Credit Currents:

Insights across public and private credit

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BlackRock

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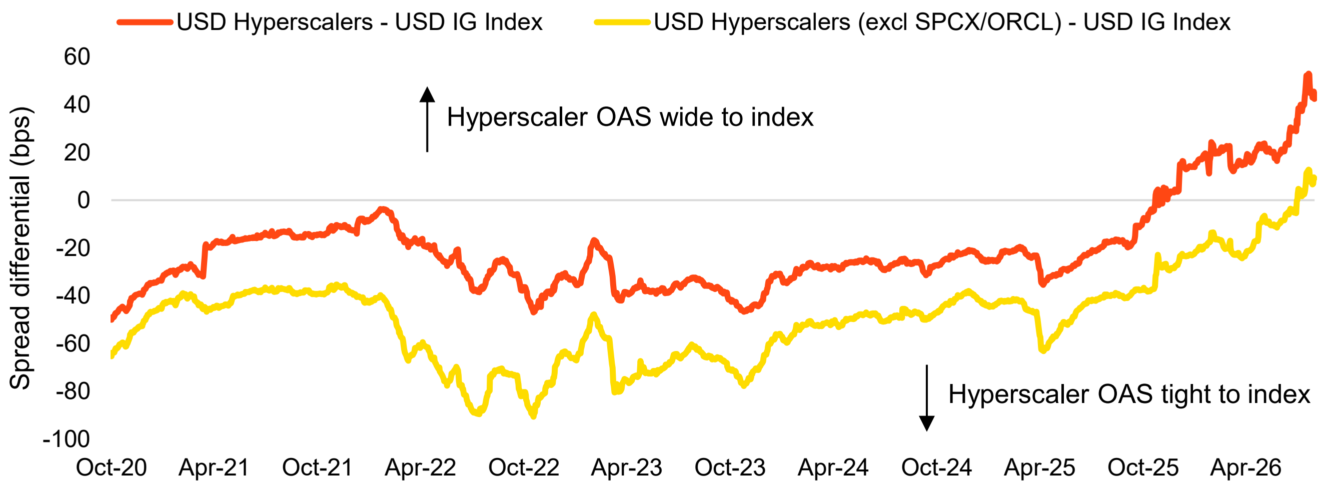
The AI financing cycle is reshaping credit relative value

1. **AI-related supply continues to be a defining theme of capital markets activity YTD.** IG hyperscaler issuance has meaningfully accelerated, and data center bond issuance remains robust in both IG and HY markets.
2. **The heavy supply technical has weighed on valuations.** Senior hyperscaler debt is trading wide of the USD IG index. Further, the share of the USD IG market trading wider than USD BBs has nearly doubled over the past year, rising to 4.6% of index par value from 2.6%. Hyperscalers and IG data center bonds represent 38% of that cohort.
3. **Data center financing is expanding, but requires differentiated underwriting.** Both IG and HY data center bonds are trading over 100bps wide of the senior spreads of tenants, reflecting additional construction and operating risks associated with data center issuances.
4. **The broad impact of HY data center bonds remains modest but is increasingly visible within BBs.** Such bonds add less than 1bp to overall HY spreads but about 7bps to BB index spreads. Even so, the July selloff showed how this small but growing segment can affect broader returns. Over the L3M, BBs (excl. data centers) outperformed the BB index by 13bps.

Exhibit 1: Hyperscaler spreads have widened relative to the broader USD IG Index
Hyperscaler option-adjusted spread (OAS) less Bloomberg USD IG Corporate Bond Index OAS, including and excluding SpaceX and Oracle, in basis points (bps)



Source: Bloomberg, BlackRock. As of August 7, 2026. Includes debt directly issued by Alphabet, Amazon, Microsoft, Meta, Oracle, and SpaceX.

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The AI financing cycle is reshaping credit relative value

AI investment continues to shape the financing opportunity across public and private markets. In public credit, hyperscaler issuance has accelerated investment grade (IG) issuance, and data center financing is expanding across both IG and high yield (HY) issuance.

The growth in supply has created pockets of relative value. Hyperscaler spreads have widened relative to the broader IG market, while both IG and HY data center bonds offer additional spread over tenant debt. Those premiums reflect construction and operating risks beyond the tenant's standalone credit. The impact on broad HY remains modest, but is more visible within the BB segment, where HY data center bonds have recently weighed on returns.

In this *Credit Currents*, we examine how AI-related financing is changing supply, relative value, and security selection across public credit.

