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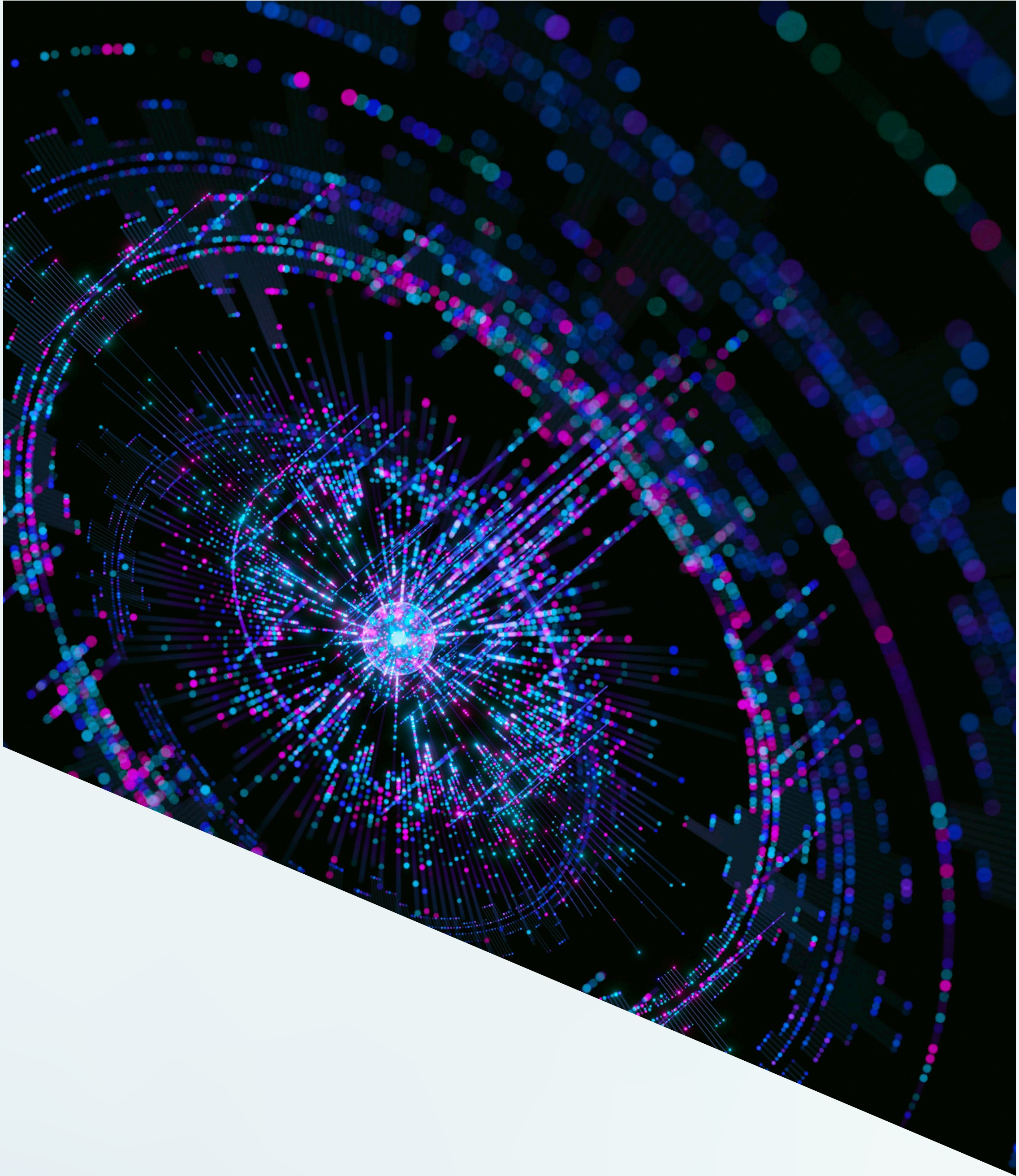

Not everything that sh(AI)nes is gold

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Not everything that sh(AI)nes is gold

> AI remains a dominant investment theme, but the financing behind its infrastructure build-out deserves closer scrutiny.

