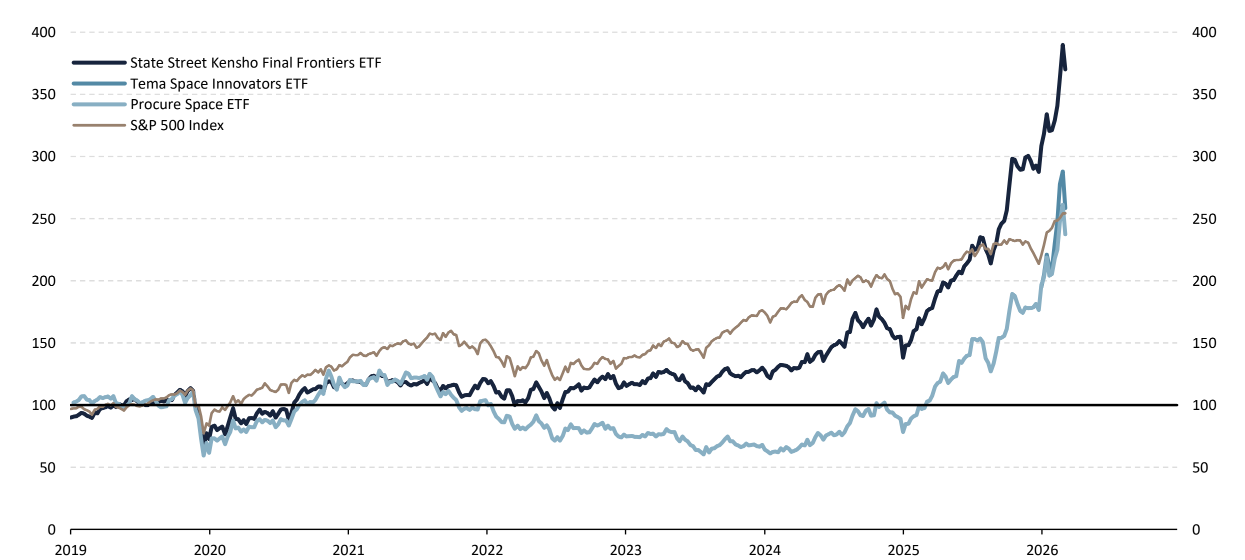
weekly investment focus

The flexiweekly that reaches new heights - published on 8 June 2026

"SHOULD THE SUPERGIANTS BE FOLLOWED ALL THE WAY INTO SPACE?"

- Investors have to deal with the high concentration of the US market
- The mega IPOs on the horizon will exacerbate the phenomenon
- SpaceX's IPO will break all historical records
- Behind the euphoria, the space sector is underpinned by solid fundamentals

CHART OF THE WEEK: "Space is taking off on the stock market"



