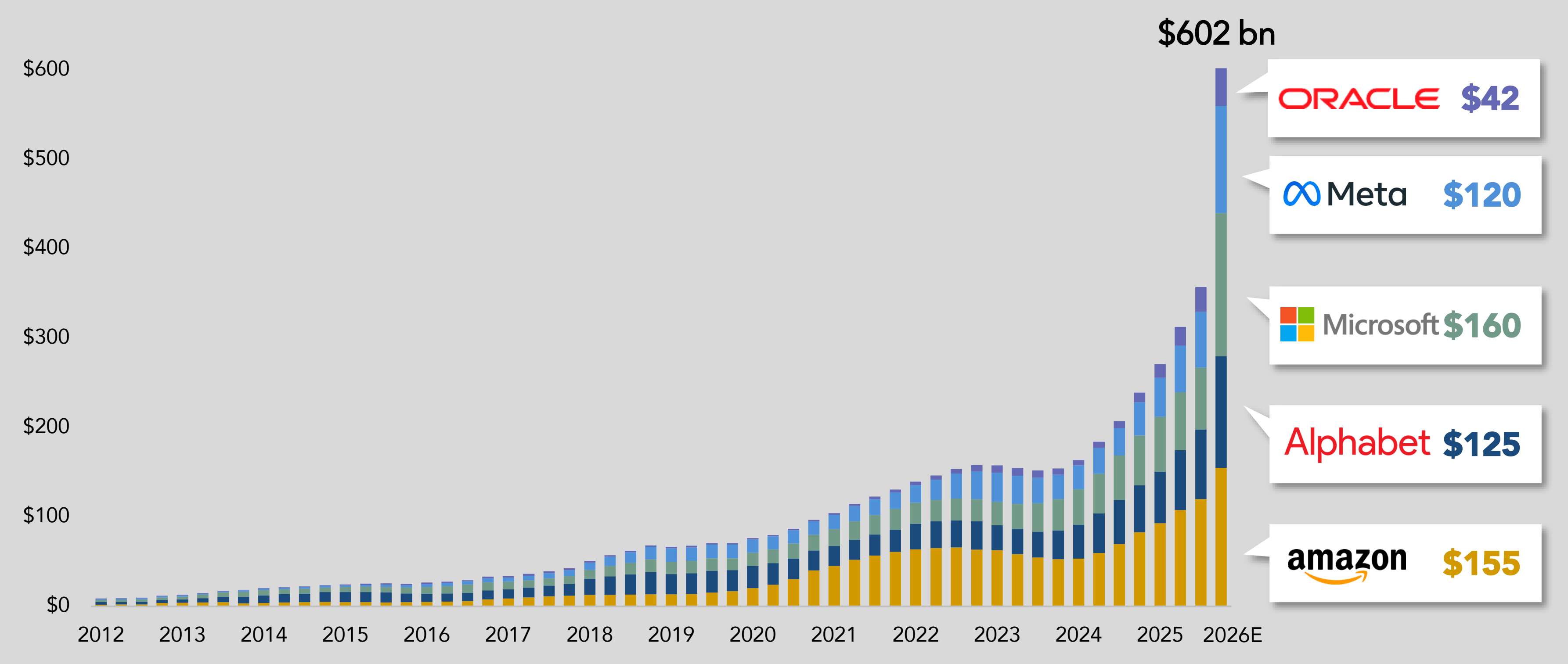
Hyperscalers’ Capex Above $600 Bn in 2026

Hyperscaler capex spending for the “big five” is now widely forecast to exceed $600 bn in 2026, a 36% increase over 2025. Roughly 75%, or $450 bn, of that spend is directly tied to AI infrastructure (i.e., servers, GPUs, datacenters, equipment), rather than traditional cloud.

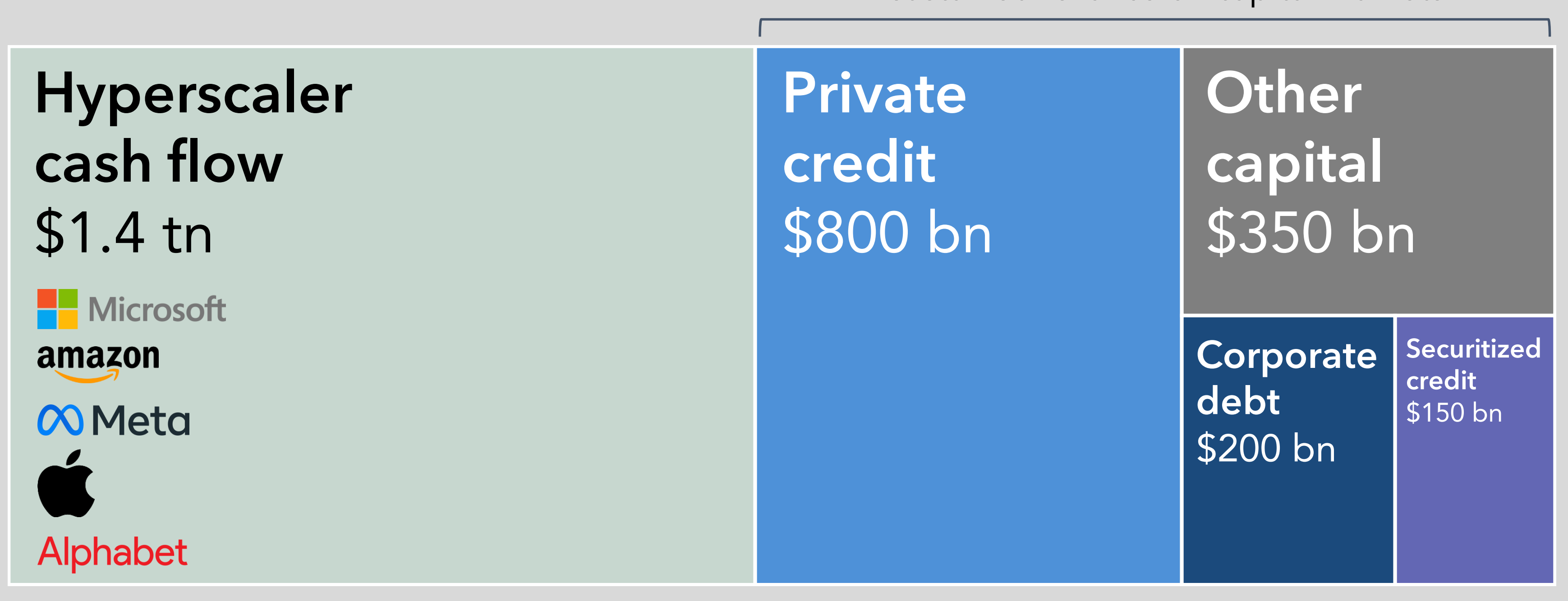
Top 5 hyperscalers capex, USD bn



Hyperscalers Expected to Fund ~50% of Data Center Spend

Main financing for global data center spend (2025-2028), USD bn

Business model transition:
From self-funded expansion to sustained reliance on capital markets



