

One final key signal is that volatility (as measured by the VIX) has been ebbing fast. Very low volatility environments lead to high volatility ones and vice versa. Since 2008, deviations in the VIX have only been this tame five other times. The VIX has jumped over 50% every one of those times and this will not be good for the market.

These are just some warnings we are watching out for. The last trading day of July showed significant fading of early hours gains and readings to that extent have shown negative market action in the short term. The longer we go without a correction, the sharper and nastier it will be. We may have gone to long already. Longer term we are still positive and factors improved market breadth are fueling this positivity. We are coming off one of the best July's ever and this is not bearish.

## NUCLEAR HARVEST

### Reaping the Gains

Long time readers of this newsletter know that we were early investors in the nuclear renaissance, understanding the crucial role it must play in the global energy balance, especially with Artificial Intelligence (AI). New, advanced reactor designs are focused on being very safe and many innovations have reduced the costs to build them. This was apparent for many years, though it took some time to be recognized.

Now, the domestic and global nuclear renaissance is fully underway and many of our investments in this area have done very well, even exceeding our expectations. From fully integrated nuclear companies such as Cameco (CCJ) to uranium miners (URNM) and nuclear reactors (LEU) and (BWXT), investors have snapped up shares with abandon, driving prices to new highs.

While we are confident in this burgeoning nuclear renaissance, our positions – and valuations – have become excessive. These investments were added to the portfolios when most investors were unaware or had given up on this sector. Going forward, it is likely that these investments will reach new highs, however prudence dictates that we manage our exposure and take profits. Note, we do continue to retain significant exposure to this area.

# TECHNICALLY *Speaking*



So when can we unfasten our seatbelts from a technical perspective. Previous resistance tends to turn into support in prices and the opposite is also true. Thus we are looking at the rectangle to be a likely stopping point of any correction we see. It doesn't look like much from here, but that would be a 6% decline from the highs. The bottom of the rectangle also marks the point of the gap higher in June and gaps have a tendency to get filled. The bottom panel shows an indicator called the Williams %R and a full discussion of what it shows is beyond the scope of the article. But notice this is the first time it has been below the -50 level since April. It is hitting low enough levels where a bounce/pause in this should occur, but it also tells us the character of the market has changed and we should prepare for a choppy market at best with downside bias.

## MP MATERIALS

### The U.S. (finally) Gets Serious



Rare earth elements (REE) have been a serious vulnerability to US national security for some time. We were always amazed to read how China had total global dominance over these technologically critical elements and very little effort was made to change this. Exotic metals such as Yttrium, Terbium, Neodymium and Europium, among others are absolutely critical for our society. Many of our most important weapons and technologies cannot function without them.

We believed this situation could not – would not – continue. One way or another, the United States had to end its dependence on China for these unique minerals. MP Materials (MP) is the sole US miner of REE and was barely hanging on, losing money as China kept prices low to ensure their strategic grip.

This past month, the US Department of Defense announced investment and commitment to buy REE from MP, doubling the stock price in a few days. Additionally, several major US corporations including Apple made commitments to buy these metals from MP for years to come. For sure, MP has a long road ahead as it builds out capacity and capability to serve US industries, however it is rewarding to us as investors to be a part of something that will make this nation stronger.

**Recommendation List:** A list of all previous specific investment discussions published over the past 12 months will be provided upon request. Please email [lara@mhandassociates.com](mailto:lara@mhandassociates.com) or call our office for this list.

## TEVA PHARMACEUTICALS

### Taking A Timeout



Teva Pharmaceuticals (TEVA) is a stock we added as a turnaround investment. Years ago, prior management made some bad decisions that nearly put the company in bankruptcy. After two different CEOs, and some hard and focused work, TEVA is on the turnaround path. It has launched some blockbuster drugs, enhancing cash flows and is paying down debt.

While the stock has rebounded and is looking for further revaluation, we believe that TEVA may take some time to consolidate gains and continue to rebuild its finances. Healthcare stocks in general have been in the dumps as they have underperformed the S&P 500 since the end of 2022. Over time we think TEVA will turn out to be a rewarding investment for our portfolios, and we had already taken healthy gains as it hit highs in April of last year. However, right now a bit of patience may be needed.



MH & Associates Securities Management Corporation  
2888 Loker Avenue East, Suite 318 • Carlsbad, CA 92010  
23901 Calabasas Road, Suite 2005 • Calabasas, CA 91302  
(626) 440-9694 • [www.mhinvestments.net](http://www.mhinvestments.net)