Hyperscaler issuance is reshaping IG supply

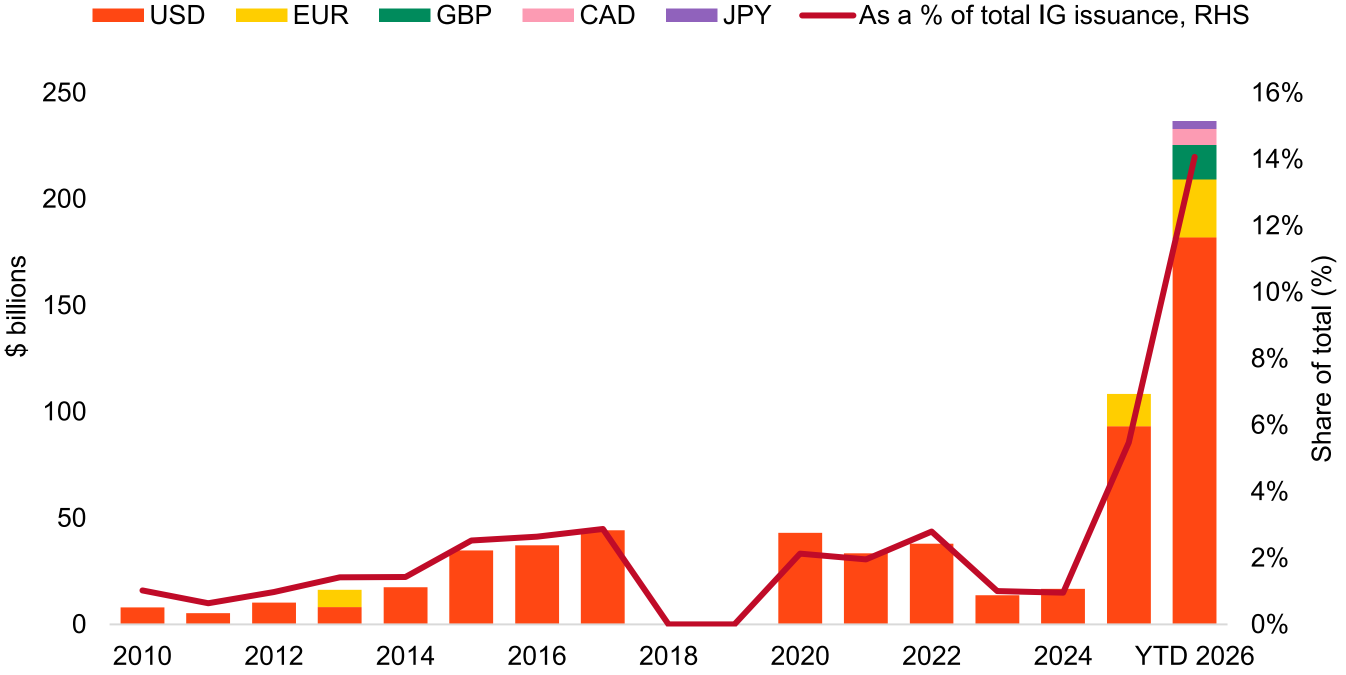
IG markets have been an important source of financing for the AI-buildout.

While hyperscalers have long been issuers in the USD IG market, the scale, frequency, and breadth of their issuance has expanded alongside AI-related capital expenditures (CapEx) (Exhibit 2). For context, hyperscalers have accounted for 14% of total IG issuance year-to-date (YTD) across relevant currencies, up from 5% in 2025 and well above their 1% average share from 2010 to 2024.

That said, the cohort's commitments have also expanded beyond corporate bond issuance. Indeed, an August 6 report from GS Research, which uses data from SEC filings, estimates aggregate hyperscaler lease commitments total $1.5 trillion as of 2Q2026, including $1.0 trillion of commitments that have that not yet commenced (and therefore are not reflected directly in financial statements). (Note that this analysis does not include SpaceX.)

The AI financing footprint also spreads beyond hyperscalers to capture adjacent industries such as utilities and machinery companies. While their contributions to issuance remain more modest, we view the broader sector reach as illustrative of the broad-based nature of the investment cycle.

Exhibit 2: Hyperscaler issuance has expanded meaningfully year-to-date
Hyperscaler debt issuance across currencies (in USD equivalent), and issuance as a percentage of total IG issuance (across relevant currencies), RHS



Source: Dealogic and BlackRock. YTD through August 10, 2026. Includes debt directly issued by Alphabet, Amazon, Microsoft, Meta, Oracle, and SpaceX.

Heavy AI-related supply is creating new relative value in IG

Relatedly, strong issuance has begun to open pockets of relative value within USD IG. The negative supply technical (i.e., heavy supply) has pushed spreads for AI-related issuers wider, as most apparent in hyperscalers' price action over time (Exhibit 1).