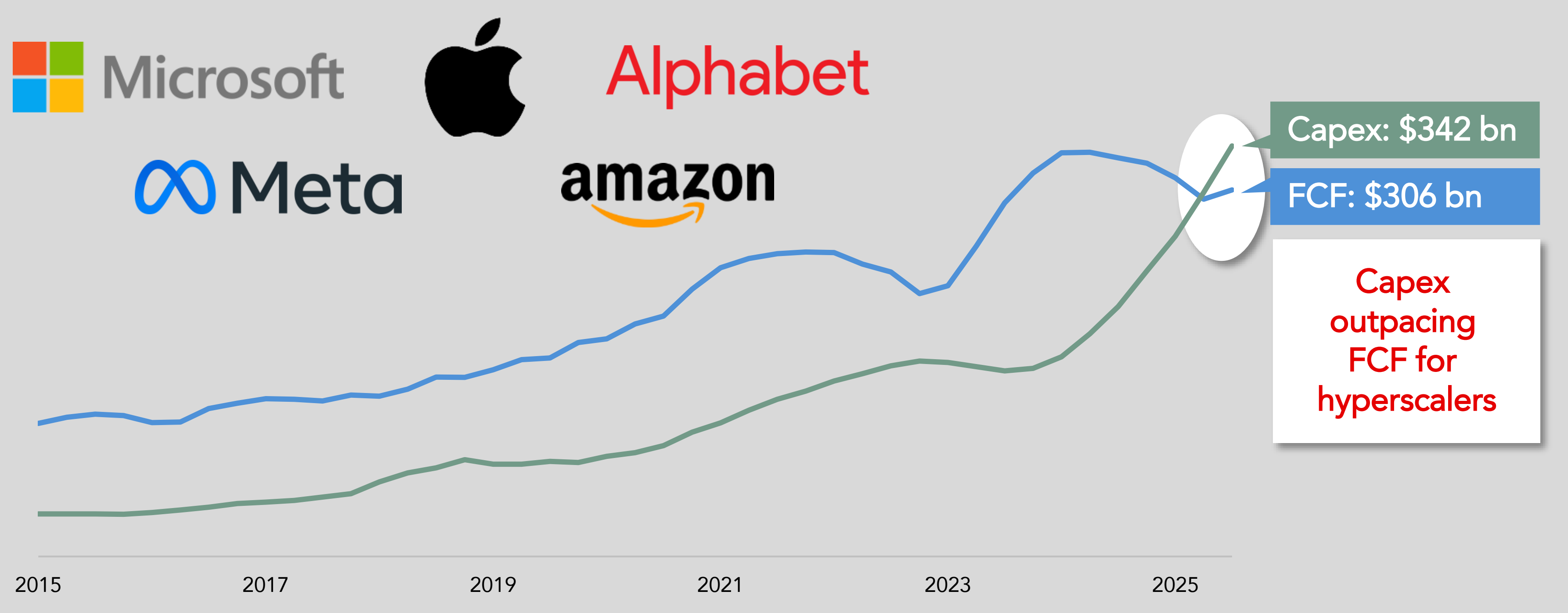
$1.4 tn cash flows

$1.5 tn financing

AI Hyperscalers Turn to Debt Markets as Capex > FCF

Hyperscalers are increasingly leaning on debt markets to bridge the gap between rapidly rising AI capex budgets and internal free cash flow, transforming historically cash-funded business models into ones utilizing leverage, albeit with still very strong balance sheets. Aggregate capex for “the big five”, after buybacks and dividends are included, are now above projected cash flows, thereby necessitating external funding needs.

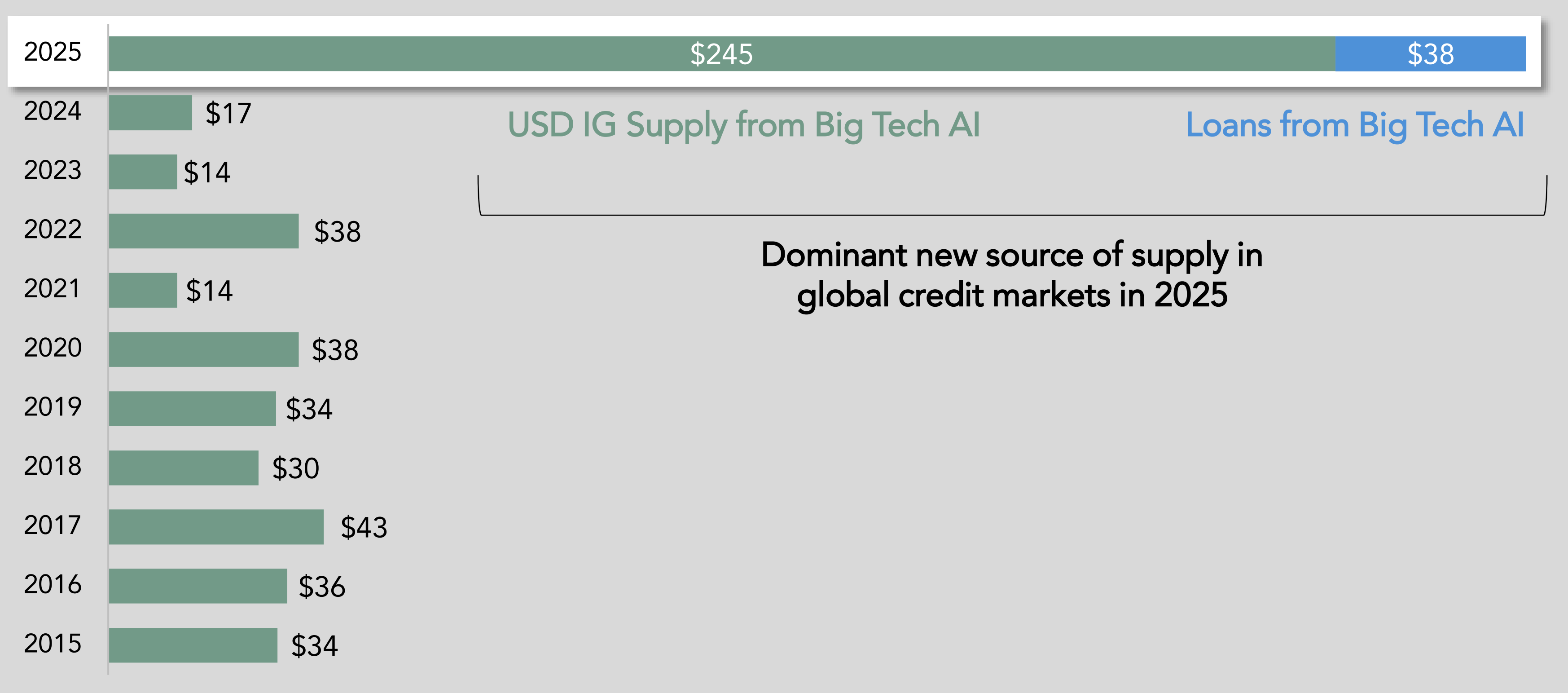
Top 5 hyperscalers capex vs. free cash flows, USD bn



