



➤ On the Minds of Investors

Could rising AI debt derail the investment boom?



Stephanie Aliaga
Global Market Strategist

Published: Today



Financing risks are growing, but so is demand for compute, supported by an ecosystem with substantial financial resources.

The AI buildout has absorbed a cumulative \$1.6 trillion of capital spending since 2023, and investors anticipate upwards of \$1 trillion in annual spending for the foreseeable future. What began as a largely cash-funded expansion increasingly

resources. The diversity of business models and balance sheets, however, means not everyone will benefit equally.

Why are neoclouds under pressure?

Neoclouds are specialized AI cloud providers that have emerged as important sources of computing capacity for hyperscalers and frontier AI labs. They have helped accelerate infrastructure deployment in a capacity-constrained market, and Gartner expects them to capture 20% of the AI cloud market by 2030.

Their business models are extraordinarily capital-intensive. Infrastructure investments must be financed upfront against customer revenues earned over several years, leaving returns vulnerable to higher borrowing costs, contract renewals and changes in compute pricing. Concentrated customer bases and rapidly depreciating GPUs can compound those risks.

These vulnerabilities are increasingly reflected in credit markets. Credit default swap spreads for CoreWeave recently approached 1,200 basis points, reflecting substantial concerns about creditworthiness. But pressure is not uniform. Customer contracts, leverage and financing structures vary considerably, and while hyperscaler spreads have widened too, investors are demanding far greater compensation from more leveraged infrastructure providers.

A stronger foundation for the broader buildout

The hyperscalers underpinning much of the expansion have strong balance sheets, diversified revenue streams and substantial internally generated cash flow. Cloud revenues grew over 50% year-over-year in Q2 across leading providers, while large contracted backlogs provide visibility into future demand. These companies have considerable capacity to absorb higher borrowing costs and take on additional debt.¹

The ecosystem's interconnectedness may also provide support. Chip suppliers, hyperscalers and AI developers have strong incentives to keep critical infrastructure projects moving, encouraging strategic investments, long-term capacity commitments and alternative financing arrangements. These relationships can help sustain investment, although they also introduce dependencies and potential channels for contagion.

Most importantly, demand for compute remains exceptionally strong. OpenRouter data suggest agentic AI requests consume roughly 15 times as many tokens as human-initiated requests.² As these more compute-intensive applications scale, falling inference costs could expand the market further. Meanwhile, persistent bottlenecks in power, equipment and construction should keep compute capacity constrained, supporting pricing power for infrastructure providers.

What should investors watch?

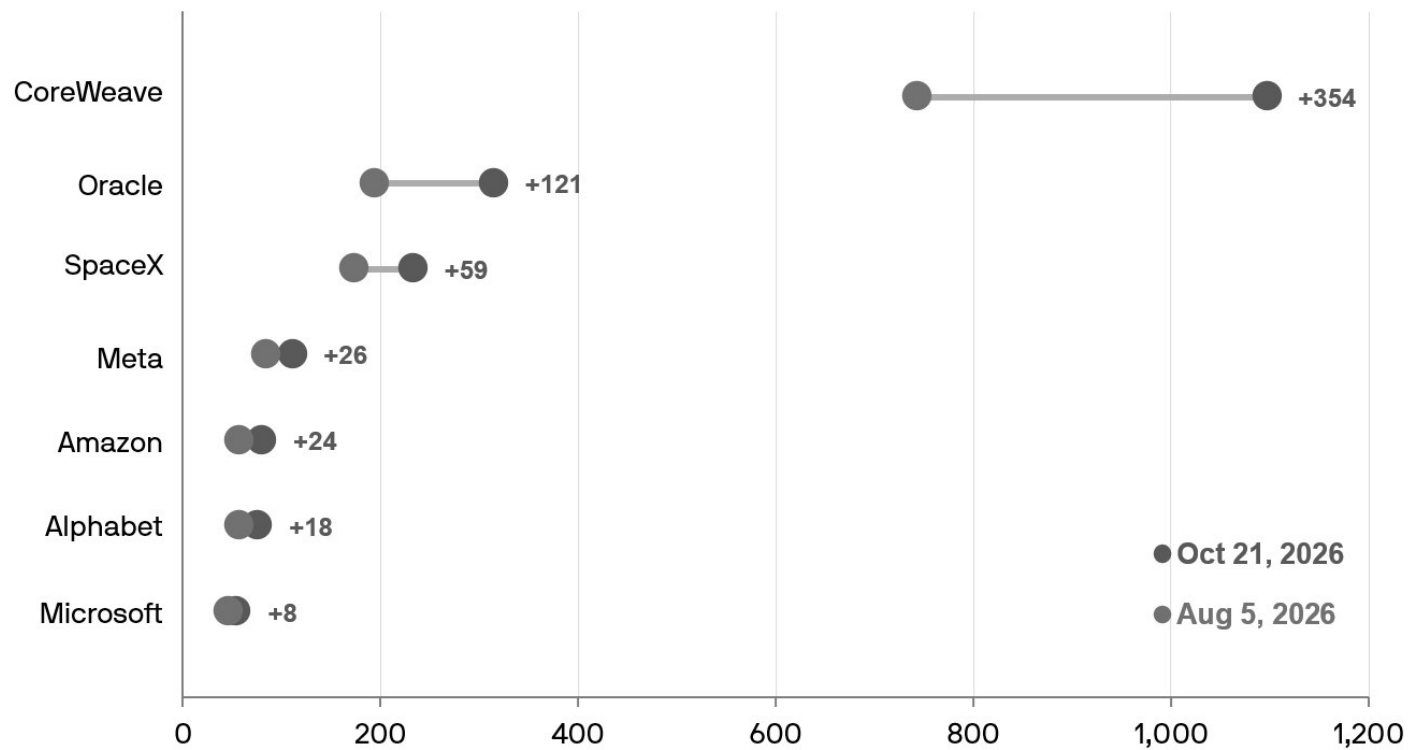
The cost of capital is becoming an increasingly important determinant of the pace and profitability of the AI buildout. Persistently higher borrowing costs could weaken project economics and delay capacity additions. There is also a risk that negative sentiment becomes self-reinforcing, pushing credit spreads wider and making financing more difficult still.

