

Are SpaceX IPO worries overblown?

Presented by

Invesco Strategy & Insights

Key highlights

- 1** The SpaceX initial public offering (IPO) looks big but is not unprecedented.
- 2** Rule changes matter, but they are not unprecedented and do not change the basic picture.
- 3** Large IPOs attract attention, but history provides little support to the idea that they reliably mark the top of the equity market.

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Are SpaceX IPO worries overblown?



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In tech, people like to say “move fast and break things.” Elon Musk has often played by a different set of rules, and that has helped his companies reshape industries. SpaceX now launches more objects into orbit than everyone else combined, with approximately 3,800 objects launched in 2025, around 84% of total objects launched globally.¹ This month, the company is expected to launch its own IPO.

Some investors may be concerned that index provider rules are being changed to accommodate upcoming tech and AI IPOs, that investors are being forced to hold stocks they may not want to, that the scale of these IPOs are unprecedented, and that more IPOs could signal the end of rising equity markets. **Think these concerns are probably worth discussing but are, on balance, overblown, in our opinion.**

Addressing three misconceptions

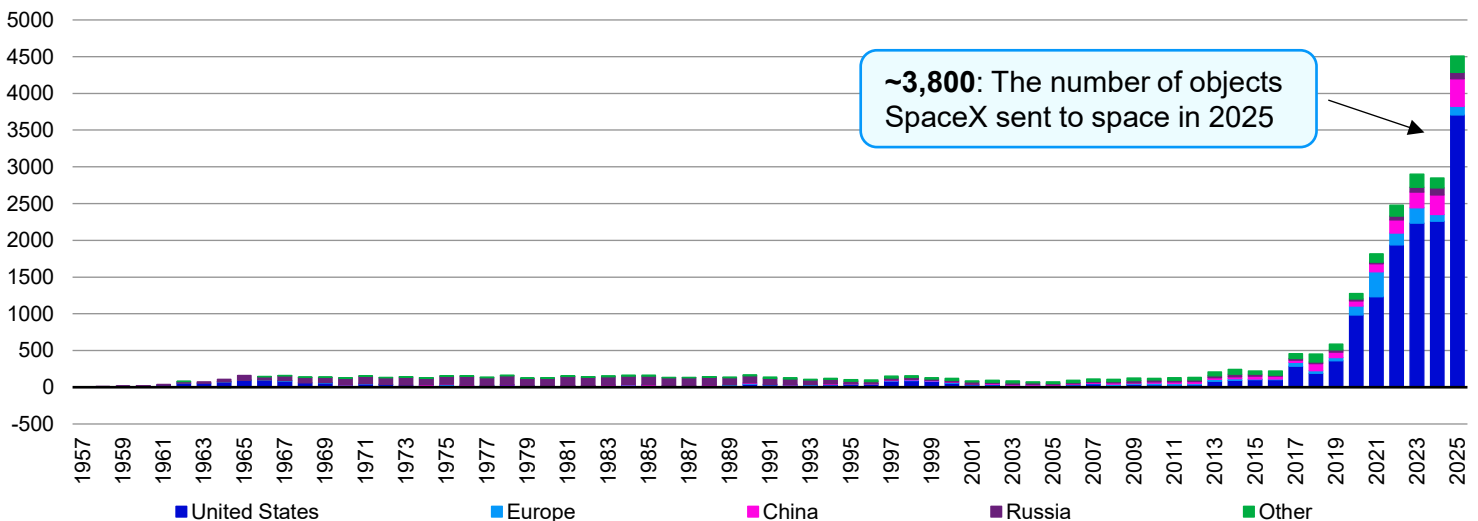
SpaceX will be the biggest ever IPO. At a ~\$1.8T valuation, SpaceX would be large, but not unprecedented. Saudi Aramco listed at ~\$1.9T in 2019.²

Passive investors will be forced to buy a lot of SpaceX. From day one, SpaceX would be one of the largest public companies in the US and some are concerned that means that passive funds will be forced to buy and hold a large amount of SpaceX. But only a small slice of shares, perhaps only ~3–5% are expected to trade initially. That sharply limits its index weight relative to its headline size.

Passive investors will need to sell other stocks. This is the counterpart to the previous misconception. Expected Nasdaq-100 Index turnover linked to inclusion is modest (~2%), far below recent rebalancing events (e.g., ~24% in July 2023 under the special rebalancing).³

1. Sources: SpaceX company filings and Ourworldindata, as of 4 June 2026.
2. Source: Bloomberg L.P., as of 4 June 2026.
3. Based on Invesco calculations.

Figure 1: Number of objects launched into space by country



Sources: Invesco Strategy & Insights, SpaceX company filings, OurWorldInData.com, as of 31 May 2026

How important are the rule changes?

Many of the index providers are reviewing their inclusion and seasoning rules. This has raised questions about whether rules are being adjusted to accommodate large IPOs. To be clear, adjustments to these rules are common and are designed to ensure indices are reflective of the universe they are designed to track while balancing the need to ensure that funds can efficiently track the performance of the index.

