The AI Weekly

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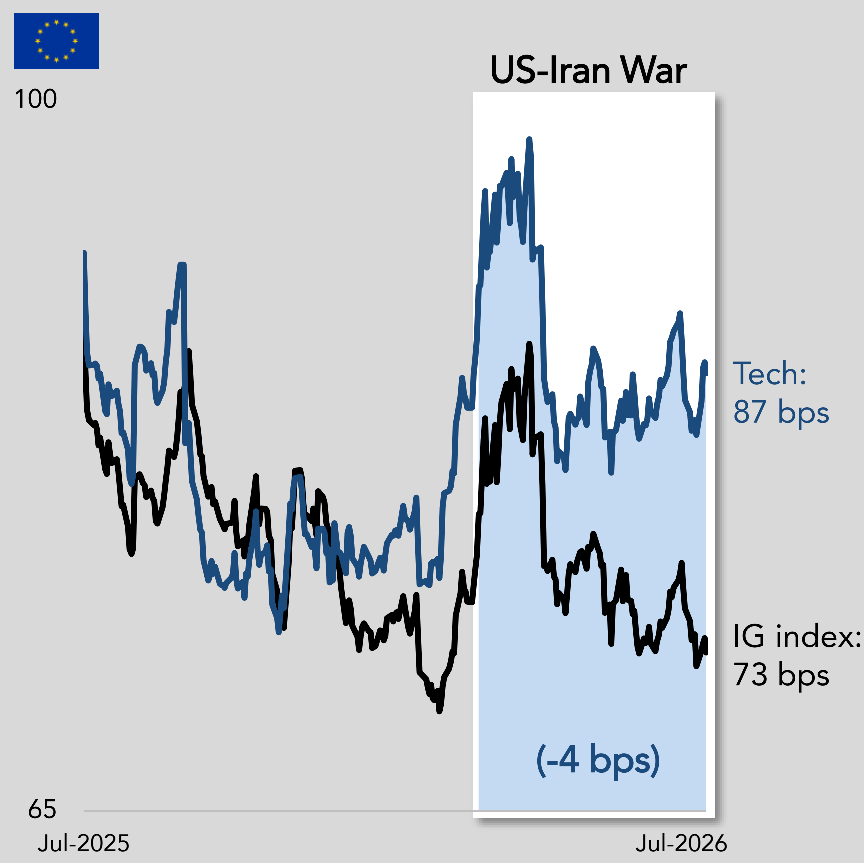
Key Drivers of the Widening in Big Tech USD Credit

1. Big tech business model transition from self-funded expansion to **heavy debt-market reliance** as projected AI capex needs outpace free cash flow (FCF)
2. Record volumes and unexpected transaction timing causing **primary supply indigestion** in a market already at historic levels
3. Liquidity overhang as market braces for an estimated **multi-year barrage of future AI-related debt issuance**
4. Growing investor fatigue and scrutiny regarding the **monetization timeline** of multi-trillion-dollar AI capex
5. **Portfolio concentration** constraints and technical selling to free up cash for discounted primary offerings
6. Market-wide repricing of traditional software credit on **rapid AI-agent adoption disruption fears**
7. Rating profile migration as **lower-rated, negative-cash-flow mega-borrowers scale up issuance**
8. Steepening of tech credit curve driven by **heavy long-duration supply** (10–40-year bonds)
9. **Utility and energy capex drag** as big tech investments in power infrastructure shift the sector to more capital-intensive and low-margin profiles
10. Complex technical dynamics given significant increase in both **direct and indirect exposure to hyperscaler credit**

