

February 19, 2026

Global Credit Weekly:

Navigating AI's cross
currents

BlackRock

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Topics in this piece:
AI and Software
USD Investment Grade
USD High Yield
USD Leveraged Loans
Private Credit

Key takeaways:

- AI is redefining the investment opportunity across credit markets, most visibly in record USD investment grade technology issuance.
- At the same time, evolving dynamics in sectors such as software are contributing to performance dispersion across public and private markets. And as this dispersion becomes more pronounced, performance will increasingly be driven by borrower fundamentals, underscoring the need for rigorous underwriting and disciplined issuer selection.

Navigating AI's cross currents

Artificial intelligence (AI) has been a key focus for market participants over recent quarters, though its implications have become increasingly nuanced.

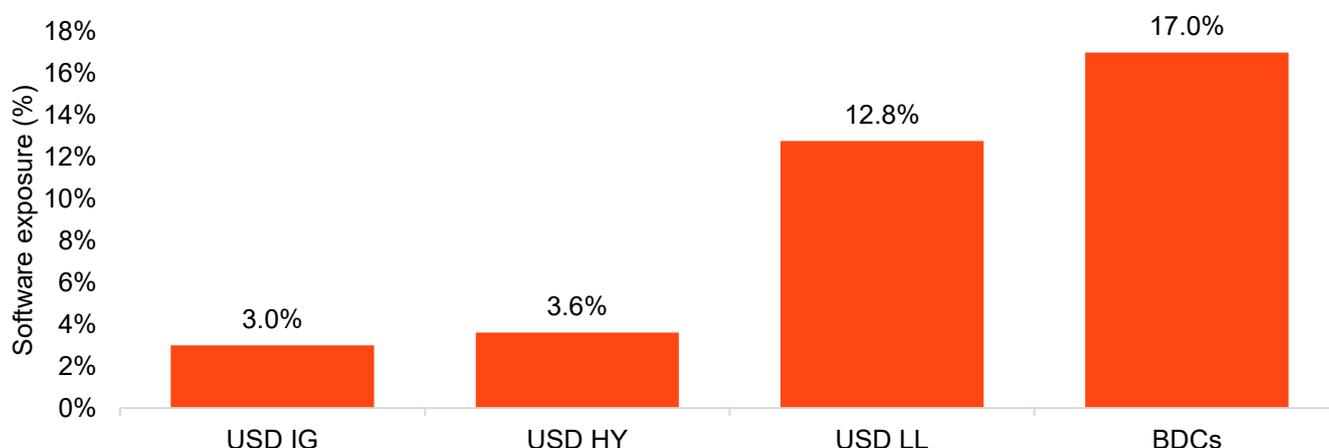
On one hand, AI has the potential to support significant business investment over the coming years. As our colleagues in the *BlackRock Investment Institute* [highlighted](#), external estimates suggest that cumulative corporate capital spending related to AI could reach \$5 to \$8 trillion globally through 2030, with the majority of that investment occurring in the U.S.

At the same time, advances in AI have sharpened investor attention on the potential for [disruption](#) across sectors. In particular, recent developments have prompted renewed scrutiny of software markets, where questions have emerged around revenue durability and competitive positioning as AI adoption evolves. This shift in focus is notable given software's long-standing role in both public and private credit markets, supported by recurring revenues, resilient customer retention, and broad end-market exposure.

In this *Global Credit Weekly*, we examine how AI is influencing investment opportunities. We also assess software exposure across USD credit markets and explore the implications for credit investors.

Exhibit 1: Software exposure varies across USD credit markets

Software exposure for the Bloomberg USD IG and HY Corporate Bond Indices (par value), the Morningstar LSTA USD Leveraged Loan Index (par value), and the Pitchbook LCD BDC universe (count)



Source: Bloomberg, Pitchbook LCD, BlackRock. USD IG and USD HY as of February 2026, USD LL as of January 2026, and BDC as of September 2025 (most recent available). USD IG and HY classified using BofA Merrill Lynch Index Sector Classification, USD LL based on GICS III. BDC analysis is based on quarterly filings of over 100 BDC portfolios as tracked by PitchBook LCD. USD IG includes only direct software exposure and does not include indirect exposure via BDCs.

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AI tailwinds are evident in some sections of the market

To start, AI is expanding the investable opportunity set across the financing ecosystem. As we noted in [November](#), USD investment grade (IG) technology issuance rose meaningfully in late 2025 and has remained strong into 2026 (thus far), driven largely by AI-related capital expenditures.

