

A crescendo of warnings on AI

Warnings on AI debt and returns have come all year, unheeded so far

This month, they became a crescendo

S&P Global Ratings

Mark Habib, global head of digital infrastructure, 19 Oct

“It is safe to assume that there is more (debt) out there that we are not seeing.”

Gartner

Will Sommer, senior director analyst, 14 Oct

AI revenue “will be insufficient to support profitable returns on all planned AI capital expenditures”

Morgan Stanley

equity research, 17 Oct

“...there are more semiconductors being built than there are places to put them”

IMF

Kristalina Georgieva, managing director, 13 Oct

“We now have an economy that is standing on one leg, the AI leg.”

World Bank

East Asia update, 6 Oct

Private credit markets have “not been tested by a severe downturn”

SOURCES [Reuters](#), [Gartner](#), [Economic Times](#), [Reuters](#), [CNBC](#)

S&P Global says the top hyperscalers likely carry more AI-linked debt than is visible

Mark Habib, global head of digital infrastructure 19 Oct 2026

“It is safe to assume that there is more (debt) out there that we are not seeing.”

\$7T+

AI and data centre spending by the top six hyperscalers, SpaceX among them, 2025 to 2030

6 of 6

expected to have negative free operating cash flow in 2026 and 2027

2029

the earliest S&P projects a recovery (August report)

- **Hard to see:** where joint ventures, special purpose vehicles and guarantees are not reported or rated, “we might not have the visibility,” Habib said.

The other side: “For now, we don’t have the view that there is a major disconnect that needs to force our ratings to change at this point,” Habib said.

SOURCES [Reuters 19 Oct](#), [S&P Global Ratings 27 Aug](#)

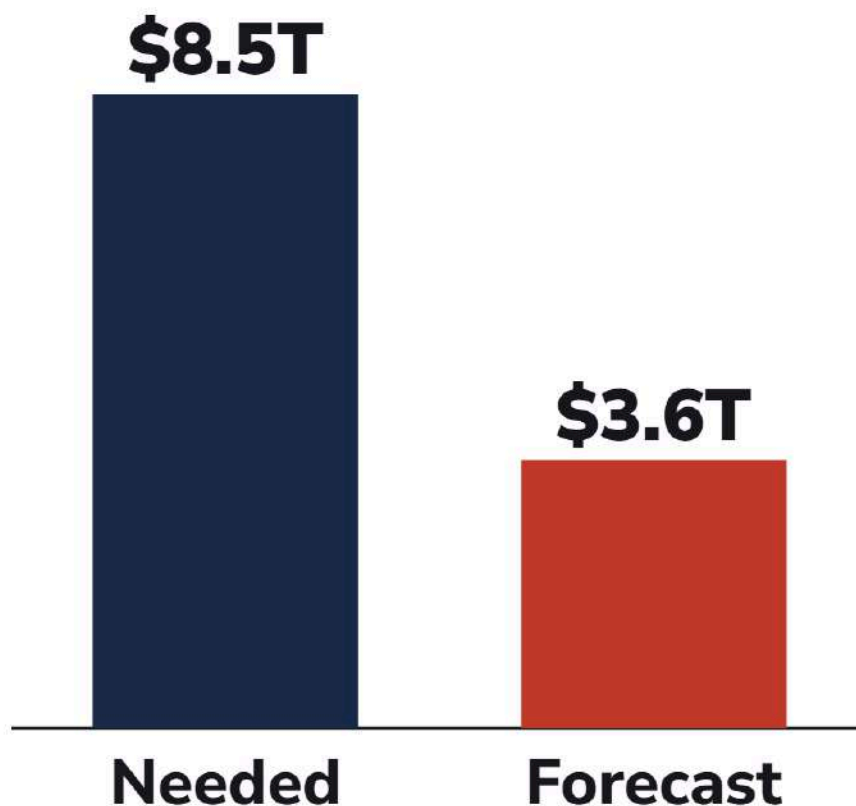
Gartner forecasts at most \$3.6T of AI revenue to 2030, against \$8.5T needed

Will Sommer, senior director analyst 14 Oct 2026

AI revenue “will be insufficient to support profitable returns on all planned AI capital expenditures.”