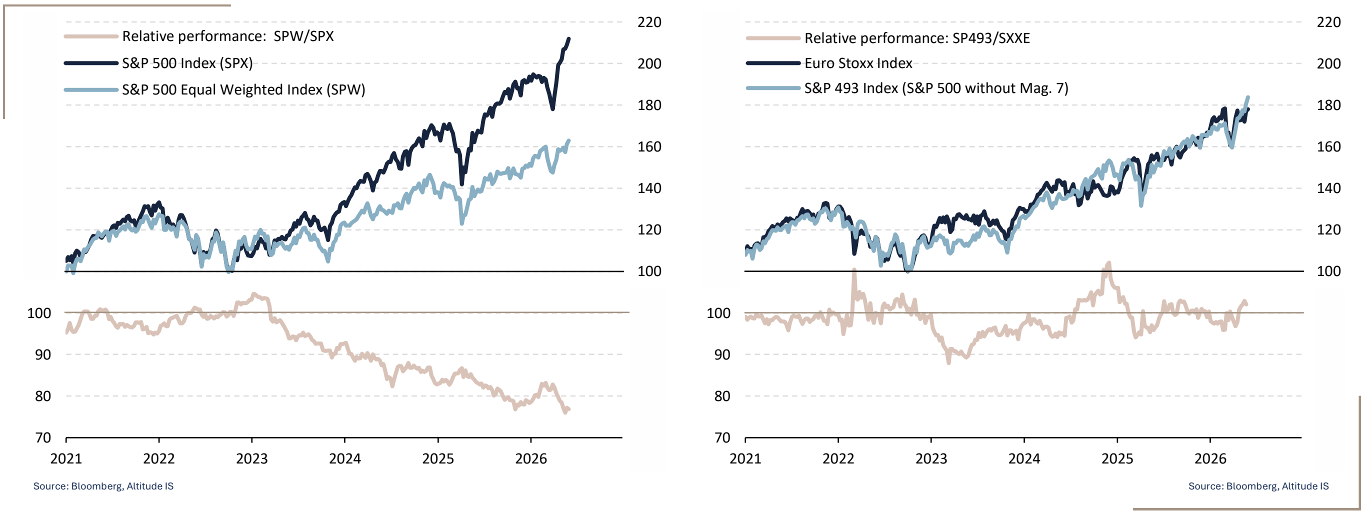
Source: Bloomberg, Altitude IS

FINANCIAL MARKETS ANALYSIS

In a galaxy, just a handful of supergiants are enough to produce most of the visible light. Although these stars are extremely rare, as they are 10,000 to 100,000 times brighter than the Sun, their brilliance outshines that of all the others. **The US market seems to follow the same pattern.** Seven supergiant companies – Apple, Microsoft, Nvidia, Alphabet, Amazon, Meta and Tesla – account for almost all of the S&P 500 index's performance, whilst the other 493 appear insignificant. As a result, the S&P 493, just like the equally weighted S&P 500, is rising at the same pace as the EuroStoxx (see Figs. 2 & 3). They pale in comparison to these seven companies, which seem to have "come from outer space".

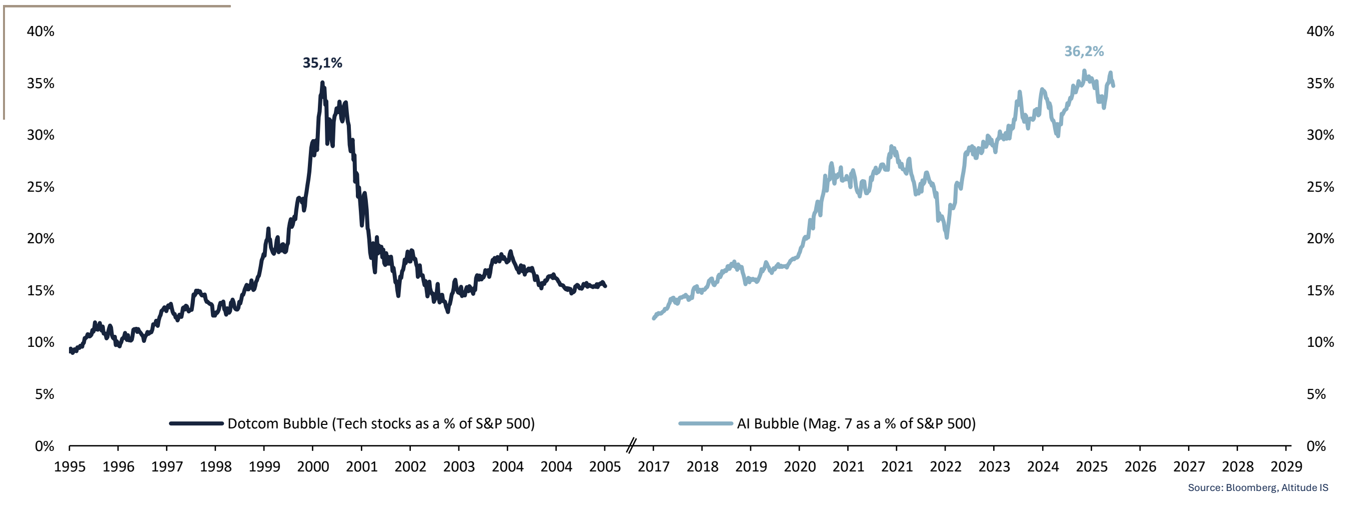
This dichotomy in performance is not new, as it dates back to 2023, but it continues to grow more pronounced. It forces investors to hold these seven companies, lest they face recurring underperformance.

