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Market Commentary

A Bond Market Rebellion? Not Quite.

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U.S. equity markets could see three blockbuster initial public offerings (IPOs), SpaceX, OpenAI, and Anthropic, this year. SpaceX is up first, scheduled for June 11, and plans to offer 555.6 million shares at $135 each, implying $75 billion IPO and a total market capitalization of $1.77 trillion for the company.

There are a number of unusual factors at play in the SpaceX IPO. For example:

- The IPO itself is huge. While the public offering will only represent about 4% of SpaceX's overall market value, the previous record was Aramco's $29.4 billion listing seven years ago.
- FTSE Russell, CRSP, and Nasdaq have modified a number of long-standing criteria to fast-track SpaceX into their indexes. CRSP and FTSE Russell will add SpaceX to their indexes 5 days after the IPO, whereas Nasdaq will add it 15 days after the IPO.
- S&P decided to not relax its IPO rules and will add SpaceX one year after the IPO, at the earliest.
- Companies are added to indexes based on their free float in the public market, not total company value. However, Nasdaq will use a multiplier to increase the SpaceX allocation in their indexes. SpaceX is likely to be about 0.7% of the Nasdaq versus only 0.1% of the CRSP Large Cap Growth Index.

It is the second point that has caused some consternation among passive investors. Many index funds will be forced to purchase shares of SpaceX almost immediately after the IPO, creating worries that inelastic demand from index funds will push up the stock price and be a source of exit liquidity for insiders.

We believe these concerns are likely overblown, but not without merit. A 2025 study by Marco Sammon and Chris Murray, "Primary Capital Market Transactions and Index Funds" found that fast-tracked IPOs outperformed non fast-tracked IPOs prior to index inclusion and then give back those gains post-index inclusion. The simple way to think about it is opportunistic investors push up the price of the security right before it is included in the index and then sell those positions to the index funds after the company has entered the index, resulting in what they refer to as an *intermediation cost* that is paid by index investors.

Regardless of whether the performance gap Sammon and Murray found holds true for SpaceX, OpenAI, and/or Anthropic, it is clear that timing around index inclusion could result in significant performance differences for large cap indexes.

DISCLOSURES