AI revenue to 2030

Needed for a 12% return, against the forecast



- **\$3.5T+** of AI spending could face impairment by 2030 at today's pace.
- **80%+** of neocloud providers expected to stop operating independently by 2030.
- **Too much capacity:** “At the moment, we have more compute capacity than we have demand,” Gartner’s John Lovelock said on 19 Oct.

The other side: Hyperscalers “have massive and highly diversified revenue sources that could plausibly sustain AI investments for years.”

SOURCES [Gartner 14 Oct](#), [CNBC 19 Oct](#)

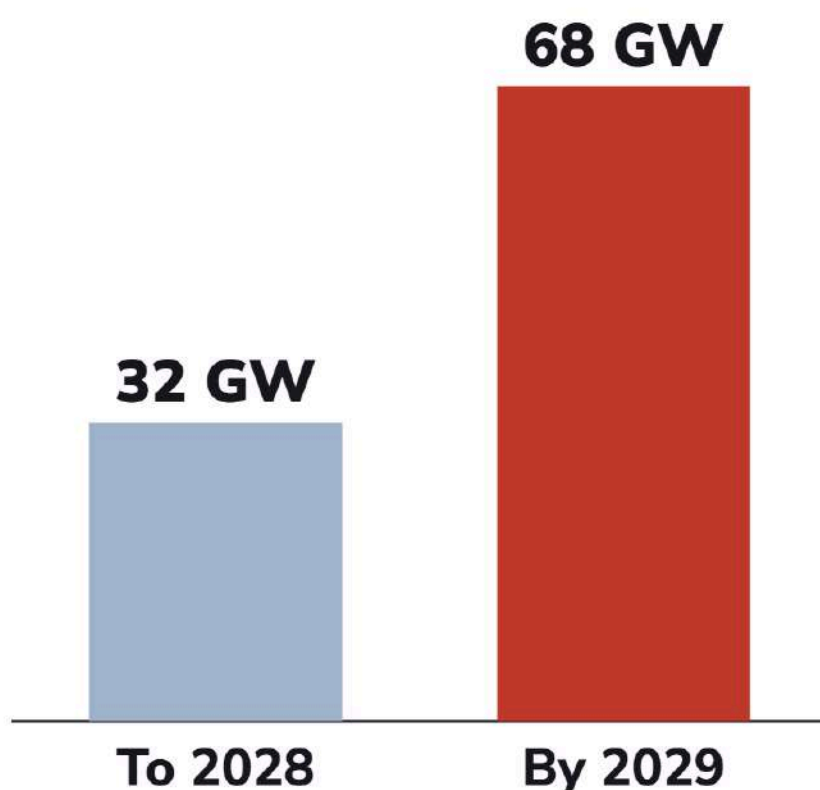
Morgan Stanley and Goldman Sachs say power may limit the AI build-out

Morgan Stanley, equity research 17 Oct 2026

“...there are more semiconductors being built than there are places to put them.”

US data centre power shortfall

Gigawatts, Morgan Stanley estimate



- **About a third short:** the 32 GW gap is about 34% of what data centres need through 2028.
- **Chip orders at risk:** customers could push out delivery or cancel, the report warned.
- **Goldman's Jason Tofsky:** power is “probably the forever bottleneck.” 86 projects were cancelled or delayed this year, 76 over local opposition.

The other side: Morgan Stanley expects Nvidia and Broadcom to meet their 2027 forecasts. Slower building could also give demand time to catch up, Axios notes.

SOURCES [Economic Times 17 Oct](#), [Axios 20 Oct](#)

The IMF's Georgieva says the economy is standing on one leg, the AI leg

Jason Wu, assistant director, monetary and capital markets 13 Oct 2026

“If there are questions about the monetization in AI, the equity investments will deplete in value, the debt may be difficult to service, and the revenue commitments in the future may not materialize.”

