Constellation's Ray Wang on SpaceX IPO: I'd wait for the first dip and then come in

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S&P TECH FALLING ABOUT 1.5% IN THE LAST TWO DAYS, BUT THE SECTOR UP 13% IN JUST A MONTH. RAY WANG IS HERE, CONSTELLATION RESEARCH CHAIRMAN AI FORUM CO-FOUNDER. GOOD MORNING TO YOU. DOES THIS ALL MAKE A LOT OF SENSE TO YOU OR NOT? >> OH, AI. AI IS EVERYWHERE. BUT THE THING IS, THE MARKET'S PULLING BACK, RIGHT? IT'S WAITING TO SEE WHAT'S GOING TO HAPPEN NEXT. WE'VE GOT THREE IPOS COMING OUT, WHETHER IT'S GOING TO BE SPACE X, WHETHER IT'S GOING TO BE OPENAI OR ANTHROPIC. PEOPLE ARE WAITING TO SEE WHAT'S GOING TO HAPPEN.

AND OF COURSE WE'VE GOT THE HANGOVER ON THE MIDDLE EAST. >> WHAT DO YOU THINK THOUGH IS HAPPENING IN TERMS OF WHY THINGS HAVE DROPPED RECENTLY? WE'VE BEEN ALL WONDERING WHETHER THERE'S MAYBE THIS IS KIND OF A ROTATION AHEAD OF THE SPACEX IPO. DO YOU BELIEVE THAT THAT'S THE THE CULPRIT? I MEAN, WE'VE EVEN SEEN THAT IN THE CONTEXT POTENTIALLY OF BITCOIN. IF YOU BELIEVE THAT NARRATIVE OR DO YOU THINK THERE'S SOMETHING ELSE HAPPENING? >> WELL, I THINK IT IS THE FIRST. AND WHAT'S HAPPENING IS THERE'S ROTATION BEFORE THE SPACEX IPO. BUT WE ALSO HAVE $7.78 TRILLION OF CASH ON THE SIDE IN MONEY MARKET FUNDS. AND WE ALSO THINK ABOUT 30 BILLION.

>> SO IF THAT'S TRUE, WHY WOULD THERE BE A ROTATION PRIOR? THAT'S THE I'M NOT SURE I BUY THIS SORT OF. WE'RE FALLING NOW BECAUSE EVERYONE'S TAKING THEIR MONEY IN IN HOPES OF GETTING US THE SPACEX IPO. >> OVER MID JUNE. WE'RE ABOUT TO HEAD TO THE HAMPTONS. EVERYONE'S ABOUT TO GO. NO, BUT ON A SERIOUS NOTE, ACTUALLY, WHAT'S HAPPENING IS THERE ARE THERE ARE ALL THESE ORGANIZATIONS THAT BASICALLY HAVE CASH OUT BEFORE THE IPO, AND IT'S GOING TO REALLY BE THE RETAIL INVESTORS THAT ARE GOING TO PICK UP THE SPACEX IPO.

>> I MEAN, DOES THAT MAKE SENSE TO YOU? DO YOU THINK THE SPACEX IPO IS GOING TO BE WOULD YOU WANT TO BUY IT AT THE IPO? >> NO, I WOULD ACTUALLY WAIT FOR THE IPO AND WAIT FOR THE FIRST DIP AND THEN COME IN. >> YOU WOULDN'T BUY IT IF YOU COULD GET THE IPO PRICE. >> IF YOU COULD GET THE IPO PRICE, I THINK IT'S GOING TO BE YOU'RE GOING TO SEE A DIP AFTERWARDS.

>> SO I WOULD SAY THAT. >> BELOW THE I SEE. >> YOU THINK IT'S GOING TO FALL BELOW THE IPO PRICE IS WHAT YOU'RE SUGGESTING. >> I WOULDN'T BUY THE FIRST TRADE BECAUSE IT'S PROBABLY GOING TO WHO KNOWS WHAT THAT'S GOING. >> TO BE. THE FIRST TRADE IS GOING TO BE THE FIRST. IT'S GOING TO BE LIKE FACEBOOK. WHEN YOU THINK FACEBOOK CAME OUT, IT WAS ON A HIGH, THEN IT DIPPED AND IT'S GOING TO COME BACK AND YOU'RE GOING TO GET.

