New York Life Investment Management
Global Market Strategy team
Julia Hermann · Sarah Hirsch · Michael LoGalbo

Macro Pulse for June 14

- The ECB raised its benchmark rate by 25 basis points to 2.25%, its first rate hike since 2023. Markets focused less on the hike, which was largely priced in, and more on the ECB's revised outlook, which paired slower growth expectations with higher inflation forecasts. This combination could pressure earnings while limiting the scope for policy easing. Even as calls for further Fed tightening rise, we believe both greater policy flexibility and the relative growth advantage remain in favor of U.S. exposure.
- Investors will be closely focused on Kevin Warsh's first FOMC meeting as Chair and inaugural press conference this week, alongside updated economic projections. While we do not expect a rate hike at this meeting, if the committee validates the recent move in consensus rate expectations toward a hike, Treasury yields could remain elevated and equity markets may face a higher bar for further gains.

The IPO wave that could reshape the market

Over the past two decades, companies have chosen to stay private longer, shifting a larger share of value creation away from public markets. SpaceX, OpenAI, Anthropic, and a handful of other artificial intelligence and infrastructure companies have become market-defining businesses while remaining largely inaccessible to public market investors.

So what happens when some of the private markets' biggest success stories finally become public? Over the next year, SpaceX, which listed Friday at $135/share implying a $1.8 trillion valuation, along with the expected IPOs of Anthropic and OpenAI, together could add well over $3 trillion in market value and $200-300 billion in float to major equity benchmarks.

The usual IPO debate asks whether investors should buy these companies at the listing price – we'll leave that one to the stock pickers. From our team's macro and strategy perspective, the more important question is what their arrival means for the rest of the market. When companies of this size enter public benchmarks, the effects extend well beyond the investors who choose to buy them.

What makes this IPO wave different?

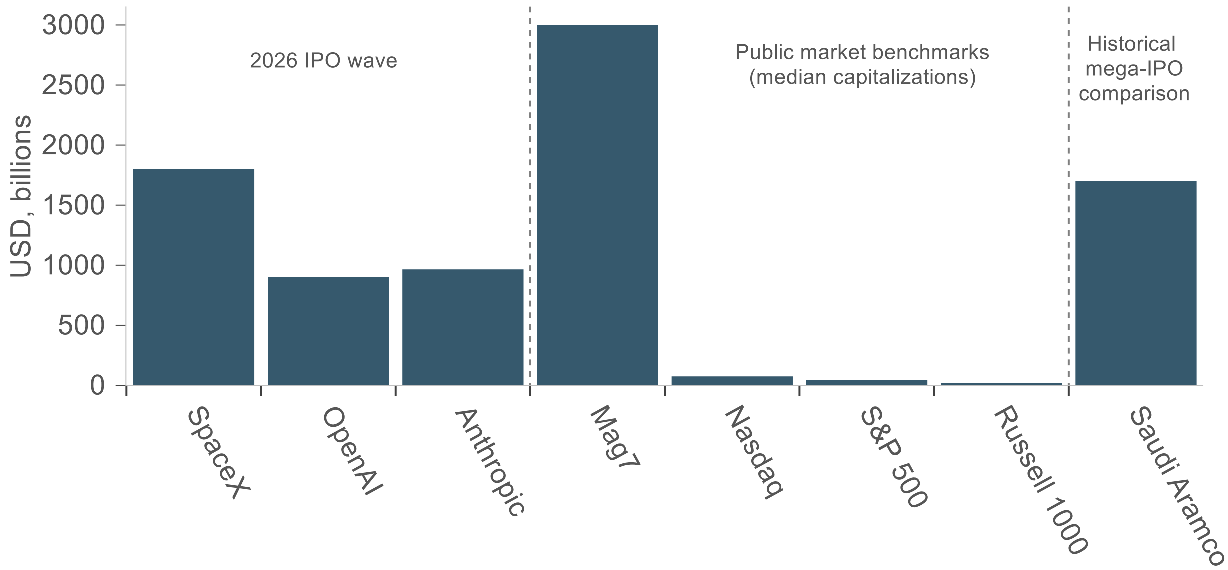
Companies typically choose to go public when market conditions are supportive: when returns are strong, valuations are high, and investor demand for growth is healthy.

