

# SPCX Artificial Scarcity Trade

A case study in float mechanics, lockup-driven supply, defined-risk options, and the difference between a sound market observation and a well-matched trade structure.

**\$140**

ESTIMATED CAPITAL AT RISK

**\$103.60**

EXPIRATION BREAK-EVEN

**2.57x**

MAXIMUM REWARD TO RISK

**Investment decision:** I expressed a bearish view through one Sep. 18, 2026 \$105/\$100 bear put spread. The thesis anticipated that a constrained IPO float would eventually meet a large wave of newly tradable shares. The stock sold off before the first unlock, but the selected strikes required a far deeper decline and the spread expired out of the money.

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# The setup was a supply story disguised as a valuation story

The core insight was not simply that SpaceX looked expensive. It was that the price discovery process began with an unusually constrained float while a much larger pool of pre-IPO shares remained temporarily unavailable.

**Constrained initial float**

SpaceX sold 638.9 million shares at \$135, including the underwriters' full over-allotment exercise. That public float was small relative to the broader pre-IPO ownership base.

**Staged supply releases**

The prospectus allowed 20% of eligible locked shares to transfer after Q2 results, another 10% if a price condition was met, then five additional 7% tranches on a calendar.

## Artificial scarcity mechanism

- 1

**Demand concentrated on a limited pool**

IPO excitement, retail attention, institutional mandates, and index demand competed for a restricted number of freely tradable shares.
- 2

**Price became a noisy valuation signal**

A high quote could reflect temporary float scarcity and forced demand as much as long-run cash-flow expectations.
- 3

**Unlocks changed the supply curve**

As restrictions expired, employees and early holders gained liquidity. The thesis expected this new supply to test whether demand was deep enough to support the premium.

**Variant perception**

**The premium could persist longer than conventional valuation suggested because scarcity itself was supporting the price. The bearish catalyst was not merely 'overvaluation'; it was the point when previously restricted supply became executable.**

# The thesis evolved as price and constraints changed

The decision process moved from a broad short thesis to a small defined-risk position. Larger structures were rejected when they conflicted with the risk budget or required overly precise timing.

| DATE    | OBSERVATION                                                                                       | DECISION EFFECT                                                                                                            |
|---------|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Jun. 12 | IPO hype, limited float, and weak valuation discipline appeared to support an inflated quote.     | Wait for usable options liquidity. Avoid short stock because borrow and unlimited-loss risk were unattractive.             |
| Jun. 17 | Future lockup releases could allow employees and institutions to monetize positions.              | Compare puts, vertical spreads, and butterflies. Treat timing as the central risk.                                         |
| Jun. 19 | SPCX traded near \$185 versus a \$135 IPO price; total options risk budget was capped at \$1,000. | Model December structures, but preserve room for a separate market hedge.                                                  |
| Jun. 22 | The stock fell 16% to close at \$154.60 after peaking above \$225.                                | Do not chase the selloff. A rebound could provide a better bearish entry.                                                  |
| Jun. 23 | The actual Sep. \$105/\$100 spread required a sharp decline from roughly \$153.                   | Accept a small premium at risk, but recognize the position as deep-downside exposure rather than a moderate-bearish trade. |
| Jul. 16 | SPCX traded near \$135 and the spread midpoint was roughly \$1.05.                                | Position remained out of the money; estimated unrealized P/L was about -\$35.                                              |

## What the trade was actually expressing

- A low-cost wager on a severe repricing, not a general statement that the stock looked expensive.
- A defined-risk way to participate if lockup-related selling and valuation compression coincided before September expiration.
- A position whose success depended more on magnitude and timing than on the broad direction of the thesis.

