

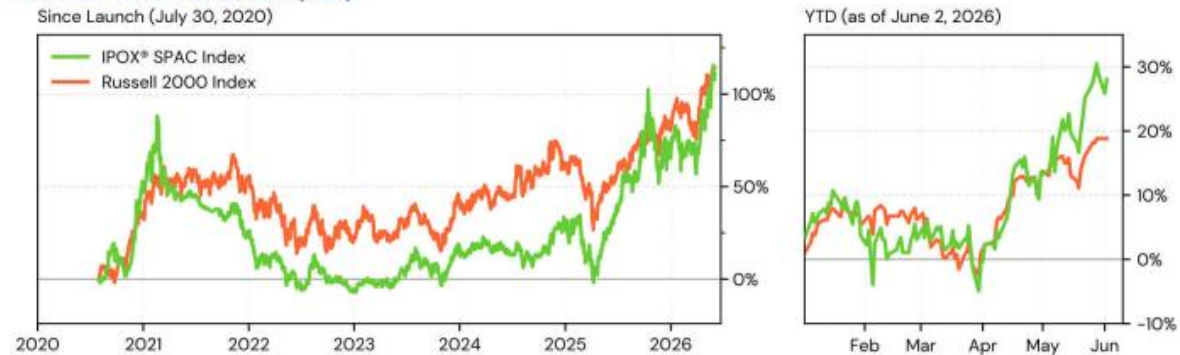
SPAC & Forth: Are Pre-Deal SPAC Warrants Missing the Message?

One of the more interesting disconnects in today's SPAC market is the growing gap between **pre-deal warrant pricing** and the actual health of the de-SPAC market.

On one side of the ledger, the post-merger market continues to improve.

The IPOX SPAC ETF, which tracks a basket of approximately 50 de-SPAC companies, is up roughly **30% YTD**. Recent transaction performance has also been encouraging. Among the approximately 15 de-SPAC transactions completed this year, the average stock trades at approximately **\$10.59**, one of the strongest readings in recent years. Trust retention has averaged approximately **25%**, also toward the high end of recent history. Deal announcements continue at a healthy pace, and several sectors including AI, defense, energy transition, quantum computing, and critical minerals have attracted strong investor interest.

CUMULATIVE TOTAL RETURN (USD)



By some measures, the de-SPAC environment is healthier today than it has been in some time.

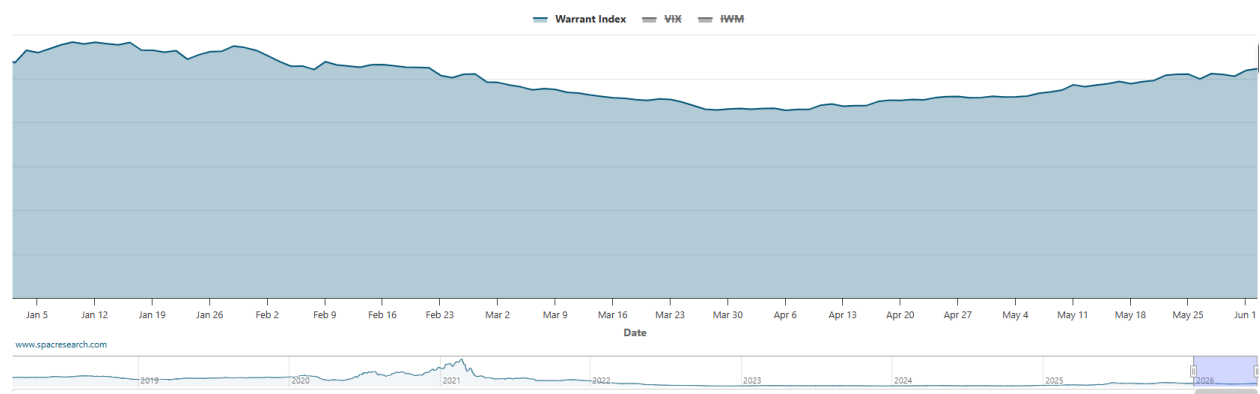
Yet the message from the pre-deal warrant market is very different.

Warrant Index

Compare: None VIX IWM

Zoom: 1M 3M 6M **YTD** 1Y All

Jan 1, 2026 -- Jun 2, 2026



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The SPAC Research Warrant Index, which tracks pre-deal SPAC warrants, is actually **down modestly year-to-date** and remains near the lower end of its post-2021 trading range.

Historically, pre-deal warrants have been a forward-looking instrument. Investors buying warrants are effectively underwriting the probability of a future transaction, the quality of potential targets, and the likelihood of a successful de-SPAC outcome. If deal activity and post-close performance are improving, one would normally expect pre-deal warrants to begin reflecting that optimism.

So why aren't they?

The most likely explanation is supply.

The market has experienced a significant increase in new SPAC issuance over the past 12 months. While deal quality and post-close performance may be improving, the sheer volume of newly issued warrants may be overwhelming demand. In other words, warrant pricing may currently be driven more by technical factors than by fundamentals.

This creates a potentially interesting arbitrage.

If recent de-SPAC performance is signaling that transaction outcomes are improving, while pre-deal warrants continue to trade near cyclical lows, investors may have an opportunity to purchase deal optionality at prices that do not fully reflect the current environment.

Of course, warrant pricing can remain depressed for extended periods when supply exceeds demand. However, markets eventually tend to reconnect fundamentals with valuations. If current de-SPAC performance persists, pre-deal warrants may ultimately need to reprice higher to reflect a healthier transaction landscape.

For SPAC sponsors, this disconnect has another implication. Weak warrant pricing makes IPO issuance more challenging, even as the underlying de-SPAC market improves. The result is a market where the back end of the SPAC ecosystem appears considerably healthier than the front end.

The key question for investors is simple:

Is the warrant market correctly signaling future weakness, or is it simply lagging the improving fundamentals already visible in today's de-SPAC market?

That answer may determine where some of the most attractive risk-adjusted opportunities in the SPAC universe reside over the next 12 months.

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