

IMF STABILITY REPORT, AND THE WEEK AFTER

IMF's manifesto of warnings

“WE NOW HAVE AN ECONOMY THAT IS STANDING ON ONE LEG, THE AI LEG. WHAT IF IT WOBBLES?”

Kristalina Georgieva, IMF Managing Director

The same week, the cracks widened. Insurance prices put CoreWeave's five-year default odds at 64%, Oracle's insurance hit a record and oil touched 110 dollars.

Markets have been resilient, but stability risks remain **elevated**.

AREA	RISK LEVEL	IMF TREND
RISKS THAT COULD SET OFF TURMOIL		
AI market correction	⚠️⚠️⚠️	↔️ Same
Bond yield spike	⚠️⚠️⚠️	❌ Worse
Cyber attacks	⚠️⚠️⚠️	❌ Worse
Middle East war, oil	⚠️⚠️⚠️	Not in the IMF table
WEAK SPOTS THAT COULD MAKE IT WORSE		
Weak banks under stress	⚠️⚠️⬇️	↔️ Same
Emerging markets	⚠️⚠️⬇️	❌ Worse
Pensions and insurers	⚠️⚠️⬇️	❌ Worse
Private credit	⚠️⚠️⬇️	↔️ Same

Risk level is our read. IMF trend: since April, or its last review.

SOURCES [IMF](#) table 1.1. Reuters [13](#), [15 Oct](#). CNBC [16 Oct](#).

Three risks could set off market turmoil, the IMF says. Two are getting worse

	1. AI market correction	2. Sharp rise in bond yields	3. Cyber attacks
IMF TREND	↔ Same	✗ Worse	✗ Worse
TRIGGER	AI investment and profits turn out weaker or less durable	Inflation returns, or fiscal worries push up yields	A successful attack on a key bank or market system
CONTEXT	Core AI firms are profitable and valuations have eased, but leverage is rising	Bonds price almost every other asset, and debt and rollover risks are unresolved	Finance is more digital and relies on a few cloud and software providers
KEY FACT	Growing evidence that AI can be delivered with less investment	A rise could come in a disorderly way	Almost no time to patch in over 70% of exploited flaws this year, up 20 points
IMF: IMPACT COULD BE	SIGNIFICANT	SEVERE	SEVERE

These risks alone do not necessarily threaten stability, the IMF says. They could become systemic if weak spots amplify them (page 10).