>> BUT IT RARELY. IT WOULD BE UNUSUAL TO. IT'S POSSIBLE, BUT IT'S SOMETHING THAT'S HAD TO DROP BELOW THE IPO PRICE. YOU'RE PREDICTING THAT. >> I DON'T THINK IT'S A DROP BELOW THE IPO PRICE. >> WELL THEN YOU THEN YOU WOULD BUY IT ON THE OPEN. I MEAN YOU WOULD BUY IT IF YOU COULD GET NOT THE OPEN. >> YOU WOULD. >> IF YOU COULD IF YOU COULD. >> GET IT IF JP MORGAN OR GOLDMAN SACHS OR ROBINHOOD OR.

>> HAD 100 SHARES FOR YOU. >> OFFERS YOU THE SHARES. >> I WOULD TAKE IT. >> OKAY. YOU WOULD TAKE IT. >> I WOULD TAKE IT. >> YES. BUT YOU JUST SAID OKAY. >> BUT ON BUT IN THE OPENING, IN THE I DON'T KNOW IF OPENING TWO WEEKS, YOU'RE GOING TO SEE A DIP AT SOME POINT. AND WHEN IT GOES BACK DOWN TO THE DIP, IT'S NOT GOING TO COME BELOW THE IPO PRICE. THAT'S WHAT YOU'RE SAYING.

>> THAT'S WHAT WE'RE TRYING TO UNDERSTAND. YES. OKAY. AND DO YOU BELIEVE THAT IT'S GOING TO STAY THERE AND CONTINUE ON ITS MERRY WAY. WHERE DO YOU HOW DO YOU FEEL ABOUT THIS WHOLE INDEX SCENARIO? >> WELL, THAT'S THE QUESTION, RIGHT? BECAUSE WHAT'S HAPPENING WITH THE S&P 500? THE QUESTION IS, AS IT GETS INTO THE INDEX, THERE'S A ASSUMPTION THAT IT'S GOING TO CONTINUE TO GO UP BECAUSE THE INDEX FUNDS ARE GOING TO BE FORCED TO BUY AT THE IPO PRICE. THAT'S I THINK THE CHALLENGE ISN'T THAT I THINK THE CHALLENGE IS GOING TO BE WHAT HAPPENS WHEN ANTHROPIC GOES. WHAT HAPPENS WHEN OPENAI GOES? IS THE ROTATION GOING TO BE IN AND OUT OF THESE STOCKS VERY QUICKLY?

>> DO YOU THINK THAT THIS INDEX SITUATION THAT THE NASDAQ IS DOING IN THIS CASE IS GOING TO ALSO BE APPLIED TO OPENAI AND TO ANTHROPIC? AND DO YOU IMAGINE THEY GO PUBLIC ON THIS EXCHANGE, OR DO YOU IMAGINE THEY GO PUBLIC ELSEWHERE? >> I THINK THE QUESTION IS, IF THEY MAKE THAT AVAILABLE, THEN THEY WILL GO PUBLIC ON THE EXCHANGE THAT ALLOWS THEM TO DO THAT. >> DO YOU THINK IT'S ALWAYS GOOD? SO WE'VE MOVED TO A NEW PARADIGM NOW ABOUT ABOUT WHICH.

AND YOU DON'T THINK THERE'S GOING TO BE SOME KIND OF LIKE PURITY TEST THAT TAKES PLACE AFTER ALL OF THIS? >> THERE SHOULD BE A PUSHBACK, BUT THERE ISN'T. I MEAN, PEOPLE WANT TO HAVE THOSE STOCKS ON THEIR EXCHANGES. >> DO YOU WOULD YOU GO BUY THE NASDAQ KUKUK? >> THAT'S ONE WAY. >> THAT'S ONE WAY. IF YOU WANTED TO PLAY, IF YOU WANTED TO PLAY THIS IPO, THAT IS ONE WAY TO DO IT. >> ONE WAY IS TO PLAY

NASDAQ KUKUK. THE OTHER WAY IS TO PLAY TESLA, THINKING MAYBE THAT SPACEX AND TESLA WILL MERGE ON THE BACK END.