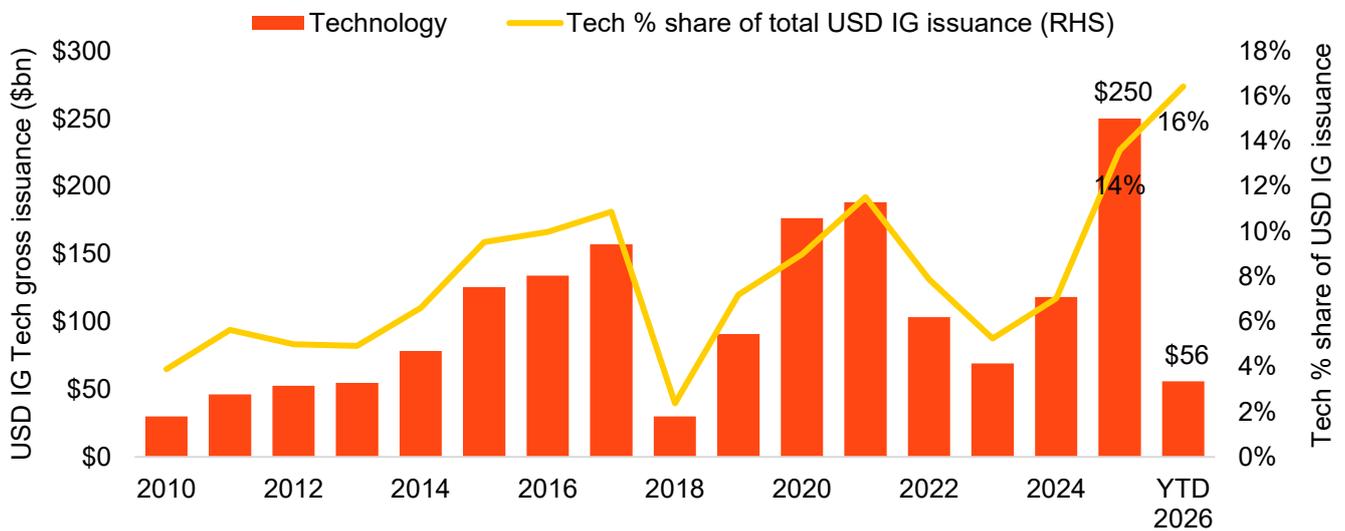
Exhibit 2 demonstrates USD IG technology gross issuance and its share of total year-to-date (YTD) USD IG supply. Notably, USD IG technology issuance reached a record high in full-year 2025, underscoring the scale at which companies are funding AI buildouts through public debt markets. Still, technology issuance is modest relative to other sectors (Exhibit 3).

That said, the AI investment opportunity extends well beyond public IG, in our view, touching markets such as commercial real estate (CRE), infrastructure, and private credit, as well. Data center financing is a clear example, often sitting at the intersection of corporate credit, CRE and infrastructure.

While AI presents an opportunity for some areas of the financing ecosystem, others such as software have faced greater uncertainty as AI shows potential to reshape the landscape.

Exhibit 2: Technology issuance increased in 2025...

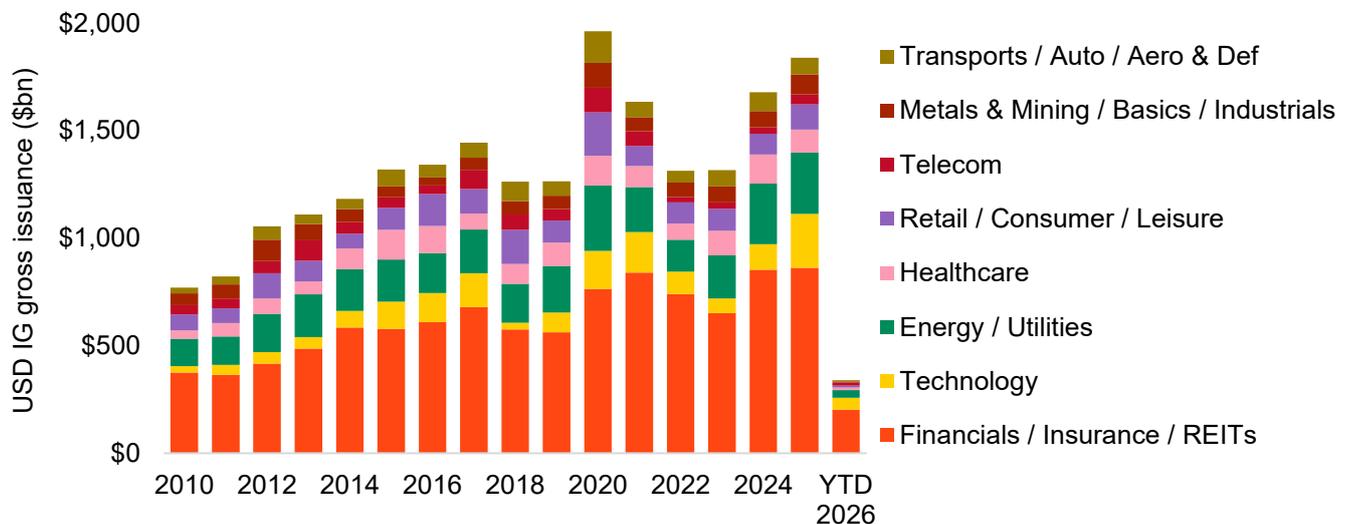
USD IG Technology gross issuance, in \$ billions, and share of overall USD IG issuance (RHS)



Source: Dealogic (ION Analytics), BlackRock. As of February 18, 2026.

Exhibit 3: ...and is expected to persist in 2026

USD IG gross supply, in \$ billions, by sector



Source: Dealogic (ION Analytics), BlackRock. As of February 18, 2026.

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Understanding software exposure across markets

Software exposure varies considerably across USD credit markets, and that variation has influenced YTD performance across liquid credit indices, in our view.

Exhibit 1 provides a broad view of software exposure across credit markets, while Exhibit 4 compares YTD performance in aggregate, and in software-related sectors. Importantly, while sector classifications can offer *directional* insight into market composition and performance, they can vary meaningfully between classification systems, underscoring the importance of nuance in assessing such market dynamics.