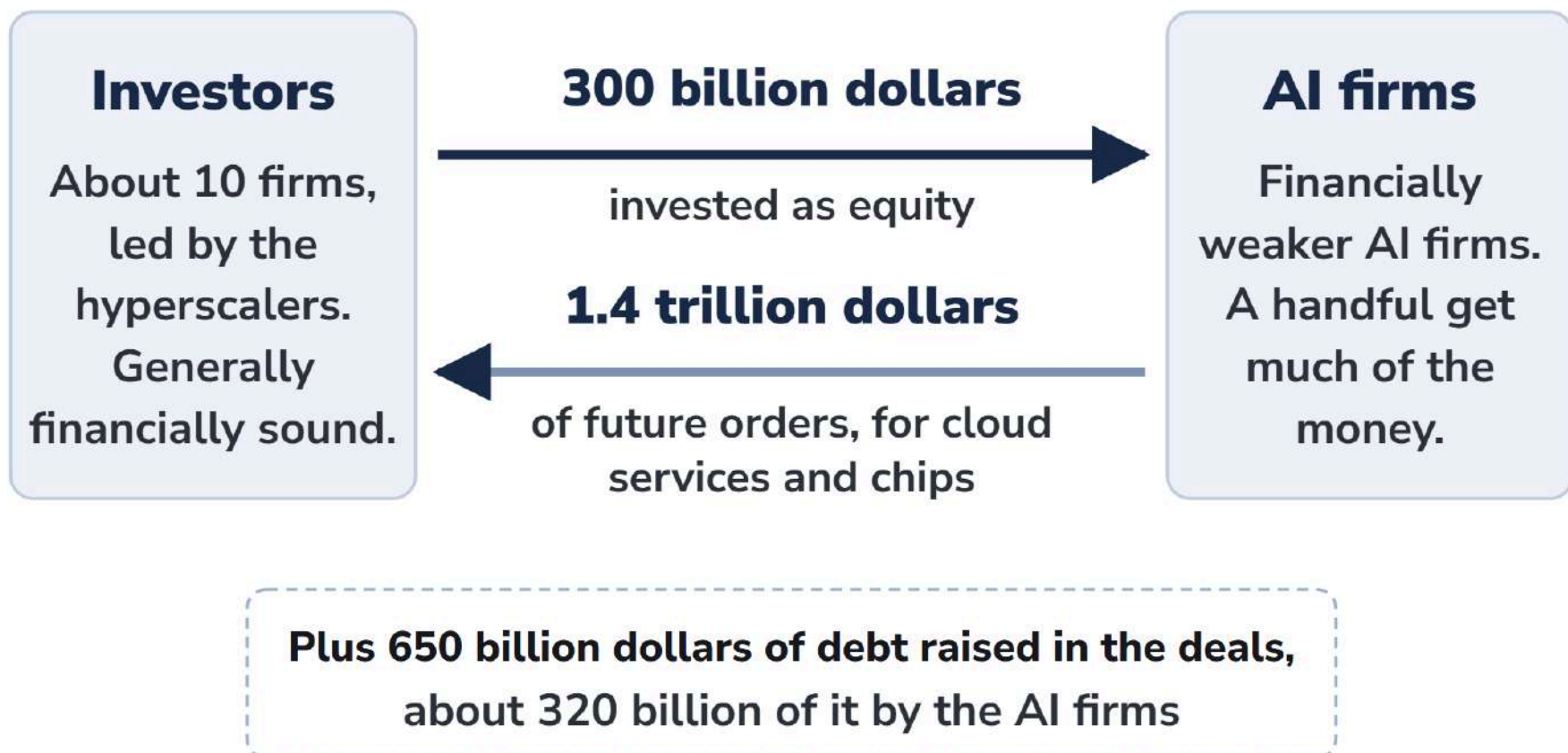
SOURCE IMF, [Global Financial Stability Report, October 2026](#), chapter 1 and table 1.1.

14 circular AI deals since 2023 carry what the IMF calls wrong-way risk

Wrong-way risk: the stakes and loans lose value at the same time as the orders tied to them.

“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.”

Jason Wu, IMF assistant director, report briefing, 13 Oct, on a “triple whammy”



The IMF does not name the firms. Deals of this shape include Amazon, Google and Microsoft, which invest in Anthropic and sell it computing, and Nvidia, which backs CoreWeave and has such deals with OpenAI.

SOURCES [IMF](#). Wu: [CNBC](#). Examples: Reuters, via my [IPO post](#) and [15 Oct](#), [16 Oct](#).

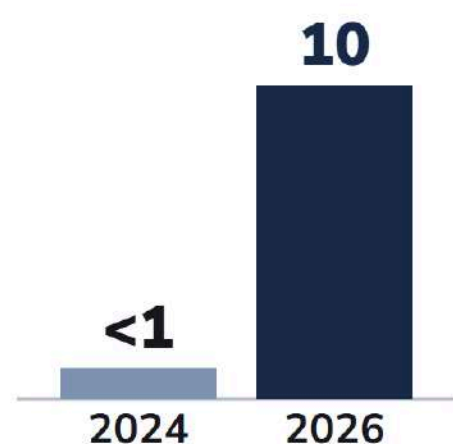
Hyperscaler free cash flow is near zero. The build is turning to debt

The five: Alphabet, Amazon, Meta, Microsoft and Oracle.

The IMF adds that their balance sheets are still strong. Their equity grew faster than their debt, and some are raising more.

