
The final frontier?

We are all in the gutter, but some of us are looking at the stars. — Oscar Wilde

Outlook

12th June 2026

(updated 16th June)



“I've come to believe it's not so much what you believe... it's how hard you believe it.” – **Indiana Jones (Dial of Destiny)**

HEADING SOUTH

The **South Sea Company** was a British joint-stock enterprise founded in 1711 to resolve the problem of the spiralling debt burden of the newly formed Kingdom of Great Britain (England and Scotland had been joined in 1707 by the Act of Union – a shotgun wedding in which around one million reluctant Scots were forced to the sovereign altar).

It is best known today for triggering one of the most devastating financial crashes in human history—the **South Sea Bubble of 1720**.

1. An ambitious plan....

The company was devised by Tory Lord Treasurer Robert Harley as a **public-private financial mechanism** to alleviate Britain's national debt crisis. (it's worth remembering this when you hear the likes of Kemi Badenoch talking of Tory financial rectitude or when public-private partnerships are proposed as the solutions to financial problems.

Britain's involvement in the actual first world war (The Thirty Years War) had left a legacy of debt that became increasingly problematic during Britain's expensive involvement in The War of the Spanish Succession. The British government owed over £9 million to various army, navy, and civilian creditors and in the pre-FIAT days, this was a debt that had to be backed by bullion. In fact each unit of the British currency was originally backed by one pound of Sterling Silver – hence the derivation of the term 'Pound Sterling'.

The Swap

The government allowed creditors to exchange (swap) their unsecured state debt for shares of the newly formed South Sea Company.

The Incentive

The government guaranteed the company a permanent 6% interest payment on the total debt absorbed. More enticingly, Parliament granted the company a **total monopoly on British trade** with South America and the surrounding "South Seas".

2. The Problem

Unfortunately, the newly formed Kingdom of Great Britain was not a major power in South America, where Spain dominated in the most part and Portugal had laid claim to Brazil for over two centuries.

3. Asiento: The Slavery Contract

The South Sea Company did have trading rights with the mainly Spanish colonies, however. The War of the Spanish Succession concluded with The Treaty of Utrecht, in which Spain stripped Britain's competitors of the **Asiento de Negros (the Negroes' Contract)** and awarded it exclusively to Britain, mandating the South Sea Company to supply **4,800 enslaved Africans per year** to Spanish-held American plantations for a span of 30 years along with one general trading ship per year to its ports.

4. The Illusion:

Even though actual slave-trading revenues were minimal and plagued by high operating costs, the company's directors heavily exaggerated the market potential to artificially pump-up stock prices.

5. The Bubble

By 1720, the company pivoted from simple trade to a massive scheme to assume the *entirety* of Britain's remaining national debt (£31.5 million). Directors bribed politicians, handed out stock options to royalty, and offered loose credit terms to buyers. This fuelled a frenzy, in which the stock price skyrocketed in mere months. Sensing the opportunity, a myriad of other joint stock companies were launched. Exchange Alley in the City of London was the physical centre where Stock-jobbers, brokers, and eager investors crowded into the alley's coffee-houses (primarily *Jonathan's* and *Garraway's*) to speculate on the wildly surging shares of the South Sea Company and hundreds of other fraudulent "bubble" companies.

6. Exchange Alley

Exchange Alley was, and still is, a narrow-cobbled passage opposite the Royal Exchange on Cornhill, linking Cornhill with Lombard Street. At the height of the bubble it was jammed with speculators, brokers and carriages. Barred from the Royal Exchange for their 'rowdiness and poor manners', stockbrokers made the alley their domain. Much like the open-outcry pits of the twentieth century, it was a testosterone-fuelled theatre of



aggression, shouting and fast talk. With no official stock exchange building, trading took place in or on the doorsteps of local coffee houses. At Jonathan's, jobbers posted daily stock prices on chalkboards for investors fortified by coffee, tea and meat pies. Garraway's specialised in stock auctions and commodities. The alley's proximity to the General Post Office also appeared to confer an information advantage in the days of physical mail, which in turn encouraged manipulation as jobbers exploited rapid price swings and spread false rumours. With no electronic tickers or central boards, prices were shouted from chairs or coffee-house windows, and by the time a buyer walked from one end of the alley to the other, the crowd's momentum could already have driven South Sea stock up several pounds.

7. Daniel Defoe

Defoe (~1660 – 1731) was an English writer, journalist, merchant, and government spy. Best known as the author of *Robinson Crusoe*, which was published in 1719, the year before the South Sea Bubble finally burst. He is widely celebrated as one of the primary founders of the English novel but was a much less successful investor. In the same year (although the image shown opposite is the 1750 re-print), he wrote some of the most acerbic warnings about the worst excesses of the various bubble schemes:

*The General Cry against Stock-Jobbing is such, and the Complaint of the Mischiefs it brings upon the Publick is so loud... **It is a Trade founded in Fraud, born of Deceit, and nourished by Trick, Cheat, Wheedle, Forgeries, and Sham Stories**; it hath wester'd into a general Witchcraft upon the Nation; and it is high time to let the World know what kind of Vermin these are that have thus plagued us.*¹