AI Tech Sector Borrowing Surged in 2025

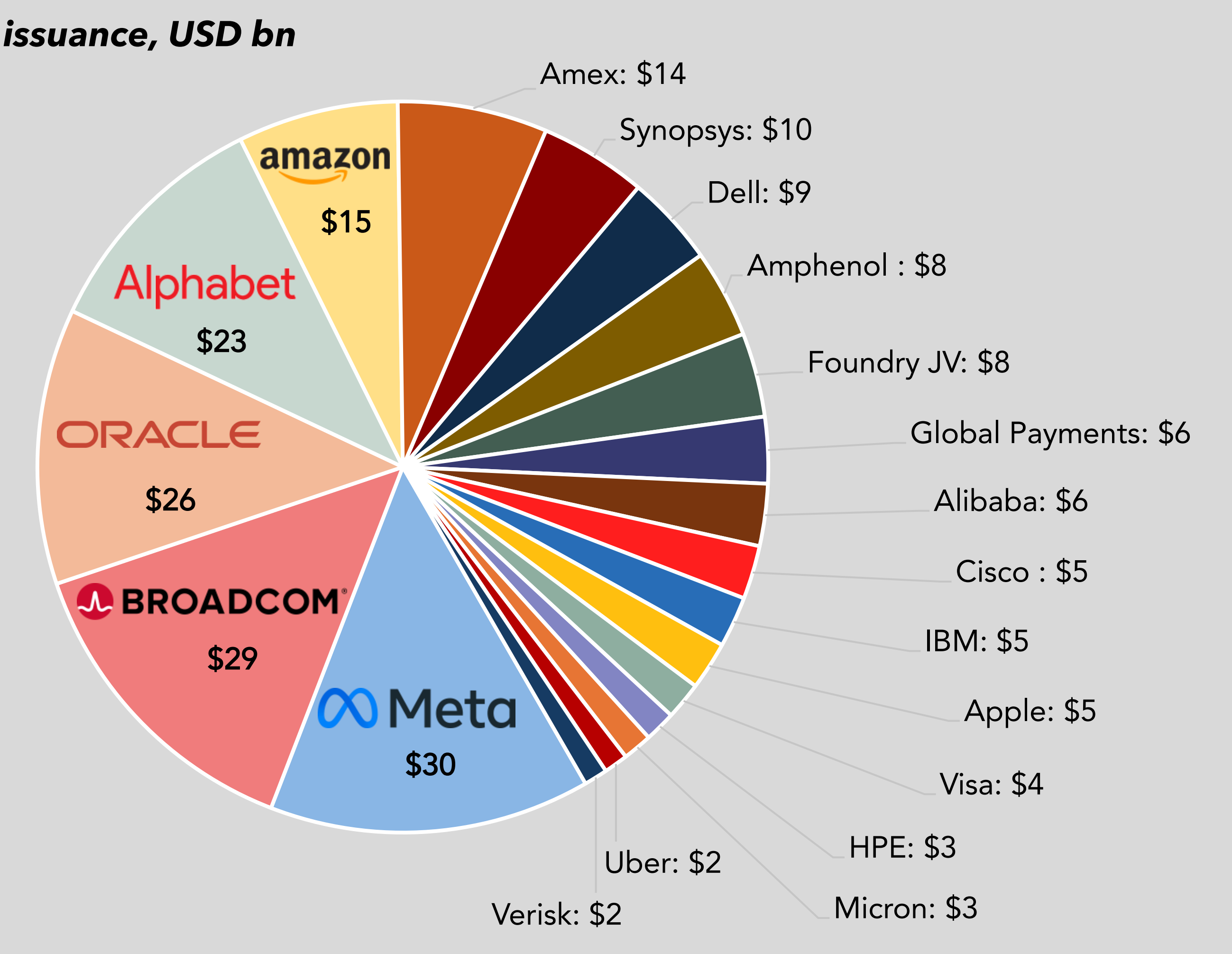
AI-focused hyperscaler and tech companies drove an extraordinary surge in investment grade (IG) borrowing in 2025, turning the sector into the most dominant new source of supply in global credit markets. This external funding marked a seismic business model transition from largely self-funded expansion to sustained reliance on bond markets and securitization structures.

USD IG borrowing by big tech AI companies, USD bn



Over $200 Bn of Big Tech AI Bond Issuance in 2025

2025 US Big Tech AI bond issuance, USD bn



AI & Tech Drove Largest IG Financings in 2025

Meta priced a $30 billion USD IG financing in October, the largest of 2025, and among the largest corporate bond financings on record. Public tech IG issuance surpassed $200 bn in 2025, including six of the year's ten largest financings, with 45% of that total coming from hyperscaler financings in the last few months alone.

