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The AI debt wave: Who ultimately carries the risk?

Artificial intelligence (AI) is usually presented as an equity growth story. But now, **the AI infrastructure boom has become a bond market story too**. For much of the past decade, the largest technology companies occupied an unusual position in corporate credit. Their investment needs were substantial, but their operating cash flows were often sufficient to meet them, and debt played a relatively limited role.

AI has changed that equation. Goldman Sachs estimates that hyperscaler capital expenditure could reach \$750bn in 2026.¹ Debt is expected to finance roughly one third of that expenditure, compared with 27% in 2025.²

Key takeaways

- The AI investment boom is becoming a credit story, as infrastructure spending increasingly moves beyond internal cash flow and into debt markets
- As hyperscalers issue more debt, their influence within corporate bond markets is growing – potentially increasing passive exposure
- Understanding who ultimately carries the risk requires looking beyond the borrower to the leases, guarantees, power requirements and other obligations supporting each project

¹ Goldman Sachs, [How AI debt is reshaping credit markets](#), 5 August 2026

² *ibid.*

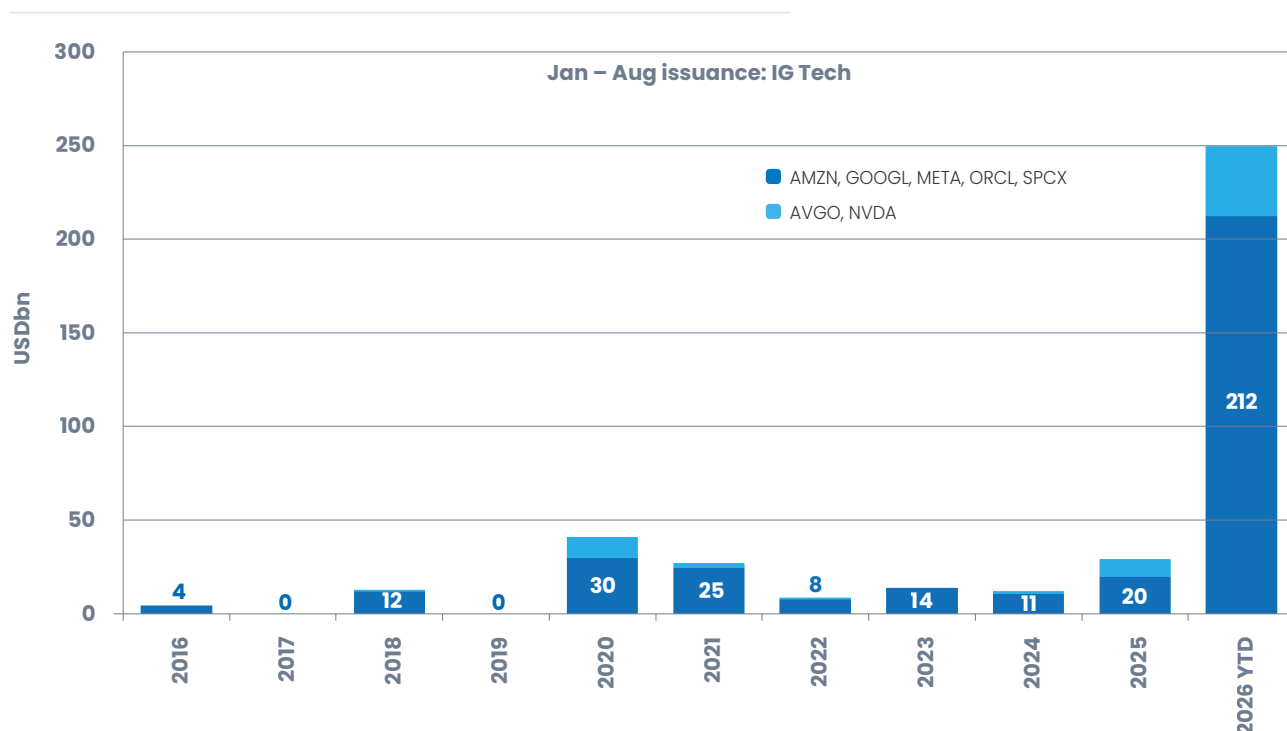
Debt at a speed and scale the market has not seen before

By 7 July, Amazon, Alphabet, Meta and Oracle had issued a combined \$194bn worth of bonds in 2026 – 79% more than in the whole of 2025.³ This forms part of a much wider financing wave: Goldman Sachs estimates that the broader AI ecosystem had issued approximately \$500bn of debt by the end of July⁴; with hyperscalers accounting for around 40%⁵.