That's today's environment to a tee. U.S. equities have been supported by strong earnings growth (and expectations), resilient economic growth, and continued enthusiasm around artificial intelligence. At the same time, private companies and their early investors are increasingly seeking liquidity after several years of muted IPO activity, creating the conditions for a resurgence in public offerings.

What makes this wave unusual is the size and maturity of the companies involved. Public markets may soon be absorbing businesses that have already reached a scale once associated with only established public companies.

Private giants are coming for public markets

Market capitalization estimates



Sources: New York Life Investment Management, Global Market Strategy, Bloomberg, Macrobond, June 2026. Mag7 = the Magnificent Seven stocks: Nvidia, Apple, Microsoft, Amazon, Alphabet, Meta, Tesla

The biggest impact is not the IPO pop, but what happens after the listing

When companies of this size become public, the debate quickly shifts from “who wants to own them?” to “who will be required to own them?” A growing share of equity assets is held in passive funds that track benchmark indexes. Once a company enters a major benchmark, ownership of that company among these funds becomes automatic.

To make space for these new additions, benchmarks are staring down a large degree of forced selling, which will depend on the index and, importantly, the company’s sector classification.

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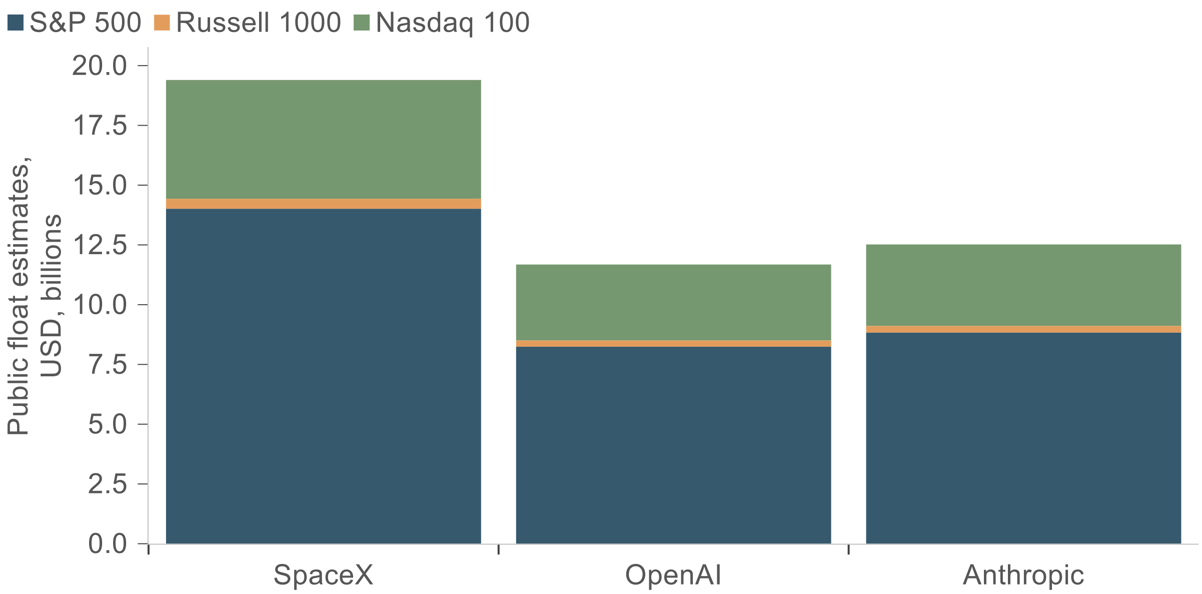
What companies will indexes sell to fund the wave of new IPOs this year?