Figs. 2 & 3 – Index performance, by weighting and geographical region



By constantly tracking the indices, their portfolios end up carrying the same risk as the indices themselves; they are highly concentrated. **Indeed, concentration in the US market has just reached a new all-time high.** The seven giants account for over 35% of the S&P 500, which is as much as the entire tech sector did in 2000 (see Fig. 4). Comparisons with the dot-com bubble are therefore not without merit.

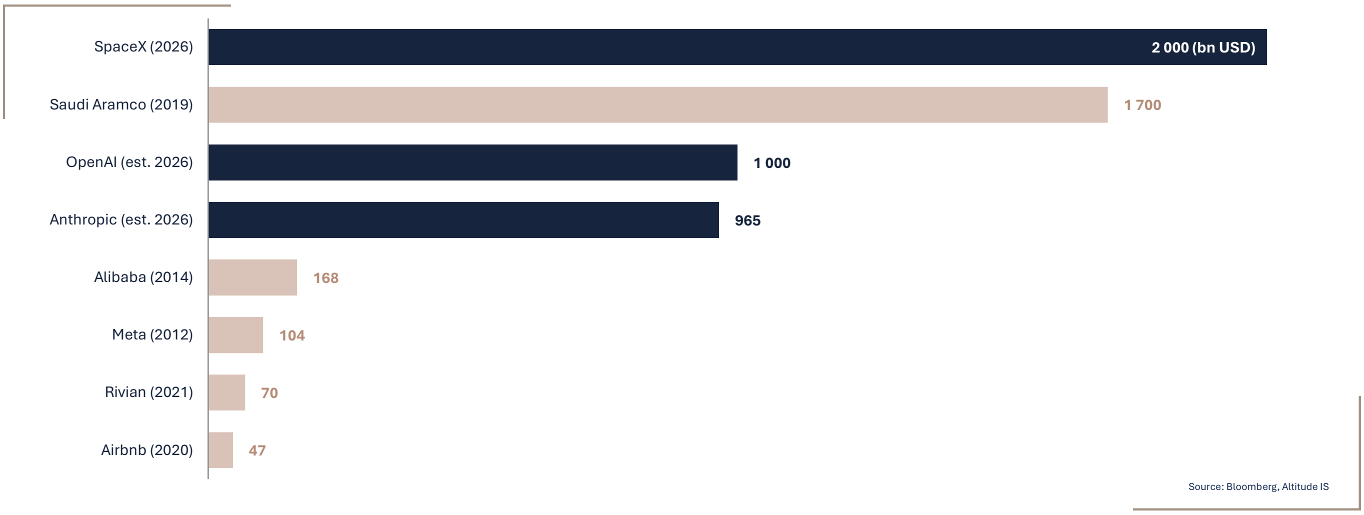
Fig. 4 – Weighting of the main sector in the S&P 500 index



Astrophysicists know that supergiant stars eventually explode as supernovae. For a few weeks, this dying star shines brighter than its entire galaxy. After that, it faces two possibilities, with unequal probabilities. About one in five times, the star is too massive; its core collapses into a black hole and its gravity sucks in everything that passes nearby. More often than not, fortunately, the explosion sows the seeds of new stars by scattering heavy elements—carbon, silicon and even gold—throughout the cosmos. The markets are about to witness the same phenomenon. **SpaceX, Anthropic and OpenAI are also supergiants, having grown up outside the listed galaxy, in the private equity universe.** Their initial public offerings (IPOs) will be their supernovae. For a few weeks, they will eclipse everything else on the market. Afterwards, either they will turn into black holes, sucking in index fund flows and further concentrating the indices, or the capital they release will seed a constellation of young stocks.

SpaceX will kick off the wave of "mega IPOs" on 12 June on the Nasdaq, under the ticker symbol SPCX. Elon Musk's group, the world leader in space launches and operator of the Starlink satellite constellation, is targeting a valuation of $1.75 to $2 trillion. No company has ever gone public at such a valuation, not even Saudi Aramco, which was worth around $1.7 trillion when it listed in late 2019 (see Fig. 5). Ironically, the company's traditional businesses, including its launch services and Starlink, are already generating around $8 billion in annual profit, but the recent merger with xAI, Elon Musk's artificial intelligence company, has pushed the consolidated group into an operating loss. Such a dizzying valuation should not, however, be misleading. **Investors will only share in the crumbs, as the free float – that is, the proportion of shares actually offered to the market – will remain minuscule, between 3% and 5% of the capital**. This technical detail will create a sense of scarcity around the stock and will shape its market performance in the first few months. As for control of the company, this will not be shared either, as Elon Musk will retain 85.1% of the voting rights thanks to shares with multiple voting rights. New shareholders will therefore own a small stake in SpaceX, with no say in the matter.

