THE INDEX ABSORPTION RATE — PASSIVE FLOW

The Palantir Buying That Happens by Mandate, Not by Conviction

Since it joined the S&P 500, Palantir has had a second, silent shareholder that never reads an earnings call: the index machine. Every dollar that flows into a broad-market fund is split across its holdings by a rule, and a fixed slice of that rule belongs to PLTR — bought or sold on a schedule, at whatever price the tape prints. This note calculates that mechanical slice: the dollars passive vehicles are obligated to route into Palantir's limited float, and the quarterly dates on which the obligation resets.

THE ARITHMETIC OF A MANDATED BUYER

An index fund does not have an opinion. When cash arrives, it buys every name in the index in proportion to that name's weight — and it does so because its prospectus requires it, not because a manager likes the story. Palantir sits at roughly a half-percent of the S&P 500 and north of a percent of the Nasdaq-100. Those look like small numbers until they are multiplied by the sums that track those indices: on the order of thirteen trillion dollars indexed to the S&P 500 alone. The weight is small; the base is not. The product is a standing, price-agnostic bid — and, on outflow days, a standing offer.

> **~$0.005** The approximate amount of Palantir that a passive S&P 500 vehicle is mandated to buy for **every $1 of net creation** — a half-cent on the dollar, routed to PLTR by rule, independent of valuation. It sounds trivial per dollar; across the roughly $13T that tracks the index it is the difference between a stock with one marginal buyer and a stock with a structural one. **The rate is fixed by the weight; only the flow varies.**

WHO IS OBLIGATED, AND HOW MUCH THEY HOLD

VEHICLE CLASS	INDEX RULE	APPROX. PLTR WEIGHT	IMPLIED MANDATED HOLDING
S&P 500 trackers	Float-cap weight, quarterly rebalance	~0.5%	~$60–70B held by mandate against a ~$300B cap
Nasdaq-100 trackers	Modified-cap weight, annual reconstitution	~1.1%	~$6B+, concentrated in a handful of mega-funds
Momentum / factor funds	Rules-based, semiannual reconstitution	Step-function	Add or drop the whole position at a threshold, on a date, in size
Quarterly float true-up	S&P share/float update	Δweight	Trackers buy the increase on the effective date — the crowded, dated flow

Read the table as obligation, not endorsement. A single S&P 500 index fund already holds well over one percent of Palantir's shares outstanding; the passive complex in aggregate holds a large, non-discretionary block that grows mechanically whenever float rises or money flows in. That block did not choose Palantir. It was assigned it by a methodology document.

THE ABSORPTION RATE — AND WHY THE FLOAT MAKES IT BITE

The reason a half-percent weight matters is the denominator. Palantir's tri-class structure and large insider and founder holdings mean the shares actually available to trade are a fraction of the shares outstanding. Mandated buyers are large and price-insensitive; the float they must buy from is finite. When an index rebalance raises Palantir's target weight — because the free float was reassessed upward, or a factor screen flips it into the “buy” bucket — every fund tracking that index must true up to the new number by the close of the effective date, competing for the same limited supply on the same day. That collision of a fixed demand against a fixed float is the absorption rate, and it is knowable in advance because both sides are published.

The retail tape usually meets this backward. It treats an “index add” or a weight bump as news to react to, when the arbitrage and rebalance desks have been sizing the delta since the methodology change was announced, weeks before the effective date. As with every rules-driven flow, the dated event is the crowded part; the durable fact is quieter — a structural, recurring bid whose size is set by weight × flow, not by anyone's thesis on the business.

> **~1.2%+** Share of Palantir's stock held by a **single** large S&P 500 index fund — one vehicle among dozens with the same mandate. Stack the full passive complex and the mechanically-held block is a meaningful slice of a float already thinned by insider and multi-class holdings. **The buyer that never sells on bad news is the same buyer that must sell on outflows** — the mandate cuts both ways, on the same schedule.

WHAT WE DO NOT KNOW

We do not know next quarter's flows, or whether Palantir's float assessment rises, holds, or falls at the next rebalance. We do not know the discretionary demand that will meet the mandated demand on any given day. What we offer is the part that is written down: the index weights, the approximate AUM that tracks each index, the half-cent-per-dollar absorption rate that follows, and the quarterly calendar on which the target resets. The rule holds — *when everyone can see the trade, the trade is already crowded*. An index rebalance is the most published trade there is. Mapping it is not a forecast of price; it is knowing how much of the buyer pool has no choice.

Sources & method: Shares outstanding (~2.4B, of which ~2.3B Class A) and market cap (~$300B) from Palantir's FY2026 Q1 filings and public market data as of early July 2026. S&P 500 weight (~0.5%) estimated as PLTR market cap ÷ approximate S&P 500 aggregate capitalization; Nasdaq-100 weight (~1.1%) from published index fact sheets. AUM tracking the S&P 500 (~$13T) and single-fund holding (~1.2% of shares outstanding, Fidelity 500 Index Fund) from public fund disclosures. Absorption rate = index weight × net creation, a definitional calculation. Figures are approximate and illustrative, drawn from public sources believed reliable as of the dates cited; verify before acting. Ananke Alpha is an independent research publisher, not a registered investment adviser or broker-dealer.