- **Circular deals:** since 2023, 14 deals put about \$300B of equity into weaker AI firms, alongside \$650B of debt raised in the deals, for \$1.4T of promised future revenue.
- **1.1% off world GDP** by 2028 if AI investment drops steeply and asset prices fall, 1.8% in the US.
- **Emerging markets** would be hit as investors cut risk, said the IMF's Athanasios Vamvakidis.

The other side: Even that steep case is not likely to mean a global recession, the IMF's Petya Koeva Brooks said. Vamvakidis says valuations are not currently stretched, as earnings stay strong.

My 17 Oct analysis: two of the three risks the IMF sees, bond yields and cyber attacks, are getting worse. [IMF's manifesto of warnings](#)

SOURCES [Reuters 13 Oct](#), [CNBC 13 Oct](#), [Business Today 19 Oct](#)

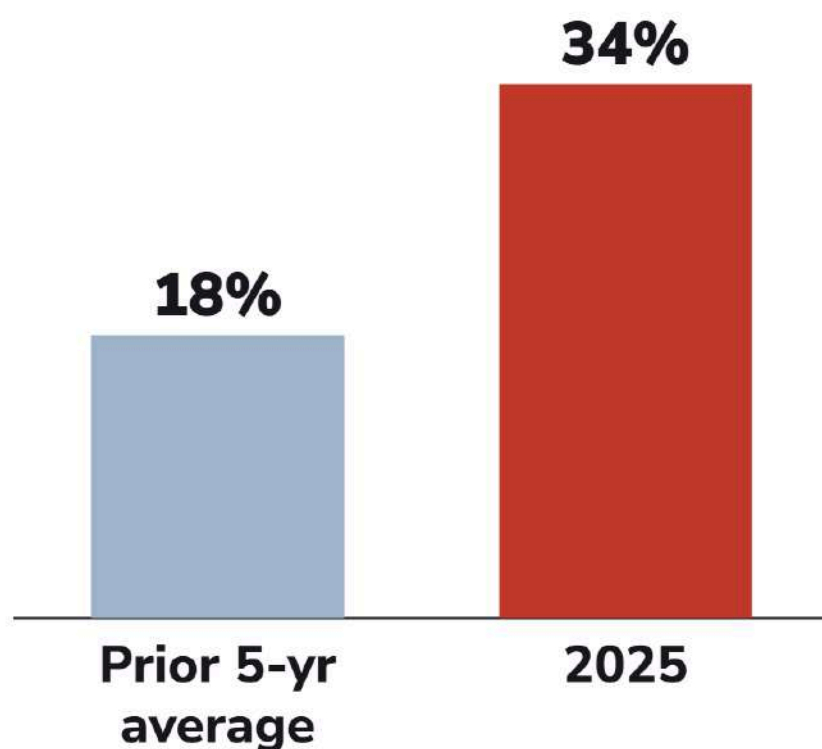
The World Bank says over a quarter of planned AI spending will come from untested private credit

World Bank, East Asia and Pacific update 6 Oct 2026

Private credit markets are “less visible, and have not been tested by a severe downturn.”

AI-related share of private credit activity

%, 2025 vs the prior five-year average



- **\$0.8T of \$2.9T** of AI spending planned for 2025 to 2028 is to come from private credit.
- **About 6% of US GDP:** AI-related capital spending on the bank's measure, similar to the 2000 peak in IT investment.
- **East Asia exposed:** six economies shipped \$1.4T of AI goods in the year to April.

The other side: The bank raised its East Asia growth forecast to 4.5%. It said a correction may not mean a bust for AI, only that investment had run ahead of demand.

SOURCES [CNBC 6 Oct](#)

AI stocks fell hard on 22 Oct. Four Asian markets are 14% to 39% off their highs

Index level, end-2025 to 22 Oct 2026. Red dot: the 2026 high. Navy dot: 22 Oct close.