The size of this debt issuance matters, but so does **the speed at which companies are raising it**. Technology issuance existed before the current AI investment cycle, but the step change only began in 2025. By the end of August 2026, issuance from the major hyperscalers was already approaching twice the level recorded during the whole of the previous year⁶. The chart below uses a broader group comprising five hyperscalers, Broadcom and Nvidia to show how sharply investment-grade technology issuance has accelerated.

Figure 1:

Investment-grade technology issuance has surged in 2026



January to August investment-grade bond issuance from Amazon, Alphabet, Meta, Oracle, SpaceX, Broadcom and Nvidia, USD billions.
Source: Candriam, Bloomberg, as at 31 August 2026.

The increase has consequences beyond the volume of bonds entering the market. A company's ability to meet its obligations depends on the relationship between the debt it assumes and the cash available to service it. **Even a highly profitable borrower can become more vulnerable** if debt rises faster than free cash flow or if the expected returns on its investment take longer to materialise.

³ Reuters analysis of LSEG data, August 2026 ([Hyperscaler debt binge pushes yields up as investor demand cools | Reuters](#))

⁴ Goldman Sachs as of 31 July 2026

⁵ Goldman Sachs, [How AI debt is reshaping credit markets](#), 5 August 2026

⁶ Candriam, Bloomberg, as of 31 August 2026

One build-out, several balance sheets

Public bonds are only the most visible part of the financing required.

The hyperscalers may have considerable capacity to borrow while retaining investment-grade ratings. **The more immediate constraint could be how much concentrated exposure conventional bond markets can absorb at spreads acceptable to issuers and investors.** That is encouraging financing to move into high yield, leveraged loans, private credit, project finance, structured markets and bonds issued in other currencies.

The physical infrastructure creates its own chain of obligations. A single data-centre project may involve a technology company committing to use the capacity, another company owning the property, lenders financing its construction and a utility investing in the power infrastructure. Equipment may also be financed separately. **Each participant carries a different part of the risk**, while delays or weaker demand can affect the whole project.

Physical constraints add another layer. Access to the grid, energy and water costs, planning approvals and local community support are increasingly important execution risks. Across the US, state and municipal authorities have paused developments, delayed approvals or imposed stricter conditions on construction and tax incentives. Opposition cuts across party lines and is becoming more prominent ahead of the midterm elections. Even a well-financed data centre cannot generate cash until it becomes operational.

When a passive wave calls for active choices

Passive credit exposure works differently from passive equity exposure. This matters because **a company's weight in a corporate-bond benchmark is influenced by the amount of eligible debt it has outstanding, rather than its profits or market value.** As hyperscalers issue more bonds, passive portfolios can therefore acquire larger positions in those companies simply because they have borrowed more – not because their credit fundamentals or valuations have become more compelling.

The new supply can also change the type of risk within the benchmark. AI-related borrowers have accounted for approximately 40% of US investment-grade issuance with maturities of 15 years or more so far in 2026⁷. Passive investors may therefore be receiving both greater issuer concentration and more sensitivity to long-term interest rates, future financial policy and the economics of assets that could change considerably before the bonds mature.

In comparison, an **active approach allows investors to decide where – and whether – to take those risks.** They can compare the compensation offered across issuers, structures and maturities, favour a shorter-dated bond supported by current cash generation or require a higher spread to compensate for decades of additional uncertainty. Active management does not remove the risks of the AI build-out, but it **allows investors to choose which risks they are prepared to own rather than accepting them in proportion to the amount being borrowed.**

⁷ Goldman Sachs, as of 5 August 2026

Reasons for optimism

The rise in borrowing should not obscure the strength of the technology or the companies leading its development. AI represents a major technological breakthrough with the potential to improve productivity and create new sources of economic value. The largest hyperscalers also enter this investment cycle with profitable core businesses, considerable liquidity and some of the strongest credit ratings in the corporate market.