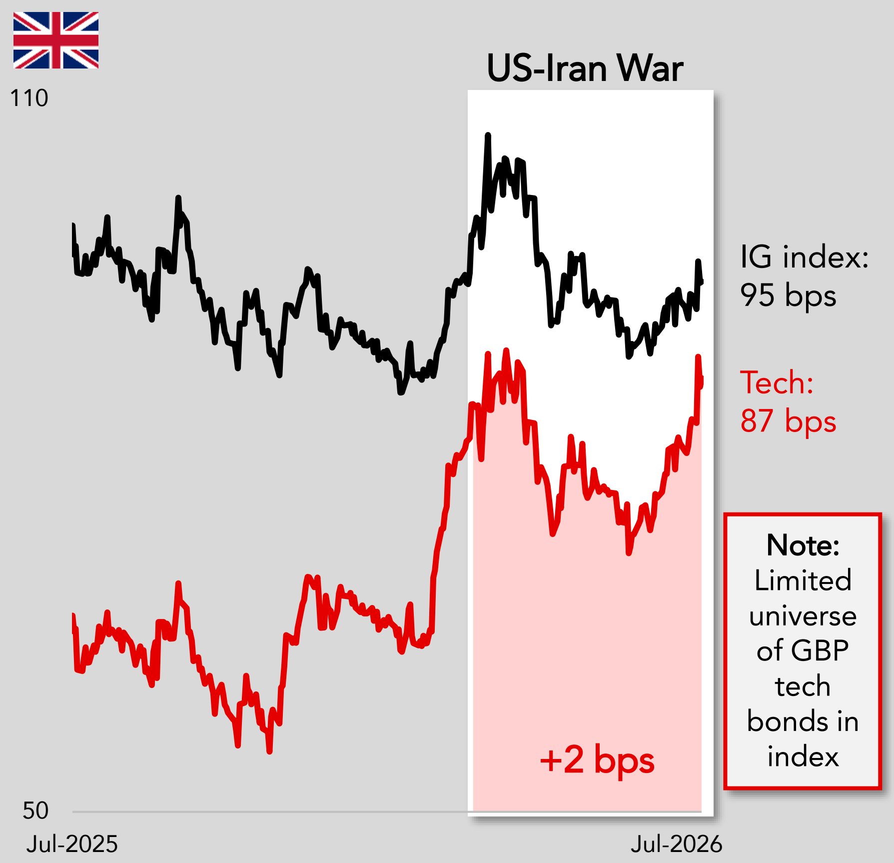
EUR & GBP Tech Spreads Moving More with Market

EUR & GBP tech spreads tend to move broadly in line with their respective IG indices over the cycle, though with higher beta and more pronounced pro-cyclical tightening / widening given the sector's growth equity-like profile.