S&P 500

+12% YTD, 2% below high



Nasdaq

+12% YTD, 6% below high



Russell 2000

+12% YTD, 9% below high



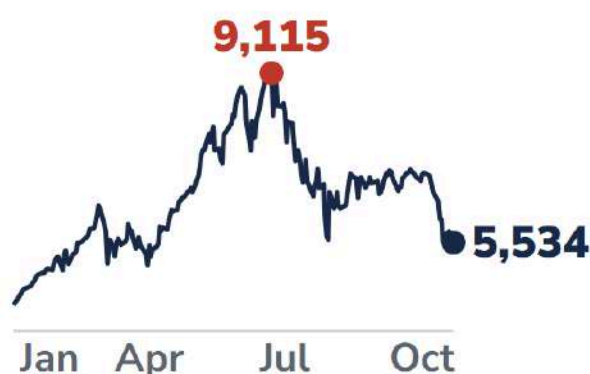
Taiwan

+59% YTD, 8% below high



Kospi, Korea

+31% YTD, 39% below high



Nikkei, Japan

+25% YTD, 13% below high



Hang Seng

-11% YTD, 18% below high



Shanghai

-8% YTD, 14% below high



Nifty 50, India

-13% YTD, 14% below high



- **22 Oct:** S&P 500 -1.2%, its worst day since July. Nasdaq -2.6%, Kospi -3.5%, Hang Seng -3.0%, Nikkei -2.7%.

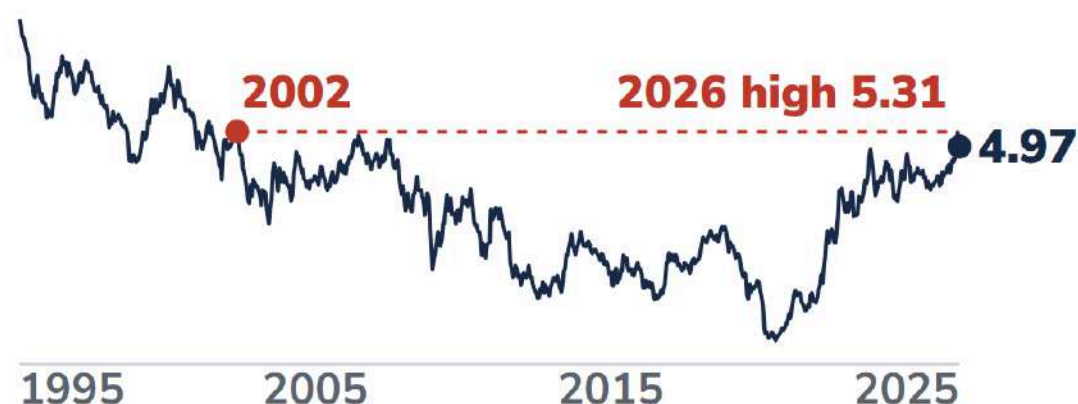
SOURCES [Yahoo Finance via YFIN](#) · [AP 22 Oct](#)

Investors turned to Treasuries, while insuring AI debt got costlier

This year, 10-year yields in the US, UK, Germany and Japan hit 17 to 30-year highs.