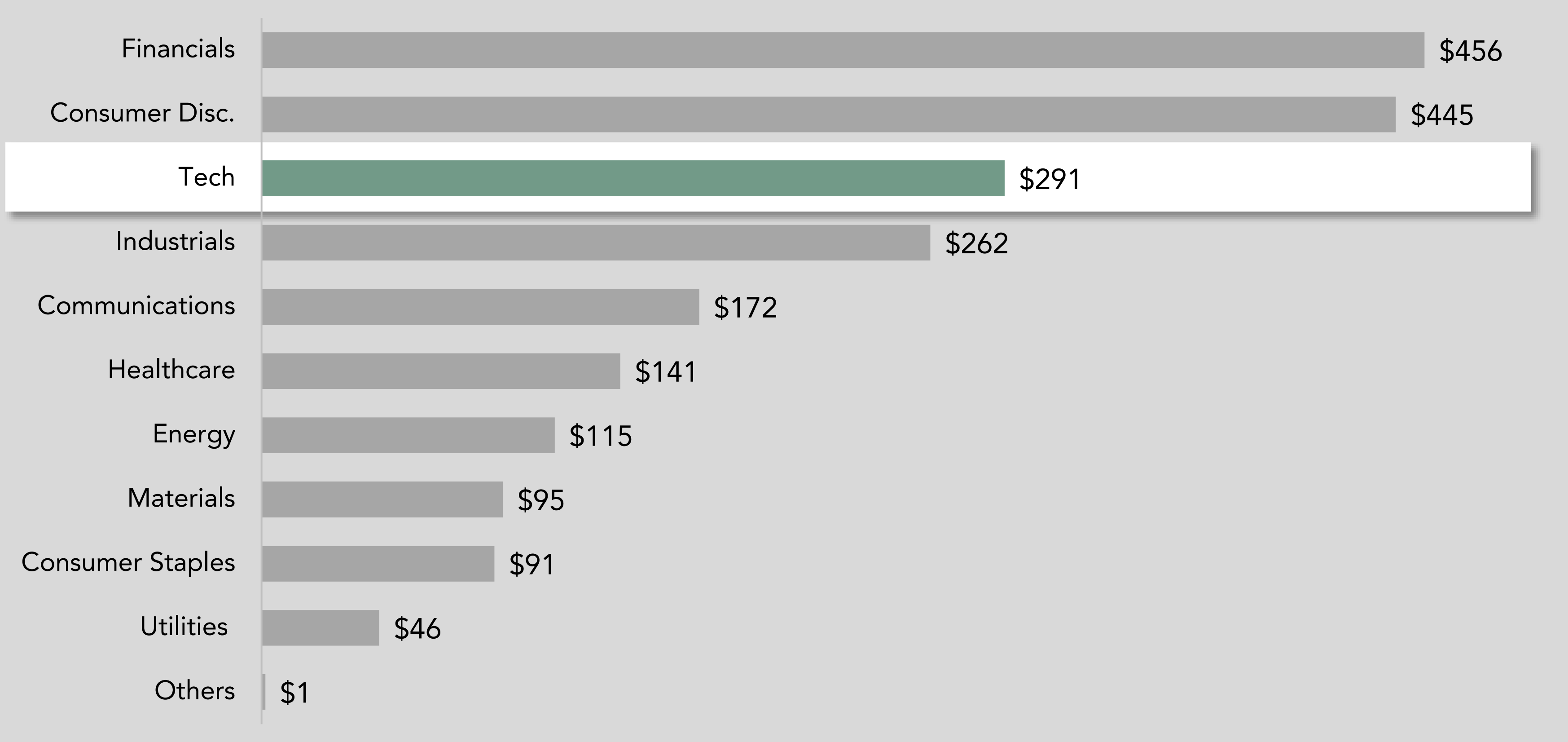
Top 10 largest IG deals in 2025 YTD

	Month	Issuer	Industry	Size *(USD bn)*
1.	Oct	Meta	Technology	$30.0 bn
2.	Mar	MARS	Consumer Staples	$26.0 bn
3.	Sep	ORACLE	Technology	$18.0 bn
4.	Nov	Alphabet	Technology	$17.5 bn
5.	Nov	amazon	Technology	$15.0 bn
6.	Jul	NTT FINANCE	Telecom	$11.3 bn
7.	Nov	verizon	Telecom	$11.0 bn
8.	Oct	Goldman Sachs	Financials	$10.0 bn
9.	Mar	SYNOPSYS	Technology	$10.0 bn
10.	Jan	BANK OF AMERICA	Financials	$10.0 bn

Nearly $300 Bn of Tech Leveraged Loan Issuance in 2025

Tech and AI-adjacent borrowers are on pace for close to $300 bn of leveraged loan issuance in 2025, driven by data center, software and private equity tech deals tapping both syndicated and private credit channels.

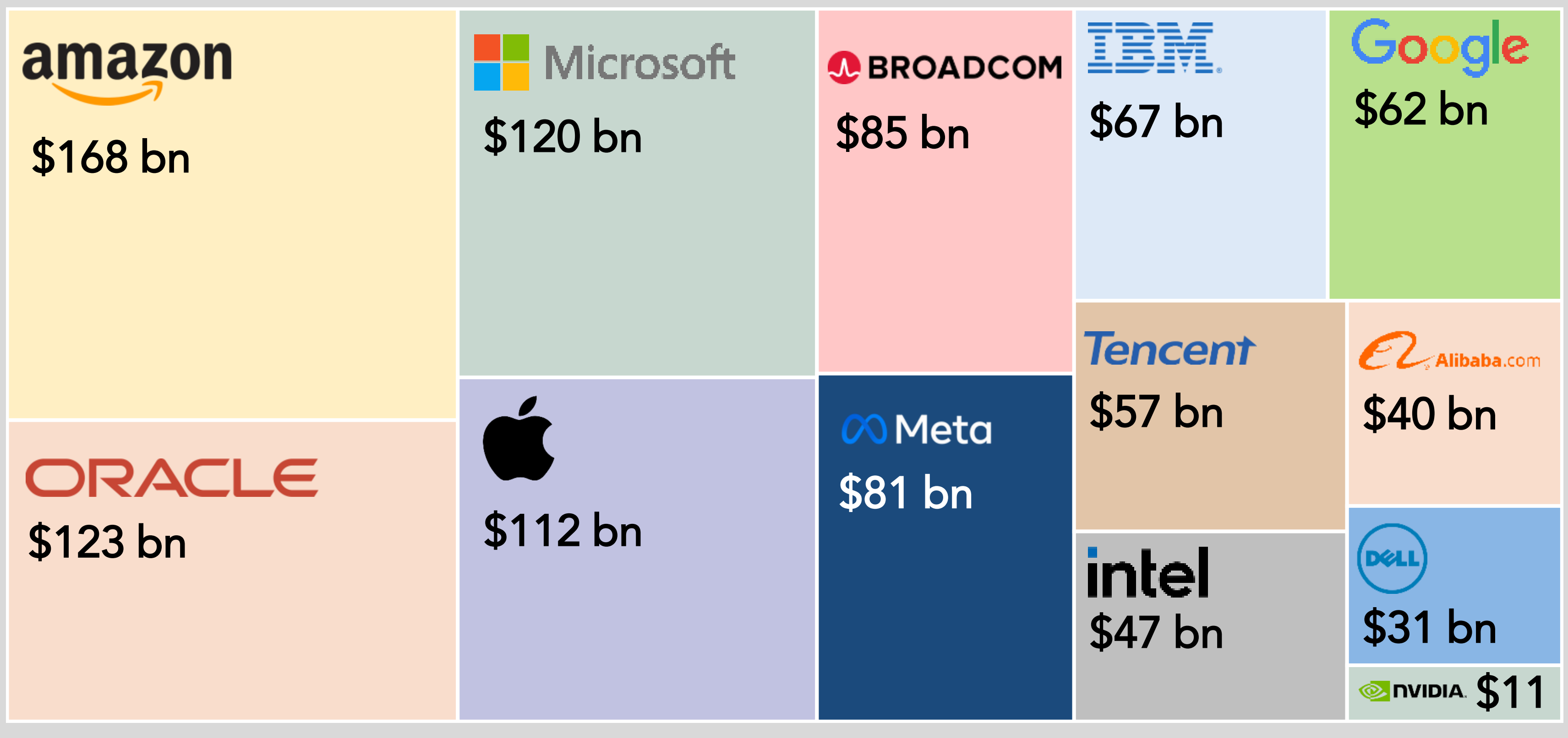
2025 US tech leveraged loan issuance, USD bn