Fig. 5 – Largest IPOs in history



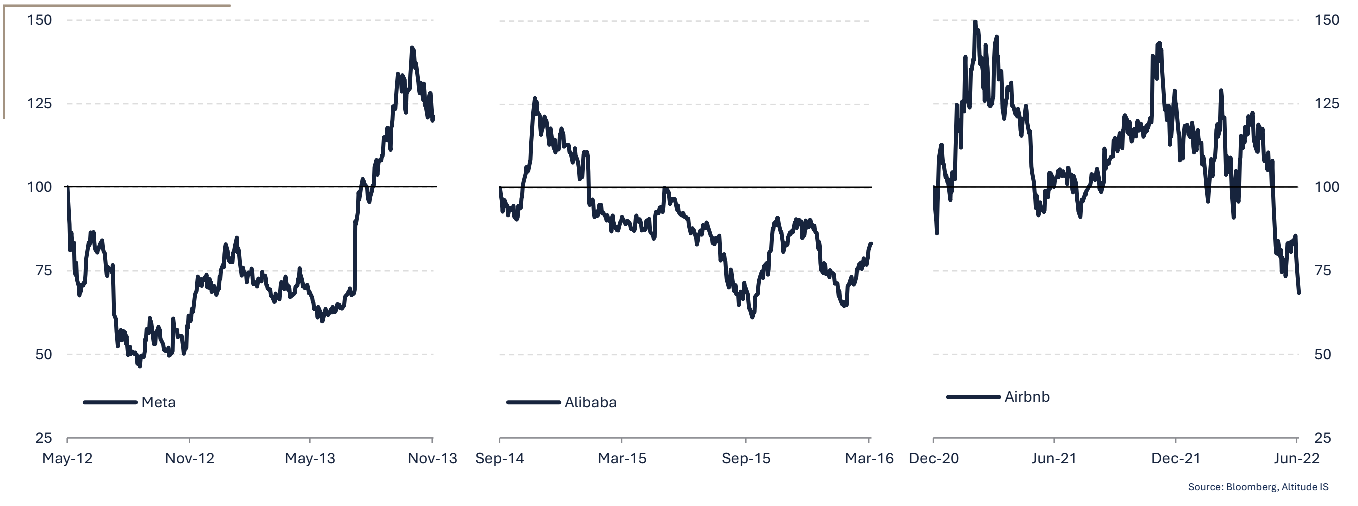
SpaceX's IPO may or may not pave the way for other mega IPOs. If the share price soars, the window of opportunity will open for artificial intelligence giants in the second half of the year. If it falls prematurely, potential candidates might prefer to wait before launching their own IPOs. Anthropic, the creator of Claude, has already filed its IPO application on[1]June, beating OpenAI to the punch. The company is targeting a market capitalisation of $965 billion. In the wake of this, OpenAI, the creator of ChatGPT, is expected to follow suit, aiming for September and a market capitalisation in excess of $1 trillion.

To accommodate these giants, several index providers have rewritten their operating rules and adopted a bespoke timetable. Not only will they be able to temporarily include more stocks than expected, but the Nasdaq-100 has authorised accelerated inclusion, just fifteen trading sessions after listing, and without a minimum free-float requirement. FTSE Russell has done the same. Fortunately, the S&P 500 is an exception. Following its market consultation, its committee announced on 4 June that it would maintain all its criteria: twelve months' listing history, proven profitability and a minimum free float. SpaceX will therefore not be eligible for the flagship index until mid-2027.