8. Isaac Newton and the Gravity of the Situation

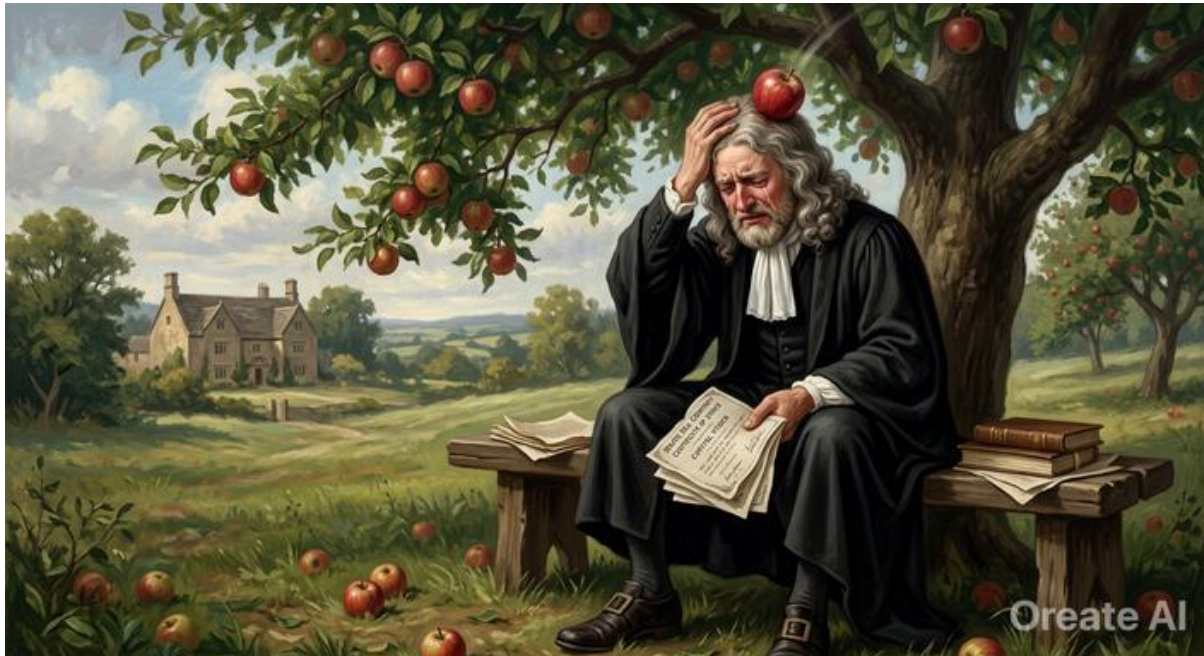
Sir Isaac Newton, the ear's leading physicist and mathematician (at least according to British history books) had been a Warden of the Royal Mint since 1696 and was appointed Master of the Royal Mint in 1700.

Six years after the South Sea Company was founded, Newton also misjudged the exchange-rate relationship between silver, gold and British currency. By valuing a gold guinea at 21 shillings rather than 20, he created a one-shilling arbitrage that contributed to a shortage of silver, informally nudging Britain towards a gold standard. This sat alongside the liquidity-driven speculative excess that sent South Sea stock from around its £100 par value for most of the period after issuance in 1711 to £128 in January 1720,

¹ *The Anatomy of Exchange-Alley; or, a System of Stock-Jobbing* – Defoe, 1719

then to £1,000 by August, before collapsing 87.6% to £124 by year-end and settling back in the £90–100 range the following year.

Newton had acquired 100 shares in the company at par value in 1712 shortly after its founding, attracted by the fixed yield of 6% per year.



In May 1720, having seen his holding increase in value from £10,000 to around £35,000, Newton sold 80% of his holding for £28,000, a profit of £20,000 or 250%. He then sat back (smugly I imagine), to await the crash, famously proclaiming that he could "*calculate the motions of the heavenly stars, but not the madness of people.*". When this hadn't happened by August, Newton decided to go 'all in' at the new higher price of £700 per share. Which promptly collapsed catastrophically, leaving Newton holding only 6,000 shares instead of 10,000 and facing a permanent loss of £4,000 (equivalent to around £700,000 today). This is widely cited as one of the earliest recorded examples of FOMO (Fear Of Missing Out) investor behaviour, although to be fair, Newton quickly learned the value of diversification and by late 1722 had moved half of his holding of restructured South Sea Company stock into safer Treasury Stock that he held until his death. Seemingly humiliated by the ordeal, Newton reportedly banned anyone from uttering the words "South Sea" in his presence for the remainder of his life.

9. Enterprise Value

A story popularised by journalist Charles Mackay in his highly readable **1841 book**, *Memoirs of Extraordinary Popular Delusions and the Madness of Crowds*² claimed that a

² https://www.trendfollowing.com/whitepaper/mackay_extraordinary_popular_delusions.pdf

master swindler opened an office in Cornhill, London, secured £2,000 in deposits in a single morning for investment into “an undertaking of great advantage, but nobody to know what it is” and immediately fled the country. While some claim that Mackay’s story may be apocryphal or exaggerated, other claim that it should be seen as a slight embellishment or parody created by critics to mock the absolute gullibility of investors during the height of the bubble.