Nasdaq has already changed its rules. A new “Fast Entry” route allows a company to join the Nasdaq-100 roughly 15 trading days after listing, with eligibility checked as early as day seven. The requirement for at least 10 percent free float has gone. Instead, companies with limited float are capped based on a multiple of their float. Nasdaq currently sets a cap at three times the float. That multiplier leaves index investors potentially buying a large position in a company that has barely started trading, at a weight that exceeds its freely traded supply.

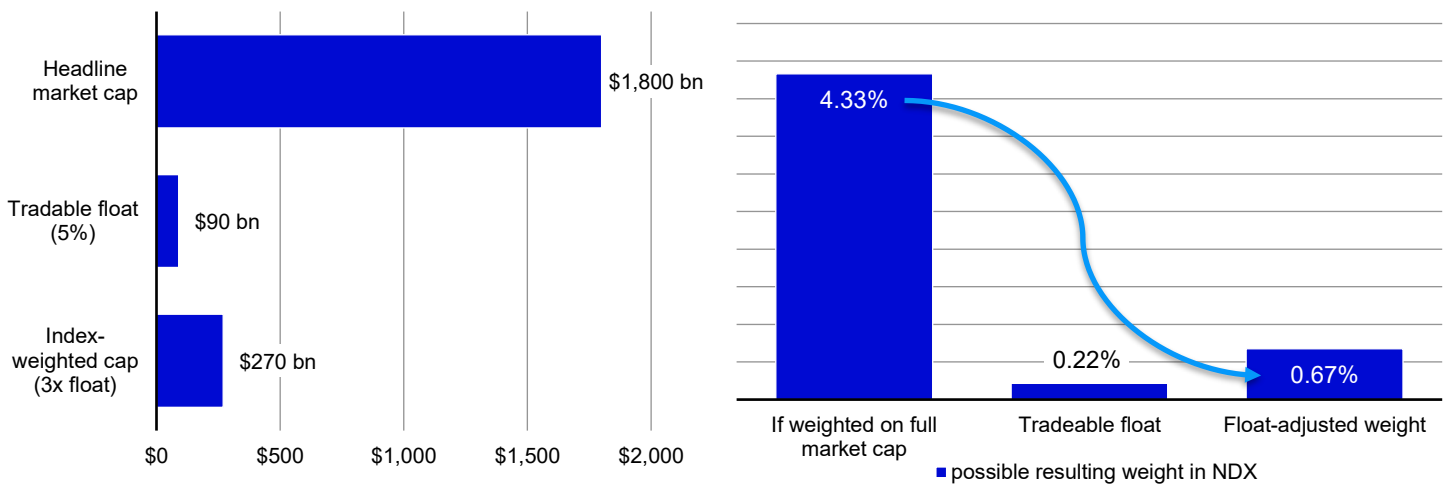
Other providers are moving more gradually. FTSE Russell is also accelerating inclusion, though S&P has confirmed that it will not be changing its eligibility criteria (including the need for 12 months of trading and four consecutive profitable quarters). The result could be greater divergence in how indices capture new listings.

To be clear, fast entry is not new or unprecedented. In 2019 Saudi Aramco was fast-tracked by FTSE and MSCI into EM and All World Indices.

For the Nasdaq-100, the picture is clear. SpaceX could enter quickly, but its starting weight would be constrained by its float. The index gets early exposure, though not at full market-cap weight.

Figure 2: How the float rule could change the index weight SpaceX might have in Nasdaq (NDX)

Capital expenditures of US AI hyperscalers, in billions USD



Note: Assumes a \$1.8trn valuation and a tradeable float of 5%. Nasdaq rules apply a 3x multiplier to those companies with a float below 20%. Calculations are shown for illustrative purposes only and are not a prediction of index eligibility, inclusion, weight, or future rebalancing outcomes. Actual treatment under Nasdaq methodology may differ based on public float determination, security eligibility, reconstitution timing, rebalancing/capping rules, and other index methodology factors. Sources: Invesco Strategy & Insights, Bloomberg L.P., as of 3 June 2026.

The assumptions we make above are designed to be illustrative only and cannot be fully accurate. We have for now ignored that all companies in Nasdaq will be weighted by the lower of 3x float cap or total market cap. That will effectively push down the weight of the new IPO entrant if there are other companies with less than 100% free float.

IPOs will add supply, while buybacks and dividends return capital and reduce supply. Index inclusion will generate mechanical buying in the new name and selling in incumbents. With a small float, that pressure is greater on the entrant. But we should keep the scale in perspective. Estimates suggest tens of billions of dollars in forced buying, \$10bn would be a little over 10% of the float.

Over time, float will increase as lock-ups expire, raising index weight gradually. This shifts the impact from a one-off event to a multi-year process. If this IPO is followed by others of a similar scale, especially from AI-related companies, the market may face a steadier flow of new supply rather than a one-off adjustment.

There is a knock-on effect for existing index constituents. SpaceX will absorb some of the passive inflows entering the market and may pull capital away from today’s largest names. That could put some pressure on those stocks at the margin but given the strength of recent momentum, and the scale of the flows into these markets this may show up more in muted upside than outright declines. We doubt this will have a meaningful impact.