In **USD IG**, software represents a relatively small portion of the index, at roughly 3.0% of par value. Even within that modest allocation, exposures differ, with some ‘software’ issuers more directly tied to AI *infrastructure* spending. Beyond ‘software’ holdings, there is also indirect exposure through bonds issued by business development companies (**BDCs**). BDCs provide capital to small and medium-sized businesses and are often viewed as a proxy for private credit. As a result, IG exposure to BDCs can serve as an indirect channel to software risk. In Exhibit 4, this exposure is reflected within the ‘Miscellaneous Financial Services’ sector, which includes BDCs among other issuers.

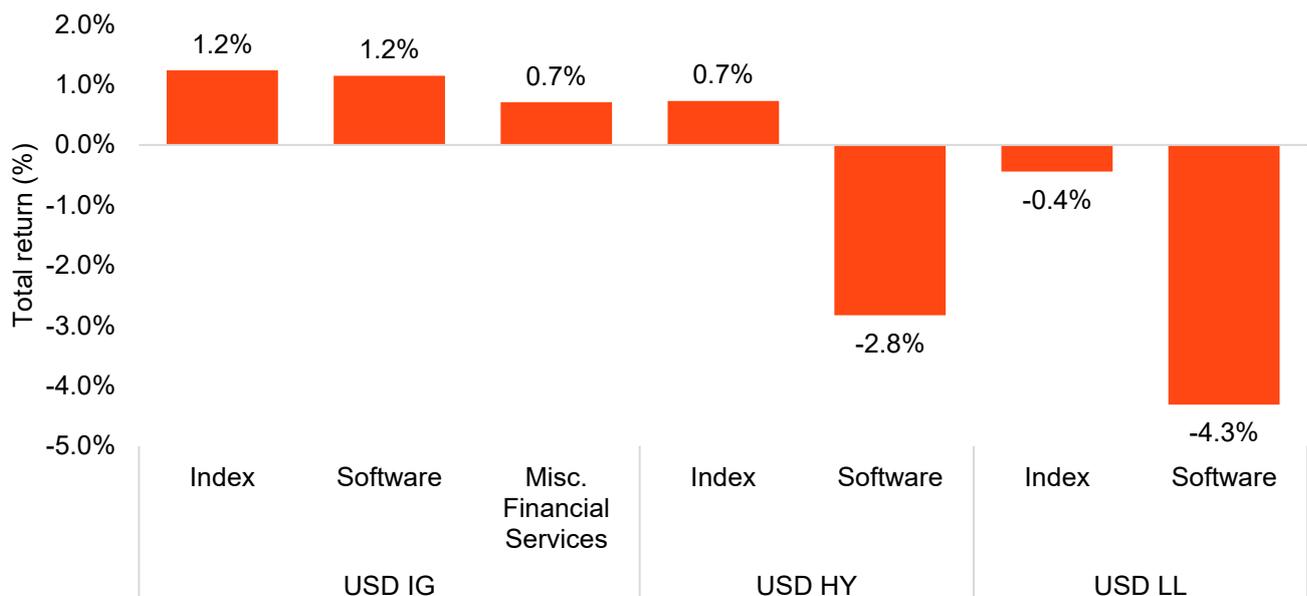
In **USD high yield (HY)**, software accounts for roughly 3.6% of par value, limiting its impact on broader index returns despite recent underperformance.

Software represents a larger component of the **USD leveraged loan** market, at approximately 12.8% of total par value. The broadly syndicated loan (BSL) market has historically been a key funding source for private equity-backed (PE) technology issuers, reflecting relatively flexible terms.

And finally, BDCs, as a proxy for **private credit**, also have considerable software exposure, with roughly 17% of loan holdings by issuer count tied to software borrowers. However, private credit performance (including asset marks) typically lags public markets due to its more limited liquidity. As such, we expect impacts from recent software-related market moves to be reflected more gradually over time.

Exhibit 4: YTD performance highlights the nuances of software exposure across markets

Year-to-date total return for the Bloomberg USD Investment Grade and High Yield Corporate Indices, and the USD Morningstar/LSTA Leveraged Loan Index. Includes performance for software sectors across indices as well as miscellaneous financial services in the USD IG index (as a proxy for exposure to business development companies).



Source: Bloomberg, Pitchbook LCD, Morningstar/LSTA, BlackRock. As of February 13, 2026 (most recent available for Pitchbook LCD). USD IG and HY uses BofA/ML sector classification. ‘Software’ is software/services, and ‘Misc. Financial Services’ is Investments & Miscellaneous Financial Services. USD LL uses GICS III. The figures shown relate to past performance. **Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

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USD IG and HY: Software exposure is limited, but dispersion is evident

We'll first assess exposures to software for the USD IG and HY bond market, given their more limited index-level exposures.

As demonstrated by Exhibits 5 and 6, software exposure in the USD IG and HY markets skew somewhat lower rated than the aggregate indices. Notably, while software ratings, weighted by par value, are considerably diversified in the USD HY market, large capital structures in the USD IG market skew the data toward one rating category.