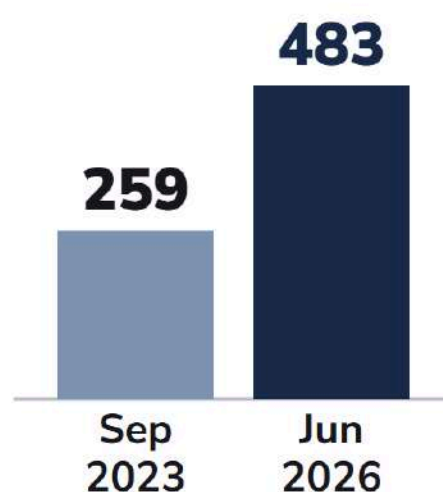
Share of new investment-grade bonds

corporate bonds issued by hyperscalers, % of world



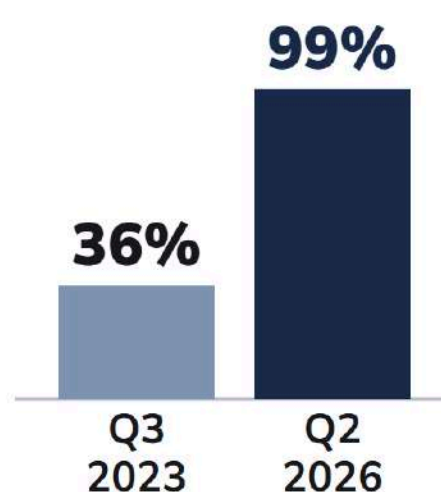
Debt of the five

billion dollars



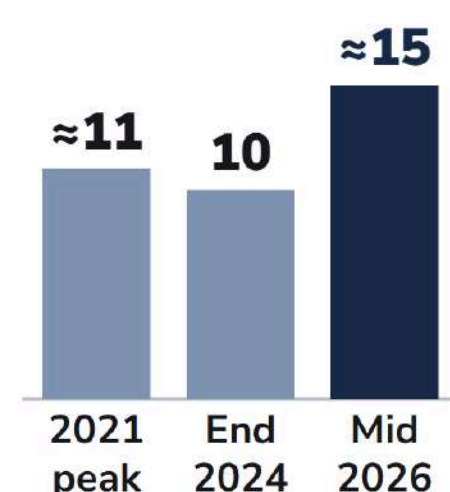
Spending as % of cash

capital spending and lease repayments, % of operating cash



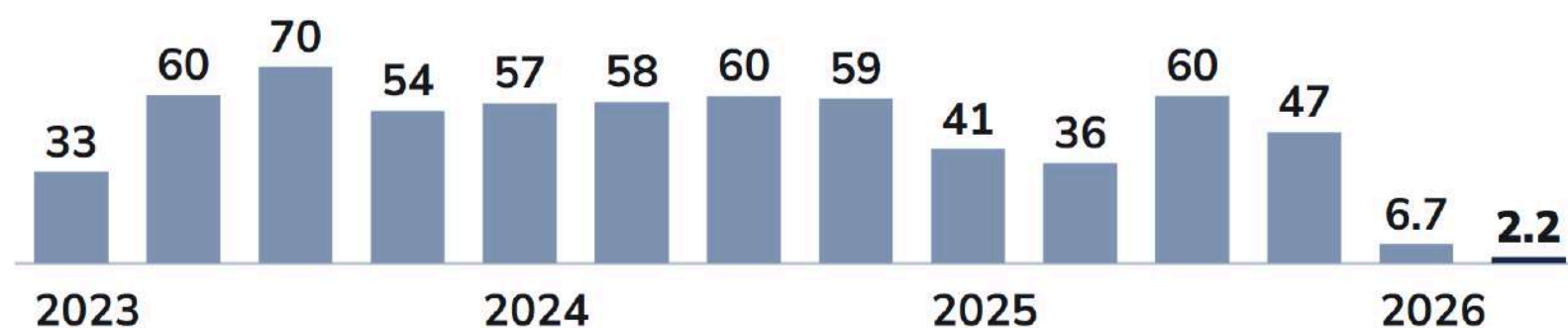
Stock-market leverage

hedge fund gross stock positions plus margin loans, % of advanced-economy GDP



Free cash flow of the five, billion dollars a quarter

Cash from operations minus capital spending and finance lease repayments



SOURCES [IMF](#) figs 1.2, 1.1.4 (2021 read off chart). The five: SEC filings, Oracle to Aug 2026, Q2 2026 leases for 4 of 5; my [28 Sep analysis](#).