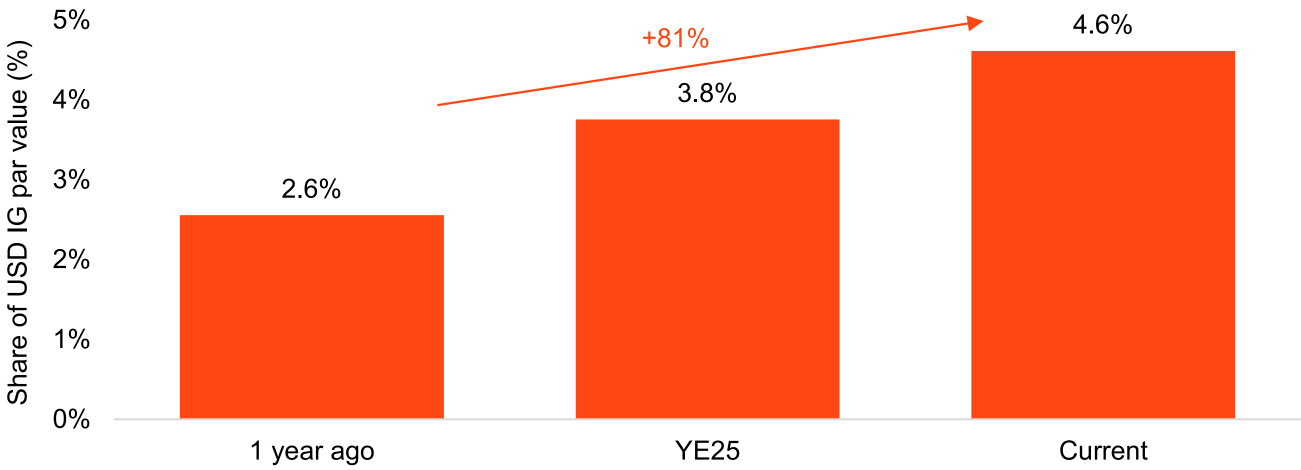
Further, as of August 7, 2026, 4.6% of USD IG index par value traded at spreads wider than the USD BB Index, up from 2.6% a year earlier (Exhibit 3). AI-related borrowers represent a significant share of that cohort, with hyperscaler bonds and IG-rated data center financing accounting for 38% of the IG par value trading wider than BBs (Exhibit 4). BDCs represent another sizable segment at 10%. For investors, the repricing creates an opportunity to access additional spread while maintaining IG-rated exposure.

Another factor influencing the relative value consideration between IG and BB-rated bonds include corporate hybrids. Hybrid bonds, which are largely issued by IG companies, may receive HY ratings due to subordination. Such bonds now account for close to 5% of BB index par value or ~4bps of the BB index's spread.

In our view, the growing overlap between the two markets reinforces the importance of security selection, with high-quality AI-related debt offering a particularly attractive source of value.

Exhibit 3: The share of USD IG par value trading wider than BBs has nearly doubled

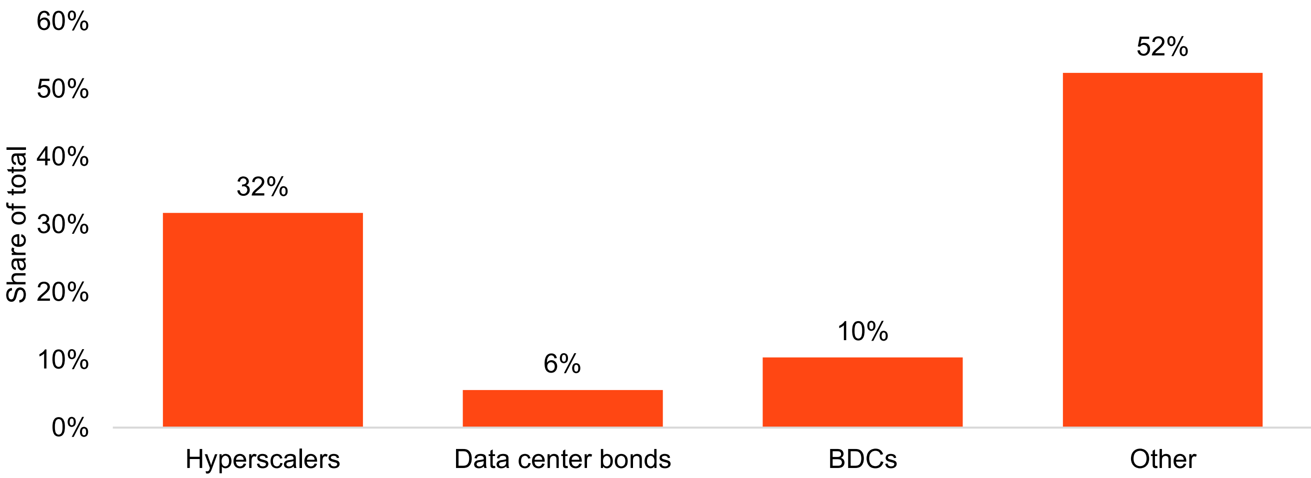
Share of USD IG corporate bonds, by par value, with OAS wider than the Bloomberg BB US HY Index