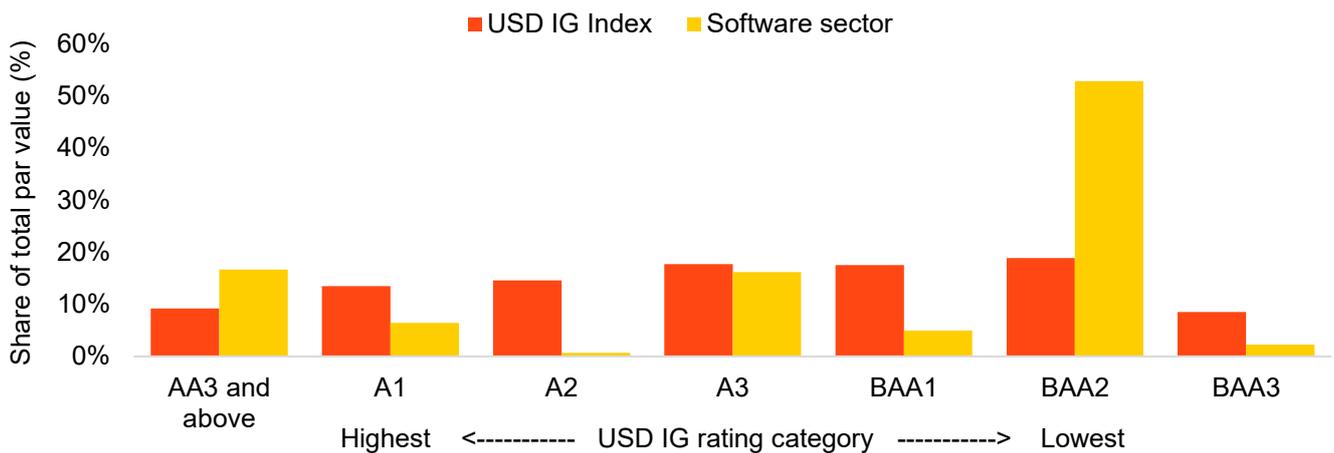
Further, YTD spread moves, demonstrated in Exhibits 13 and 14, reveal sector-level dispersion across both markets, including related to AI. For example, option-adjusted spreads for software borrowers have widened relative to the broader index in both USD IG and HY. That said, the move was more meaningful in USD HY, which widened 37% vs. only 5% in USD IG, likely reflecting the underlying borrower cohort.

USD IG 'investments & misc. financial services' sector spreads also widened 11% YTD, suggesting software exposure in BDCs may have influenced performance. That said, there are a variety of dynamics influencing BDC performance, including shifts in the rate environment and in investor sentiment.

Finally, some spread moves, such as widening in select financials borrower segments, suggest that AI-related disruption concerns may be broadening out.

Exhibit 5: Large capital structures in the USD IG universe skew software rating distributions

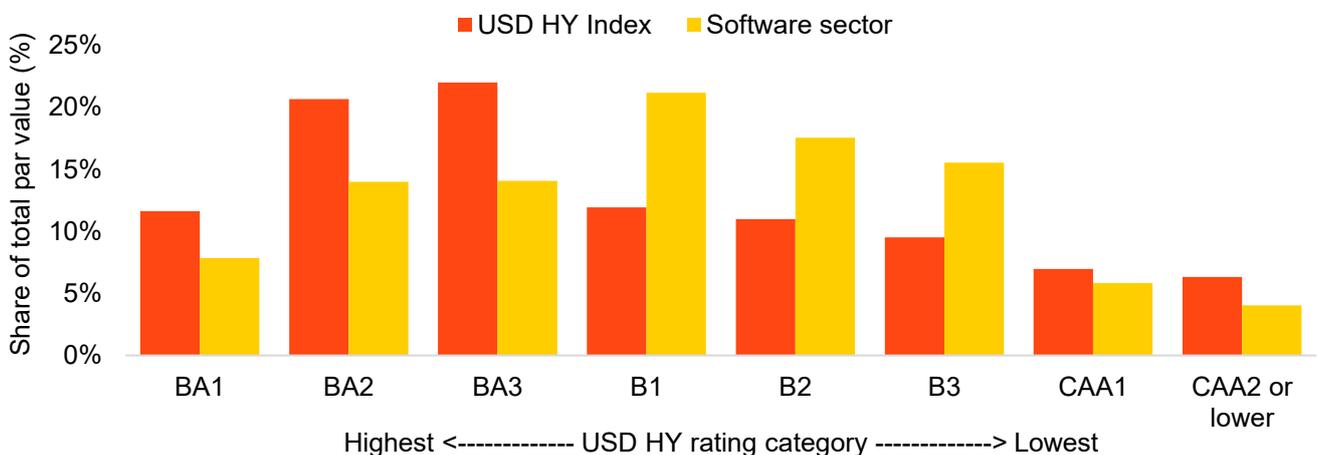
Rating distribution, by share of total par value, for the Bloomberg USD IG Corporate Bond Index, and the Software/Services sector



Source: Bloomberg, BlackRock. As of February 13, 2026.

Exhibit 6: Software exposures in the USD HY index skew modestly lower quality

Rating distribution, by share of total par value, for the Bloomberg USD HY Corporate Bond Index, and the Software/Services sector



Source: Bloomberg, BlackRock. As of February 13, 2026.