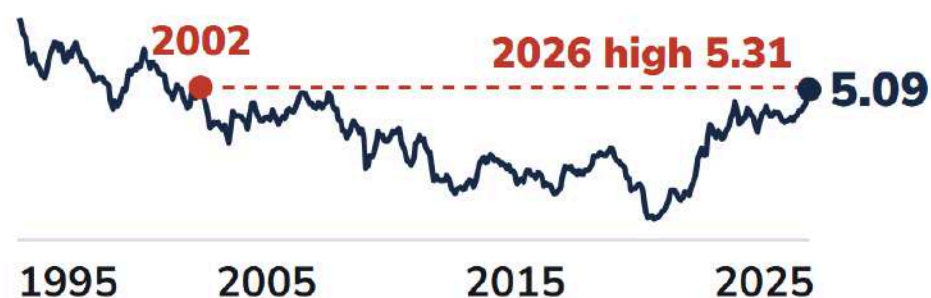
Bond market risk is worse than in April, the IMF says

- **A rise in yields could come in a disorderly way.** Unresolved public debt and rollover risks raise the chance.
- **Hedge funds held about 9% of US Treasuries in 2025**, up from 4% in 2022, mostly through leveraged trades.
- **So far, market functioning has been orderly, the IMF says**, and some leveraged bond trades have unwound without stress. In the report week the US 10-year fell from 5.21 to 5.09.
- **Can markets absorb it all?** Markets worry about huge issuance from governments and companies, said the IMF's Athanasios Vamvakidis.

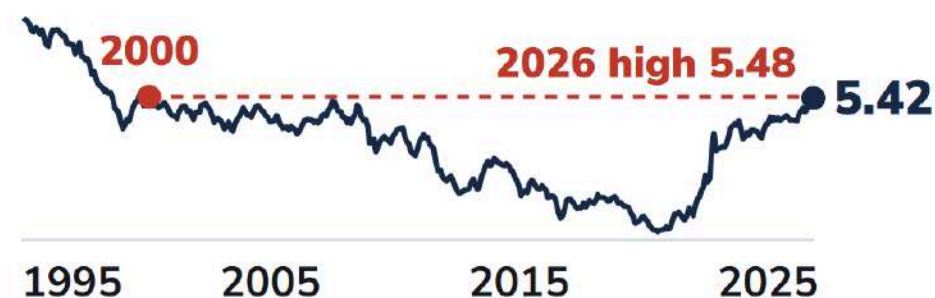
10-year government bond yields, %

This year, 10-year yields in all four hit their highest in 17 to 30 years.

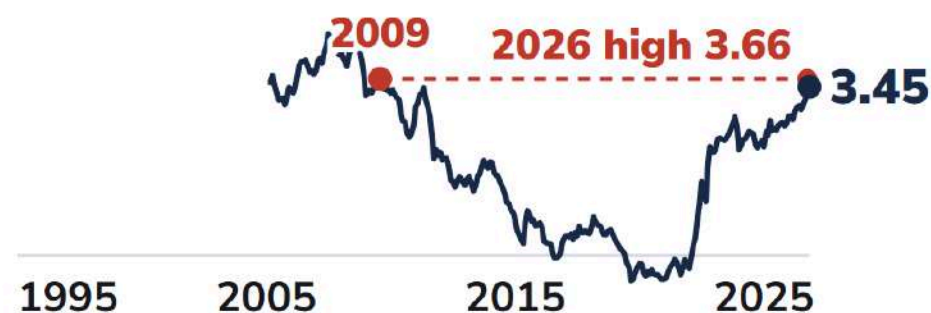
United States



United Kingdom



Germany (data from 2005)



Japan



SOURCES [IMF](#), [Reuters](#). Yields via [TREMOR](#) (FRED, BoE, Bundesbank, Japan MoF), US Treasury for 16 Oct. UK: BoE zero-coupon 10-year, to 14 Oct. Japan to 15 Oct.

