

## Global Fixed Income Team

# Impact of *AI-Related* Debt Financing on the Corporate Bond Market

## Introduction

The anticipated global expansion of data centers and artificial intelligence (AI) infrastructure over the next three to five years presents both significant opportunities and considerable uncertainty for credit investors. Economic forecasts indicate that capital expenditures could reach approximately \$3 trillion over the next three years and between \$5 trillion and \$7 trillion over the next five years (J.P. Morgan, 2025). For perspective, the entire S&P 500 spent just under \$1 trillion in capital expenditures in 2024 (Morgan Stanley, 2025). This surge will likely impact industries including Technology, Utilities, and Energy, with financing sourced from multiple capital markets such as public corporate fixed income, private credit, asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), private equity, venture capital, and sovereign financing.

## Issuance Expectations

Estimates regarding the scale of AI-related debt issuance vary widely, reflecting uncertainty about the timing and realization of spending, the proportion of investments funded through internally generated cash flow versus debt, and the capital markets chosen for financing. Barclays reports that, as of October 31, \$95 billion of public investment-grade (IG) corporate AI-related debt has been issued year-to-date, representing 0.75% of the BGA Corp index and 1.3% of the U.S. Corp index. In addition, \$83 billion of private IG corporate AI-related issuance has been recorded year-to-date. Citadel projects that between \$70 billion and \$100 billion of AI-related public corporate debt will be supplied over the next twelve months, while Morgan Stanley estimates that the technology sector will see \$200 billion (around \$70 billion per year) in incremental investment-grade bond supply through 2028. Morgan Stanley expects the market demand will be there, and that the IG corporate bond market can absorb \$300 billion in AI and data center-related funding over the next twelve months, and up to \$1.5 trillion over the next five years. The critical question remains: at what cost to investors?

## Impact and Perspective on Benchmark Indices

Large AI-related companies in the retail and media industries are not in the Technology industry for index classification. If we add specific issuers to the Technology sector, the pro-forma industry would account for just over 7% of the BGA Corporate index and 10.5% of the U.S. Corporate index. With an assumed \$300 billion in AI and data center-related corporate bond issuance over the next three years, the industry's share would rise to an estimated 9% and 13%, or over +200 bps of share respectively, making Technology the largest non-financial, non-utility corporate sector weighting. Historical precedents cited by JPM, such as the Healthcare sector (2021-2024) and Telecom sector (2016-2019), indicate that substantial sector issuance has previously resulted in underperformance of 15 to 20 basis points.

## Investor Appetite

The relationship between supply and demand in the market can be complex. At times, increased supply generates heightened demand, while oversupply can lead to larger new issue concessions, weaker secondary performance, and market indigestion. Over the past three months, the public market has seen multi-tranche deals from multiple major retail and technology companies totaling over \$80 billion in new issuance. Additionally, a special purpose vehicle from a major technology company completed a private placement single-tranche deal totaling \$27 billion – the largest single-tranche issue ever! This amounts to nearly \$115 billion in new public debt directly related to AI data center expansion, representing over 20% of total gross issuance since September 1st of this year. Hyperscaler deals have been issued at a weighted average new issue concession of +12 basis points, compared to a market average of +2.5 basis points. The average oversubscription for these AI-related deals exceeded 4x, while the market average is below 4x. Overall, investors have thus far shown considerable comfort in participating in these large transactions at attractive concession, despite the expectation of continued substantial issuance over the next twelve to thirty-six months.

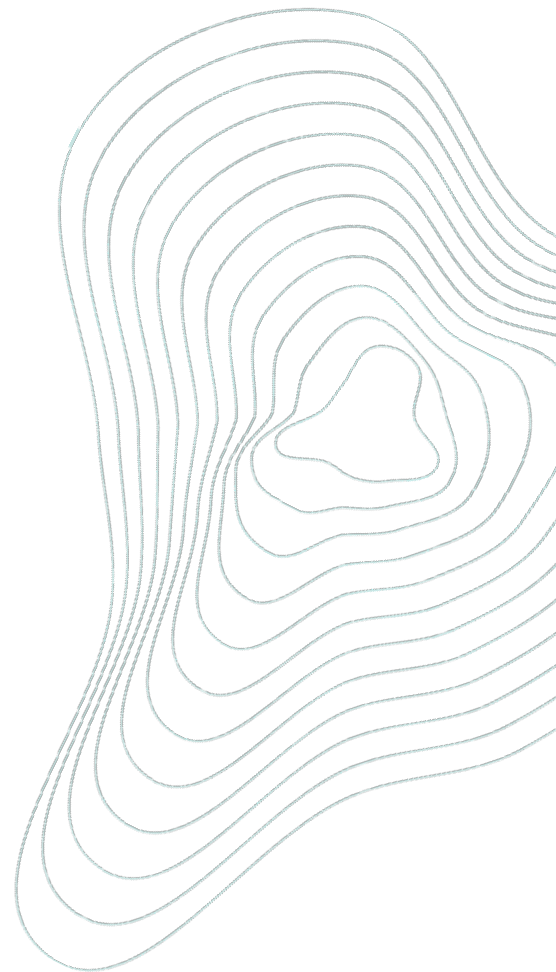
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## Global Investment Thesis

We believe the forthcoming wave of data center and AI-related capital spending, along with associated corporate bond financing, will create compelling investment opportunities over the next twelve months. The projected spending and capital expenditure figures are substantial, and investors should remain vigilant regarding the risks of overbuilding or potential delays in demand for AI products and services. Nonetheless, we are still in the early stages of this transformative development, and concerns about overcapacity are not yet imminent.

*Our approach remains cautious and critical, prioritizing appropriate risk-return tradeoffs while recognizing the attractiveness of current investment opportunities.*

**Thanks to the expertise and comprehensive analysis provided by our Credit Research team,** we are well-positioned to carefully evaluate each issuer, new deal offering, distinct financing structure, and the associated relative value opportunities.



## References:

Barclays. (2025, November 10). *IG TMT (AI) One You: Framing Hyperscaler Financing*. Barclays FICC Research Credit Research. <https://publicresearch.barclays.com>

Morgan Stanley. (2025, July 16). *Bridging a \$1.5tr Data Center Financing Gap: Global Fixed Income, Tech Diffusion, & GenAI*. Morgan Stanley Research, North America Insight.

J.P. Morgan. (2025, November 10). *AI Capex – Financing the Investment Cycle*. North America Fundamental Research. J.P. Morgan Securities LLC.

## Important Disclosure

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*Market conditions are extremely fluid and change frequently*

***Diversification does not ensure a profit or guarantee against a loss.***

***Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.***

***There is no guarantee that the investment objective will be realized or that the strategy will generate positive or excess return.***

***Past market experience is no guarantee of future results.***

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## About the Team

Our strength is rooted in decades of honing our research and investment processes to consistently navigate ever-changing global markets.

1986

Global Bond Portfolio Established

80+

Institutional Accounts & Commingled Vehicles

\$36.9

Team Assets Under Management\*  
(Billion USD)

*As of 9/30/2025.*