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USD LL: Characterizing software’s underperformance

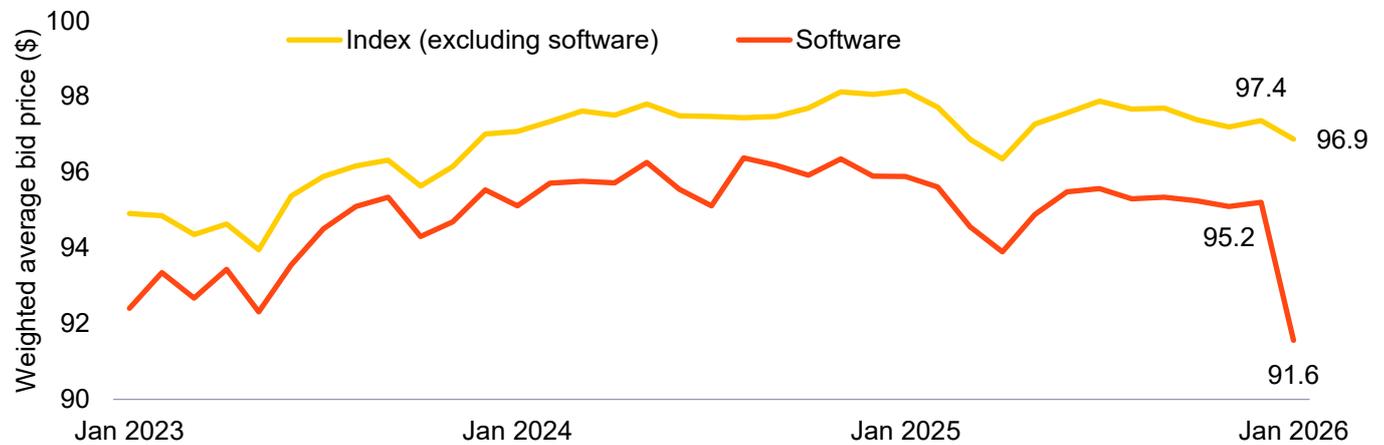
Software underperformance has been more pronounced in the USD leveraged loan market, in part reflecting the underlying borrower composition. Software issuers in the BSL market are more frequently associated with leveraged buyouts, informing a lower rating skew versus the broader index. Indeed, as of January 2026, B-minus rated software loans accounted for nearly half of the sector by market value, more than double the share of B-minus rated issuers in the broader index.

That said, we believe the recent movement in bid price between the broader index (excluding software), and software issuers, reflects uncertainty around the longevity of software borrowers (Exhibit 7). These price dynamics translated into performance outcomes as well, with software loans materially underperforming the broader leveraged loan index in January, returning -2.97% (Exhibit 8).

The divergence in both bid prices for performing loans and total returns highlight the degree of sector-level dispersion YTD within the leveraged loan market. In our view, it also reinforces the importance of active credit selection, disciplined underwriting and portfolio diversification, at the sector and issuer-level.

Exhibit 7: Software names have underperformed the broader index

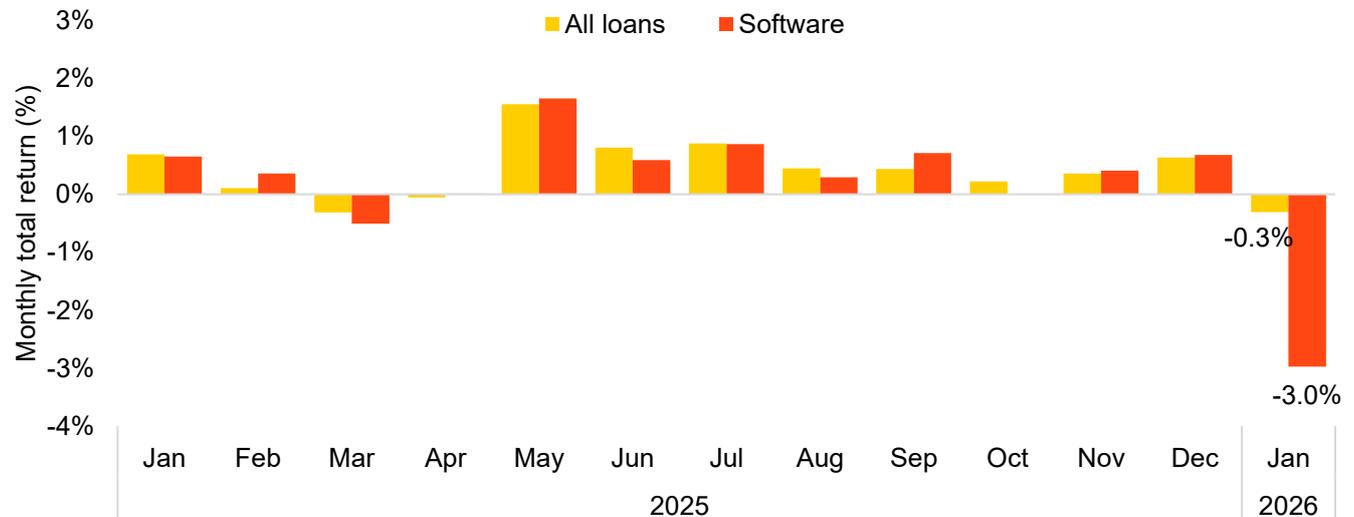
Weighted average bid price of performing loans in the Morningstar/LSTA USD Leveraged Loan Index



Sources: PitchBook LCD, Morningstar LSTA, BlackRock. Data as of January 31, 2026 (most recent available).