Game, Set and Match

Ivar Kreuger was a Swedish engineer who turned global financial engineer, building a huge multinational conglomerate in the 1920s. By funding cash-strapped European governments in exchange for exclusive monopoly distribution rights for safety matches, a nineteenth century Swedish invention.

Kreuger raised hundreds of millions of Dollars from global capital markets unaware that his glittering, empire was built on forged Italian bonds and creative accounting.

His empire finally collapsed when a massive, complex pyramid of subsidiaries was exposed, bankrupting millions of investors.

The Rise and Fall of the Match King

Kreuger’s business model was deceptively brilliant. Safety matches were one of the most widely used technological breakthroughs of the late nineteenth and early twentieth centuries. In the pre-electrification era, everybody needed fire. Before safety matches, this usually came from dangerous, often unpleasant smelling ‘Lucifers’. The leap forwards to safety matches must have seemed at the time like adding AI to the internet seems to today’s consumers. Whoever owned global match supply would seemingly wield great financial power and influence.

Dividend We Fall

To ensure the continuous flow of dividends to investors, Kreuger became increasingly ‘creative’ using complex corporate structures, cross-border arrangements and counterfeit bank notes to hide his ever-mounting financial losses.

Endgame

In March 1932, cornered by global banks and carrying a recently acquired 9mm pistol Kreuger seemingly ended his life in a Paris apartment, leaving a farewell note that said: *"I have made such a mess of things that I believe this to be the best solution for everybody concerned."* ion. The systematic lies and massive financial frauds he had been using to

sustain his companies were about to be exposed. Decades later, Krueger's brother and others came forward with theories that he was assassinated by business or political rivals, or by international intelligence agencies or rival financial syndicates, pointing out that the gun was supposedly fired with his left hand, even though he was known to be right-handed. Additionally, one of his fingers was reportedly missing from the hand holding the weapon. At the time of his death, he was due to travel to Berlin to provide substantial funding to the democratic government in Germany. His death prevented that meeting, and the subsequent fall of the democratic regime paved the way for Adolf Hitler to rise to power. At the time, there were also rumours that speculated that Krueger's suicide was a hoax and that he had faked his own death and fled to Sumatra in order to escape his mounting financial debts and criminal exposure.




 DeeVid AI

Everything ventured? (a Report from 2023)

The valley of the shadow of death

The Santa Clara Valley in Northern California, better known for the last half century as Silicon Valley is home to many leading global technology companies (including the HQs of 30 of the world's leading hi tech multinationals) along with incubators and accelerators housing thousands of start-ups or early-stage ventures.

From Heart's Delight to Silicon Valley

Until the late 1960s the region had been known as “the Valley of Heart's Delight” being the world's largest fruit-producing and packing region. However, the region had already built a focus on science and engineering partly through its role in military technology R&D, from researching and developing key technologies, first for the US Navy, subsequently for the Pentagon¹ and latterly for NASA's Ames Research Center. Another factor was the involvement and financial and academic support of Stanford University. Stanford was seen as a key standard bearer in California's focus on forging its own identity as a bulwark against the threat of exploitation by predatory capital from the east coast, especially an ascendant Wall Street. Stanford forged a strong identity in engineering, encouraging the foundation of businesses such as Hewlett-Packard² Eastman Kodak, General Electric and Lockheed in what was later to become Silicon Valley.

Venture Scouts

VC in post-war America developed in a uniquely American way, largely because what in Europe was designated ‘merchant banking’, namely sourcing and intermediating loans and capital from investors to businesses, was prohibited to retail, deposit-taking banks, since the introduction of the US Banking Act of 1933³.

The gap was filled on the east coast by pre-war investors such as E.M. Warburg & Co., J.H. Whitney & Company and the family offices of America's most successful business families of the 19th and first half of the 20th centuries. These were also joined by ‘newer money’ and also by the war chests of the Ivy League and other elite east coast universities. Harvard and MIT were significant drivers of one of the earliest successful post-war VC houses, ARDC.

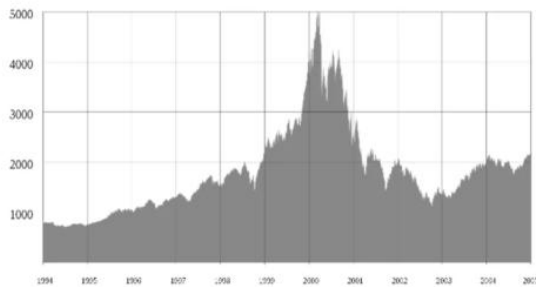
In California, following the tradition established by Stanford in providing locally fund to nascent Silicon Valley tech enterprises in order to prevent reliance on the dominion of Wall Street capital, the growth of the technology eco-system attracted and was partly driven by a new wave of venture capital, raised by financiers operating in Silicon Valley.