Total AI Big Tech Debt Above $1 Trillion

Across more than 1,300 tech sector firms, total interest-bearing debt outstanding today is estimated at approximately $1.35 trillion, more than $1 trillion of which resides with just over a dozen large cap, big tech AI-focused names.

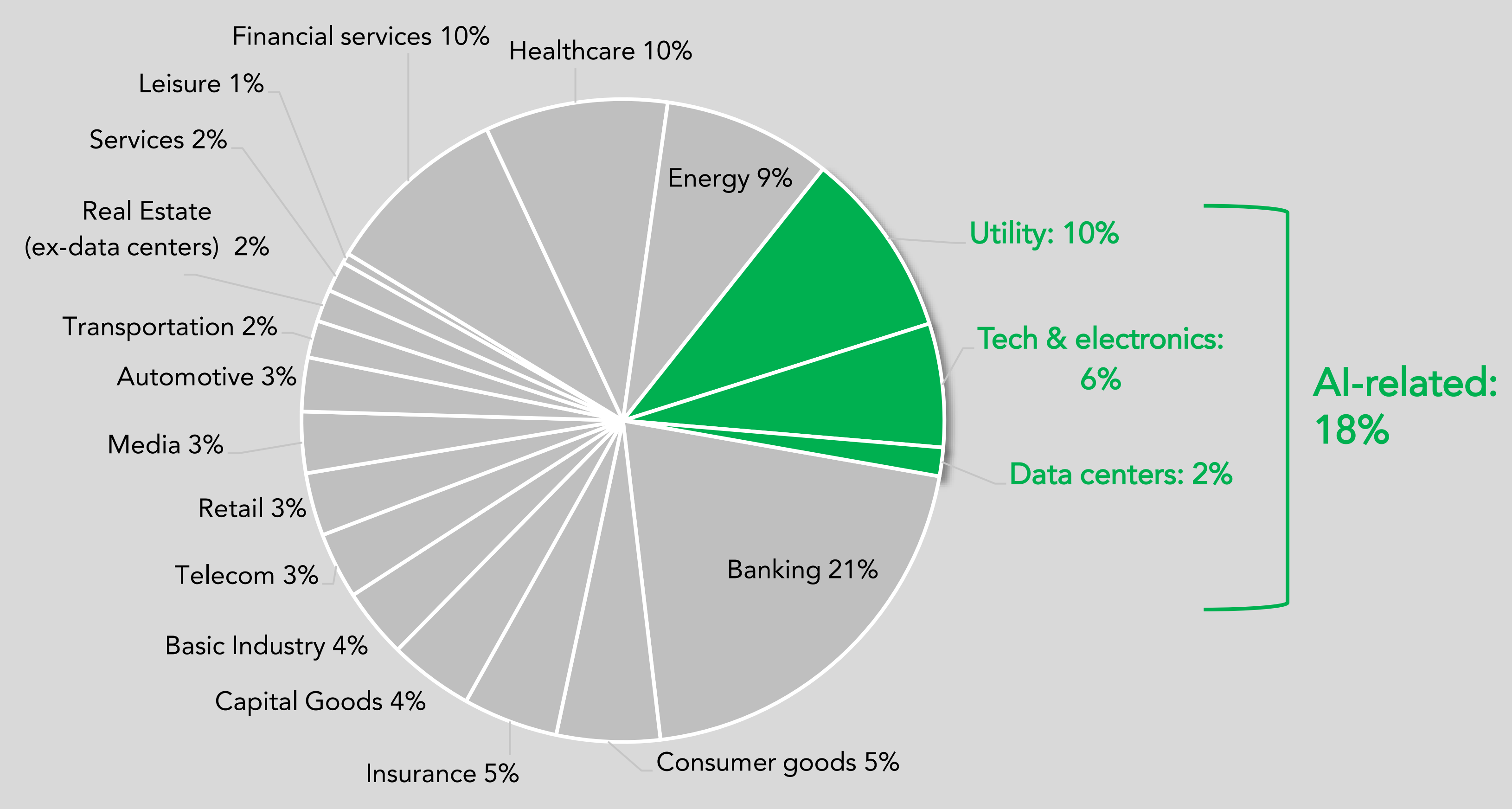
Total AI big tech debt outstanding, USD bn