Potential index buying from major benchmarks to accommodate upcoming IPOs



Sources: New York Life Investment Management, Global Market Strategy, Bloomberg, Macrobond, June 2026.

For example, SpaceX is classified in the Communication Services sector, reflecting Starlink's satellite telecom business rather than the company's industrial launch operations. This means Communication Services funds need to reduce existing holdings to make room for the new addition. In a market cap-weighted index, those reductions would typically come from the sector's largest positions, meaning other Communications companies, such as Meta and Alphabet, could face the greatest mechanical selling pressure.

This index effect is likely to evolve over time. For a company as large as SpaceX, the market impact is less likely to come from a single listing-day event and more likely to build over time as the stock becomes eligible for additional indexes, passive funds adjust their holdings, and benchmark ownership expands.

A fresh wave of concentration risk will test conviction

The public market is already highly concentrated. A small group of technology companies drives a large share of returns, earnings growth, and investor attention. Now, the Q2 tech runup is being driven by a new moonshot in both logic and memory chips, a portion of the market that is structurally more volatile and more cyclical than the AI hyperscalers have been. The coming IPO wave will add to concentration in the AI theme, forcing investors to potentially double down on their conviction.

The IPO wave starts from a concentrated market

Sources: New York Life Investment Management, Global Market Strategy, Bloomberg, Macrobond, June 2026.

In the same vein, the new IPOs do not fit neatly into the current tech narrative: one in which high capital expenditures (with capex running at roughly ~50% of operating cash flow for key hyperscalers on average) are met with global equity-leading profitability and earnings growth metrics. SpaceX, Anthropic, and OpenAI are all cash flow negative, with cash burn and reinvestment risk associated with a high rate of experimentation consistent with early-stage technology. The addition of companies without strong earnings backing will likely test the market's conviction and patience in the returns associated with AI investments.

IPO activity may become a test of market liquidity

This wave of mega-IPOs is not happening in a vacuum. It arrives in a market already absorbing heavy AI capital spending, elevated valuations, and meaningful macro uncertainty. In some ways, we are unconcerned about the market's ability to absorb the approximately $200-300 billion expected increase in U.S. equity supply: stock buybacks (which *reduce* equity supply) have been running at a rate of roughly $1 *trillion* per year among S&P 500 companies. Record supply has also been met with record demand on the debt side: the ~$120B in debt instruments issued by Alphabet, Amazon, Meta, Microsoft, and Oracle last year was absorbed by debt markets without causing spread disruption.

However, capital always needs to be sourced from somewhere, so we are watching key liquidity indicators around the IPO window. Bitcoin and other speculative assets, for example, may be useful tells. They are liquid, sentiment-driven, and often behave like pressure valves for speculative capital. If investors use more speculative assets to fund allocations to major IPOs – or to backfill forced sales from large cap growth allocations – crypto may show signs of stress early.

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Tesla may be another tell. Tesla is part of the broader Musk ecosystem and often trades with retail enthusiasm, founder premium, and speculative growth appetite. If Tesla weakens around SpaceX demand, it could suggest investors are rotating within the same risk bucket, rather than adding entirely new capital.

Portfolio strategy

U.S. public equity investors are subject to the impacts of the ongoing IPO wave, regardless of their views around the companies themselves. And while we are mindful that this dynamic may increase concentration and test conviction, public listings of systemically important companies are likely to increase transparency around how the AI boom is developing.

At the start of the year, we argued that diversification was likely to see a renaissance as the macro and credit cycles matured. Today, we are seeing investors considering diversification and risk budgets in novel ways. Total portfolio exposure to a single foundational AI model, for example, now transcends both public and private markets as well as public equity sectors. We are also mindful that profitability, volatility, and cyclicality camps within the tech space are increasingly diverging: infrastructure providers, including chips, model developers, application leaders, and tech incumbents. Amid these shifts, quality – marked by strong profitability, solid debt coverage, and low earnings variability – remains our preferred lens guiding diversification both within and beyond the AI ecosystem.

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