One of the earliest operators in Silicon valley was Kleiner Perkins Caufield & Byers⁴, who, in 1972 set up office on Sand Hill Road (SHR), a quiet suburban route that terminated in

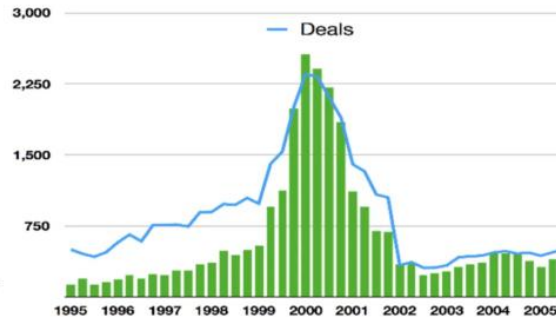
the Stanford Shopping Center car park. The over 900 ventures backed by KPCB include AOL, Amazon, Compaq, Google and Twitter. Sand Hill Road has become known as New Wall Street and now houses over 50 other major VC firms and also competes with Manhattan to offer the most expensive office space. SHR also became the epicentre of the Dot-com bubble of the late 1990s, which saw thousands of companies publicly list, primarily on the NASDAQ, in a relatively short period, before, in most cases, failing and delisting. Despite this, Silicon valley accounts for over 1/3 of US VC investment.

New Model Harmy

The Tech-wreck of 2000-2002, which saw the NASDAQ fall by 78% from peak to trough followed the 400% run up in the index in the preceding 5 years. This correlated with VC funding activities:



NASDAQ Composite (1994-2005)



US VC investments (1995-2005)

Following the tech-wreck and the antipathy towards the egregious monetisation by VCs, the prior model of building business narratives, prematurely listing unsustainable models on public indices at unrealistic valuations and then squeezing as much price, but not value, from them to reward VC investors was no longer viable. The model was tweaked, partly out of necessity, but partly in response to the post 2008 ZERO Interest Rate Policy (ZIRP) environment, which made viable any business that could raise enough funding to pay its operating expenses.

Instead of the now frowned upon practice of listing in order to then manipulate higher public valuations of stocks with limited free floats, the new trick became to manipulate the values to nosebleed valuations of the private companies before they listed. With private companies, this could be achieved away from the prying eyes of once bitten twice shy investors and market regulators.

Son of a Botch

An unregulated private bubble, primarily driven by VC interests and their poster boy, Masayoshi Son of SoftBank, was able to run uninhibited to nosebleed levels, without the significant risk that it posed being obvious.

Softbank Maths



VC is always somewhat speculative in that you're buying into future assumptions of execution with far less solid justification and precedent than with established businesses. This can make it a leap of faith, although if well-run at least it can be an informed leap of faith.

However since the era of disruptive tech, these are completely groundless assumptions – a bit like playing fantasy football but with real money. To make this blind leap even more divorced from reality valuations have manipulated techniques that in public markets would be illegal but in some private markets have become Standard Operating Practice.

As we've been saying for some time 'mind the ever-widening gap'. These various VC machinations have been excellently tracked by Matt Levine in his Bloomberg column Money Stuff, although the AI team has also warned about these issues:-

“the next bubble that’s going to burst....price discovery on a unique private asset that nobody knows if it will ever turn a profit is impossible...pure financialization...this isn’t just SoftBank, this is a whole industry that’s now grown up doing these pure accounting exercises to create fantasy value...whatever you do, don’t take your private equity money to California...”⁵.

For the last few years, we’ve talked of the scourge of VC and its poster child Softbank. Our concern is that the whole unicorn phenomenon is a repeat of the dotcom nonsense of over 20 years ago, where asset prices of Potemkin businesses are ramped to such ridiculous levels that investors are writing cheques that the companies can never fulfil.

BSBS (BullShit Balance Sheets) redux

BSBS (BullShit Balance Sheets) redux. This financial engineering echoes the events that led to the dotcom bust, tech-wreck and NASDAQ crash at the start of this millennium.

Is History Repeating? Softbank Share Price 2000-2022



Implausible VC valuations could be a bed of nitro-glycerine (to borrow Bill Gross’ iconic phrase) atop which resided the likes of ARK. Following the Dotcom bust, the NAV of Cathie Wood’s Tupelo CM Fund fell by well over -80% before it was shuttered:

Is ARKK More Like The Titanic

The consequences of such a repeat meltdown are highly explosive as well. Contagion would move from VC, through Tech to Growth, ultimately rendering all risk assets potentially vulnerable”



One popular manipulation in a ZIRP environment that has been highlighted by Levine has been the use of extreme follow-on investments. In an environment where time value of money was expunged, it suited VCs to make unnecessary additional cash injections into companies they had already invested in.

Potentially this had the effect of:

Increasing the VC stake by diluting, founders, sweat equity employees, early-stage funds (families and friends);

Extending the life span of otherwise non-viable businesses – income is unnecessary if your cash inflows from investment can cover all your outgoings;

Improving financial metrics in the eyes of the world, holding enough cash to cover your burn rate almost as far as eyes can see into the future.

Resetting valuations became the trick. If you invest \$10 million in a first round at a \$50 million valuation, you own 20% worth \$10 million. Add another \$5 million at a \$100 million valuation and you have invested \$15 million for a 25% stake now marked at \$25 million. The business may have done nothing of substance, but in VC-land you have apparently created \$10 million. Force in another \$2 million at a \$200 million valuation and you own 26% that cost \$17 million and is suddenly marked at \$52 million. Time to crack open the champagne.