US 10-year yield

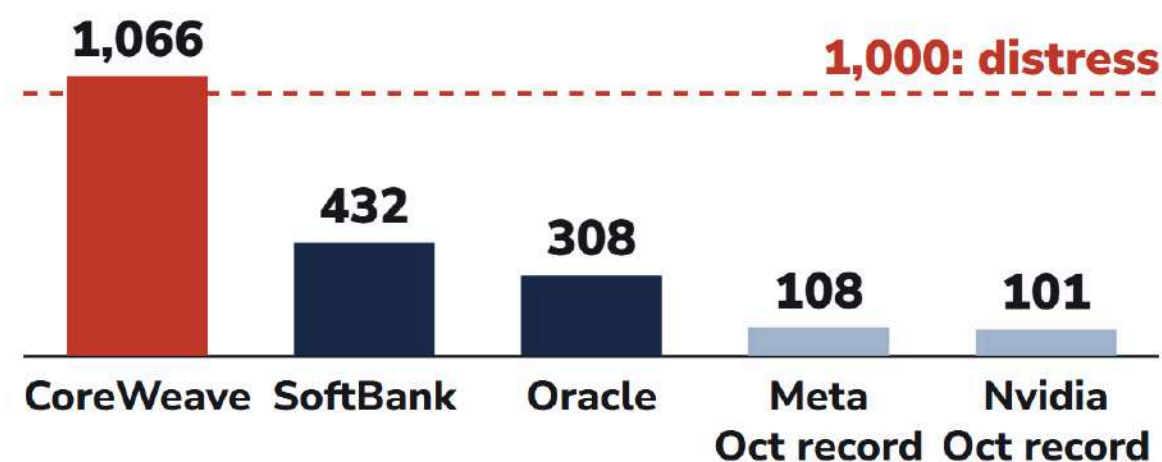
%, since 1995



Flight to safety. The US 10-year fell to 4.97% on 22 Oct, below 5% for the first time in a month, as AI stocks fell and oil jumped.

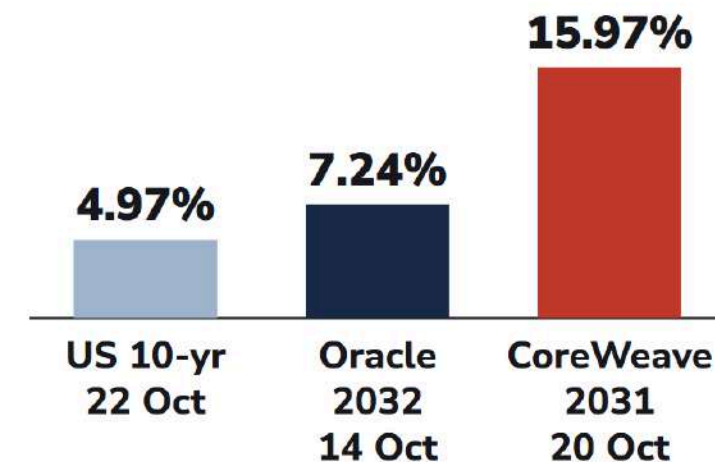
Default insurance on AI borrowers

5-year credit default swap, bp, 20 to 21 Oct



Bond yields

%, latest reading



- **France:** its 10-year touched 5.14%, the highest since 2002, and its gap over Germany the widest since 2011. Moody's rules on 23 Oct.
- **US mortgage rate** 7.32% on 22 Oct, after 7.40% a week earlier, the highest since late 2023.
- **The other side:** Janus Henderson, a CoreWeave bondholder, calls the sell-off "a little bit of overreacting."

SOURCES [TREMOR](#) · CNBC [22 Oct](#), [22 Oct](#), [20 Oct](#), [14 Oct](#) · [Reuters 22 Oct](#), [FT via Hedgeweek](#)

My earlier analysis

22 Oct **US housing, October 2026**

Mortgage rates are above 2007-08 levels and unsold new homes are near their highest since 2007.

18 Oct **A bond shock could spread faster**

Hedge funds held 6.6% of US Treasuries in June, near their record, much of it on borrowed money.

17 Oct **IMF's manifesto of warnings**

The week the IMF warned about AI, insurance on CoreWeave's debt passed 1,000 basis points.

28 Sep **The biggest tech build meets the bond rout**

Capital spending took 99% of the five hyperscalers' operating cash flow in the June quarter.

25 Sep **Bond markets have started acting**

The US 10-year closed above 5% for the first time since 2007.

31 Aug **A correction in AI valuations is looking more likely**

A central bank, an asset manager and a bond investor make the case.

Not investment advice. This is my analysis of public sources, for information only. Care has been taken, but errors are possible. **Use of AI.** Parts of this work were prepared with AI under my direction. I reviewed, edited and approved every page. The analysis and conclusions are mine.

SOURCES Other analysis at tigzig.com/analysis. Sources for each page are on that page.