The same week, insurance prices put CoreWeave's odds of default at 64%

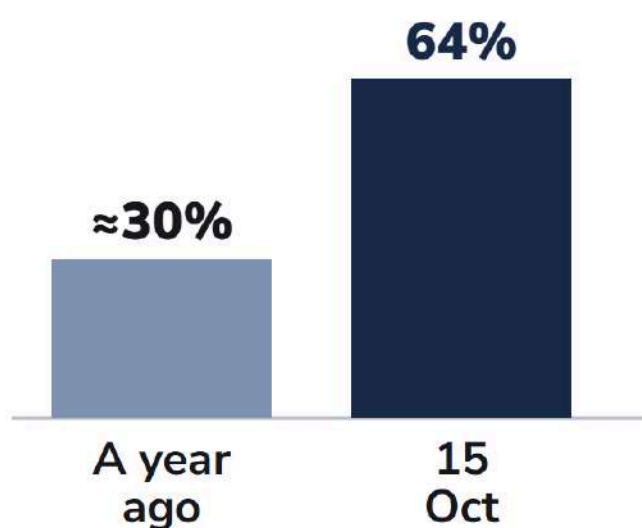
13 to 16 October 2026. Hotter US inflation data added to the sell-off.

“CoreWeave is quickly becoming the AI trade's canary in the coal mine.”

Kathleen Brooks, XTB, to Reuters

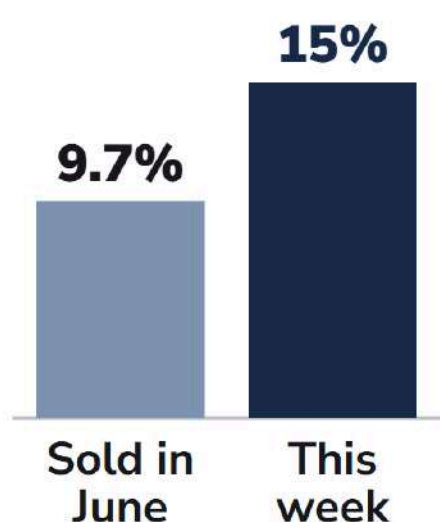
Chance of default in five years

Implied by the price of insurance on its debt



Bond yield

Sold in June, %



Share price

Dollars. Down 56% from May, 25% this week



- **Insurance on its debt** passed 1,000 basis points, a level seen as distress, and reached about 1,200 this week.
- **Losses:** a net loss of 1.2 billion dollars on 5.1 billion of revenue in 2025. It plans 35 to 39 billion of spending this year.
- **The other side:** a 104 billion dollar backlog at end-June, over 25 billion more since, and Nvidia will buy unsold capacity to 2032.

IMF: neoclouds carry more debt and less profit, and could be weak links.

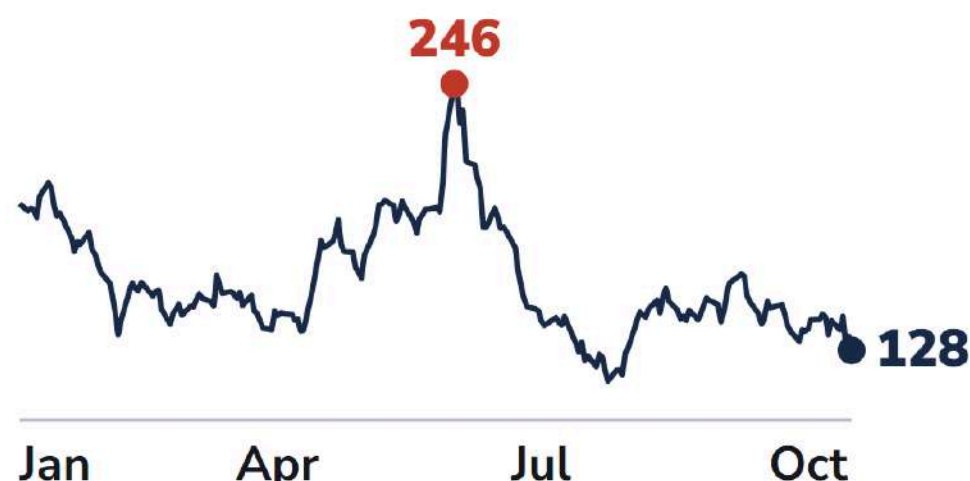
SOURCES CNBC [15 Oct](#). Reuters [1](#), [2](#), [3](#), [4](#), [5](#). Yahoo Finance. [IMF](#).