IG EUR index vs. IG EUR tech spreads



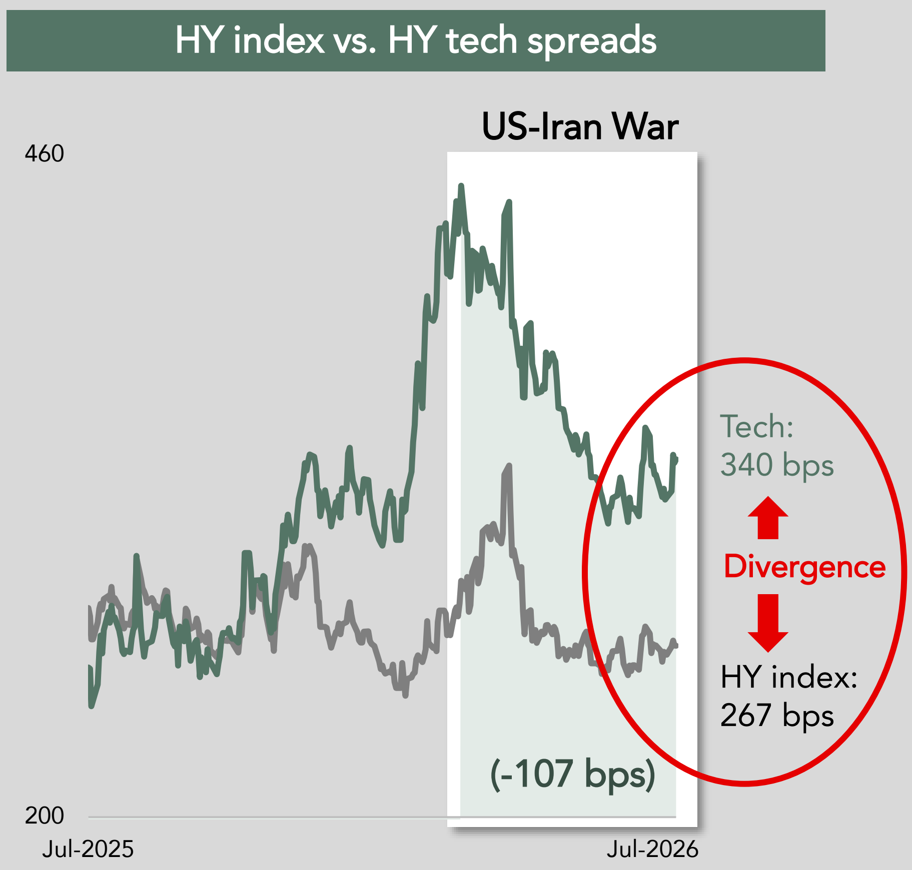
IG GBP index vs. IG GBP tech spreads



Source: (1-2) Bloomberg. Data as of July 17, 2026. EUR & GBP IG indices are iBoxx non-financials. EUR spreads are I-spread. GBP spreads are UKT spreads.

USD Tech Credit Spreads Diverging from Broader Indices

USD tech spreads have diverged notably wider from broader indices, trading at a meaningful premium due to concerns around: (1) the scale of capex spending; **(2)** the volume of bond issuance and increased leverage; **(3)** duration and project risk; **(4)** technology disruption risk; and **(5)** ROI uncertainty. The divergence has also been reinforced by heavy hedging.