AI-Related Sectors Comprise 18% of the IG Index

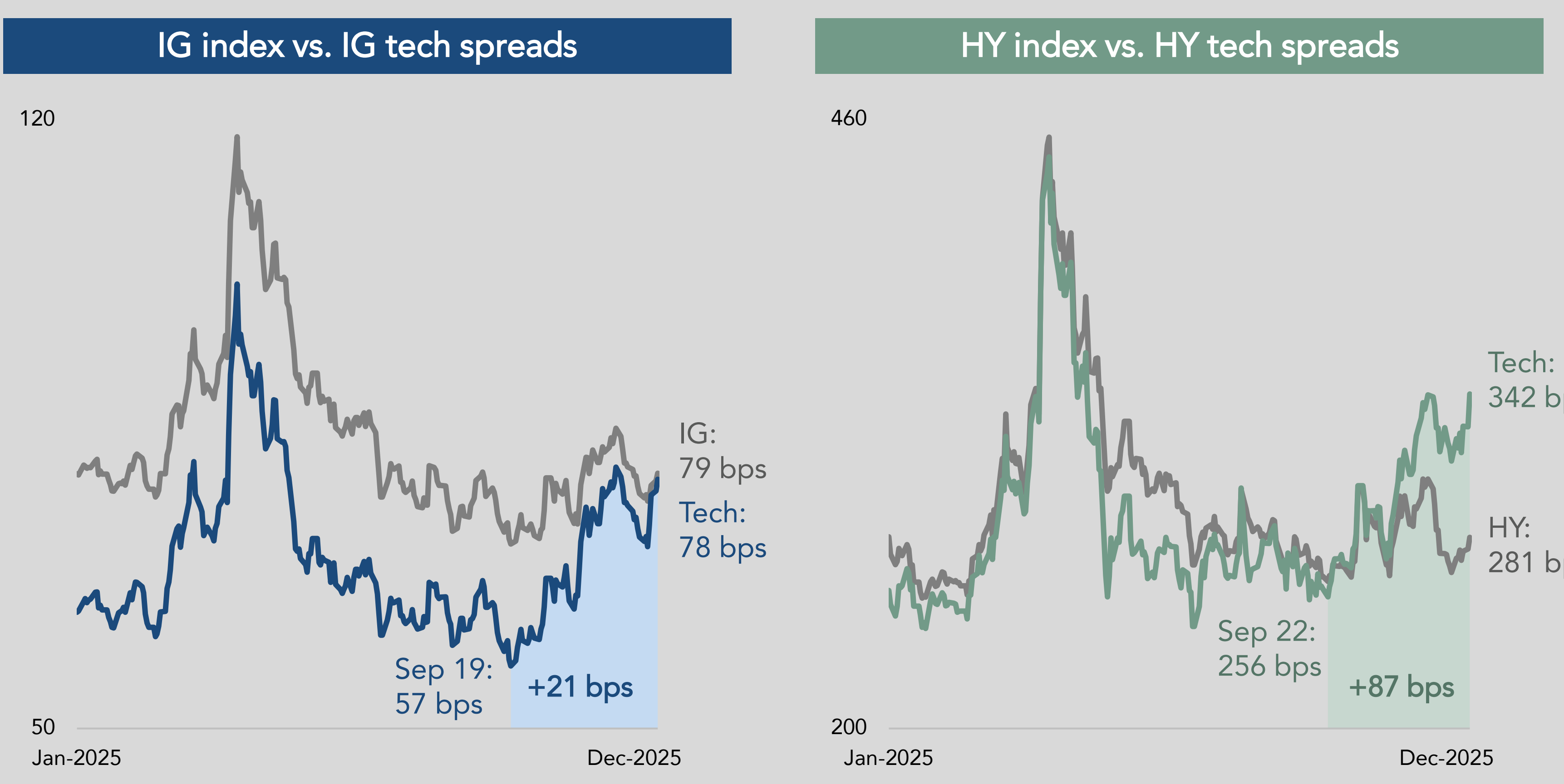
AI-related sectors (i.e., utilities, tech & electronics) now account for approximately 18% of the aggregate corporate bond index. Implications of this growth include the following: (1) more index concentration risk in a smaller group of names; (2) necessity of tech sector investor exposure to track and benchmark the index; (3) AI-related spread moves, ratings changes and issuance surge more directly impact the aggregate index; and (4) upward pressure on index duration given longer maturities of AI financings

IG corporate bond index, by sector



Tech Spreads Contained Despite Supply

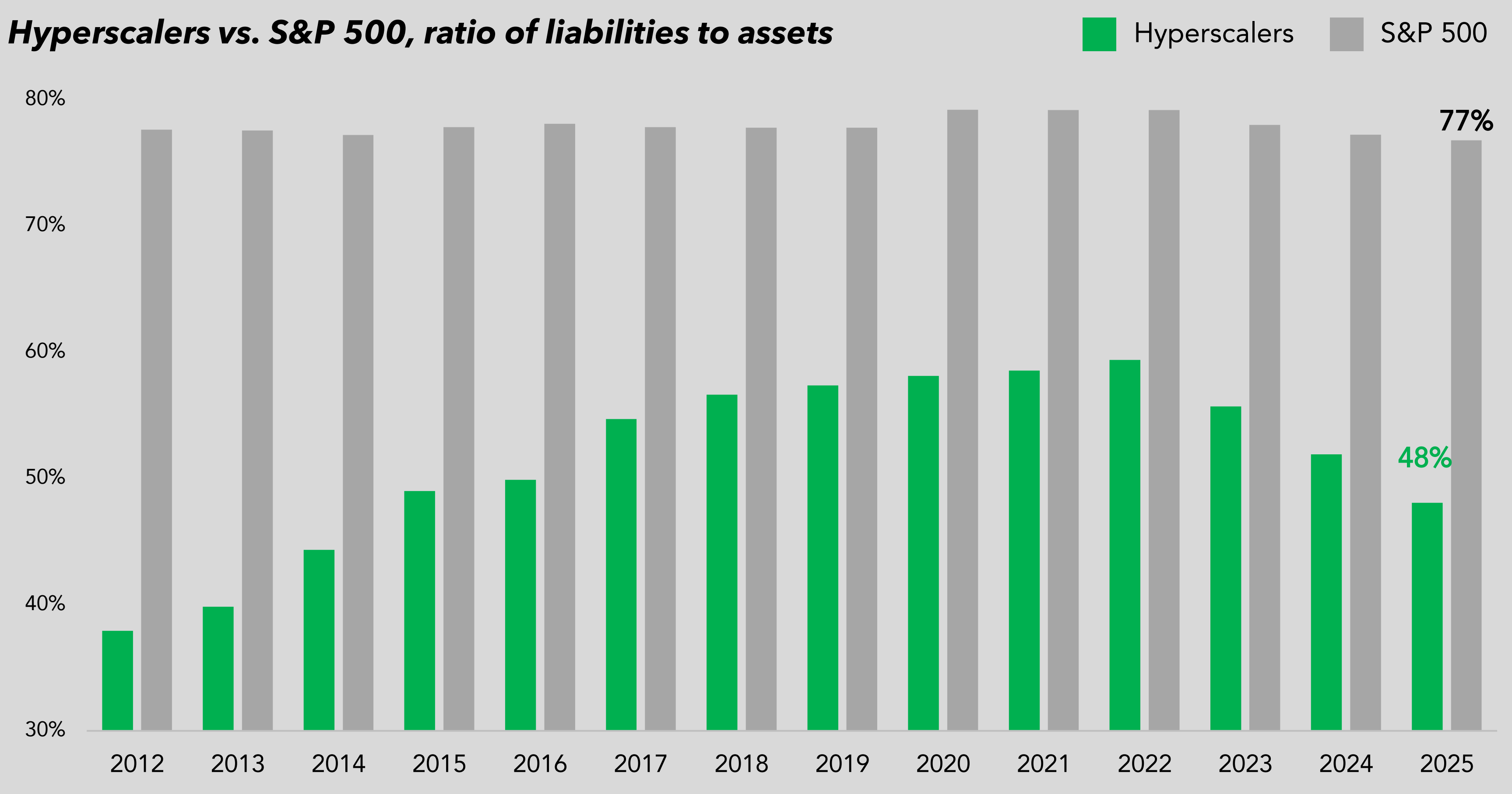
Despite record supply to fund AI data center expansion, tech sector credit spreads have remained relatively contained. Nonetheless, tech spreads in 2025 moved from their historical position inside the index to trading marginally wider, particularly in the BBB tech cohort, as AI-driven issuance and leverage have surged.