In reality, even without higher interest rates, this model would have eventually foundered on the rock of the real world. Increasing rates above zero simply brought this day of reckoning sharply forwards. In 2019, when we issued the warning that VC would be the next bubble to burst, the Fed had started on a journey to tightening. Only the intervention of the pandemic forcing the Fed to perform an about turn (and some!) delayed this by a couple of years. The intersection between VC and the world of crypto (often disguised as FinTech or DeFi) amplified the eventual scale of reckoning.

Fast forward to 2023 and VC-funded firms with significant cash balances have largely parked these with crypto/VC-friendly banks such as Silvergate, SVB and, announced yesterday, Signature Bank. The deposits that these banks held as liabilities comprised real values that have to be paid out on demand. The assets that they held were a mix of real assets that were marked down because of higher interest rates (e.g. US Treasuries) and loans to and other assets built on the VC's excessively ramped ecosystem, many of which will never be repaid. The reality of cash value deposits being called when SVB was unable to persuade investors or lenders to extend funding based on its BSBS, resulted in the cash crunch that has seen SVB and Signature taken over by regulators in the last few days.

Notes

[1] One of the most heralded interactions with the Pentagon was the creation and operation of ARPANET, the precursor of the internet.

[2] The garage in which Stanford graduates Bill Hewlett and David Packard developed audio oscillators in 1938 became known as the 'Birthplace of Silicon Valley'. The business that they founded later became one of the earliest tenants in what was to become Stanford Research Park and were among the earliest recipients of VC funding from Stanford. A few years after H-P took up this tenancy, Bill Shockley (inventor with 2 colleagues of the first working transistor), following a disagreement with his employer, left his job with Bell Labs in New Jersey to Palo Alto to care for his elderly, sick mother. Shockley pioneered the use of silicon in transistor manufacture. Spin offs from Shockley's firm (which happened frequently due to his acrimonious management style) included Intel. The resultant primacy of silicon-based transistor manufacturing led to the coining of the term 'Silicon Valley' by Don Hoefler, a journalist for Electronic News. By the 1980s, the term had gained widespread traction, becoming a euphemism for the American technology sector, at the time that the 'Homebrew Computer Club, founded by Fred Moore (of the eponymous 'law') and Gordon French, was attracting alumni including Jobs and Wozniak. The club has been credited with having gestated Microsoft and Apple.

[3] The Act is best known for the four provisions contained within it that separated commercial/retail and investment banking. These provisions are generally referred to by the names of the legislative sponsors, Carter Glass and Henry Steagall, as the Glass-Steagall Act.

[4] Sequoia capital also set up in 1972, although arguably were slightly slower out of the blocks although made up lost ground by being a major early backer of Apple Inc, which enjoyed a \$1.3 billion listing in 1980.

[5] <https://www.asianinvestor.net/article/unicorn-valuations-are-fit-to-burst-warn-investors/454833>

A Ray of Despair (extract from our April report this year)

Marvell is a market leader in the fantasy world of data centres where everyone is furiously building and committing to build but everything is done on credit or circular financing or asset swapping because nobody actually has any hard cash. Around ¾ of Marvell’s supposed revenues are generated in this space which is why it is so dependent on its suppliers and lenders and broader sources of funding, that its debt levels exceed its fantasy EBITDA. If/When the AI bubble bursts, we’d quickly expect this to balloon above the 4-5 x EBITDA level that is indicative of often terminal distress.

Blinking is actually a human trait, Matt.....

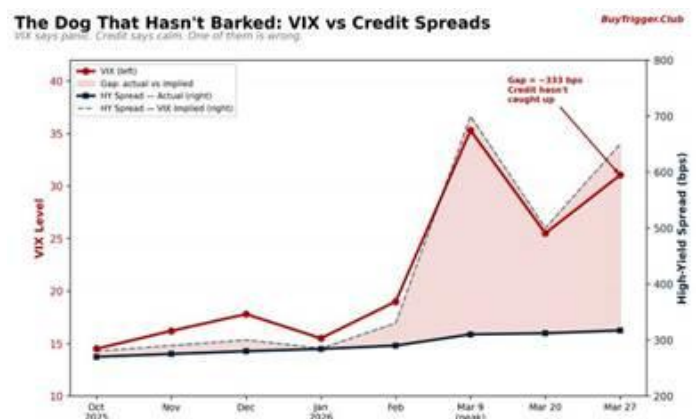
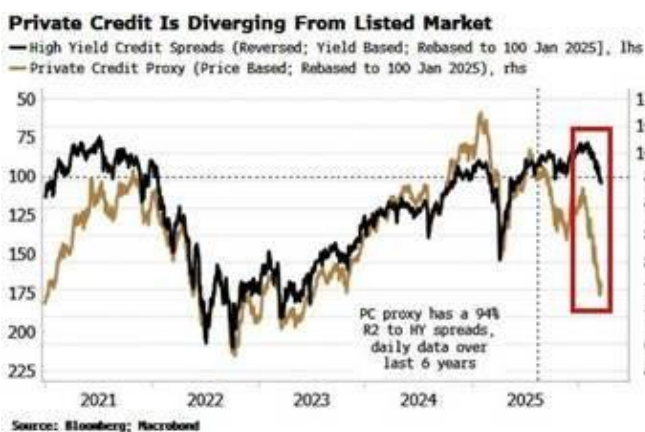
As Warren Buffett’s late partner, Charlie Munger, often said “the liabilities are always real”.