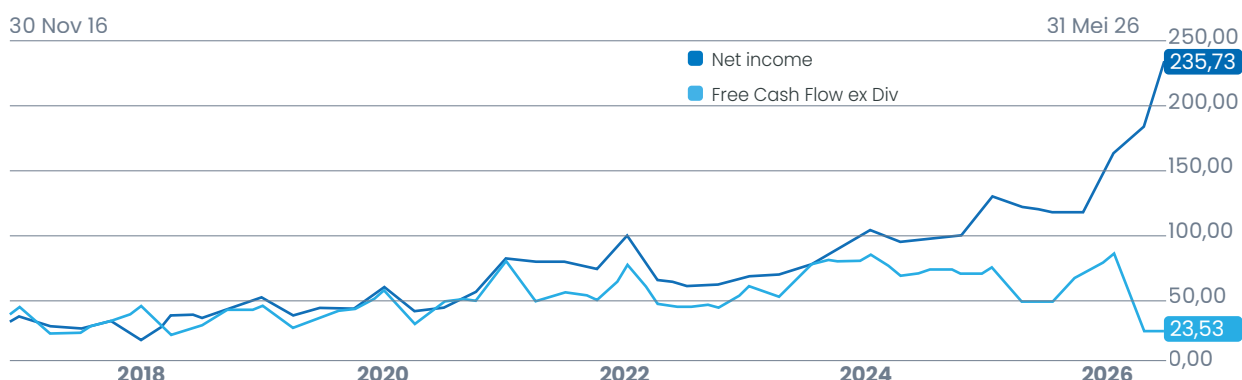
Tech companies continue to carry a higher average rating than the broader US investment-grade universe. Recent data places the average technology rating at approximately A-, compared with roughly BBB+ for the overall market⁸. This gives many of the largest issuers more capacity to invest and absorb setbacks than a typical corporate borrower.

AI-related debt still represents a minority of the investment-grade market. However, Goldman Sachs estimates that it accounted for approximately 18% of US investment-grade issuance by early August 2026⁹. That is not enough to dominate the market, but it is already sufficient to influence supply, benchmark composition and portfolio concentration. The current evidence therefore suggests growing pressure on credit metrics rather than an immediate, sector-wide solvency concern.

Strong companies, but weakening fundamentals

Those strengths do not remove the underlying deterioration. Hyperscalers are taking on more debt at the same time as unprecedented capital expenditure absorbs a growing share of their internally generated cash. Aggregate net income has continued to rise, but the cash remaining after investment has fallen sharply. The chart below shows how sharply free cash flow has diverged from net income across six of the largest technology companies.