Source: Bloomberg, Blackrock. IG universe defined as all corporate bond issuers in either the Bloomberg LUACSTAT or LU14STAT indices. As of August 7, 2026.

Exhibit 4: Hyperscalers and IG data center bonds account for 38% of USD IG par value trading wider than BBs

Composition of USD IG par value with OAS wider than the Bloomberg BB US HY Index, by credit category



Source: Bloomberg, Blackrock. IG universe defined as all corporate bond issuers in either the Bloomberg LUACSTAT or LU14STAT indices. As of August 7, 2026.

Data center financings represent an expanded opportunity set

The AI buildout is also driving increased data center bond issuance in USD IG and HY markets (Exhibit 5).

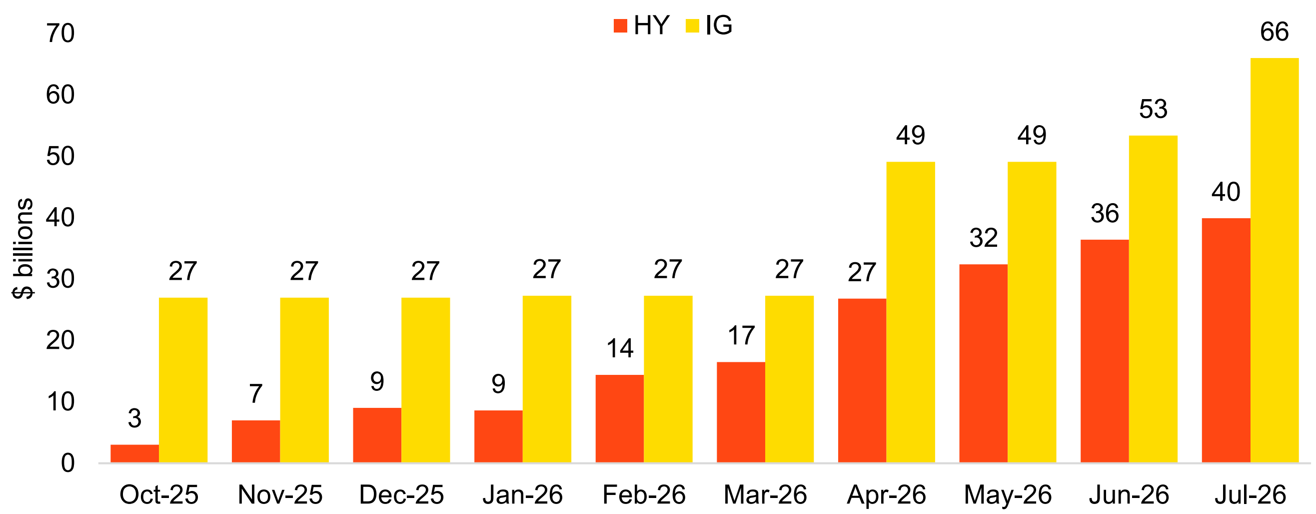
Within USD HY, project- and asset-based financings have grown as a share of YTD activity, driven largely by AI-related issuance (Exhibit 6). Citi Research notes that AI-related issuance now represents 3% of the USD HY market, with data centers representing 80% of AI-related HY bonds outstanding, as of July 24, 2026. The share of AI-related issuance, including data centers, is expected to continue growing over time.

HY data center bonds often have features that are common to project finance structures. For example, they are typically secured by a 'ring-fenced' entity and its associated lease. As such, underwriting focuses on tenant quality, construction risk and execution, and protections that are built into the financing agreement. Once a data center is operational, long-term leases and contractual rent increases can support stable cash flow while scheduled amortization can reduce leverage over time.

The growing supply pipeline has also begun to improve entry points for investors, with some recent transactions requiring wider spreads and larger new-issue concessions.