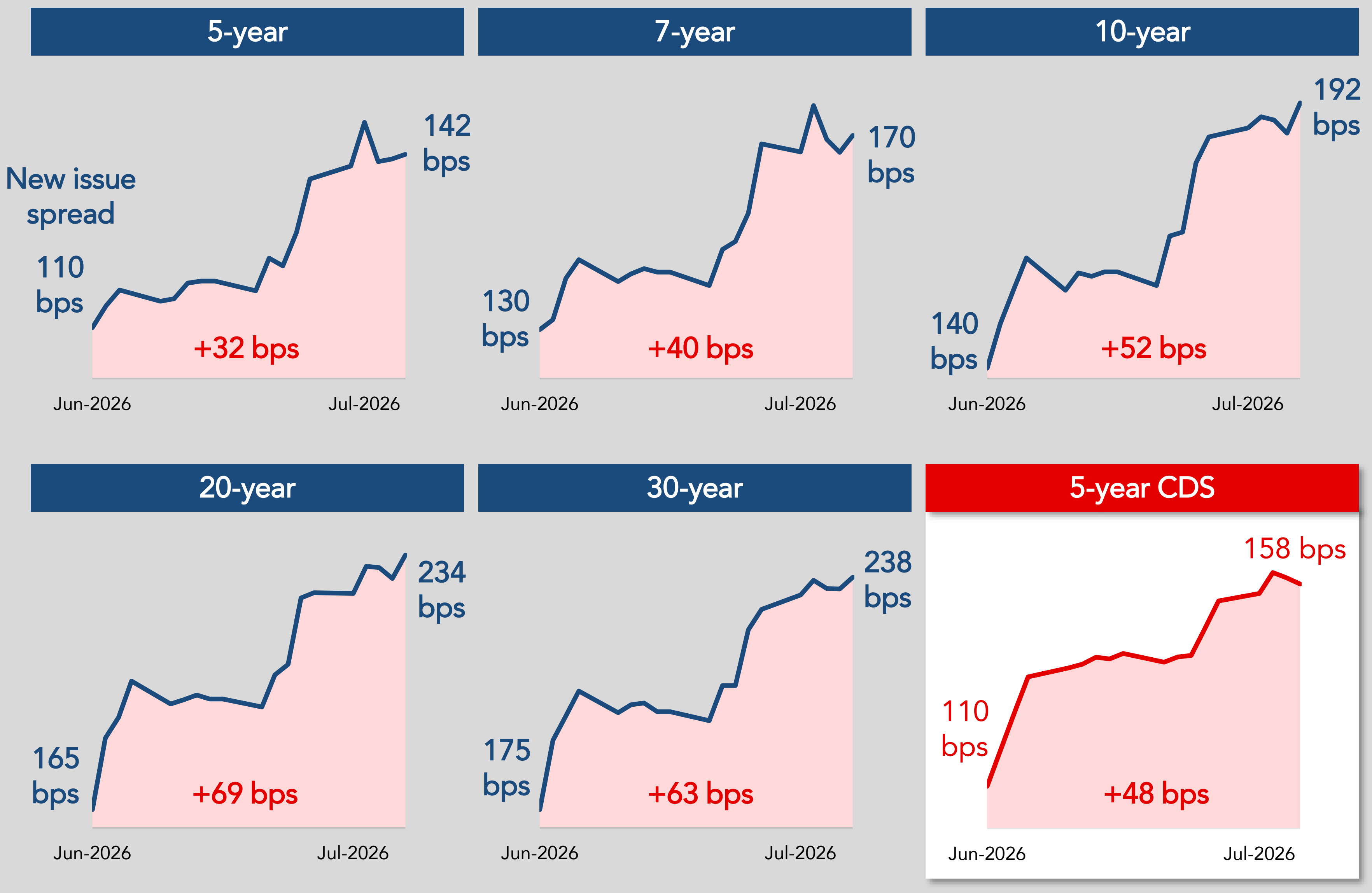


Source: (1-2) Bloomberg. Data as of July 17, 2026. Index OAS to Treasury.

Blockbuster SpaceX Bond Debut Notably Wider

Just 11 days after its historic IPO, SpaceX's inaugural and blockbuster debt IPO raised an additional $25 billion. Since then, secondary trading has been notably weak, with **longer-dated tranches bearing the brunt of investor skepticism** given the combination of **execution risk, negative free cash flow and the sheer scale of leverage and capex required** for simultaneous space, satellite and AI infrastructure build-outs.

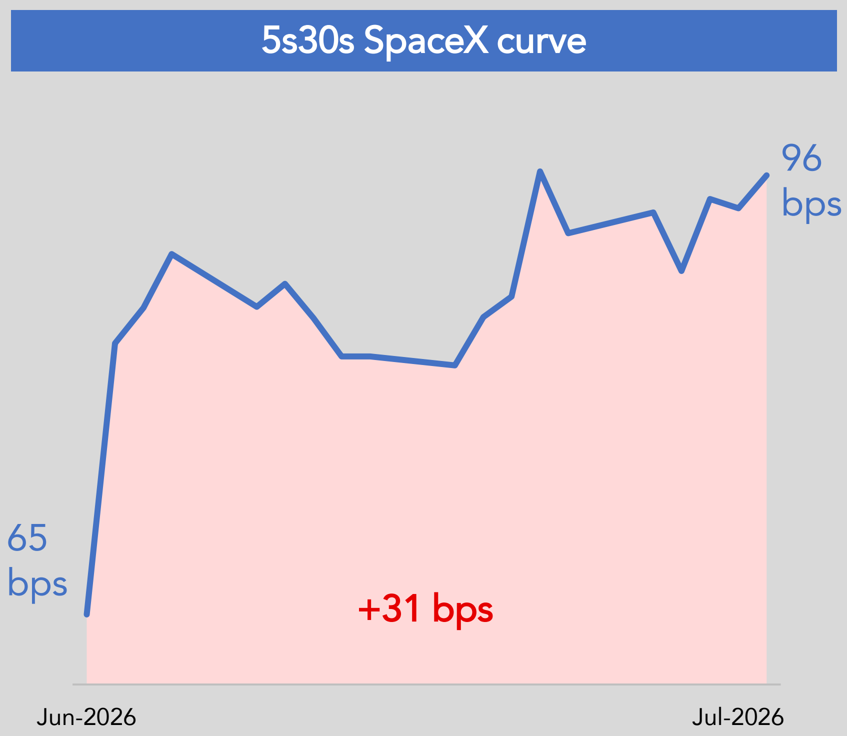
SpaceX credit spreads by maturity & 5-year CDS

