The Type 2 Investor

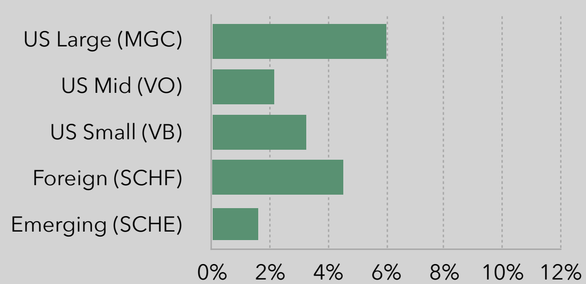
June 9, 2026

May 2026

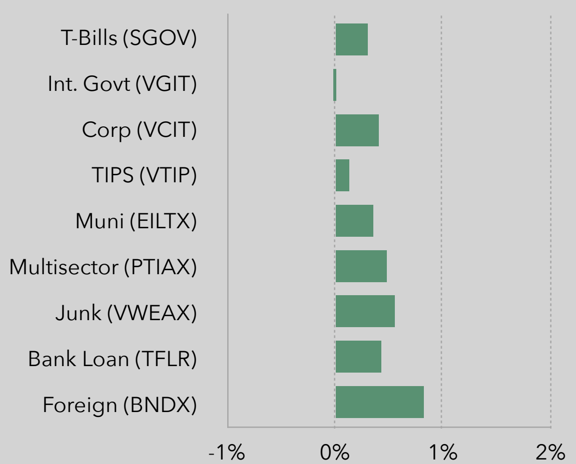
Economic Data

- Payrolls rose by 172,000 in May and the unemployment rate was unchanged at 4.3%
- Retail sales were up 0.5% in April, with gasoline station sales leading for a second month, up 2.8% on higher gas prices
- Y/y inflation (CPI) continued heating up in April to a 3.8% pace due to higher energy costs; the core rate (less food and energy) rose to 2.8%
- Existing homes were up 0.2% in April and flat y/y; the median home price rose to $417,700

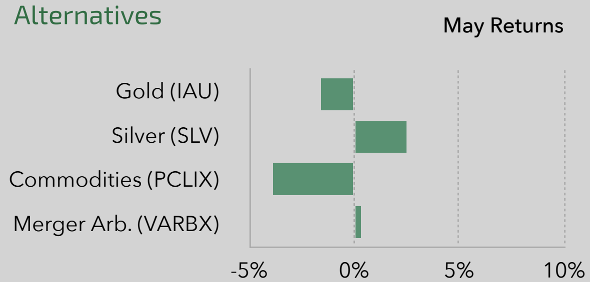
Stocks



Bonds



Alternatives



Performance data provided by Morningstar

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and not guided by emotions. It is that second system — type 2 — that we want in control of our investment portfolios.

SpaceX Launches the Largest IPO in History

It was easy to be fascinated by space growing up in the '80s, with movies like *E.T.*, *The Last Starfighter*, *Flight of the Navigator*, *Explorers*, and *Star Wars* and *Star Trek* films. My biggest space influence, though, was watching episodes of *Star Trek: The Next Generation* with my mom, a self-described Trekkie. That show not only captured the imagination and wonder of space travel and contact with alien species, but more importantly, it depicted an optimistic view of the future. A universe where exploring the cosmos coincided with a post-scarcity human civilization where almost anything you needed could be made in a replicator. I think it's because of that show that I have always been a techno-optimist.

> *"The economics of the future are somewhat different. You see, money doesn't exist in the 24th century… The acquisition of wealth is no longer the driving force in our lives. We work to better ourselves and the rest of humanity." –Captain Jean-Luc Picard*

SpaceX was founded 24 years ago with the ultimate goal to make humanity a multiplanetary species. Since then, it has conducted roughly 660 launches of Falcon 9, with only three "rapid unscheduled disassemblies" (explosions). Starlink has put over 10,000 satellites in its constellation, bringing high-speed internet to every corner of the globe. They plan to launch orbital data centers that will take advantage of 24-hour solar energy to power its xAI compute, and the coldness of space to cool it, bypassing the NIMBY backlash faced by terrestrial data centers. Starship is still in the testing phase, but it is the intended vehicle to make good on the company's stated mission. There are plans for lunar bases, mass drivers, and a self-sufficient city on Mars. It's impossible for space enthusiasts not to be excited about the future this company envisions, but financial analysts might feel differently.