So far, however, sustained spillovers into higher-quality credits appear limited. Hyperscalers retain substantial borrowing capacity, and investor demand for their debt issuance has generally remained robust. A sudden demand shock, perhaps from a broader economic downturn, or a significant shift in competitive dynamics could change that outlook. Weakening compute utilization, pricing or customer commitments would be important warning signs.

For now, the expanding market for AI compute continues to support the broader investment cycle, even as rising capital costs and competition make profitability more challenging for individual operators.

Credit markets are demanding higher premiums for riskier AI borrowers

5-year credit default swap spreads, basis points



Source: Bloomberg, J.P. Morgan Asset Management. August 5th is the earliest common start date across issuers shown.

Data are as of October 22, 2026.

3e3fb4be-ce4a-11f1-8884-0512c4337701

Sources

Article Tags

- Artificial Intelligence
- Credit
- Technology

J.P.Morgan
ASSET MANAGEMENT

Capital Gains Distributions

eDelivery

Fund Documents

Glossary

Important Links

[Mutual Fund Fee Calculator](#)

[Accessibility](#)

[Form CRS and Form ADV Brochures](#)

[Investment stewardship](#)

[J.P. Morgan Funds U.S. Consumer Privacy Notice](#)

[J.P. Morgan Online Privacy Policy](#)

[Proxy Information](#)

[Senior Officer Fee Summary](#)

[SIMPLE IRAs](#)

[Site disclaimer](#)

[Terms of use](#)



[J.P. Morgan](#)

[JPMorgan Chase](#)

[Chase](#)

This website is a general communication being provided for informational purposes only. It is educational in nature and not designed to be a recommendation for any specific investment product, strategy, plan feature or other purposes. By receiving this communication you agree with the intended purpose described above. Any examples used in this material are generic, hypothetical and for illustration purposes only. None of J.P. Morgan Asset Management, its affiliates or representatives is suggesting that the recipient or any other person take a specific course of action or any action at all. Communications such as this are not impartial and are provided in connection with the advertising and marketing of products and services. Prior to making any investment or financial decisions, an investor should seek individualized advice from personal financial, legal, tax and other professionals that take into account all of the particular facts and circumstances of an investor's own situation.

Variable annuity guarantees are only as good as the insurance company that gives them. While it is an uncommon occurrence that the insurance companies that back these guarantees are unable to meet their obligations, it may happen. Annuity withdrawals prior to 59½ may be subject to tax penalties, are subject to market risk and may lose value. Riders have additional fees and costs associated with them, and are subject to additional conditions, restrictions, and limitations.

Opinions and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable but should not be assumed to be accurate or complete. The views and strategies described may not be suitable for all investors.

J.P. Morgan Funds and J.P. Morgan ETFs are distributed by JPMorgan Distribution Services, Inc. JPMorgan Private Markets Fund and JPMorgan Credit Markets Fund are distributed by J.P. Morgan Institutional Investments Inc. Both are affiliates of JPMorgan Chase & Co. Affiliates of JPMorgan Chase & Co. receive fees for providing various services to the funds. JPMorgan Distribution Services, Inc. is a member of [FINRA](#) [FINRA's BrokerCheck](#).

INFORMATION REGARDING SEPARATELY MANAGED ACCOUNTS AND MODELS: Investment advisory services are provided by J.P. Morgan Investment Management Inc.

INFORMATION REGARDING COMMINGLED FUNDS: For additional information regarding the Commingled Pension Trust Funds of JPMorgan Chase Bank, N.A., please contact your J.P. Morgan Asset Management representative.

The Commingled Pension Trust Funds of JPMorgan Chase Bank N.A. are collective trust funds established and maintained by JPMorgan Chase Bank, N.A. under a declaration of trust. The funds are not required to file a prospectus or registration statement with the SEC, and accordingly, neither is available. The funds are available only to certain qualified retirement plans and governmental plans and is not offered to the general public. Units of the funds are not bank deposits and are not insured or guaranteed by any bank, government entity, the FDIC or any other type of deposit insurance. You should carefully consider the investment objectives, risk, charges, and expenses of the fund before investing.

INFORMATION FOR ALL SITE USERS: J.P. Morgan Asset Management is the brand name for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

Telephone calls and electronic communications may be monitored and/or recorded.

Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our privacy policies at <https://www.jpmorgan.com/privacy>.

If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance.

Copyright © 2026 JPMorgan Chase & Co., All rights reserved