Passive index funds are the driving force behind this mechanism. These funds, which manage trillions of dollars in assets, replicate the composition of the indices with no room for deviation. As soon as SpaceX joins the Nasdaq-100 at the end of June, each ETF will be required to purchase the stock in proportion to its weighting in the benchmark index. As the indices are weighted by free-float market capitalisation rather than total market capitalisation, market estimates put these mandatory purchases at between $20 billion and $30 billion. As these funds are price-insensitive, they will buy because they have to, not because they want to. With a free float of only 3% to 5%, this captive demand promises to create strong upward pressure on the share price. **Scarcity will be all the greater as the remainder of the capital will be locked up by the lock-up period.** This contractual clause prohibits executives, employees and existing shareholders from selling their shares for 90 to 180 days following the listing, in order to reassure new investors. At SpaceX, more than 95% of the capital will thus be frozen.

For the three mega IPOs of SpaceX, Anthropic and OpenAI, the most likely scenario is therefore an initial surge followed by a slump. At the time of the issue, three forces will converge: a limited free float, mandatory index purchases and capital frozen by lock-ups. Demand will far exceed supply, leading to an almost automatic surge. Then will come the disillusionment. First, the supply cliff, when the expiry of lock-ups will suddenly release a flood of shares and early shareholders will seek to cash in their gains. Next, the end of opacity, as quarterly reports will reveal virtually non-existent profitability, a far cry from the generous valuations of the unlisted company. Finally, there will be a decline in prestige, as the IPO price reflects media hype rather than fundamentals. The precedents set by AT&T Wireless in 2000, Rivian in 2021, Airbnb in late 2020 and Alibaba.com in Hong Kong in 2007 serve as a reminder that such events often mark the peak of a cycle (see Fig. 6).

Fig. 6 – Trajectory of three major past IPOs



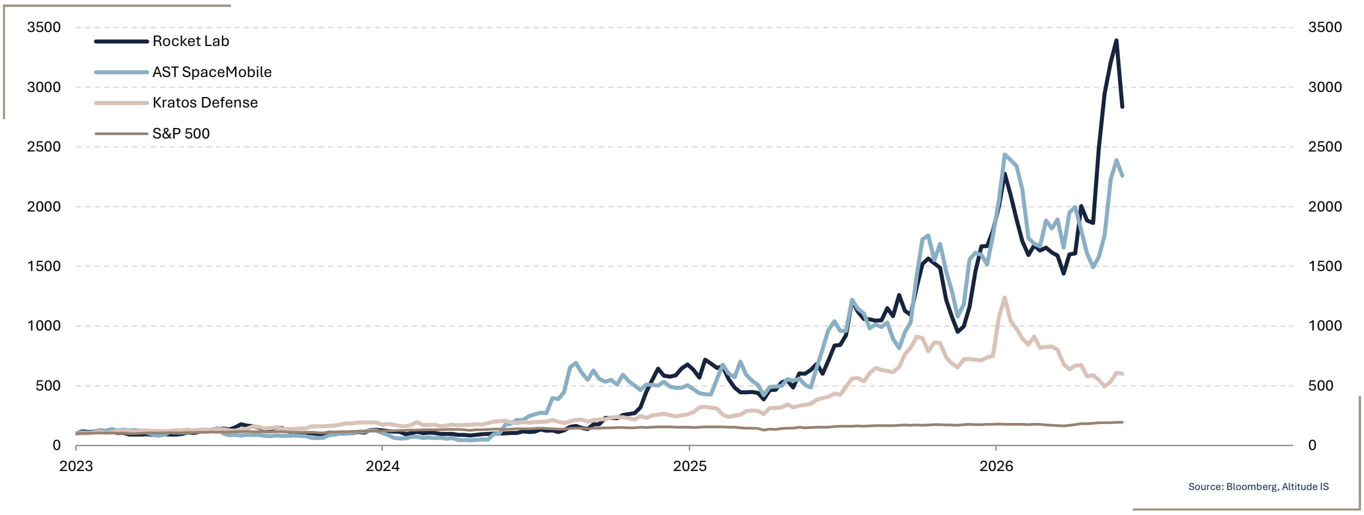
As for the rest of the market, they are likely to face a subtle yet powerful selling pressure. With assets under management remaining constant, index funds will have to sell off all other existing stocks, on a pro rata basis, to finance the purchases of these new giant stocks. As capital shifts towards a handful of stocks, it will automatically flow away from the rest of the market, exacerbating concentration and the under performance of smaller companies. EPAM Systems, which is set to be removed from the US index, has already been suffering for several months as a result of this anticipation.

