

How AI Credit Risks Differ Across the Financing Ecosystem

AI and the Corporate Bond Market Series, Part 3

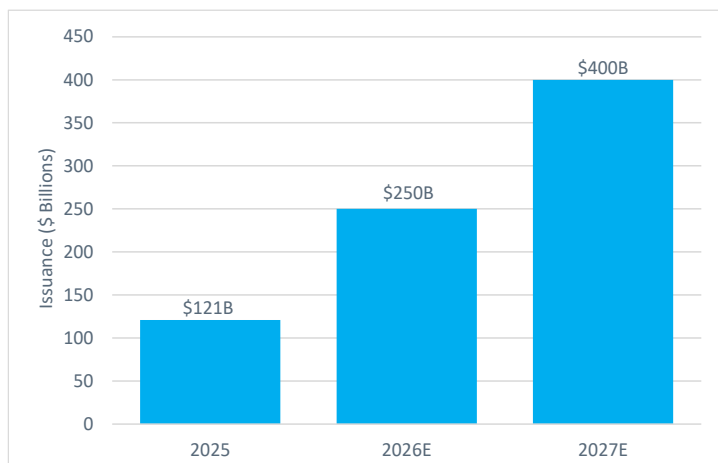
For AI debt investors, the assessment of credit risk should proceed from the source of repayment rather than from the AI narrative. Principal questions include whether capital expenditure (capex) will generate durable cash flow before leverage becomes burdensome; whether construction, lease, amortization, and covenant terms adequately protect creditors; whether collateral will remain economically useful through the debt's maturity; and whether portfolios contain overlapping exposure through corporate bonds, utilities, structured finance, and private credit. Because credit structures, guarantees, and covenants vary widely, careful underwriting may prove more important than broad thematic exposure.

This is the final piece of a three-part series examining AI and the corporate bond market. The preceding pieces explored financing of the AI buildout and implications for corporate bond markets (*Part 1*) and the credit risks behind AI infrastructure (*Part 2*).

Different Borrowers, Different Risks

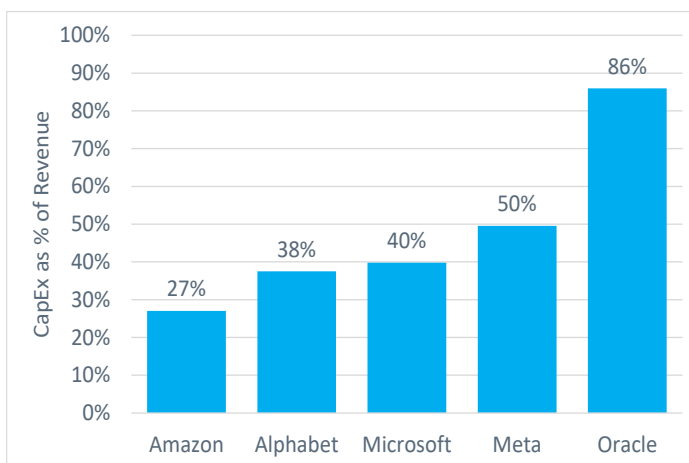
The strongest hyperscalers—Amazon, Microsoft, Alphabet, and Meta—enter the spending cycle with diversified revenue, substantial operating cash flow, and broad market access. These characteristics provide meaningful resilience, but not immunity. Sustained capital expenditure above revenue growth can still compress free cash flow, increase leverage, and reduce flexibility, particularly if shareholder distributions remain elevated or AI monetization develops more slowly than expected.¹

Figure 1: Hyperscaler Bond Issuance Volume (2025–2027E)



Source: Fort Washington Investment Advisors, "The Quiet Repricing Beneath The Investment Grade Market," August 6, 2026.

Figure 2: Capital Intensity Ratios: Q2 2026 (CapEx as a Percentage of Revenue)



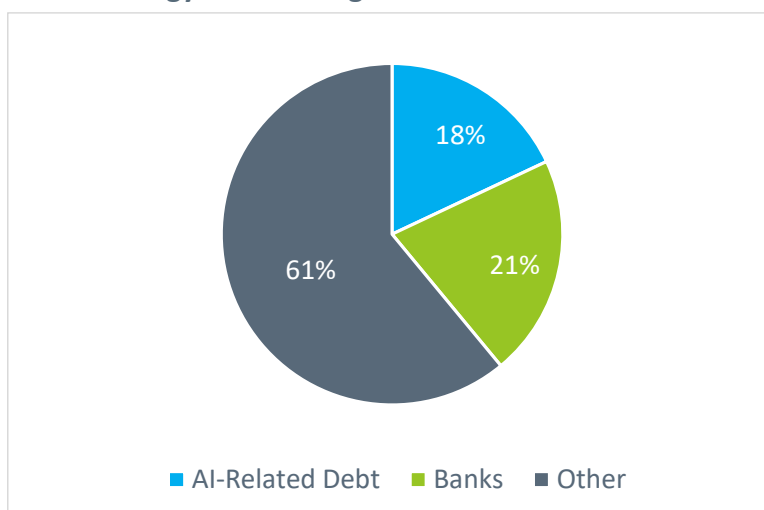
Source: FactSet

¹PIMCO, "How Will Big Tech Manage Its AI Capex Surge?" (May 2026).

