



Markets Rally on Peace Prospects, AI Momentum, and the SpaceX IPO Frenzy

In this episode of the Market Brief Podcast, Doug Johnson and Dan Rinck discuss three major themes driving investor attention: the apparent resolution of the Iran conflict, the continued strength of the AI-driven bull market, and the highly anticipated SpaceX IPO. Throughout the conversation, they emphasize that market behavior often provides the clearest signal about future expectations and that current market trends remain broadly constructive despite ongoing risks.

The discussion begins with developments surrounding the Iran conflict. Both strategists note that markets appear increasingly confident that hostilities are winding down, even though some uncertainty remains until a formal agreement is finalized. The strongest evidence supporting that view comes from the oil market. During the height of the conflict, oil prices surged dramatically, with crude briefly reaching levels near \$125–\$130 per barrel. Since then, oil has fallen sharply back into the mid-to-high \$70 range. While prices remain above pre-conflict levels, the decline suggests traders believe the worst-case scenarios have likely been avoided.

Beyond oil, several other market indicators point toward improving risk sentiment. Defensive sectors such as consumer staples and traditional value stocks have lagged, while growth-oriented investments—including technology stocks, semiconductor companies, AI-related firms, and small-cap equities—have performed strongly. According to Doug and Dan, these shifts suggest investors are increasingly comfortable moving into risk assets as geopolitical concerns fade.

The hosts compare the current market environment to previous periods of uncertainty, including the tariff disruptions of prior years and the COVID-era recovery. In both cases, markets tended to bottom and begin recovering before all uncertainty had disappeared. They argue that investors often price-in improvements long before the final resolution becomes obvious. As a result, the recent rally may reflect expectations that geopolitical risks are becoming less significant rather than simply reacting to official announcements.

A central theme of the conversation is the continued strength of corporate earnings and profit margins. Doug points out that earnings growth remains healthy and profit margins are still expanding despite already being near record highs. These factors provide a strong foundation for equities. While concerns exist that investor expectations could eventually

become too optimistic, neither strategist sees evidence that the market has reached a dangerous extreme.

The discussion naturally shifts toward artificial intelligence, which they describe as the dominant force driving markets. Doug argues that the AI investment cycle remains powerful because demand for infrastructure, data centers, and computing capacity continues to grow. As long as companies keep spending aggressively on AI development, the broader market should benefit. He notes that household exposure to equities has reached historically high levels, meaning stock market gains are increasingly influencing consumer wealth and spending patterns.

Dan expands on this point by discussing the retirement generation. Many baby boomers are selling businesses, living off investment portfolios, and benefiting from higher asset prices. As wealth continues to rise, consumer spending could remain stronger than expected, creating another tailwind for economic growth. Together, these factors support the idea that the current bull market has a stronger fundamental basis than many critics acknowledge.

The hosts also address frequent comparisons between today's market and the dot-com bubble of 2000. Doug dismisses those comparisons as overly simplistic. While both periods feature strong technology leadership, he argues that today's market is supported by real earnings, expanding profit margins, and substantial cash flows. Unlike the late 1990s, investors are not universally leveraged or fully invested. Dan highlights that approximately \$6–\$7 trillion remains parked in money market funds, suggesting there is still significant capital on the sidelines that could eventually move into equities.

Another major topic is Federal Reserve policy. The upcoming remarks from newly appointed Fed Chair Kevin Warsh are attracting considerable attention. Earlier in the year, markets expected multiple interest rate cuts. Those expectations shifted dramatically during the Iran conflict, when some investors even began discussing the possibility of additional rate hikes due to higher energy prices. Now, with oil prices retreating, the outlook has become less clear.

Doug expects Warsh to strike a neutral tone during his first major public appearance as Fed Chair. While inflation concerns remain, he sees little justification for either aggressive rate cuts or new rate hikes. The hosts agree that the economy has adapted surprisingly well to the current interest rate environment. Despite rates remaining much higher than they were a few years ago, economic activity and equity markets have remained resilient.

The conversation explores the possibility that AI investment itself could influence future monetary policy. Massive capital expenditures on data centers and AI infrastructure may become increasingly important to economic growth. While neither strategist predicts

special treatment from the Fed, they acknowledge that policymakers may eventually consider how financing conditions affect AI development. They also briefly touch on longer-term implications, including the possibility that AI-driven automation could alter employment trends and create new challenges for future policymakers.

The final portion of the episode focuses on the SpaceX IPO, which has become one of the most talked-about events in financial markets. Doug begins by acknowledging that he underestimated retail investor access to the offering. Contrary to expectations, SpaceX deliberately structured the IPO to provide significant allocations through major brokerage firms, allowing individual investors to participate.

The stock's post-IPO performance has been remarkable. SpaceX briefly reached a market capitalization larger than both Amazon and Microsoft, generating enormous excitement among investors. However, Doug cautions against unrealistic expectations. At roughly a \$2 trillion valuation, even a rise to \$10 trillion—a highly optimistic scenario—would represent a fivefold increase. A \$5,000 investment would become \$25,000, which is impressive but not necessarily life-changing wealth.

Both strategists stress that much of SpaceX's growth occurred while it was still private. As a result, investors should be careful not to assume the stock can easily replicate the extraordinary returns seen during its early years. They also discuss share lockups, noting that only a small percentage of total shares are currently available for trading. As additional shares become available over time, increased supply could create volatility.

Doug references research showing that many of the largest IPOs in history experienced significant declines during their first year as public companies, with average drawdowns exceeding 50%. Even highly successful companies such as Facebook followed this pattern before eventually producing substantial long-term gains. As a result, he advises investors to focus on fundamentals rather than getting caught up in short-term excitement.

The hosts conclude by noting that strong demand for the SpaceX IPO could bode well for future public offerings from major AI companies such as OpenAI and Anthropic. If those firms follow a similar structure, investor enthusiasm may remain strong. However, they caution that valuation discipline and patience remain critical, especially in an environment where excitement can sometimes outpace fundamentals.