Exhibit 5: AI data center outstanding volume has nearly tripled since year-end 2025

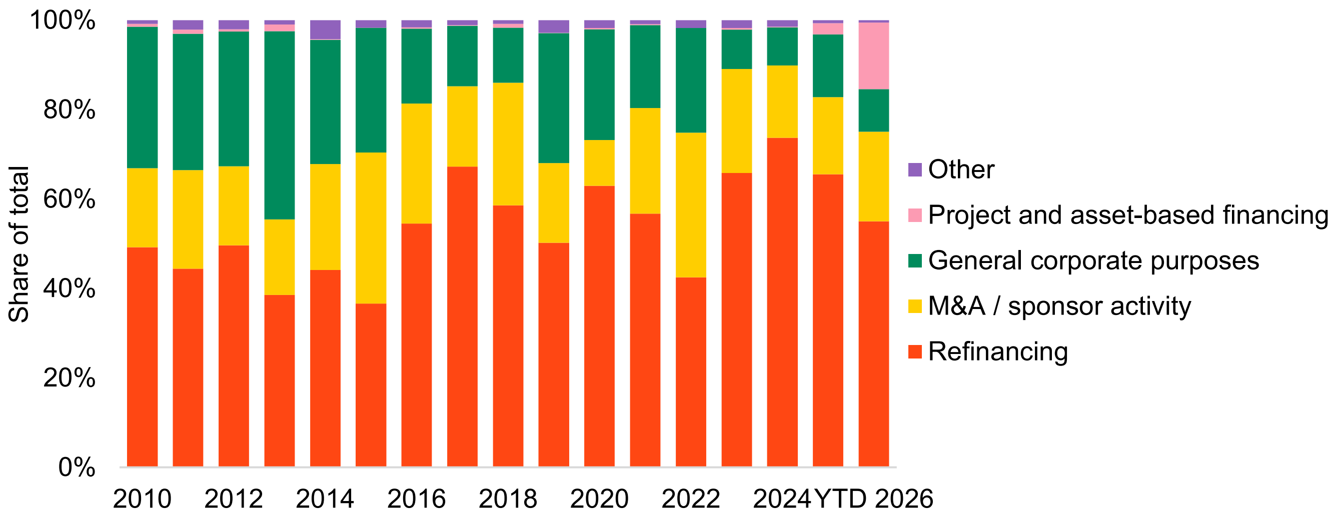
IG / HY AI data center bonds outstanding by month, in $ billions



Source: Bloomberg, Barclays Research, BlackRock. As of July 31, 2026. Excludes issuance by neocloud CoreWeave, which has issued $10bn of regular-way HY bonds to date.

Exhibit 6: Project financing has grown considerably with AI driven activity

Share of USD HY gross issuance, by use of proceeds



Source: Dealogic, BlackRock. YTD 2026 as of August 10, 2026.

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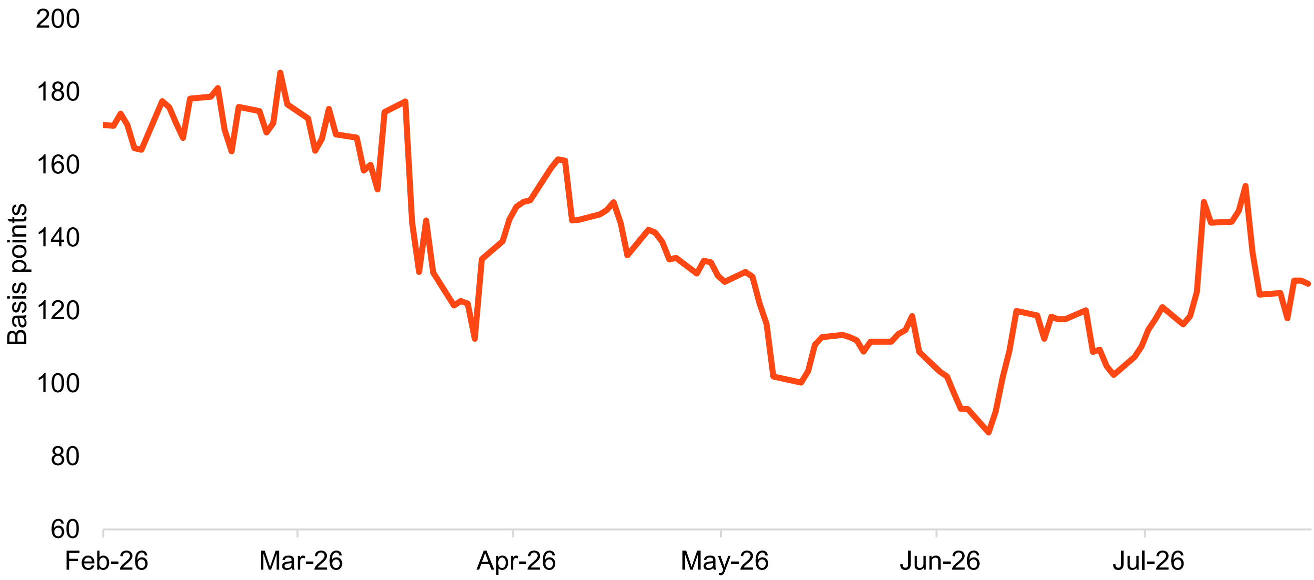
Data center bonds trade at a discount to tenant debt