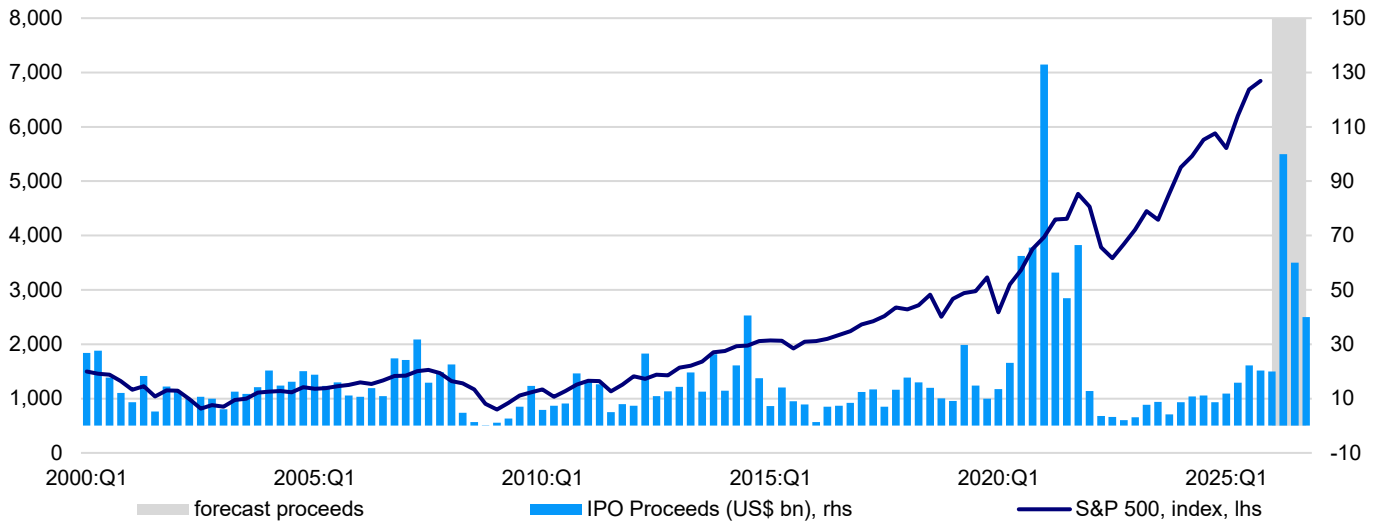
Is this the top of the market?

Big IPOs mark the top of the market is financial market folklore. IPO activity usually rises when markets are strong and private owners want to monetise favourable valuations. But there is scant evidence that IPO data provide a leading signal of weaker markets.

Broader US equity market returns could come under pressure as equity supply from IPOs rise, but far more capital is returned to investors each year through dividends and buybacks. Even very large IPOs amount to weeks, not years, of those cash flows. The effect is likely to be temporary rather than systemic, in our view.

There is some evidence that IPO volumes rise when valuations are higher but little that markets fall thereafter. There are some high-profile cycle ending points but the false positives are often forgotten. The chart below shows IPO proceeds set against the S&P500.

Figure 3: US IPO proceeds & S&P500 index



Note: Based on quarterly data from 2000 Q1 to 2026 Q4. Forecast proceeds assume an underlying \$20bn of proceeds per quarter, plus an additional \$80bn for SpaceX in 2026 Q2, and \$40bn and \$20bn respectively for upcoming large IPOs in 2026 Q3 and Q4, respectively. Source: US Securities & Exchange Commission, LSEG Datastream and Invesco Strategy & Insights, as of 4 June 2026. Forecasts are not reliable indicators of future performance.

Though the SpaceX IPO is expected to take US IPO proceeds to the second highest quarterly level (only exceeded by 2021 Q1), when expressed as a share of US market capitalisation, our calculations suggest it has been exceeded many times since the start of the century. Admittedly, the one occasion when total proceeds were higher (2021 Q1) was followed a year later by a downturn in the US stock market. However, we think that was related to the rise in inflation, rising interest rates and Russia's invasion of Ukraine and not the preceding IPO activity.

So what do we conclude?

We are unlikely to change our views or positions based on this event. There are bigger and more important drivers of markets today, in our view.

More equity supply could, in theory, weigh on returns. In practice, demand remains strong, supported by the AI narrative and those positives are likely to dominate. From an index event perspective, these IPOs are not even close to being the largest rebalance events for large-cap benchmarks. We see little evidence that this reflects broad market euphoria. The link between IPOs and market peaks remains weak.

We prefer non-US markets, and this dynamic reinforces that view at the margin, though it is far from central to our core thesis.

We will closely watch the IPO and subsequent price movements, but otherwise these events do not materially change how we think about markets.

Source: SpaceX company filings, OurWorldInData, based on 2025 launches.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested. Past performance is not a guide to future returns.

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All data as at 4 June 2026 unless otherwise stated. All data is USD, unless otherwise stated.

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