Exhibit 8: Software underperformance was notable relative to recent history

USD leveraged loans monthly total returns for all loans, versus software loans



Sources: PitchBook LCD, Morningstar LSTA US Leveraged Loan Index, BlackRock. Data as of January 31, 2026 (most recent available). The figures shown relate to past performance. **Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

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Private credit: Software exposure has evolved over time

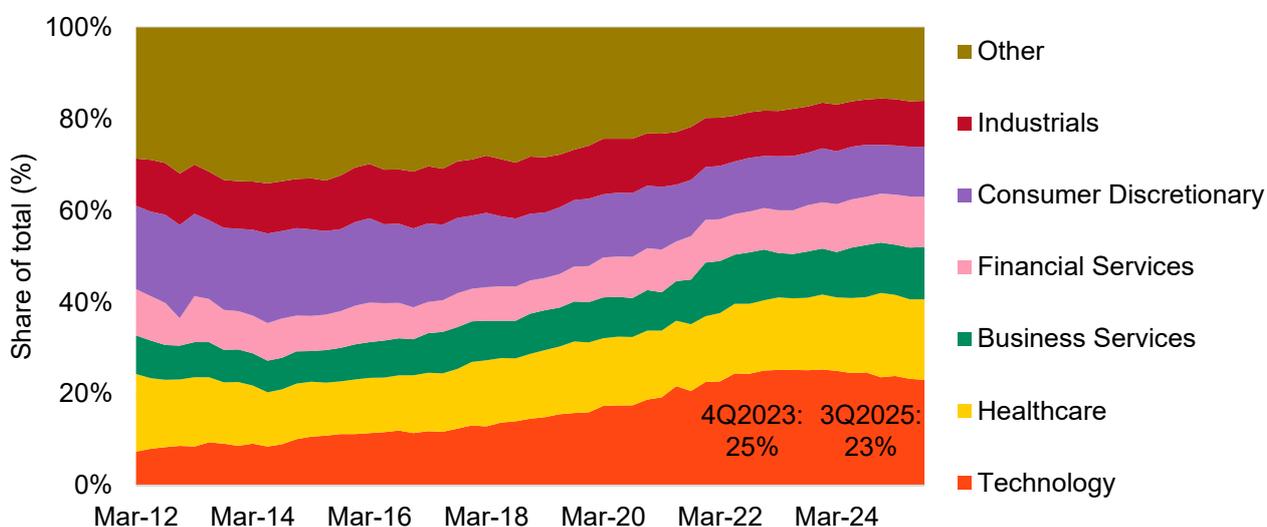
Private credit’s exposure to software is notable as well. Data from PitchBook LCD, based on over 100 BDCs, indicate that software represents roughly 17% of holdings by issuer count (Exhibit 1). While meaningful, this exposure has evolved over time and sits within broadly diversified portfolios.

Data from the Cliffwater Direct Lending Index (CDLI) provide additional context. Although the CDLI groups software within a broader “Technology” category, it offers insight into allocation trends (Exhibit 9). Technology exposure increased in recent years, peaking at 25% of AUM for the CDLI in 2023, before moderating somewhat to 23% in 3Q2025 (most recent data available). Overall, sector allocations across the index remain diversified.

Transaction activity has also shifted over time. KBRA DLD data show how technology deal volume skewed more heavily toward software in 2023 and 2024, while other technology segments represented a larger share of activity in 2025 (Exhibit 10). Still, software transaction activity has represented the majority of technology activity since 2023.

Exhibit 9: Technology has declined modestly as a share of the total CDLI

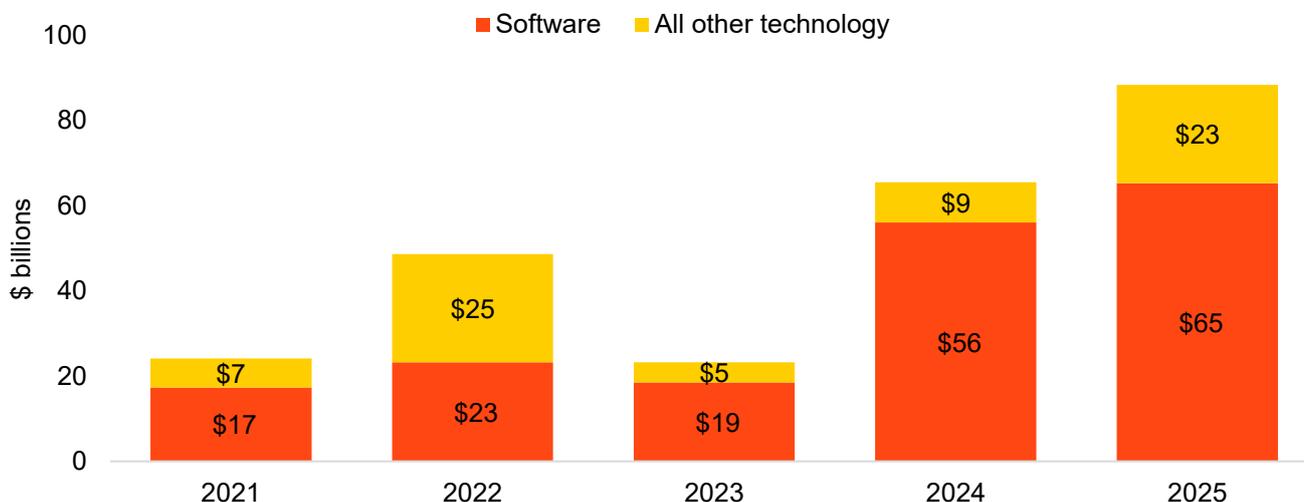
Sector composition for the Cliffwater Direct Lending Index



Source: Cliffwater Direct Lending Index, BlackRock. As of 3Q2025 (most recent available). Other includes media & telecom, materials, food, beverage & staples, energy, utilities, real estate, and other.