Reducing that to our level, our dictum is that “When the revenue stream is nonsense and the liabilities are real, you’re headed towards a major problem.” Or as hedge fund supremo Ray Dalio has pointed out – the wealth versus money mismatch will ultimately burst fantasy bubbles (like the AI circular financing game).[\[2\]](#)

Private credit seems to have started to fall off a cliff.

Equities are suffering fall out.

Yet high yield credit is still holding up one of these things ain’t like the others Marvell’s double counted, fictitious deal was quickly overshadowed at the very end of March by a record-breaking phony transaction which Open AI’s CFO, Sarah Friar claimed “blows out of the water even the largest IPO that’s ever been done.” [\[3\]](#)



However, the largest IPO that’s ever been done was funded by real money.

whilst Open AI (the provider of ChatGPT) has taken \$3 billion from retail investors, alongside the hapless Cathie Wood who has committed to burn more of her long-

suffering investors' hard-earned cash[4], the biggest chunk of the \$122 billion that seems to have so excited Sarah Friar is AI-money (just as unreal as Monopoly money but much more dangerous).

\$50 billion is being provided by Amazon (except in the small print it's actually \$15 billion which in itself no doubt involves a high degree of circular financial engineering).

\$30 billion of dizzyingly circus-ular financing is coming from Nvidia, thereby enabling Nvidia to claim that it sold another \$30 billion of AI chips and picked up a free investment in Open AI.

Serial ~~scammers~~ financial engineers Softbank have also dropped in a fake \$30 billion

Softbank wannabees including Andreessen Horowitz, Abu Dhabi's MGX and D.E. Shaw Ventures have made up the rest of the OPM (Other People's Money).[5]

The bigger the fantasy transaction, the harder the landing when reality kicks in and the greater the certainty that it will kick in, especially as back in the real world, Carmaker Stellantis (Jeep, Ram, Dodge, Chrysler, Fiat, Maserati, Peugeot, Vauxhall, Opel etc) which fell 27% in one day in February ended that month by announcing its first annual loss since the company was formed, while Warren Buffett bowed out of Berkshire Hathaway with a -30% fall in operating earnings in his final quarter and US unemployment surprised most analysts by rising quite sharply (we were shocked – not that unemployment rose but that people hadn't seen this coming).

Meanwhile the oil price skyrocketed, peaking around 50% higher than before President Don K Trump decided to bring about the opening of the Straits of Hormuz by bringing about the closure of the Straits of Hormuz.[6]

[1] Marvell CEO Matt Murphy's prominence/notoriety is largely founded on claims in a recent earnings call (edited transcript) *"As a result, we expect data center revenue in fiscal 2028 to grow close to 50% year-over-year. Achievement of our forecast would result in 3 straight years of data center revenue growth compounding at well over 40%.....we've seen this in a lot of our emerging product areas when we get into them. Once they start doubling, they kinda keep doubling...let's say, like, this last year doubling this year, you know, maybe over doubling again the year after...We're in good shape...We've grown (custom) business from 0 to \$1.5 billion. It's gonna grow again this year. It's gonna double the year after....I'm in the AI market...Look at our results that we're guiding. Look at our outlook for this year. Look at our outlook for next year. Do you see me blinking? You don't. Yes, we're in the business. We're gonna be in the business. Our customers want me to be in this business, and we're gonna drive a major significant revenue company at Marvell. I'm very fired up on this topic.....if I go back four years, five years, 10 years, this business*

has been growing at like 35%, 40%, 45% for a very, very long time, and it's gonna continue to do that. For next year, we're looking at that growth accelerating, you know, closer to 50% next year." I guess there are people who want CEOs to talk and think like that but it's not exactly Warren Buffett is it?

[2] <https://www.facebook.com/reel/1454618869604482>

[3] The largest IPO ever done was a partial listing of Saudi Aramco for \$25.6 billion

[4] The share price of Wood's ARKK scheme has more than doubled in the past 3 ¼ years, meaning that it is now only around -60% below its peak at the end of 2020. We actually think that it's good that Wood is committing to invest in Open AI – the final implosion of ARKK will make the capital markets a safer place to be. We just hope that as many victims as possible are able to get out in time. (<https://mbmg.substack.com/p/ark-still-sinking>)

[5] We've previously explained how VC's 'Ramp & whomp' works (or rather doesn't) - <https://mbmg-group.com/everything-ventured-the-inevitable-fall-of-silicon-valley-bank-others/>

[6] Maybe the Donald should have learned at least the basics about 1970s oil shock stagflation and how it cost one of the least bad President's his job - <https://www.thoughtco.com/stagflation-in-a-historical-context-1148155>

Spaced Out

Space is the ultimate Unicorn: it represents an infinite, boundaryless total addressable market (TAM) of pure, unadulterated upside, yet its actual revenue model remains a mystery. Like a classic SoftBank venture, the strategy is to out-inflate the valuation, secure a legendary founder, and let the narrative (and the financial engineering) do the heavy lifting.