The project-based nature of data center bonds is also reflected in secondary market pricing. Indeed, tenant credit quality (or backstop party to lease), remains central to underwriting. However, these bonds are not equivalent to a direct obligation of the tenant. Indeed, investors must also consider risks related to construction and operating performance. As a result, both IG- and HY-rated data center bonds generally trade substantially wider than the corporate bonds issued by their associated tenants (Exhibits 7 and 8).

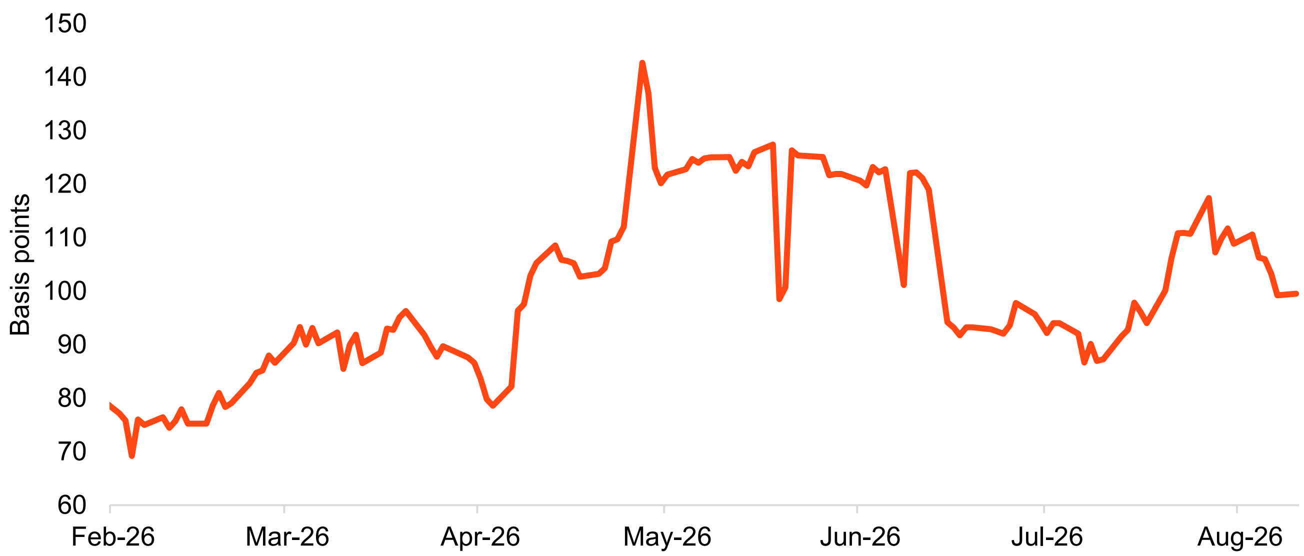
That said, the spread premium has somewhat converged across IG and HY cohorts in recent weeks. Indeed, since February 2026, HY data center bonds have tightened relative to tenant debt while IG data center bonds have widened. As of August 10, the differential stood around 125 basis points for HY and 100bps for IG.

Exhibit 7: HY data centers trade about 125bps back of maturity-matched senior tenant bonds
Median OAS of HY-rated data center bonds vs. the OAS of associated tenant bonds, in bps



Source: Bloomberg, BlackRock. As of August 10, 2026. Data center-tenant matched pairs provided by Barclays Research.

Exhibit 8: IG data centers trade 100bps back of maturity-matched senior tenant bonds
Median OAS of IG-rated data center bonds vs. the OAS of associated tenant bonds, in bps



Source: Bloomberg, BlackRock. As of August 10, 2026. Data center-tenant matched pairs provided by Barclays Research.