AI Big Tech Leverage Metrics Still Strong

According to CreditSights, hyperscalers' ratio of liabilities-to-assets fell to 48% in Q3 2025, close to 2015 levels, down from a peak of 59% in late 2022. By comparison, the comparable leverage ratio for S&P 500 companies remained steady at just below 80% over the same period.

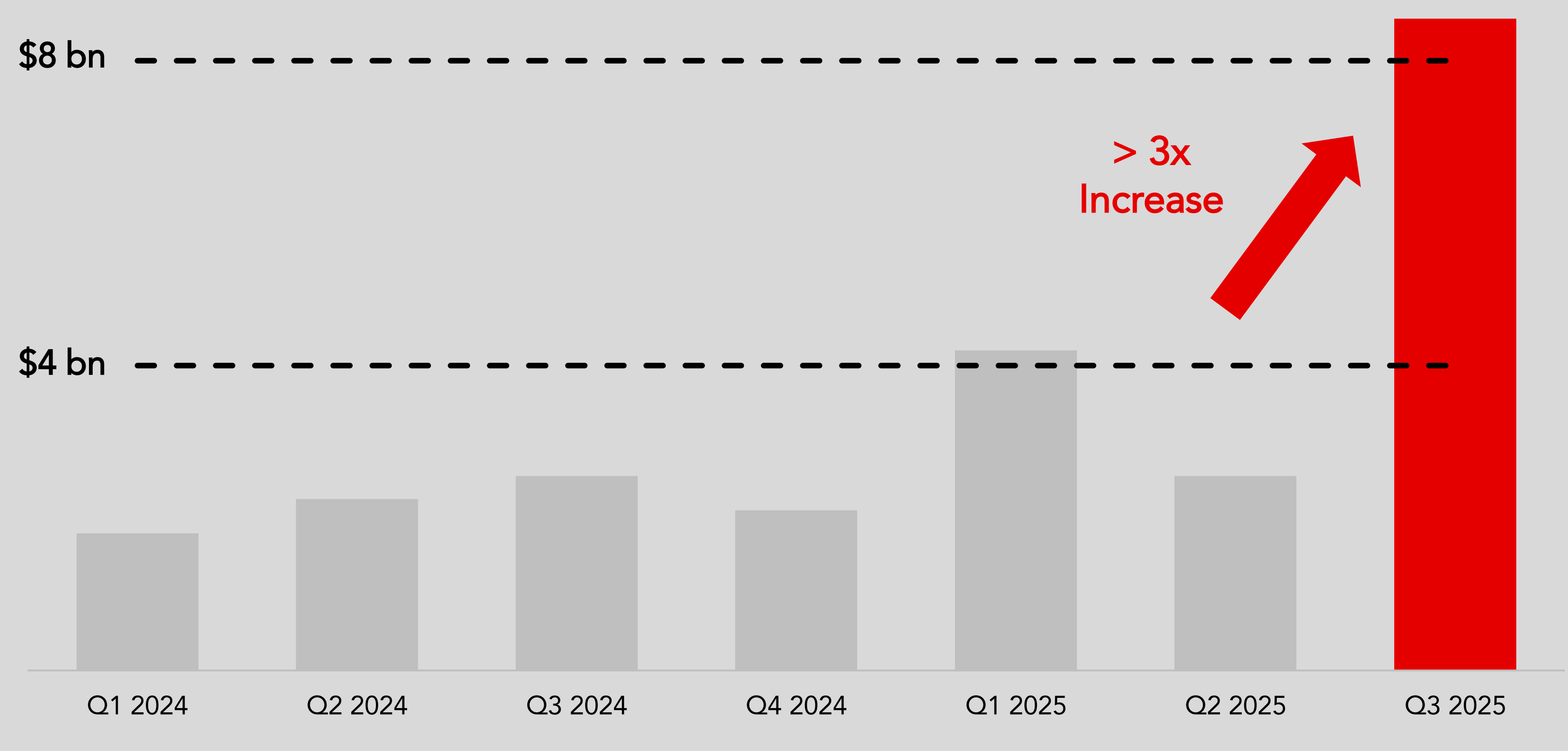
Hyperscalers vs. S&P 500, ratio of liabilities to assets



Surge in Single Name AI CDS Volumes

Investors have used a mix of **credit hedges** (i.e., CDS on both single name and index products), **equity hedges** (i.e., index and sector puts), **project-level hedges** (i.e., tighter covenants, higher coupons, structured products that pass some risk back to hyperscalers) and **macro hedges** (i.e., long-duration gov bonds, long vol trades, index or single name puts, long VIX, volatility swaps).