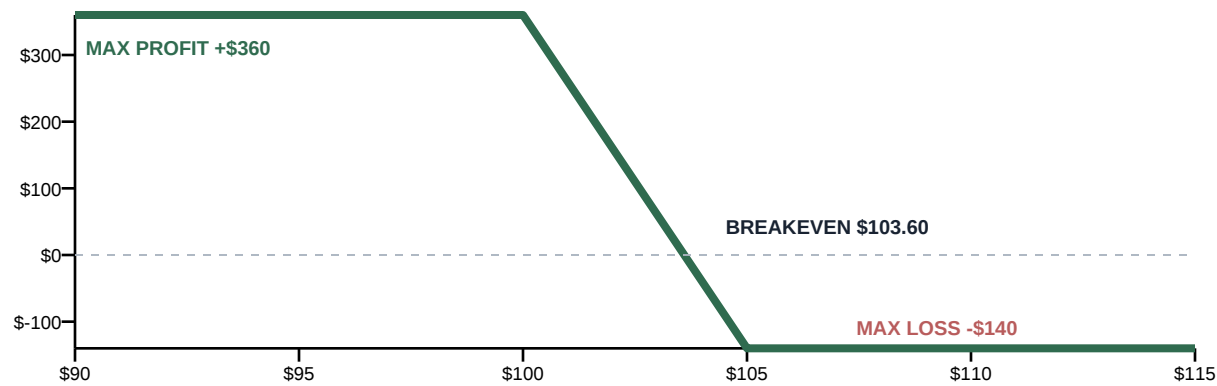
# The position had attractive headline convexity but a demanding threshold

The \$5-wide bear put spread capped the loss at the premium paid and the gross value at \$500. The trade offered 2.57 dollars of maximum profit for each dollar at risk, but only after a roughly 32% decline from the June reference price.

|                                    |                                |                              |
|------------------------------------|--------------------------------|------------------------------|
| <b>\$140</b><br>ESTIMATED MAX LOSS | <b>\$360</b><br>MAXIMUM PROFIT | <b>\$103.60</b><br>BREAKEVEN |
|------------------------------------|--------------------------------|------------------------------|

Expiration payoff for 1x Sep. 18 \$105/\$100 bear put spread

Estimated \$1.40 debit; values shown are net profit or loss



| SPCX AT EXPIRY  | SPREAD VALUE | NET P/L | INTERPRETATION             |
|-----------------|--------------|---------|----------------------------|
| \$105 or higher | \$0          | -\$140  | Both puts expire worthless |
| \$103.60        | \$140        | \$0     | Expiration breakeven       |
| \$102           | \$300        | +\$160  | Partial intrinsic value    |
| \$100 or lower  | \$500        | +\$360  | Maximum value and profit   |

# Defined risk solved the budget problem, not the timing problem

Several structures were evaluated. Vertical spreads lowered the premium relative to outright puts; butterflies concentrated upside around a target price. The selected spread was the smallest position, but it was also the least forgiving on magnitude.

| STRUCTURE                        | EST. RISK | MAX / TARGET PROFIT | WHY IT WAS NOT THE FINAL EXPRESSION                                          |
|----------------------------------|-----------|---------------------|------------------------------------------------------------------------------|
| Dec. \$190/\$170 put spread      | \$1,110   | \$890               | Exceeded the later \$1,000 options-risk budget.                              |
| Dec. \$185/\$170 put spread      | \$820     | \$680               | Within budget, but still concentrated most available capital in one event.   |
| Dec. \$185/\$150/\$115 butterfly | \$575     | \$2,925 near \$150  | Lower cost, but a decline below \$121 could return the trade to a loss.      |
| Sep. \$150/\$135 put spread      | \$770     | \$730               | Better matched to a moderate decline, but materially larger premium at risk. |
| Sep. \$105/\$100 put spread      | \$140     | \$360               | Small defined risk; required a severe drop below \$103.60 by expiration.     |

### What worked

Position size was controlled. Maximum loss was known before entry. The spread avoided borrow risk, unlimited loss, and the large premium of a long-dated naked put.

### What did not

Strike selection created a mismatch: the thesis only needed supply pressure, while the trade needed a collapse. The position also expired before later lockup tranches could test the supply thesis.

## Decision principle

Defined risk is necessary, but it is not sufficient. A position is well designed only when its strike, expiration, and payoff region align with the specific catalyst path the thesis predicts.