The upcoming SpaceX IPO and recent geopolitical crises have made space a hot topic. Space funds are selling like hot cakes. The best known of these, the Procure Space ETF (UFO), continues to rise (see Chart of the Week) and has thus surpassed $1 billion in assets under management. When a topic dominates the headlines and valuations become stretched, caution becomes a virtue once more. The euphoria of the year 2000 serves as a reminder that promising tech stories can sometimes come at a very high price. The challenge remains to distinguish a passing fad from a fundamental trend.

Behind the media hype, the space sector is underpinned by a solid structural driver, fuelled by defence and digitalisation. The dramatic fall in costs – down tenfold over twenty years – thanks to reusable launchers, the miniaturisation of satellites and their mass production, has paved the way for new entrants. At the same time, public funding is pouring in. The United States accounts for 61% of global space budgets, ahead of China, which has risen from 2% to 15% between 2000 and 2025, and Europe at 10%. Within this global budget, defence has overtaken civil spending, accounting for 73 of the 135 billion dollars allocated. The US *Space Force* alone has grown from $15 billion to $40 billion in six years. It will now be fuelled by the construction of the "Golden Dome" missile defence shield, whilst NASA's share of the federal budget will continue to decline. Europe is following suit, with a record budget of €22 billion over three years for the European Space Agency (ESA). China is also stepping up its efforts, with 73 launches planned for 2025.

There is no shortage of natural beneficiaries of this security cycle, such as Kratos Defense, the US specialist in combat drones and hypersonic engines, whose revenues continue to rise and order books to fill up (see Fig. 7). This has not prevented the share price from halving since its January highs. Its valuation, which had risen to several hundred times earnings, was at odds with cash flow still being absorbed by heavy capacity investments.

Fig. 7 – Performance of space-related securities



In the long term, the space sector as a whole appears more promising than SpaceX's IPO. As with the internet, the stock is shifting from infrastructure to applications, connectivity, Earth observation and data analysis. Several listed companies are already showing strong growth, such as Rocket Lab and AST SpaceMobile (see Fig. 7). SpaceX will go public at a premium price, inflated by the scarcity of available shares, whilst the sector will capture the full support of governments and the entire stock market.

It will be up to investors to choose the vehicle best suited to their needs, as the composition of space funds will determine the weighting given to SpaceX. The Procure Space ETF (UFO), for example, weights around 50 stocks by market capitalisation, with a cap on each holding. Rocket Lab and AST SpaceMobile each account for around 5%. The State Street ETF (ROKT) is almost equally weighted and combines space with deep-sea exploration. Tema's Space Innovators (NASA) ETF is actively managed. It is the only one that already holds SpaceX shares, via a special purpose vehicle (SPV). With SpaceX valued at between $1.75 trillion and $2 trillion, the company alone will be worth several times the entire listed space sector. **Without a cap, a market-cap-weighted basket would therefore consist of more than 90% SpaceX. Conversely, with a cap that is too low, the stock will be under-represented.** To get round this issue, the index tracked by the UFO fund, for example, has raised its cap from 4.8% to 15% for mega-caps. As its free float grows, this will give SpaceX the top spot. Conversely, for the ROKT fund, equal-weighting will allow only 2% to 3% to be allocated to SpaceX, just like any other stock. Finally, at Tema, the holding already accounts for around 8% of the fund via the dedicated vehicle, with the flexibility to increase this to 15%. Three funds, three different doses of space and three different doses of SpaceX.

Conclusion:

The wave of IPOs promises a few weeks of excitement. The SpaceX IPO is likely to further concentrate the US market, but it will also channel capital into the space sector, which is largely supported by public spending and falling costs. Between the flash of a supernova and the slow formation of stars, investors are spoilt for choice.