HY data center bonds remain a modest influence on broader index spreads, but are more visible within BBs

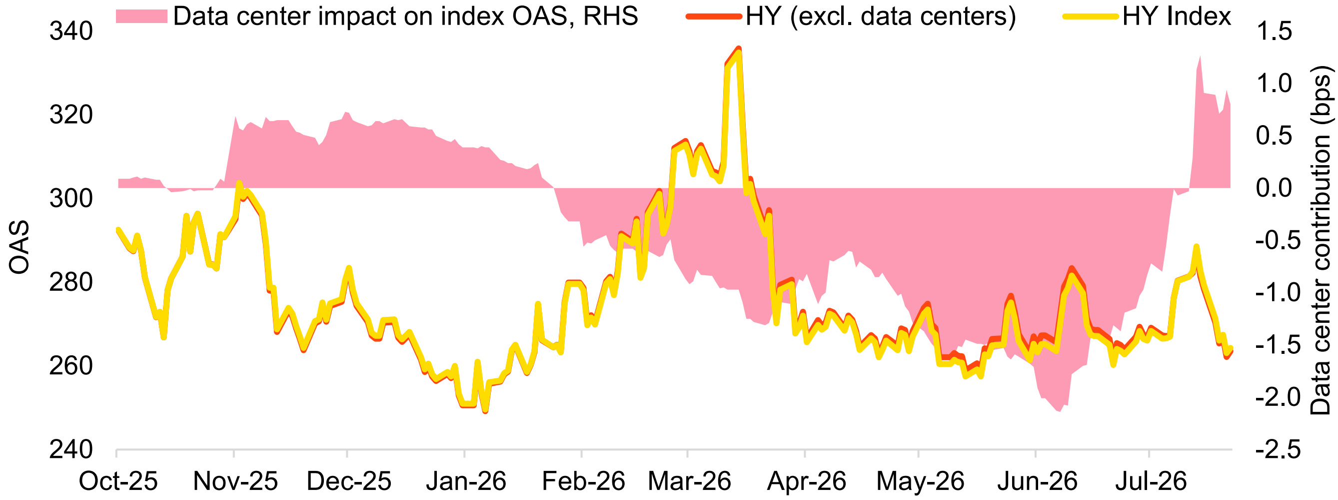
The recent repricing is also beginning to show up at the index level although the overall impact remains modest. As of August 7, 2026, data center bonds added just less than 1bp to the broader USD HY index OAS (Exhibit 9). That said, their influence is more visible within BBs, where all AI-related HY data center bonds currently sit, adding approximately 7bps to the overall spread level (Exhibit 10).

This increase has been most pronounced in July, when a growing supply pipeline coincided with renewed questions around the scale and potential returns of the AI buildout. Investor attention also turned to competitive developments, with reports of strong performance from an emerging market open-source model weighing on investor considerations.

At the same time, wider pricing of recent IG-rated hyperscaler and data center issuance may have reset relative value across the broader AI credit market, including HY data center bonds. Even so, the impact remains concentrated within a relatively small segment of the market rather than pointing to broader deterioration across HY.

Exhibit 9: HY data center spreads contribute about 1bp to the HY index after widening

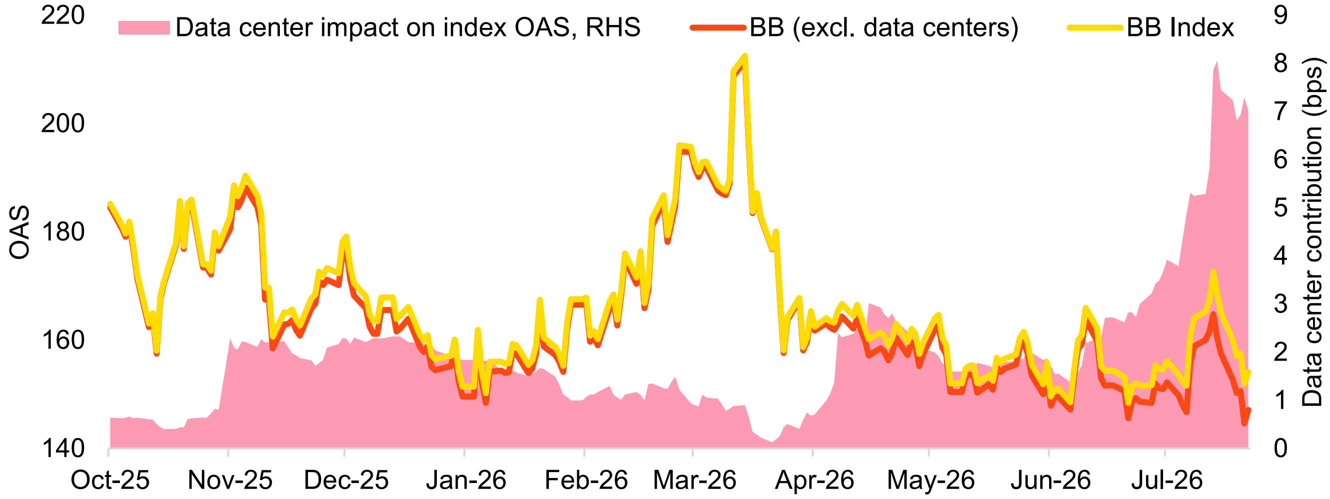
Option-adjusted spread (OAS) for the Bloomberg US Corporate HY Index, including and excluding data centers, and data center impact on index OAS, in basis points, RHS



Source: Bloomberg, BlackRock. As of August 7, 2026. Data center bonds provided by Barclays Research.