AI-linked shares were falling before the report, and fell hard that week

Prices to 16 Oct 2026. Red dot: 2026 peak. Oracle adjusted for dividends.

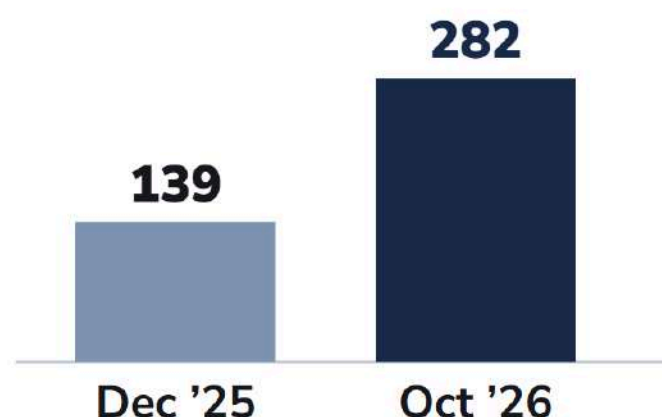
Oracle shares

Down 48% from June, 9% this week



Oracle default insurance

5-year swap, basis points



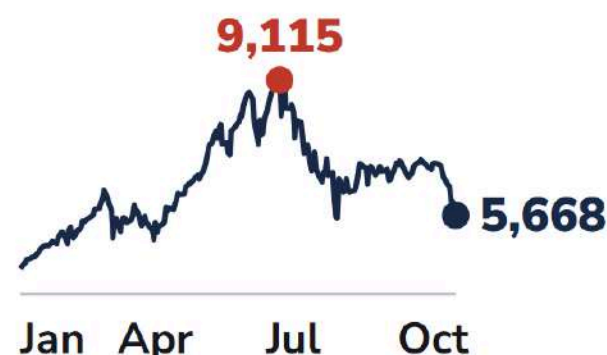
Nebius, a neocloud

Down 42% from June, 25% this week



KOSPI, Korea

Down 38% from June, 14% this week



S&P 500

2% below its 6 Oct record



- Credit spreads for Amazon, Alphabet, Meta and Nvidia are also at records, though rising much more slowly, and they have stronger balance sheets.

The other side: TSMC posted a sixth straight record profit and sees fourth-quarter revenue up 58% on a year earlier.

SOURCES Yahoo Finance. Reuters [Dec 2025](#), [15 Oct](#), [16 Oct](#). CNBC [15 Oct](#), [TSMC](#).