The Strategy: "Space" as a Vision-First Unicorn

Venture capital thrives on the premise of paying exorbitant multiples for "future execution". Space checks every box on the late-stage funding bingo card.

The TAM is Literally Infinite:

You aren't just an "office landlord" or a "software provider"—you are an *Everywhere-Universal-Master-of-Space*. When the market demands gargantuan scale, there is no bigger sandbox than the cosmos.

The Narrative Founder:

We need an idiosyncratic, visionary founder who speaks in grand, quasi-spiritual missions about saving humanity or elevating consciousness. Whether the business model currently prints cash is irrelevant. As [Bloomberg](#) columnist Matt Levine has famously detailed with "Unicorns," the goal is to make the story so compelling that traditional metrics (like EBITDA) feel quaint and outdated.

Ramping Valuations: The Masayoshi Son Playbook

When nobody knows exactly what the product is or how it will turn a profit, the SoftBank technique is perfectly deployed.

The Series A Ramping

You raise a seed round on the premise of "The Cosmos." Six months later, you raise a Series A at a \$10 billion valuation simply because a charismatic founder pitched a slightly shinier rocket.

Illiquidity Preference & Markups:

You don't exit to the public markets via a traditional IPO; you rely on massive private capital injections to keep the music playing. Every time you sell a sliver of the company to a sovereign wealth fund or a massive Vision Fund, the paper valuation doubles.

Circular Narrative Reinforcement: The value becomes whatever the last investor paid, plus a healthy hype premium. The goal is to meme the company into legitimacy, allowing early investors and visionary executives to diversify before the wider public realises that deep space is mostly a vacuum.

The value is whatever the last guy paid for it, plus a healthy 40% hype premium. The ultimate goal is to "meme" the company into legitimacy, allowing the original investors and visionary executives to diversify their holdings before the broader public realizes that deep space is mostly a vacuum.

The Annoying Details

A masterclass in modern financial architecture: selling a tiny fraction of a company to create a massive paper value for the rest. By selling a \$75 billion float, which represents a mere 4.3% of the company's total equity, SpaceX locked in a public share price of \$135. When you multiply that single \$135 data point across the remaining 95.7% of tightly held, untraded internal shares, you instantly conjure a \$1.77 trillion market capitalization. In other words, \$75 billion invested into SpaceX IPO somehow made the existing shareholders \$1.77 trillion wealthier. This speaks to Ray Dalio's point that they might claim to feel \$1.77 trillion wealthier but, unless someone lends against the value of the remaining \$1.7 trillion paper value, then it's not real. Except that banks will lend against that. So actually what happened with the SpaceX IPO is that the supposedly richest man on the planet just got the license to borrow more money. Which might be useful. After all, he still owes the banks \$13 trillion that he borrowed to buy Twitter. Which was partly secured on his Tesla holdings. Which would be a worry if it were linked to Tesla profitability:

2022 | ██████████ (12.6)

2023 | ██████████ (15.0)

2024 | ████████ (7.2)


2025 | ██████ (3.8)

2026 | ██████ (3.9)

But somehow Tesla’s stock price, is now 250% higher than it was at the 2023 low, which means that it’s only 1% lower than it was in November 2021 (no, it doesn’t pay a dividend – apparently, it’s a growth stock).

But that is all dwarfed by what Elon can now borrow against the company that somehow listed for \$1.77 trillion and whose pretend market capitalisation value, on its second day of trading now approaches \$ 2.5 trillion. In other words SpaceX is now, by the pretend market cap metric, the 4th largest company in the world. However, using any other metric it doesn’t really stack up, as the following (AI-generated) table highlights:

Comparing the main financial metrics for Apple (AAPL), Microsoft (MSFT), Nvidia (NVDA), and SpaceX highlights vastly different operational scales, growth rates, and margins. Nvidia boasts the highest margins and market capitalization, while Apple generates the largest absolute free cash flow. SpaceX recently debuted on public markets as a capital-intensive growth entity. [f Fortune +3](#)

Metric 	Apple (AAPL)	Microsoft (MSFT)	Nvidia (NVDA)	SpaceX (SPCX)
Market Capitalization	\$4.35 Trillion	\$2.97 Trillion	\$4.96 Trillion	\$2.0+ Trillion
Revenue (TTM)	\$383.9 Billion	\$260.0 Billion+	\$253.5 Billion	\$18.7 Billion (2025)
Net Income / Margin	\$94.8 Billion (25-27%)	\$72.4 Billion (38%)	\$159.6 Billion (63%)	(\$4.9) Billion (Loss)
P/E Ratio (TTM)	~ 35.8x	~ 23.3x	~ 31.4x	N/A (Unprofitable)
Primary Growth Drivers	Services, iPhone, Consumer AI	Enterprise Cloud, Azure, AI	AI Infrastructure, Data Center	Space Launch, Starlink, xAI

Gemini’s summary of SpaceX’ valuation is succinct:

SpaceX (SPCX): SpaceX trades at a high premium equivalent to legacy mega-caps but is currently a cash-burning entity. Investors are pricing in anticipated growth in space-based connectivity (Starlink) and enterprise artificial intelligence over the next decade.