Exhibit 10: The composition of technology activity varies each year

Direct lending technology transaction volume for software and all other technology companies, in \$ billions



Source: KBRA DLD Research, BlackRock. As of YE2025 (most recent available).

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Private credit: Fundamentals are strong, in aggregate

Further, private credit’s exposure to software is generally well structured, in our view. Data from the Lincoln International VOG Private Market Database show average loan-to-value (LTV) ratios of 32% in 2H2025, implying meaningful equity cushions beneath underwritten loans (Exhibit 11). Further, at transaction close, leverage has tended to vary based on business quality, with higher gross retention rates typically supporting higher leverage given the visibility of recurring revenues (Exhibit 12).

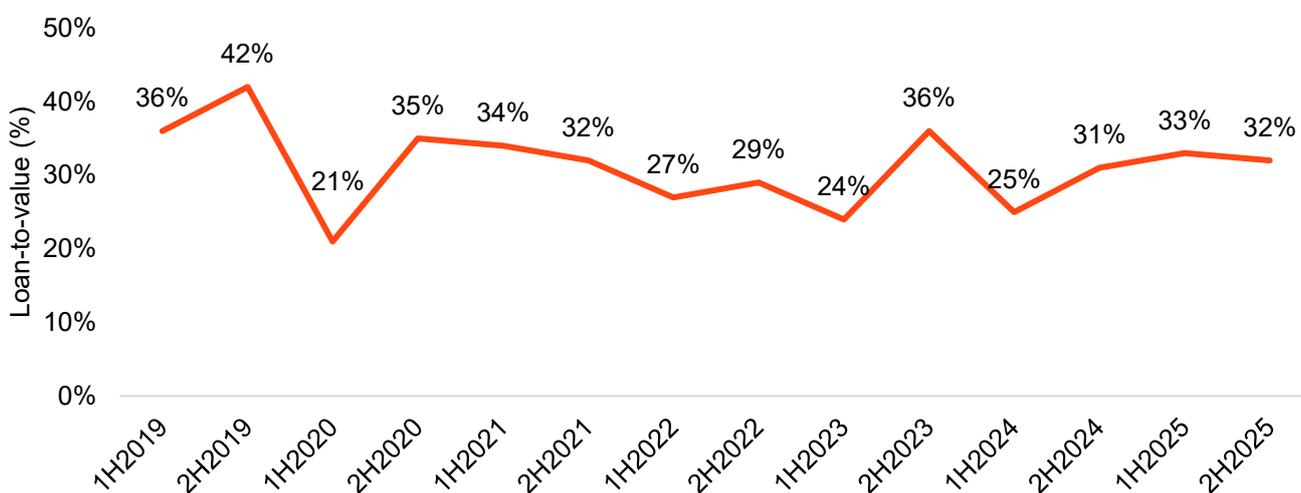
That said, AI’s impact on enterprise value will remain an important factor in assessing coverage levels and credit durability over time.

Importantly, “software” is not a single, uniform exposure. Business models vary widely, including by end market, pricing structure and product function, with some companies more exposed to potential disruption and others positioned to benefit from AI adoption. For example, providers that are deeply embedded in customer workflows or offering proprietary data may be better positioned to succeed.

And for private credit lenders, we expect that careful underwriting, patient deployment, and selective portfolio construction will be key to navigating dispersion in the space.

Exhibit 11: Software LTV remains conservative, in aggregate

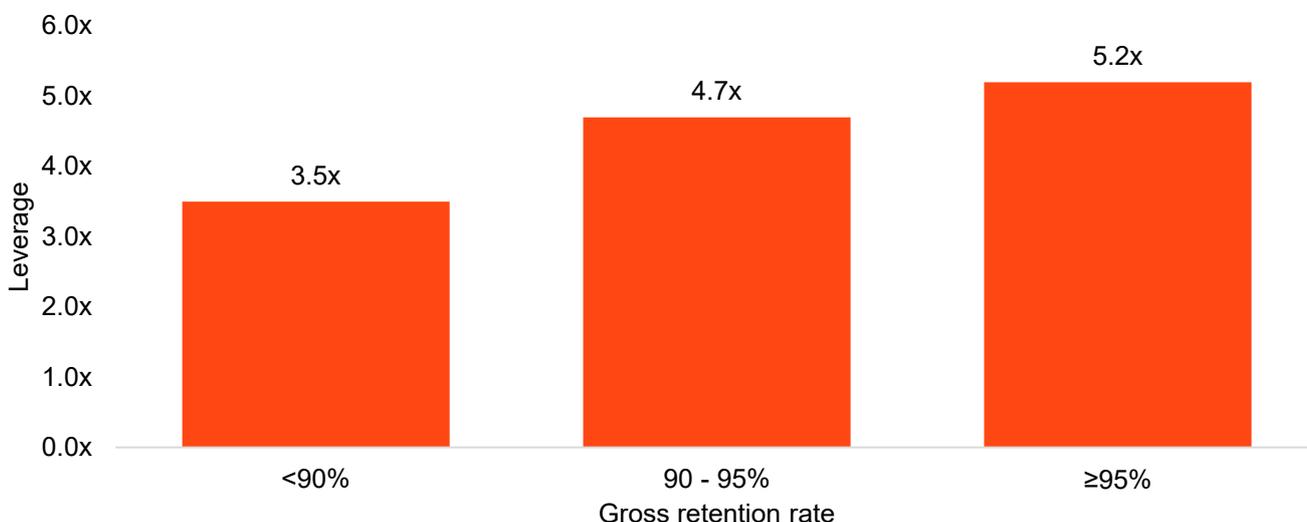
Average loan-to-value (LTV) at transaction close for software loans



Source: Lincoln International VOG Proprietary Private Market Database, BlackRock. As of 4Q2025.