>> OKAY, SO LET'S TALK ABOUT THAT. >> THAT'S INTERESTING. >> HOW QUICKLY HOW QUICKLY DO YOU THINK THAT IF THERE'S A DEAL THAT A DEAL HAPPENS BETWEEN TESLA AND SPACEX, THERE IS A THERE IS A VERY YOU I THINK THAT'S EMERGING THAT THIS ACTUALLY COULD HAPPEN VERY QUICKLY. A LOT OF PEOPLE HAVE SAID, OH, MAYBE THERE'S SOMETHING HAPPENS IN A YEAR OR TWO AFTER THE IPO. BUT IF YOU LOOK AT IT, IF THIS THING GOES OUT, MEANING SPACEX GOES OUT AT 1.8 TRILLION TESLAS, WHAT, 1.6.

OR SOMETHING LIKE THAT? >> YEAH. >> YOU MIGHT WANT TO DO IT RELATIVE IF YOU'RE IF YOU'RE ELON GIVEN THE CONTROL POWER YOU HAVE OF, OF, OF SPACEX IN THAT MOMENT AND THE PRICING, YOU MIGHT WANT TO DO IT WHILE, WHILE, YOU KNOW, YOU'VE GOT IT LOCKED. >> UP. I THINK AT A VERY SMART MOVE, THEY WOULD MAKE THEM A $3.5 TRILLION COMPANY. AND THAT WOULD ACTUALLY GIVE THEM WITH 82% CONTROL OF THE STOCK. I MEAN, IT'S THE WAY TO DO IT.

>> OKAY, HERE'S ONE OTHER PIECE TO THIS. IF ELON BUYS TESLA, HE DOES LOSE THE ECONOMIC OPPORTUNITY TO TO THE EXTENT THAT HE THINKS HE CAN CAPTURE IT IN THE FUTURE OF WHAT HE COULD HAVE DONE WITH TESLA IN TERMS OF THE WAY HE WAS COMPENSATED. >> SO YOU'RE SAYING THE SUM IS GREATER THAN THE PARTS? >> NO, I'M SAYING THAT IF YOU IF YOU UNDERSTAND THE COMPENSATION PLAN THAT'S. >> ON THE AI AWARDS AND THE CEO.

>> AWARDS ON THE CEO COMPENSATION AWARDS AT TESLA, HAVING SPACEX BY TESLA, I DO NOT THINK ULTIMATELY WOULD GRANT HIM. HE DOESN'T ALL OF A SUDDEN GET STEPPED UP. ALL OF THOSE ALL OF THOSE AWARDS. >> BUT THE AWARDS ON THE SPACEX SIDE IS ACTUALLY MUCH MORE PROFITABLE THAN THE AWARDS ON THE TESLA SIDE. >> BUT I DON'T KNOW IF YOU CAN GET THEM VIA A MERGER, MEANING. >> THERE'S NO RULES ON THAT YET. AND I THINK THAT'S GOING TO BE SOMETHING GWYNNE SHOTWELL ON THE BOARD IS GOING TO HAVE TO FIGURE OUT.

>> AND DO YOU THINK THAT THE BOARD IN THE IN THE CASE OF UNLIKE TESLA, IN THE CASE OF SPACEX, HE CONTROLS IT FULLY. SO WHEN YOU. >> SAY 82% OF. >> THE VOTE, RIGHT. SO WHEN YOU SAY, YOU KNOW, WE'RE ALL ALONG FOR THE RIDE IN THE SPACEX CONTEXT, IT'S VERY DIFFERENT GOVERNANCE, WHICH IS PROBABLY. >> ANOTHER REASON THAT YOU ONLY HAVE 4% OF THE SHARES. >> WELL, I MEAN, THIS IS IT'S VERY LITTLE FLOAT. RIGHT BACK TO YOUR POINT. IT'S VERY LITTLE FLOAT. YOU'RE BETTER OFF WITH FULL CONTROL. WHAT'S A LITTLE BIT CONTROL. I MEAN THIS IS TO INFINITY AND BEYOND. THIS IS WHERE THEY'RE HEADED.

>> SO DO YOU WANT TO OWN THE STOCK FOR THE LONG TERM. >> I DO BECAUSE IF YOU BELIEVE OKAY, YOU HAVE TO BELIEVE IN ELON MUSK IF YOU'RE GOING TO BUY THE STOCK. AND THAT'S WHY PEOPLE ARE BUYING. THAT'S WHY THE RETAIL FLOATS 30%, RIGHT? THIS IS A RETAIL PLAY. >> WHERE DO YOU LAND ON OPENAI ANTHROPIC AND HOW MUCH DOES IT ACTUALLY MATTER WHO GOES PUBLIC FIRST? >> I THINK IT'S IMPORTANT THAT THE MOST PROFITABLE ONE GOES PROFITABLE, GOES PUBLIC FIRST BECAUSE IT WILL SET THE STAGE.