# The market moved toward the thesis, then away from the contract

SPCX declined below its IPO price ahead of the first major unlock. More than 900 million shares became newly tradable after Q2 results, yet the stock rose 6.1% on the unlock day and later recovered. The event was anticipated, but buyers absorbed the realized supply better than the bearish position required.

|                                                      |                                                       |                                                    |
|------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------|
| <div>\$152.71</div> <div>SEP. 18 CLOSING PRICE</div> | <div>\$0</div> <div>EXPIRATION SPREAD<br/>VALUE</div> | <div>-\$140</div> <div>IF HELD TO EXPIRATION</div> |
|------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------|

| THESIS COMPONENT                                                     | OBSERVED RESULT                                                                                                           | VERDICT          |
|----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|------------------|
| Scarcity could support a price above conventional valuation anchors. | The stock reached above \$200 after a \$135 IPO and remained volatile around supply events.                               | Supported        |
| Anticipated unlock supply could pressure the stock.                  | SPCX fell below the IPO price before the first unlock, showing that the market began pricing the event early.             | Partly supported |
| The first unlock would overwhelm demand immediately.                 | The stock rose 6.1% on the first unlock day after a sharp prior decline, indicating absorption and event pre-positioning. | Not supported    |
| SPCX would fall below \$103.60 by Sep. 18.                           | SPCX closed at \$152.71. Both strikes were out of the money at expiration.                                                | Not supported    |

## Important qualification

The expiration result follows from the public Sep. 18 closing price and the contract payoff. The original \$1.40 entry was estimated rather than brokerage-confirmed, and no closing transaction was provided. Therefore the report describes the held-to-expiration outcome but does not claim a verified realized loss.

# The lesson was instrument fit, not thesis abandonment

This trade is useful portfolio evidence because it shows how I frame an event, compare structures, size risk, and revise the decision after the result. The failed payoff is part of the analysis, not something to hide.

## Separate direction from magnitude

A stock can decline materially and still leave a deep out-of-the-money spread worthless. The target price must follow from a scenario, not from the appeal of inexpensive premium.

## Match expiration to the catalyst

A staged unlock schedule requires enough time for supply to become tradable and for holders to act. Expiration before later tranches reduces thesis coverage.

## Model the market's anticipation

Known catalysts are often reflected before the event. The first unlock-day rally showed why event studies need a pre-event path and an event-day path.

## Preserve execution evidence

Future trades should record brokerage-confirmed fills, IV, delta, spread width, exit criteria, and a timestamped catalyst calendar.

# Evidence record

The project combines the original trade-journal notes with public primary sources for the IPO structure and later market evidence for the expiration outcome.

## Selected sources

- 1 **Michael Vitale trade journal and position notes**  
Original June-July 2026 thesis, structures, quotes, and position reconstruction.

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- 2 **SpaceX IPO pricing announcement**  
<https://ir.spacex.com/updates/releases-details/2026/Space-Exploration-Technologies-Corp--Announces-Pricing-of-Initial-Public-Offering/default.aspx>

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- 3 **SpaceX Form 10-Q for quarter ended June 30, 2026**  
<https://www.sec.gov/Archives/edgar/data/1181412/000162828026052535/spcx-20260630.htm>

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- 4 **SEC-filed offering materials describing staged lockup releases**  
[https://www.sec.gov/Archives/edgar/data/1181412/000162828026041013/japanfwp\\_06042026.htm](https://www.sec.gov/Archives/edgar/data/1181412/000162828026041013/japanfwp_06042026.htm)

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- 5 **Associated Press report on the first unlock and market reaction**  
<https://apnews.com/article/c75721ec2e43e5304a2184a9e6abae5e>

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- 6 **SPCX historical price data for Sep. 18, 2026**  
<https://stockanalysis.com/stocks/spcx/history/>

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- 7 **SPCX Sep. 18, 2026 option chain**  
<https://chartexchange.com/symbol/nasdaq-spcx/optionchain/?date=20260918>

## Disclosure

This document is a retrospective portfolio case study. It is not current investment advice. Historical option values other than the public expiration result came from the original trade notes and may reflect indicative quotes rather than executable prices.