SPAC & Forth: Fear vs. FOMO: Reading the SPAC Sentiment Cycle

Markets do not move in straight lines. They oscillate. Not just between bull and bear, but between fear and FOMO.

In traditional markets, we have trained ourselves to recognize the tells. When volatility spikes, when risk premia widen, when capital hides in cash and defensives, we call it risk-off. When the VIX compresses, momentum rips, unprofitable growth outperforms, and meme stocks reappear on group chats, we know FOMO has arrived.

SPACs are no different. But they speak their own language.

Because SPACs sit somewhere between public equities, private markets, and structured finance, their sentiment does not always map cleanly onto broad market indicators. Instead, they leave behind their own fingerprints. Subtle, measurable signals that tell us where we are in the cycle.

Two of those signals matter more than most.

The first is the **SPACInsider IPO Performance Tracker**, which measures average post-IPO day-one unit performance versus trust. At its core, this is a simple but powerful read on risk appetite. When investors are willing to pay up for new SPAC units on day one, capital is leaning forward. When units trade flat or below trust, fear is in control.

During the last cycle, this indicator peaked in late 2020 and early 2021, with average day-one unit appreciation approaching 6%. An unmistakable sign of speculative enthusiasm. By the summer of 2022, sentiment had completely inverted. Average performance troughed around -2.4%, reflecting not just risk-off behavior, but outright capitulation. Today, that figure sits near 0.24%. No longer panic, but far from euphoria. A market that has stopped bleeding, but has not started chasing.

The second, and arguably more revealing, signal is the **SPACResearch Warrant Index**.

Warrants are sentiment instruments. They have no downside protection, no trust value, and no patience. Their value reflects what investors believe about the future quality of SPAC deals. Not what already exists, but what might come.

In March 2021, the warrant index peaked around 12% of trust value, coinciding with the height of the prior SPAC boom. That moment, roughly aligned with the Lucid transaction and its PIPE frenzy, may well have marked the psychological apex of the last cycle. What followed was not a correction, but a collapse. Warrants bottomed near 0.2%, a staggering 98% drawdown, as belief in the asset class evaporated.

Today, the index sits around 1.4%. Still a shadow of its former highs, but near three-year peaks. That alone tells you something important. Sentiment has turned, even if enthusiasm has not yet returned.

This is what early recovery looks like. Not FOMO. Not fear. But hesitation with improving tone.

What makes this especially interesting is how little these SPAC indicators care about the broader market's emotional state. **The correlation between the SPACResearch Warrant Index and the VIX is only about 14%. With the Russell 2000, it is actually negative, roughly -28%.** In other words, SPAC sentiment is largely uncorrelated, and sometimes inversely correlated, to traditional risk-on and risk-off signals.

That is not a bug. It is the point. SPACs are idiosyncratic by design. Their cycles are driven less by macro volatility and more by deal quality, structure, sponsor credibility, and post-close performance. When good deals clear the market, warrants respond. When they do not, sentiment shuts down quickly, regardless of what the S&P or the VIX is doing. Put differently, SPACs march to their own drum.

Taken together, these indicators suggest we are no longer in fear, but not yet in FOMO. We are in the early innings of recovery, oscillating between the two extremes as the market relearns how to price risk in this asset class. That oscillation is not a sign of weakness. It is how durable cycles are rebuilt.

The last cycle was driven by speed and excess. The next one will be driven by selectivity and proof. And if history is any guide, FOMO never announces itself. It arrives quietly, right after most people are convinced it will not.