On Friday, $75 billion of SpaceX (SPCX) shares are expected to begin trading on the NASDAQ, making it the largest IPO in history by a factor of three. And with other high-profile, mega-cap IPOs from OpenAI and Anthropic expected later this year, many index providers are updating their rules to adapt to the changing times. For example, there are three current rules that will prevent SpaceX from being included in the S&P 500:

- **Seasoning:** 12 months of public trading, which is intended to allow price discovery and to filter out low-quality listings. SpaceX will not qualify until mid-2027.
- **Profitability:** Four consecutive quarters of positive GAAP earnings, which is intended to screen out unproven business models that are pure hype and prevent capital impairment. SpaceX reported a $4.28 billion GAAP loss in Q1 2026, so the clock hasn't started on this one.
- **Float minimum:** 10% free float (the percentage of shares actually available to trade) to make sure it is investable at scale. SpaceX is floating only about 4% of shares, but there will be much more available after the 180-day lockup.

S&P considered changing their rules explicitly around enabling faster inclusion of names such as SpaceX, OpenAI, and Anthropic, but ultimately decided not to. However, other index providers have implemented changes to expedite the inclusion of mega-cap IPOs. There has been a lot of chatter about whether this is good or bad. Most of these rules are intended to make sure the indexes are both representative of the real economy and actually investable at scale. I believe that SpaceX fits that bill. After 24 years in business and with an expected $1.75 trillion valuation, it is by no means a fly-by-night operation. The purpose of these index funds is to hold all the stocks in their defined market. SpaceX will be among the 10 largest publicly traded US stocks when it IPOs, so indexes cannot ignore it for too long and it should eventually be in every mega-cap and total market index fund.

I respect S&P's decision to stick to its standard guidelines for inclusion. Only time will tell if this benefits investors in funds that track its indexes, or ends up hurting them as many felt Tesla's (TSLA) long road to inclusion did (Incidentally, I predict SpaceX will merge with Tesla by the end of next year). Meanwhile, other index providers will be much quicker to include it.

Index Family	Expected SpaceX Inclusion
CRSP (Most Vanguard Funds)	5 trading days from IPO
FTSE/Russell	5 trading days from IPO
MSCI	10 trading days from IPO
NASDAQ	15 trading days from IPO
S&P Dow Jones	At least one year from IPO

According to Bloomberg, the demand for SPCX shares is multiples of what will be available. However, Morningstar, our third-party research provider, values the company at only $780 billion, about 48% below its IPO price. It will be interesting to watch the price action on Friday.

Time to Warsh Up at the Fed

Kevin Warsh was sworn in as Federal Reserve Chair on May 22. Warsh has long been viewed as an inflation hawk, so he strikes me as an interesting choice. While President Trump has often tried to pressure the previous Fed chair, Jerome Powell, into cutting rates, he reportedly told Warsh, "just do your own thing and do a great job."

CPI has quickly heated up to 3.8%, in large part due to the conflict in Iran, so cutting rates is not really on the table. 30-year Treasury rates recently topped 5% for the first time since mid-2007. However, in my view the spike in long-term bond yields we have seen is less about inflation and more about the belief that this economy is strong and that increases in productivity from AI will warrant higher rates.

Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income			●		
Duration		●			
Inflation				●	
Credit	●				
Foreign	●				
Equities		●			
Large Cap		●			
Mid Cap			●		
Small Cap		●			
Developed Intl.			●		
Emerging			●		
Alternatives					●
Commodities					●
Merger Arbitrage					●

Fee Billing Allocation

Altruist recently added the option to direct which accounts fees are paid from, which allows for tax-optimized billing. Ideally, we want to bill rollover/traditional IRA fees to their own accounts (as these are pre-tax dollars), but bill Roth IRA fees to a taxable account if you have one. I have implemented these changes for clients with mixed accounts. This preserves Roth tax-free growth and maximizes after-tax value.

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Binge Box

Margo's Got Money Troubles (Apple TV+)

Margo's Got Money Troubles is adapted from Rufi Thorpe's novel about a young single mother. Margo (Elle Fanning) gets knocked up by her professor and is drowning in bills after he ghosts her post-pregnancy. Desperate for cash for her baby, she launches an OnlyFans account. She gets guidance from her estranged pro-wrestler dad (Nick Offerman), and I can't remember the last time I saw Michelle Pfeiffer on screen, but it's great seeing her play Margo's fiery mom. The all-star cast is rounded out with Nicole Kidman and Greg Kinnear. The show successfully blends raunchy comedy with emotional depth. Binge Season 1 on Apple TV+.

About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.