> Hyperscalers continue to benefit from strong balance sheets, yet rising capital spending is increasingly being supported by debt markets.

> Recent issuance trends suggest fixed income investors are still engaged, but are becoming more selective as supply grows.

> The sector's credit story remains constructive, though future performance will depend on funding discipline and clearer evidence of AI monetization.

AI has been one of 2026's defining investment themes. Rising adoption across daily workflows and enterprise use cases has increased energy demand, lifted capex requirements for select companies, and fueled investor appetite for AI-related exposure.

While equity markets remain constructive on AI-linked stocks, we deemed it fit to examine the debt side of the story, where the picture may be less attractive than headline enthusiasm suggests.

Hyperscalers —Oracle, Meta, Amazon, Alphabet, and Microsoft— operate large-scale data centers and cloud infrastructure. **Their role has become central as AI adoption requires additional computing capacity for both internal use and cloud customers. Meeting that demand requires substantial capital spending, often funded through debt markets.** Bloomberg estimates suggest this capex cycle has reached unprecedented levels and is likely to remain elevated (see Graph 1).

At the start of 2026, hyperscaler debt was a relatively straightforward sell for bookrunners. Issuers had strong liquidity, solid free cash flow, low leverage, and benefited from broad demand for AI exposure across asset classes. Yet leverage has stayed near zero largely because EBITDA has grown—not because debt has declined. As Bloomberg notes, hyperscalers are converging toward near-zero leverage as AI capex absorbs cash that might otherwise accumulate on balance sheets.

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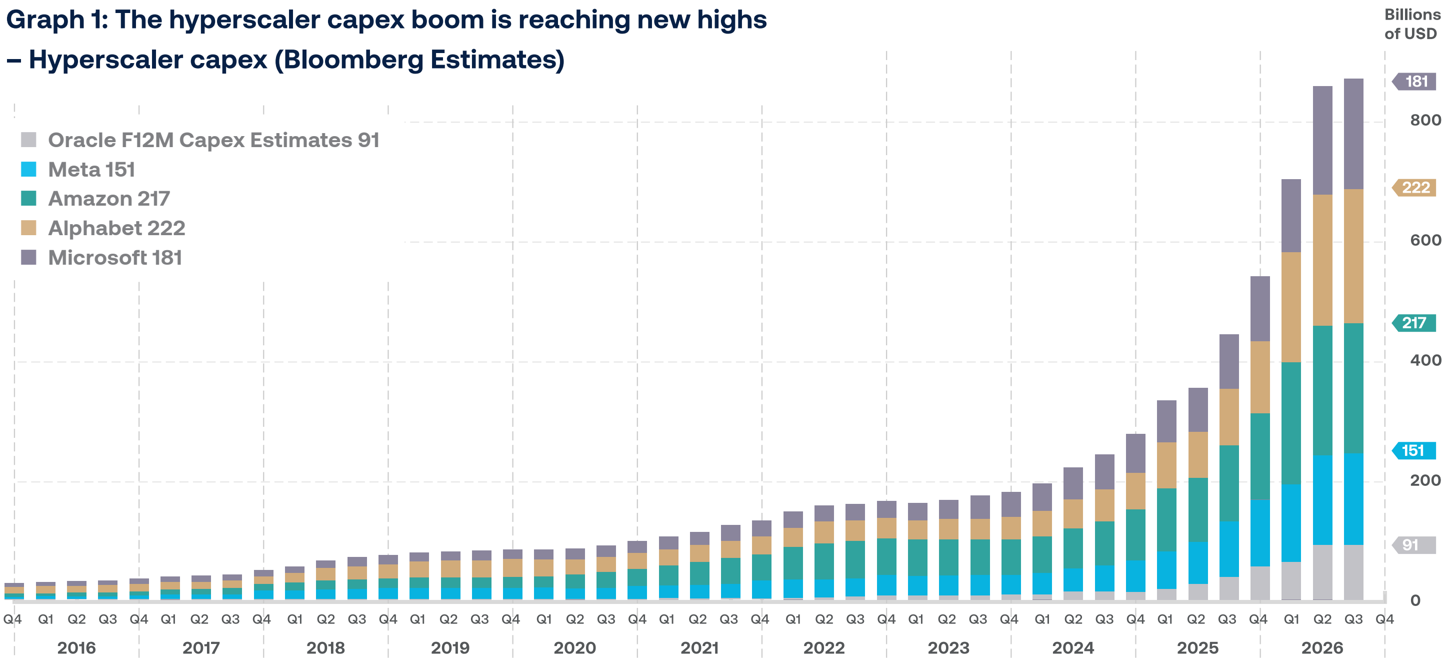
Graph 1: The hyperscaler capex boom is reaching new highs – Hyperscaler capex (Bloomberg Estimates)