RETURN ON FINANCIAL ASSETS

Markets Performances (local currencies)	Last Price	Momentum Indicator (RSI)	1-Week (%)	1-Month (%)	2026 Year-to-Date (%)	2025 (%)	2024 (%)
Equities							
World (MSCI)	1 105.8	49.78	-2.2%	2.2%	9.9%	22.9%	18.0%
USA (S&P 500)	7 384	48.77	-2.5%	1.9%	8.4%	17.9%	25.0%
USA (Dow Jones)	50 867	57.82	-0.2%	3.5%	6.6%	14.9%	15.0%
USA (Nasdaq)	25 709	45.04	-4.7%	1.6%	10.9%	21.2%	29.6%
Euro Area (DJ EuroStoxx)	648.6	55.64	-0.1%	3.9%	8.3%	21.2%	10.2%
UK (FTSE 100)	10 368	49.36	-0.4%	1.9%	6.2%	25.7%	9.6%
Switzerland (SMI)	13 388	54.02	-1.1%	2.9%	3.9%	18.0%	7.5%
Japan (Nikkei)	63 844	64.22	0.4%	11.9%	33.3%	28.7%	21.3%
Emerging (MSCI)	1 717	53.63	-1.9%	4.4%	23.3%	34.3%	8.0%
Brasil (IBOVESPA)	169 019	29.47	-2.7%	-9.5%	4.9%	34.0%	-10.4%
Mexico (IPC)	66 141	36.14	-3.6%	-2.6%	4.5%	35.1%	-11.0%
India (SENSEX)	73 717	39.21	-0.7%	-3.3%	-12.4%	10.5%	9.6%
China (CSI)	4 725	46.71	-1.5%	0.4%	4.6%	21.0%	18.2%
Com. Services (MSCI World)	166.9	39.23	-3.2%	-3.3%	2.2%	33.0%	31.9%
Cons. Discretionary (MSCI World)	434.8	37.70	-4.6%	-2.2%	-4.5%	9.8%	20.7%
Cons. Staples (MSCI World)	298.6	43.08	-0.1%	-2.0%	4.4%	9.3%	4.7%
Energy (MSCI World)	330.5	45.06	1.9%	-3.9%	26.8%	14.8%	2.9%
Financials (MSCI World)	224.6	52.53	0.0%	1.3%	0.9%	29.5%	25.1%
Health Care (MSCI World)	383.5	58.86	0.9%	3.2%	-1.9%	15.3%	1.5%
Industrials (MSCI World)	517.6	47.94	-1.1%	-0.7%	11.8%	26.2%	12.8%
Info. Tech. (MSCI World)	1 215.7	53.66	-4.1%	9.4%	26.1%	26.6%	31.9%
Materials (MSCI World)	429.3	40.09	-3.8%	-1.1%	10.0%	32.5%	-7.6%
Real Estate (MSCI World)	1 038	47.28	-0.3%	-1.6%	5.4%	3.6%	-0.4%
Utilities (MSCI World)	203.8	42.02	-0.4%	-4.3%	6.9%	24.7%	13.0%
Bonds (Bloomberg)							
World (Aggregate)	3.88%	44.40	-0.9%	-0.4%	-0.4%	8.2%	-1.7%
USA (Sovereign)	4.42%	45.60	-0.5%	-0.3%	-0.5%	6.3%	0.6%
Euro Area (Sovereign)	3.26%	50.12	-0.8%	0.5%	0.0%	0.6%	1.9%
Germany (Sovereign)	2.92%	50.32	-0.7%	0.4%	-0.1%	-1.6%	0.6%
UK (Sovereign)	4.87%	54.21	-0.6%	1.6%	-0.7%	6.1%	-3.0%
Switzerland (Sovereign)	0.64%	51.70	-0.3%	-0.1%	-0.4%	0.3%	5.4%
Japan (Sovereign)	2.33%	48.70	0.0%	-0.5%	-2.3%	-4.6%	-2.1%
Emerging (Sovereign)	6.16%	55.59	-0.3%	-0.1%	1.2%	13.1%	7.0%
USA (IG Corp.)	5.26%	48.54	-0.5%	-0.4%	0.1%	7.8%	2.1%
Euro Area (IG Corp.)	3.59%	54.63	0.0%	0.3%	0.5%	3.0%	4.7%
Emerging (IG Corp.)	6.31%	57.36	-0.1%	0.0%	1.4%	8.1%	7.0%