SO SPACEX GOING FIRST IS GREAT. ANTHROPIC IS PROBABLY GOING TO GO NEXT. AND IF THEY GO AND THEY SET THE STAGE, OPENAI HAS A GOOD END, BUT THEY'RE STILL IN THE MIDDLE OF RESTRUCTURING AND FINANCING. SO THEY MIGHT BE THE LAST ONE OUT THE GATE. >> AND THEN FINALLY, WHAT DO YOU THINK OF SEMICONDUCTORS RIGHT NOW? >> OH GOD. IT'S CRAZY. BETWEEN SEMI AND HIGH BANDWIDTH MEMORY. WE'RE NOT AT PEAK YET, BUT THERE'S PROBABLY, I WOULD SAY THE RACE FOR GPU TO TPU CONVERSION IS GOING TO HAPPEN IN THE NEXT 12 MONTHS.

>> AND THEN WHAT HAPPENS? >> WELL, THEN THE QUESTION IS CAN WE KEEP UP WITH DEMAND? WE'RE STILL SHORT ON DEMAND. I MEAN, THEY DON'T HAVE ENOUGH WAFERS. THEY DON'T HAVE ENOUGH POWER. THE PLANTS HAVEN'T EVEN BEEN BUILT. THERE'S STILL A LOT TO GO. >> SO WE'RE LOOKING AT A SCREEN THERE. NVIDIA 215 INTEL AT 108, QUALCOMM AT 238 AND ADVANCED MICRO AT 508 A YEAR FROM NOW. IF WE'RE SITTING HERE, WHAT DO YOU THINK THOSE PRICES ARE?

>> I THINK THEY'RE PROBABLY 30% HIGHER. >> 30% HIGHER. >> 30% HIGHER. WE STILL HAVE DEMAND. IF YOU LOOK AT THE CAPEX SPEND ON GOOGLE, FOR EXAMPLE, THEY'RE TAKING BONDS OUT TO ACTUALLY PAY FOR MORE DATA CENTERS. EVERYBODY KNOWS THIS IS A RACE ON THE AI SIDE. THE RISKS ON THE BACK END ARE CHINESE OPEN SOURCE MODELS, SMALLER MODELS THAT ARE COMING IN BETTER EFFICIENCY ON THE CPU SIDE, GPU SIDE, AND MORE IMPORTANTLY, IT'S A QUESTION OF ARE WE GOING TO HAVE SOVEREIGN AI? EVERY COUNTRY IS GOING TO WANT TO BE ABLE TO DO IT FOR NATIONAL SECURITY REASONS.

THEY'VE GOT TO FIGURE OUT, ARE WE GOING TO HAVE OUR OWN AI, OR ARE WE GOING TO LEAVE OUR CITIZENS BEHIND? >> ANY CONCERN THAT THERE'S GOING TO BE A BREAKTHROUGH? I MEAN, THIS IS WHAT I THINK WE WOULD WANT. SO IT'S SORT OF HARD TO SAY. DO YOU HAVE A CONCERN? >> I DON'T HAVE A CONCERN. YES. >> DO YOU HAVE FROM A FROM AN ECONOMIC PERSPECTIVE, DO YOU HAVE ANY CONCERN THAT THESE EITHER THE MODELS ARE GOING TO GET MUCH MORE EFFICIENT THAN THEY ALREADY ARE, OR THAT THE CHIPS ARE GOING TO GET MUCH MORE EFFICIENT THAN THEY ALREADY ARE?

>> THOSE ARE GREAT THINGS FOR CONSUMERS. AND I THINK THE HEADWINDS FOR THE STOCK ARE GOING TO BE THE FACT YOU WILL GET THE EFFICIENCIES, BUT WE'RE GOING TO

CONSUME MORE. IT'S KEVIN'S LAW. WE CONTINUE TO CONSUME MORE, RIGHT? THAT'S WHAT HAPPENS. AND THEN OF COURSE, ON THE CHIP SIDE, THERE'S GOT TO BE AN INNOVATION, A BREAKTHROUGH THAT USES LESS POWER AND DEFINITELY CAN CONSUME MORE, CONSUME LESS ENERGY. BUT ON THE MODELS, WE