Source: Bloomberg, Insigneo | Data as of 2Q26 | Oracle forward 12-month estimates

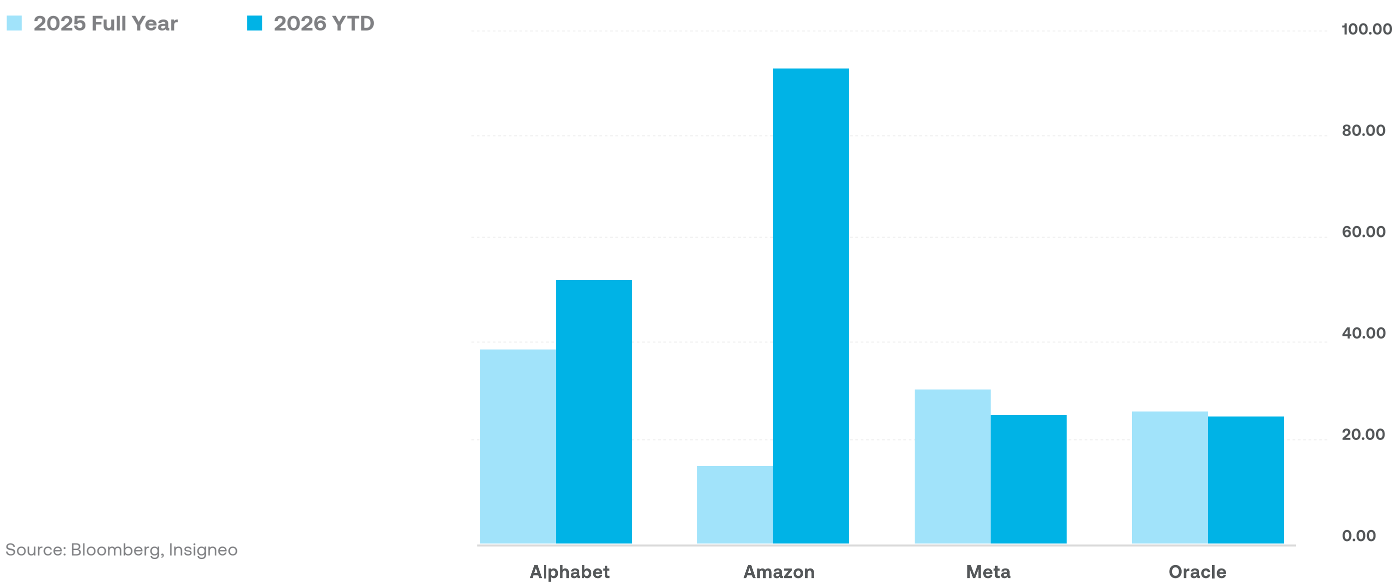
Hyperscalers have also become central to the investment grade (IG) funding story. IG issuance totaled roughly USD 522bn as of 2Q26, whereas four hyperscalers have already exceeded their full-year 2025 issuance levels (see Graph 2). Amazon stands out, with issuance up 516%, including a USD 25bn bond deal in late June. However, demand for that transaction appeared softer: its bid-to-cover ratio fell to 1.6x from 4.7x in February, suggesting that appetite remains but enthusiasm for new supply may be moderating.