The broader ecosystem carries a different risk profile.² Data-center developers and landlords depend on external financing, construction execution, tenant renewals, and refinancing markets. Utilities may benefit from regulated recovery mechanisms but face affordability concerns, customer concentration, long lead times, and potential regulatory resistance to AI-driven electricity demand. Project vehicles and infrastructure financings depend on specific leases, counterparties, collateral, and completion milestones rather than the diversified cash flows of a large corporate issuer.³

Credit analysis should therefore avoid treating AI-related debt as a single category. Large corporate issuers may retain balance-sheet optionality even during a period of weaker sentiment. Developers, landlords, utilities, project vehicles, securitizations, and lower-rated technology borrowers generally have narrower repayment sources and fewer alternatives if construction, utilization, or refinancing assumptions prove optimistic.

Figure 3: Technology Sector Weight in Investment-Grade Credit Indices



Source: MUFG Americas. https://www.mufgamericas.com/sites/default/files/document/2025-12/AI_Chart_Weekly_12_19_Financing_the_AI_Supercycle.pdf. As of December 31, 2025.

Multiple Transmission Channels for Stress

As previously discussed, AI-related financing now extends well beyond senior unsecured corporate bonds into various public and private debt structures, expanding the investor base. This expansion of financing structures also creates multiple transmission channels for stress. Slower AI adoption, weaker cloud demand, construction delays, tenant concentration, technological change, or impaired refinancing access could simultaneously affect corporate bonds, project loans, private credit, asset-backed securities, commercial mortgage-backed securities, and utility debt. The risk is not necessarily systemic, but it can be correlated

²Moody's Investors Service, "Data Centers and Credit Risk" (2026); Russell Investments, "AI Capex Wave Tests Bond Market Depth" (2026).

³Moody's Investors Service, "Data Centers and Credit Risk" (2026); S&P Global Ratings, "Digital Infrastructure and Data-Center Risk" (2026).

across instruments that are reported in different portfolio categories.⁴ For investors, the key consideration is whether exposure to the theme is being accumulated through different financing structures in ways that may be difficult to identify through traditional asset-class reporting alone.

Recent signals from credit markets suggest that investors are increasingly distinguishing between the growth potential of AI and the financing required to support it. Credit default swap spreads on several major hyperscalers have widened relative to those of large US banks, reflecting greater attention to rising leverage, pressure on free cash flow at some issuers, and uncertainty regarding the pace at which AI-related investments may generate returns. More importantly, this repricing suggests that investors are placing greater emphasis on underlying credit fundamentals, including whether future cash flows will be sufficient to support the debt used to finance AI infrastructure and related capital expenditures.⁵

Series Conclusion: An Integrated Assessment

AI is now a structural driver of credit markets rather than a temporary issuance cycle. Public bonds, utility financing, project debt, private credit, and securitization are collectively funding a multi-year infrastructure buildout. The breadth of financing channels increases market capacity, but it also distributes similar economic risks across a wider range of securities and portfolios.

Market absorption has remained strong, particularly for high-quality issuers, but differentiation is increasing. The appropriate dividing lines are not simply AI versus non-AI. They are diversified versus concentrated repayment sources, completed versus construction-stage assets, amortizing versus bullet-maturity structures, durable versus uncertain power access, and conservative versus optimistic assumptions about monetization and useful life.

The central question is whether debt-funded infrastructure will generate sufficient cash flow over its economic life to service and ultimately repay the obligation. Strong corporate issuers may navigate that challenge through balance-sheet flexibility and diversified cash flow. The broader ecosystem has less room for error because repayment depends more directly on successful construction, tenant performance, collateral value, regulatory treatment, and future refinancing access.

Refinancing risk may become the principal transmission mechanism from optimistic growth assumptions to credit stress. This is most likely when short-lived components are financed with long-lived, minimally amortizing debt, or when facilities depend on concentrated tenants and continued access to favorable capital markets. Conversely, completed assets with durable contracts, conservative leverage, meaningful amortization, robust creditor protections, and flexible reuse potential should be more resilient if sentiment or demand weakens.

⁴Russell Investments, "AI Capex Wave Tests Bond Market Depth" (2026); J.P. Morgan Asset Management, "Is AI-Related Debt an Issuer Problem or a Concern for Broader Credit Markets?" (2026).

⁵Apollo Global Management, "Hyperscaler CDS Widening Is Not a Dealer Inventory Story," (September 16, 2026); CNBC.com, "Hyperscaler debt signals warning sign, Apollo cautions," (September 16 2026)

AI-related debt can be investable, but it requires discrimination. Bondholders are ultimately repaid through cash flow, collateral value, enforceable contracts, covenant protection, and refinancing access—not through the strength of the technology narrative alone. The opportunity is therefore best approached as a credit-underwriting problem: identify the repayment source, quantify the downside, understand structural protections, and require compensation commensurate with the risks assumed.

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