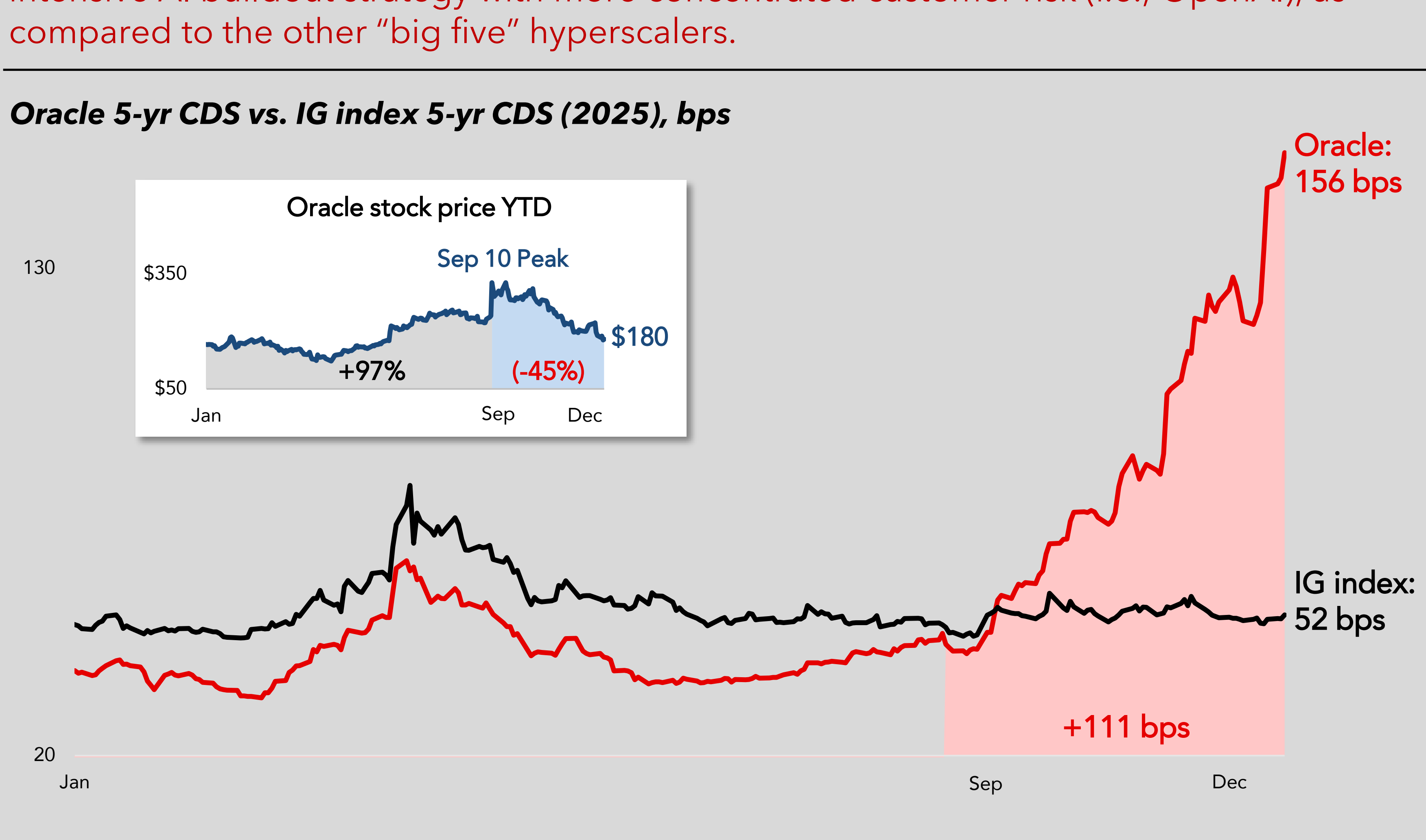
Net notional outstanding for US AI companies CDS, USD bn (Alphabet, Amazon, Broadcom, Meta, Microsoft, Oracle)



Hedging AI's Rapid Debt-Financed Expansion

The massive scale of debt-financed AI capex and ROI uncertainty have received increased investor focus in recent months. For example, Oracle's 5-year CDS has more than tripled since September, while trading volumes have surged well above prior norms. Though Oracle's core business and profitability remain very strong, the market has become more concerned about the magnitude of the company's highly debt-funded, extremely capital-intensive AI buildout strategy with more concentrated customer risk (i.e., OpenAI), as compared to the other "big five" hyperscalers.

Oracle 5-yr CDS vs. IG index 5-yr CDS (2025), bps



Source: (1) Bloomberg, "The AI Spending Boom Is Huge But Not Unprecedented". Data trailing 12 months, 2025 through Q3 2025. Oracle's quarters end a month earlier than the other companies. 2026E data is CreditSights annual estimate. Oracle estimate for FY 2026. (2) Financial Times, "'Absolutely immense': the companies on the hook for the $3tn AI building boom." Private credit is through asset-based finance and debt funding of JVs. Securitized credit includes asset-backed securities, commercial mortgage-backed securities. Other capital includes private equity, venture capital and sovereign wealth funds. (3) Bloomberg. Data as of November 24, 2025. Data is 12 months trailing. Top 5 hyperscalers includes Alphabet, Amazon, Apple, Meta and Microsoft. (4) Reuters. CFR. Bloomberg. Data as of December 18, 2025. 2015 – 2024 issuance is Reuters. 2025 IG supply is CFR and Bloomberg. (5-6) Bloomberg. CFR. Data as of December 17, 2025. Pie chart shows top 20 Big Tech AI bond issuers in 2025. (7-11) Bloomberg. Data as of December 17, 2025. Oracle, Meta, Alphabet, Broadcom and Amazon adjusted for new issuance post end of quarter. Debt is total lease-adjusted debt pro-forma. Debt outstanding as of Q3 2025. Spreads are index OAS to Treasury. (12) Oxford Economics. Bloomberg. Data as of November 25, 2025. Hyperscalers include Oracle, Amazon, Nvidia, Microsoft, Apple, Alphabet & Meta. (13) Depository Trust & Clearing Corporation. Data through Q3 2025. Average daily notional amount multiplied by number of trading days in a quarter. (14-15) Bloomberg. Data as of December 18 2025.

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"Macro stability isn't everything, but without it, you have nothing."