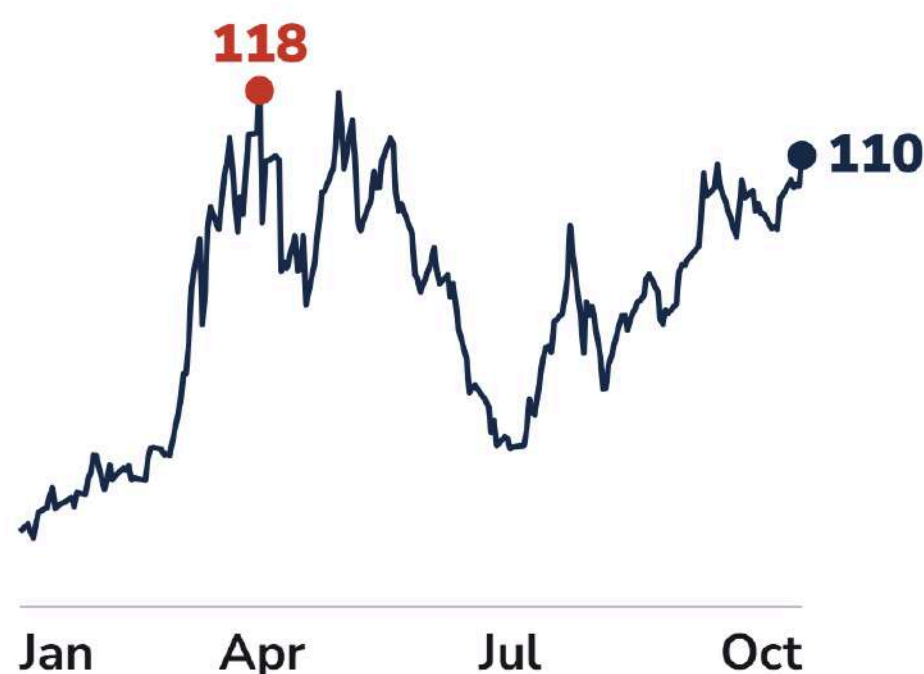
The same week, oil hit 110 dollars and finance leaders planned drills for AI cyber attacks

13 to 16 October 2026

Oil

Brent crude, dollars a barrel

January to 16 October 2026



Brent closed near 110 dollars on 16 October, its highest close since May, as Iran stepped up attacks on ships in the Strait of Hormuz.

IMF: oil at 130 dollars into 2027 would cut 2027 world growth by half a point and lift world inflation to 5.2%, its World Economic Outlook says.

AI cyber risk

In over 70% of cases this year, software makers had almost no time to patch a flaw before it was exploited, 20 points more than a year ago. IMF

G7 finance leaders

Signed off exercises against AI cyber attacks. The IMF warns that frontier AI helps attackers as well as defenders.

Bank of England

Banks can no longer assume their defences are immune to AI-enabled cyber attacks, its deputy governor said.

SOURCES CNBC [16 Oct.](#) Reuters [13 Oct.](#), [16 Oct.](#) [IMF](#). Brent: Yahoo Finance.

What is still holding, the IMF says

“The global economy has been resilient, but that resilience is reaching its limits.”

Silvana Tenreyro, IMF chief economist, 13 Oct

IMF growth forecast for 2026, %

		Change since July, points
World	3.1%	+0.1
India	7.0%	+0.6
China	4.5%	-0.1
United States	2.3%	no change
United Kingdom	1.3%	+0.3
Euro area	1.1%	+0.2

- **AI investment is the main support**, offsetting the oil shock. World growth is seen at 3.4% in 2027.
- **Banks would stay broadly resilient** in the IMF stress test, and household debt burdens have eased.
- **Even a sharp AI unwind is unlikely to mean a global recession**, Petya Koeva Brooks of the IMF told Reuters. That scenario takes 0.4% off world output by 2028 directly, and 1.1% with falling asset prices and higher yields.

These forecasts assume oil averages 96 dollars a barrel this year and Hormuz reopens by March 2027.

The catch: only 32 countries now produce 95% of world growth, down from 54 in April.

SOURCES IMF World Economic Outlook, as reported by Reuters [13 Oct](#), [13 Oct](#). [IMF GFSR](#).

The weak spots that could turn a shock into a crisis

Banks

⚠️⚠️▲ Medium risk

In the IMF stress test (AI correction, energy shock, long yields up 300 basis points) the system stays well capitalised, but banks holding 22% of global bank assets end up weak, up from 18%, mainly because this year's test is harsher. US bank lending to non-banks is up 18% this year: manageable but growing, the IMF says.