Exhibit 12: Leverage on software loans varies by gross retention rate

Average leverage based on gross retention rate for software loans at transaction close



Source: Lincoln International VOG Proprietary Private Market Database, BlackRock. As of 4Q2025.

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Exhibit 13: YTD spread moves in the Software sector have modestly widened relative to the broader index, while Investments and Misc. Financial Services have underperformed

Option-adjusted spread for the USD IG Corporate Bond Index, and select sub-industries, as of YE2025 and February 17, 2026, and the percent change

	YE2025	Feb 17, 2026	% change
Bloomberg USD IG Corporate Bond Index	77	78	1%
Air Transportation	87	81	-7%
Personal & Household Products	50	48	-5%
Cable & Satellite TV	135	129	-5%
Packaging	80	76	-4%
Diversified Capital Goods	61	59	-4%
Building & Construction	79	76	-4%
Energy - Exploration & Production	96	93	-3%
Restaurants	63	61	-3%
Chemicals	97	94	-3%
Machinery	51	50	-3%
Forestry/Paper	123	120	-2%
Environmental	50	49	-2%
Gaming	103	101	-2%
Aerospace/Defense	71	70	-1%
Automakers	109	108	-1%
Electronics	68	67	-1%
Tobacco	77	76	-1%
REITs	78	77	-1%
Building Materials	75	75	-1%
Hotels	74	73	-1%
Food & Drug Retailers	86	85	-1%
Telecom - Wireless	83	83	1%
Banking	71	72	1%
Health Facilities	81	82	1%
Food - Wholesale	81	82	1%
Auto Parts & Equipment	84	86	2%
Steel Producers/Products	73	74	2%
Rail	67	68	3%
Metals/Mining Excluding Steel	74	77	3%
Life Insurance	105	108	4%
Health Services	81	84	4%
Medical Products	64	66	5%
Pharmaceuticals	58	61	5%
Recreation & Travel	77	81	5%
Software/Services	104	109	5%
Brokerage	73	77	6%
Specialty Retail	56	59	6%
Tech Hardware & Equipment	57	60	6%
P&C Insurance	73	78	7%
Insurance Brokerage	76	84	11%
Investments & Misc Financial Services	91	101	11%
Media Content	126	143	13%

Source: Bloomberg, BlackRock. As of February 17, 2026.

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Exhibit 14: Software spreads have underperformed the broader USD HY index YTD

Option-adjusted spread for the USD HY Corporate Bond Index, and select sub-industries, as of YE2025 and February 17, 2026, and the percent change

	YE2025	Feb 17, 2026	% change
Bloomberg USD HY Corporate Bond Index	265	278	5%
Energy - Exploration & Production	239	194	-19%
Specialty Retail	316	268	-15%
Electronics	137	123	-11%
Personal & Household Products	358	320	-10%
Chemicals	313	285	-9%
Pharmaceuticals	412	382	-7%
Air Transportation	281	264	-6%
Steel Producers/Products	206	195	-5%
Telecom - Wireless	179	173	-4%
Auto Parts & Equipment	245	237	-3%
REITs	219	217	-1%
Environmental	154	153	-1%
Cable & Satellite TV	447	443	-1%
Packaging	295	293	-1%
Hotels	167	166	0%
Life Insurance	332	333	0%
Metals/Mining Excluding Steel	164	164	0%
Restaurants	135	139	3%
Building Materials	270	280	4%
Tobacco	355	369	4%
Building & Construction	205	213	4%
Recreation & Travel	275	286	4%
Automakers	284	296	4%
Brokerage	173	181	4%
Aerospace/Defense	112	118	5%
Gaming	244	257	5%
Food - Wholesale	185	197	6%
Diversified Capital Goods	285	303	7%
Rail	932	1018	9%
Media Content	265	291	10%
Health Facilities	209	251	20%
Forestry/Paper	1233	1500	22%
Health Services	231	286	24%
Medical Products	115	144	25%
Investments & Misc Financial Services	225	283	26%
Food & Drug Retailers	100	127	26%
Software/Services	394	541	37%
P&C Insurance	214	312	46%
Tech Hardware & Equipment	305	505	66%
Insurance Brokerage	159	263	66%

Source: Bloomberg, BlackRock. As of February 17, 2026. Note the Tech Hardware & Equipment category (like many other sectors) is small. Underperformance reflects stress from one borrower and a sizable paydown of performing bonds, which changed sector composition. Note that some bonds issued by BDCs are captured in the HY index as well (within 'Investments & Misc. Financial Services'), though the segment is modest, and considerably smaller than exposures in the USD IG market.

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