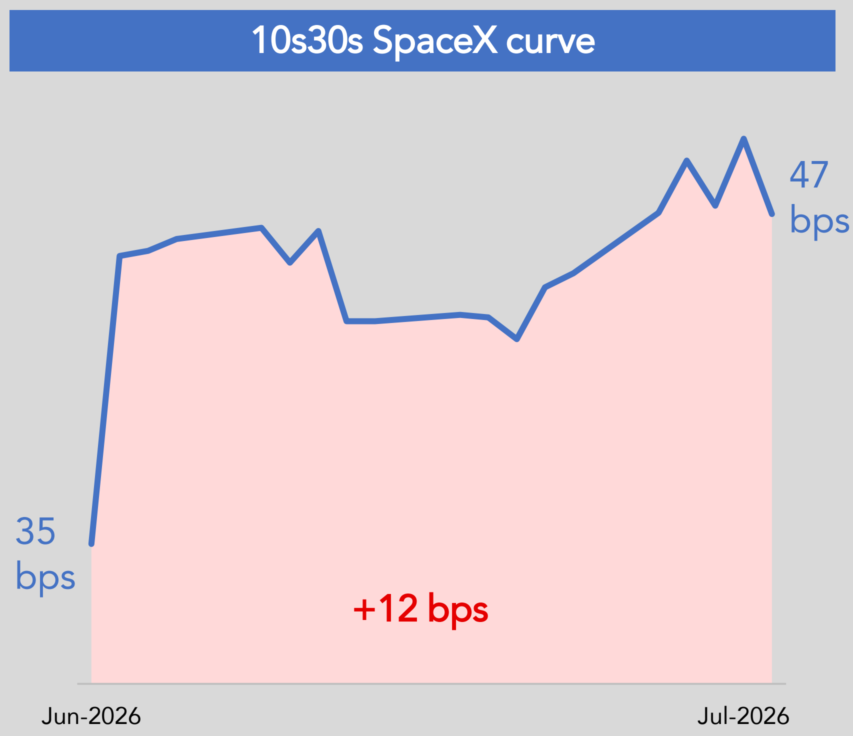


Source: (1-6) Bloomberg. Data as of July 17, 2026. New issue spread is level at which the deal was priced on June 23, 2026.

Long-End Underperformance Driving Curve Steepening

The steepening of SpaceX's 5s30s and 10s30s curves reflects a sharp underperformance in the 30-year tranche, as investors demand a premium to fund long-duration infrastructure risk.