Private credit

⚠️⚠️▲ Medium risk

Direct lending is nearly 2 trillion dollars. Some measures of default have fallen, partly as loans were extended, but borrowers carry more debt. Of 10 large BDCs, 4, with about 90 billion of assets, have promised borrowers more credit than the cash and credit lines they hold.

Pension funds and insurers

⚠️⚠️▲ Medium risk

Their share of hard-to-sell assets has nearly doubled in a decade. In US mandates, the three largest managers may run more than half of institutional money in private equity and private credit.

Household debt

⚠️▲▲ Low risk

Debt burdens have eased and households hold sizable assets. But US credit card delinquencies have risen, and lower-income households are most exposed.

Emerging markets

⚠️⚠️▲ Medium risk

Reserve cover is comfortable in aggregate, but for the weakest the median reserve adequacy ratio (100% = adequate) fell from 72% to 63% in the second quarter of 2026. Some frontier economies borrow in ways that do not show up in standard debt data.

SOURCE IMF, [GFSR October 2026](#), table 1.1 and chapter 1. Risk level is our read. BDC = business development company.

What they said this month

AI is hitting the job market like a “slow-moving tsunami.”

Kristalina Georgieva, IMF Managing Director. Young people entering the job market are most at risk, she said. [CNBC, 12 Oct](#)

“If we have a moratorium [on data centres] of some sort in this country, we will be in a recession.”

Larry Fink, BlackRock CEO, arguing against curbs on data centres. [CNBC, 14 Oct](#)

“Huge interconnectedness... these assets are all held in the same places, in the same portfolios, by the same types of investors.”

James Athey, fund manager at Marlborough, on the AI sell-off. [Reuters, 16 Oct](#)

“Resilience is not necessarily safety.”

Athanasios Vamvakidis, IMF, on strong markets. [Reuters, 13 Oct](#)

What the IMF asks for: limits on the borrowing behind AI bets where excessive (margin loans, leveraged ETFs, short-dated options), public debt on a sustainable path, independent central banks, and stronger cyber defences.

The IMF joins a year of warnings and market signals

Jun	BIS, the bank for central banks Charted the AI boom beside railway mania and dot-com in its annual report. my post
Jul	A BIS working paper Modelled the AI race over-investing about 1.5 to 3 times the efficient level. my post
Jul	S&P Global Cut Oracle to one notch above junk on the cost of its AI build. my post
Jul	A leveraged AI fund Fell from 45 billion dollars to about 10 billion in weeks after its prime brokers called for margin. my post
Aug	ECB economists, on the ECB blog US valuations by the CAPE ratio are close to their historical peak. my post
Aug	FSB chair Andrew Bailey, to the G20 Markets remain vulnerable to a potentially disorderly correction that could spread across borders. my post
Sep	Bond markets The US 10-year closed above 5%, last seen in 2007. my post
Oct	IMF Financial stability risks remain elevated. page 1
Oct	CoreWeave Insurance against its default passed 1,000 basis points. page 6

SOURCES My earlier posts on tigzig.com/analysis, each linked, with the original sources inside.

This builds on my earlier analysis

AI, VALUATIONS AND BONDS

- Sep **The biggest tech build meets the bond rout of 2026**
Hyperscaler free cash flow near zero, borrowing nearly doubled since 2023.
-
- Sep **Bond markets have been warning for months. Now they have started acting.**
The US 10-year closed above 5% for the first time since 2007.
-
- Aug **A correction in AI valuations is looking more likely**
Now argued by ECB economists, an asset manager and a bond investor.
-
- May **S&P at 7,400. Irrational exuberance.**
The last two times this setup held, the index halved.
-

CREDIT

- May **Private credit default rate hits a record 6%: a market for lemons?**
Banks and insurers are deep in it.
-

JOBS AND HOUSEHOLDS

- Oct **US jobs, September 2026: fewer new jobs, longer searches, pay barely keeping up**
First reports revised down four years in a row.
-
- Oct **US consumers: the pressure is building, not yet breaking**
More families were behind on loan payments in 2025 than in 2022.
-

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