USA (HY Corp.)	7.19%	49.89	-0.4%	-0.1%	1.3%	8.6%	8.2%
Euro Area (HY Corp.)	5.83%	72.29	0.0%	0.5%	1.3%	5.2%	8.2%
Emerging (HY Corp.)	7.42%	62.20	-0.1%	0.3%	3.1%	13.9%	14.9%
World (Convertibles)	628.7	50.43	-2.1%	1.6%	16.7%	22.4%	9.4%
USA (Convertibles)	833.1	50.60	-2.3%	1.6%	19.0%	16.9%	10.1%
Euro Area (Convertibles)	309.2	58.50	-0.2%	0.7%	6.4%	24.8%	14.7%
Switzerland (Convertibles)	291.7	43.99	-1.3%	-0.7%	3.1%	17.5%	-10.5%
Japan (Convertibles)	323.1	60.19	-2.9%	10.6%	25.2%	13.8%	6.4%
Hedge Funds (Bloomberg)							
Hedge Funds Industry	1 880	78.51	n.a.	3.5%	n.a.	3.9%	11.1%
Macro	1 552	75.36	n.a.	2.3%	n.a.	5.7%	7.4%
Equity Long Only	2 500	64.95	n.a.	5.3%	n.a.	1.1%	12.0%
Equity Long/Short	2 065	76.58	n.a.	5.5%	n.a.	4.8%	14.0%
Event Driven	2 013	82.86	n.a.	3.0%	n.a.	4.9%	8.7%
Fundamental Equity Mkt Neutral	1 962	86.94	n.a.	1.5%	n.a.	4.7%	12.4%
Quantitative Equity Mkt Neutral	1 849	76.59	n.a.	2.7%	n.a.	2.2%	9.8%
Credit	1 753	91.26	n.a.	1.4%	n.a.	2.0%	8.5%
Credit Long/Short	1 786	93.71	n.a.	1.5%	n.a.	3.0%	10.0%
Commodity	2 146	96.84	n.a.	2.0%	n.a.	7.3%	14.7%
Commodity Trading Advisors	1 580	72.63	n.a.	2.5%	n.a.	11.2%	7.9%
Volatility							
VIX	21.51	65.71	40.4%	23.8%	43.9%	-13.8%	39.4%
VSTOXX	18.56	36.47	-3.9%	-20.9%	26.1%	-13.5%	25.3%
Commodities							
Commodities (CRB)	565.3	n.a.	1.0%	2.4%	4.7%	0.6%	5.1%
Gold (Troy Ounce)	4 301	n.a.	-4.1%	-8.8%	-0.4%	64.6%	27.2%
Silver (Troy Ounce)	66.86	n.a.	-10.7%	-16.8%	-6.7%	148.0%	21.5%
Oil (WTI, Barrel)	90.54	n.a.	3.6%	-11.5%	57.7%	-19.9%	0.1%
Oil (Brent, Barrel)	98.03	n.a.	5.0%	-14.9%	57.0%	-15.7%	-4.6%
Currencies (vs USD)							
USD (Dollar Index)	99.97	65.95	0.8%	2.1%	1.7%	-9.4%	7.1%
EUR	1.1532	35.44	-0.9%	-2.2%	-1.8%	13.4%	-6.2%
JPY	160.32	35.88	-0.4%	-2.3%	-2.3%	0.3%	-10.3%
GBP	1.3340	38.99	-0.8%	-2.1%	-1.0%	7.7%	-1.7%
AUD	0.7045	37.59	-1.6%	-2.8%	5.6%	7.8%	-9.2%
CAD	1.3941	27.38	-0.7%	-1.9%	-1.6%	4.8%	-7.9%
CHF	0.7968	36.74	-1.3%	-2.5%	-0.5%	14.5%	-7.3%
CNY	6.7837	55.71	-0.2%	0.2%	3.0%	4.5%	-2.7%
MXN	17.461	43.62	-0.5%	-1.6%	3.1%	15.7%	-18.5%
EM (Emerging Index)	1 859.7	39.89	-0.8%	-0.6%	0.4%	7.2%	-0.7%
XBT	62 627	n.a.	-3.5%	-21.8%	-28.5%	-6.5%	120.5%

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative \ Positive Performance)

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