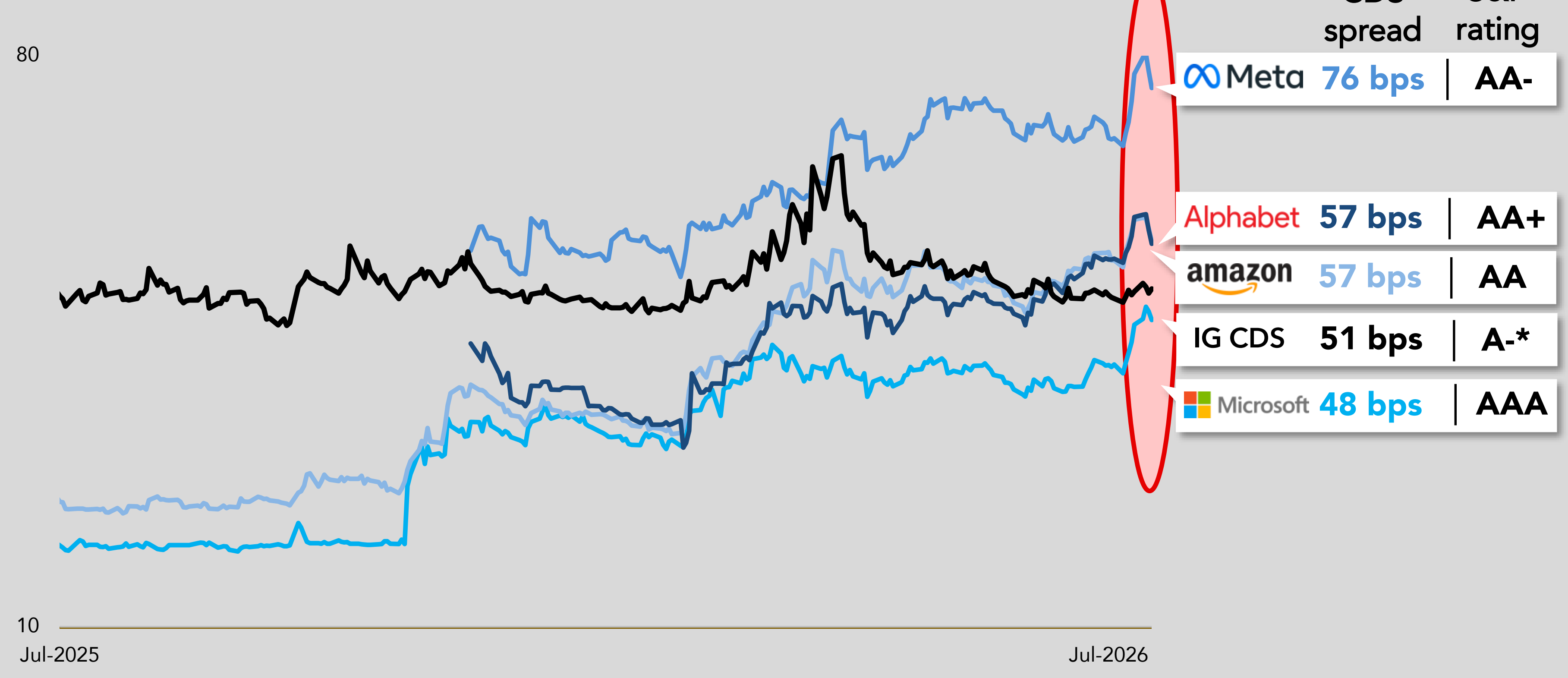


Source: (1-2) Bloomberg. Data as of July 17, 2026.

Hyperscaler CDS Modestly Wide of the Index

Analysts at S&P Global Market Intelligence highlight that since late 2025, single-name CDS on major hyperscalers have modestly underperformed the broader index, which itself remains tight by historic standards. The core issues cited are the size and duration of AI capex and the associated volume of debt supply. Banks and institutional accounts are increasingly using CDS rather than cash bonds to hedge direct and indirect hyperscaler credit exposure, in part because index inclusion and heavy dealer activity have made the CDS liquid barometers of the AI trade.