Exhibit 10: HY data centers add about 7bps to the spread of the BB index

Option-adjusted spread (OAS) for the Bloomberg BB US HY Index, including and excluding data centers, and data center impact on index OAS, in basis points, RHS



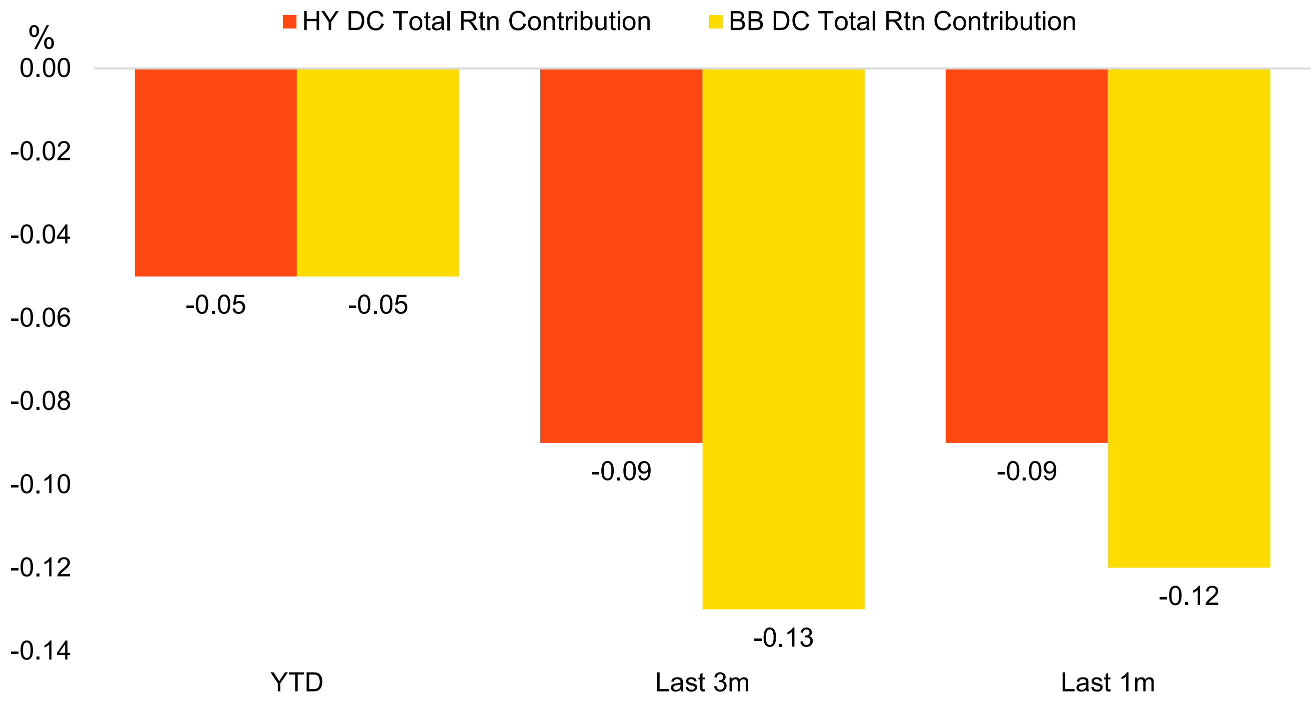
Source: Bloomberg, BlackRock. As of August 7, 2026. Data center bonds provided by Barclays Research.

Underperformance by HY data centers has been a recent drag on HY returns

The recent repricing is also visible in total returns although the index-level impact remains limited. As shown in Exhibit 11, our analysis suggests that USD BB index returns would have been 12-13bps higher in recent months when excluding data center bonds while the differential for the broad USD HY index was 9bps. That said, the YTD impact remains modest. Even so, the move illustrates how a relatively small, but growing, segment can influence near-term performance, reinforcing the importance of active credit selection and diversification.

Exhibit 11: Data centers have been a drag on HY returns more recently

Data center total return contribution for the Bloomberg US Corporate HY Index and the Bloomberg BB US HY Index



Source: Bloomberg, BlackRock. As of August 7, 2026. Data center bonds provided by Barclays Research.

Unless otherwise stated, all reference to $ are in USD.

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