You might wonder why Elon ‘only’ listed 4.3% of SpaceX. That single listing is in and of itself the largest IPO ever, massively outpacing the \$29.4 billion raised for selling 1.5% of Saudi oil giant Aramco in 2019. Interestingly the next 2 biggest raises were Ali Baba on the NYSE in 2014 and Ali’s main sponsor and our old friend, Softbank on the TSE in 2018. The Softbank playbook has clearly been dusted off one more time – list what you can at the highest possible price and then use the rest as security with gullible banks. In that respect, Elon Musk has never looked more like Ivar Kreuger.

The Illiquidity Illusion

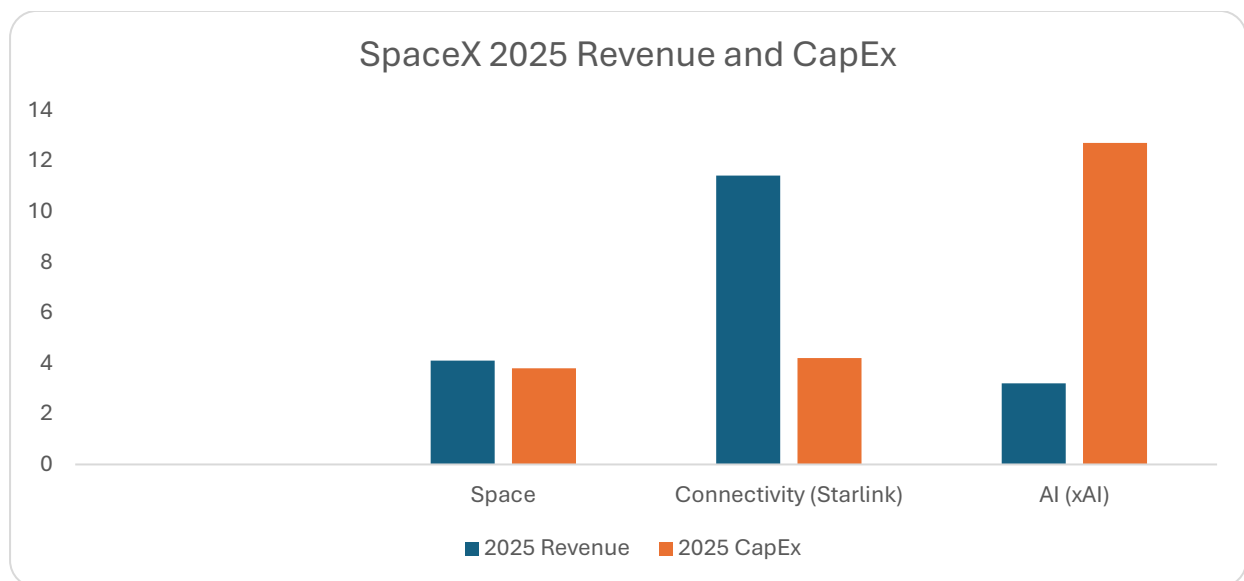
The narrative that Elon Musk is now "the world’s first trillionaire" or that the IPO instantly minted thousands of liquid millionaires ignores the fundamental mechanics of market liquidity.

Extrapolation vs. Actual Liquidity

A valuation is not a bank account. A \$1.77 trillion market cap means that a tiny, highly enthusiastic pool of buyers was willing to pay \$135 for a small sliver of the company. It does *not* mean there is \$1.77 trillion of cash waiting to buy out Elon Musk or his early investors.

What does SpaceX actually do?

While SpaceX is perhaps best known either for its plans to colonise Mars or for its reusable rocket technology for ferrying people there, these are not major components of the future revenue projections with which SpaceX lured investors:



SpaceX has a profitable satellite business (Starlink), a small gimmick (space exploration) and a huge question mark (data centres in the sky). Maybe Starlink might have a value in the range of \$250-500 billion but that places well over \$ 1 trillion dollars responsibility on the AI business. The problem is that the technology for xAI's most ambitious plans doesn't yet exist. It might never exist in a viable commercial form. Even if it does come to exist, there's no guarantee that xAI will extract over \$ 1 trillion in net corporate value from it.

A century ago, the leap forwards to safety matches must have seemed at the time like adding AI to the internet seems to today's consumers. Whoever owned global match supply would seemingly wield great financial power and influence. We know how that story ended.

Three hundred years ago, a master swindler reportedly secured deposits from investors for investment into "an undertaking of great advantage, but nobody to know what it is" and then fled the country.

Today the 4th largest traded company on the planet promises returns in investor capital based on technology that doesn't even exist yet.

We worry that SpaceX could be the hare-brained heir of these schemes.



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2. An investment is not a deposit and carries investment risks. Investors are encouraged to make an investment only when investing in such an asset or assets corresponds with their own objectives and only after they have acknowledged all risks and have been informed that the return may be more or less than the initial sum.
3. Investors should carefully study all offering documents in respect of any asset in which they are considering investing, including but not limited to the offering documents. They should retain a copy of these for future reference. If in any doubt, contact your advisor or analyst before proceeding with any investment decision.
4. If you wish to acquire more information or additional documents or have questions about an investment, you should contact your advisor or analyst and not proceed until you are satisfied that you have full and acceptable information.
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