Most debt issued in 2026 by the hyperscalers has been concentrated at the long end of the curve, particularly maturities of 25 years or more. Meta was the exception, issuing only mid- to long-dated debt and avoiding tranches below five years. After Amazon's latest USD 25bn offering, its OAS widened, reversing the tightening seen after its Q1 deal. It should be noted that the figures in Graph 2 include both USD and foreign-currency issuance, which has been an important funding channel for Amazon and Google.

Although not strictly hyperscalers, Nvidia and SpaceX also tapped debt markets in June, each issuing USD 25bn. SpaceX bonds weakened materially in secondary trading, with the shortest maturity widening by roughly 40bps since issuance, and longer tenors widening 42–49bps. Its debt also priced wider than hyperscaler bonds, likely reflecting its shorter issuer track record, sizable investment needs, and dependence on Starlink's growth trajectory.

The key question is how much debt the sector will need to finance the rapidly growing AI infrastructure. Some analysts see signs of fixed income investor fatigue, which could require wider concessions on future issuance. Barclays expects most hyperscalers to raise capex guidance in coming quarters, but notes that

Graph 2: Debt issuance from selected hyperscalers



Source: Bloomberg, Insigneo

Issuer	2025 Full Year (USD bn)	2026 YTD (USD bn)	Change (USD bn)
Amazon	15.00	92.46	+77.46
Alphabet	37.58	51.29	+13.71
Meta	30.00	25.00	-5.00
Oracle	25.75	25.00	-0.75
Total	108.33	193.75	+77.46

visibility on incremental supply remains limited because capacity estimates rely on broad demand assumptions rather than cash balances or detailed build-out timelines. Bloomberg data also show tech spreads at their widest level versus the IG Index since before the Global Financial Crisis, implying investors require more compensation to add sector exposure. Janus Henderson analysts similarly argued that IG tech debt spreads may widen, even if hyperscaler balance sheets remain strong.

However, **others view the widening less as investor fatigue and more as an adjustment to a faster issuance cadence.** JPMorgan argues that demand for hyperscaler and related data-center financing should remain resilient, though it will depend on future funding needs and clearer monetization paths. In its view, recent spread widening reflects institutional investors, including insurers, responding to larger issuance volumes at wider spreads that have not yet impaired issuers' funding costs or plans.

JPMorgan also argues that **issuer concentration is less problematic than the headline issuance figures imply.** Using the Bloomberg US Corporate Total Return Index as a proxy for the IG bond market, we note that the top 25 issuers represent about 27% of the benchmark, and no single issuer exceeds 2.3%. Hyperscalers are not among the top five issuers; Oracle is the first technology company in the top 25, at 1.33% of the index. Despite the surge in hyperscaler debt, the IG market remains dominated by large financial institutions and mega-cap corporates, with JPMorgan, BofA, and Morgan Stanley among the top five issuers.

In sum, AI infrastructure remains one of the market's brightest growth themes, but as the saying goes, not everything that shines is gold. Hyperscalers still benefit from strong balance sheets and deep access to capital markets, yet rising capex, heavier issuance, softer demand metrics, and wider tech spreads suggest fixed income investors are becoming more selective. In current market conditions, hyperscaler debt remains investment grade, but the premium attached to AI-linked financing increasingly depends on supply discipline, issuer concentration, and clearer evidence that monetization can keep pace with the build-out. ■

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