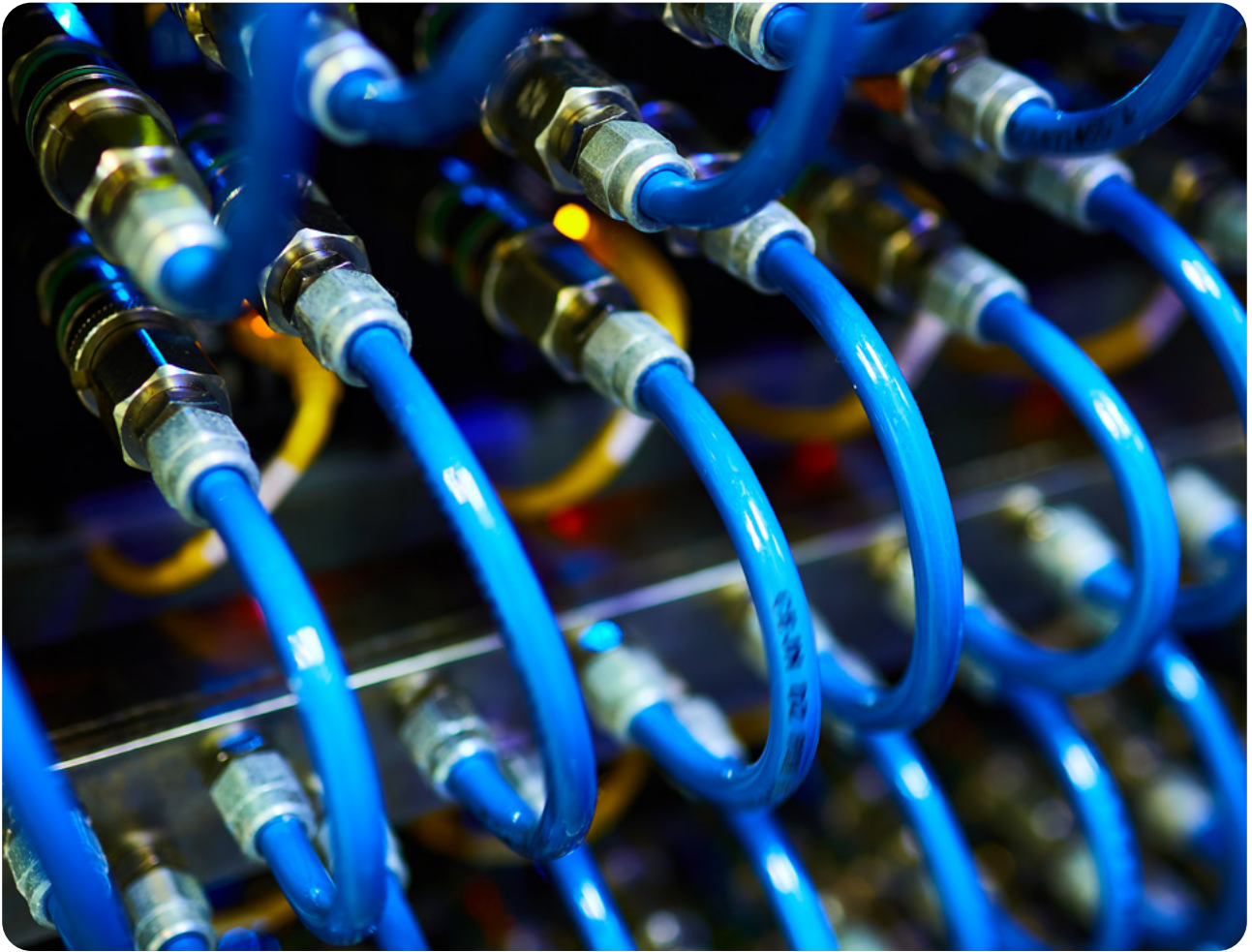
Figure 2:
Big Tech profits are rising as free cash flow falls



Quarterly aggregate net income and free cash flow before dividend payments for Meta, Microsoft, Amazon, Apple, Alphabet and Oracle, USD billions.
Source: Candriam, Bloomberg, as of 31 May 2026

⁸ Candriam, Bloomberg as of 7 September 2026

⁹ Goldman Sachs, 5 August 2026



The concentration of the AI investment cycle raises the stakes. These companies support a substantial share of equity-market performance, while their spending increasingly affects utilities, construction, semiconductor demand and private credit. This creates a **transmission risk**: if expected returns disappoint, the effects could spread from hyperscaler balance sheets to lenders, suppliers and the wider market. The concern is not that AI infrastructure directly resembles the assets at the centre of previous bubbles, but that **a highly interconnected financial system can amplify a common disappointment**.

Understanding that exposure requires **following the obligation through the structure**. Who owes whom? Where does the leverage sit? Which commitments are fixed, and which depend on renewal? What happens if construction is delayed, utilisation disappoints or refinancing becomes more expensive?

AI may ultimately justify the enormous investment now being made, but that would not make every borrower, project or bond equally attractive. **At Candriam, fundamental credit analysis starts with the borrower's capacity to meet its obligations, rather than the popularity of the investment theme or its growing place in a benchmark.** As the AI credit market expands, that focus on fundamentals will become increasingly important in determining which risks investors are adequately compensated to take.

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