Hyperscaler 5-yr CDS vs. IG index 5-yr CDS (Jul 2025 – Jul 2026), bps

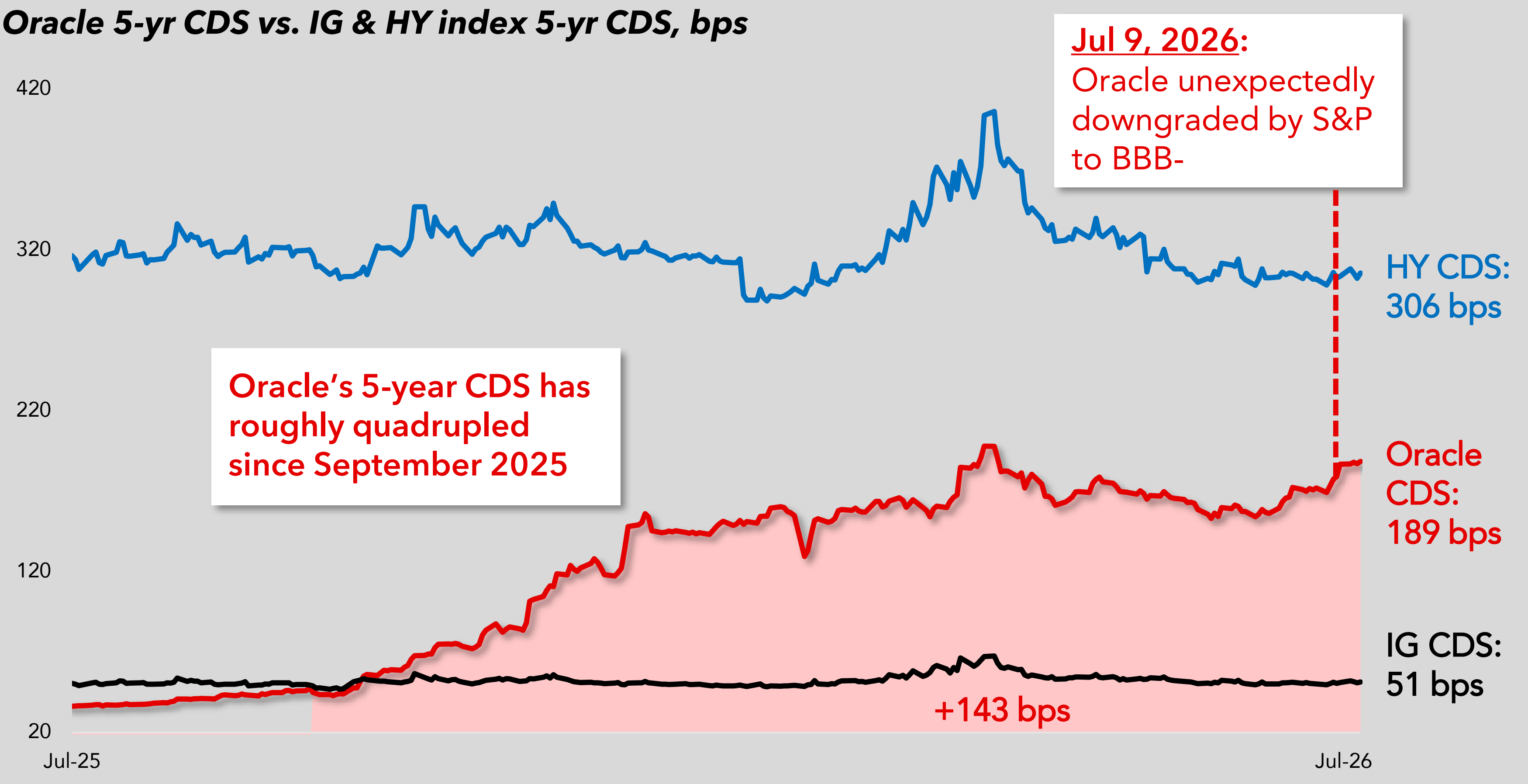


*Source: (1) Bloomberg. Data as of July 17, 2026. *A- S&P rating for IG index is weighted average of ICE BofA Corporate index.*

Oracle's CDS Trading at Record Highs

The cost of insuring Oracle's debt has roughly quadrupled since mid-2025, with its 5-year CDS rising from sub-50 bps closer to 200 bps on AI-driven leverage and supply concerns. Further, Oracle's CDS has now become a liquid proxy for investors to hedge AI's expansion across the broader credit complex.

Oracle 5-yr CDS vs. IG & HY index 5-yr CDS, bps



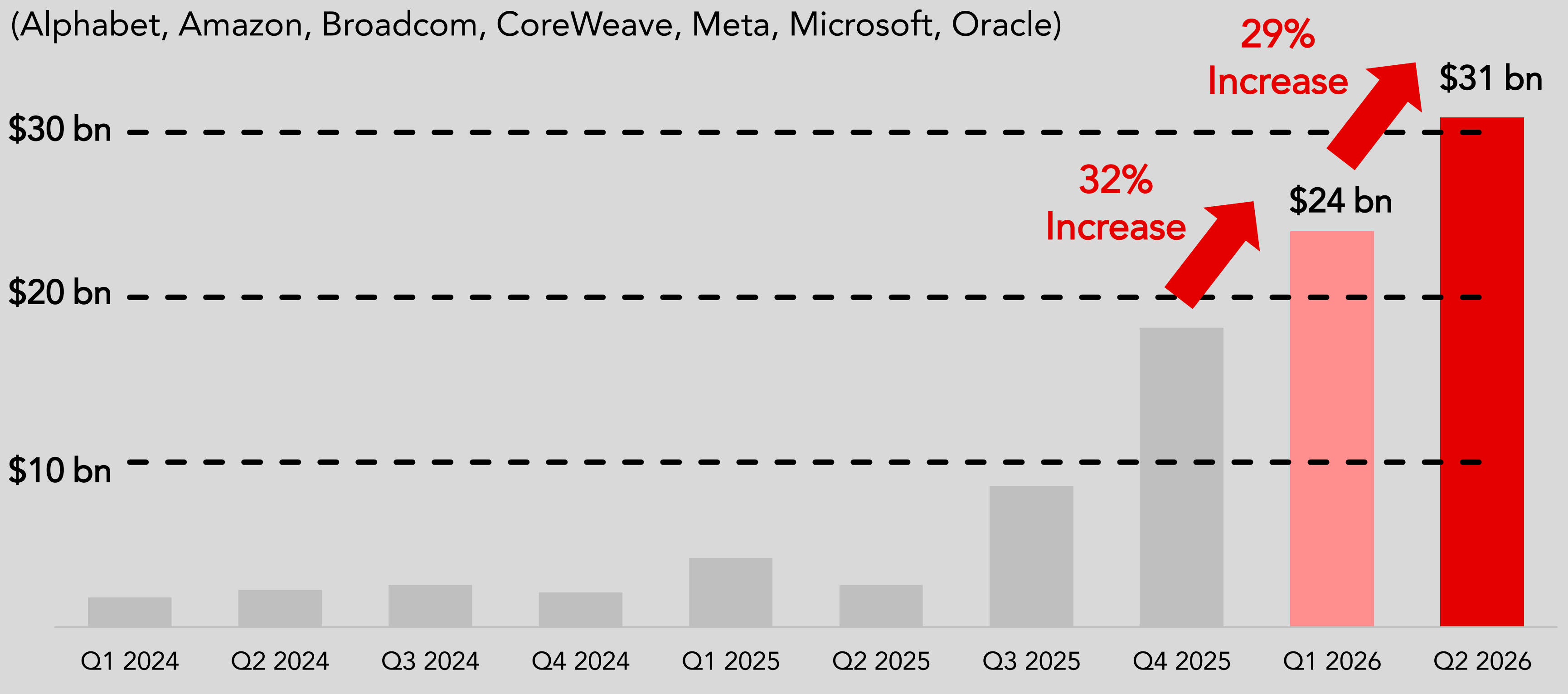
Source: (1) Bloomberg. Data as of July 17, 2026.

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, CoreWeave, Meta, Microsoft, Oracle)



Source: (1) Depository Trust & Clearing Corporation. Data through Q2 2026. Average daily notional amount multiplied by number of trading days in a quarter.

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