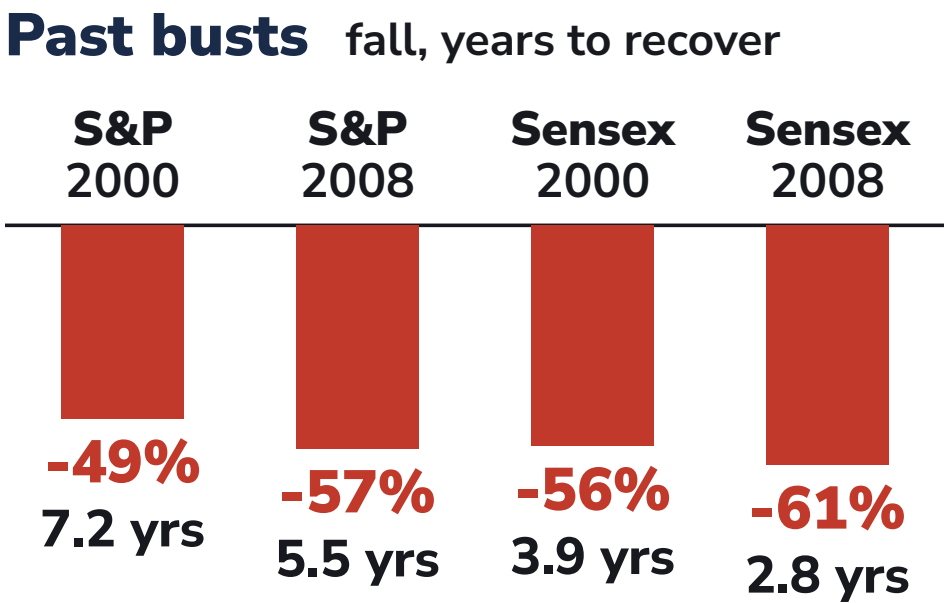
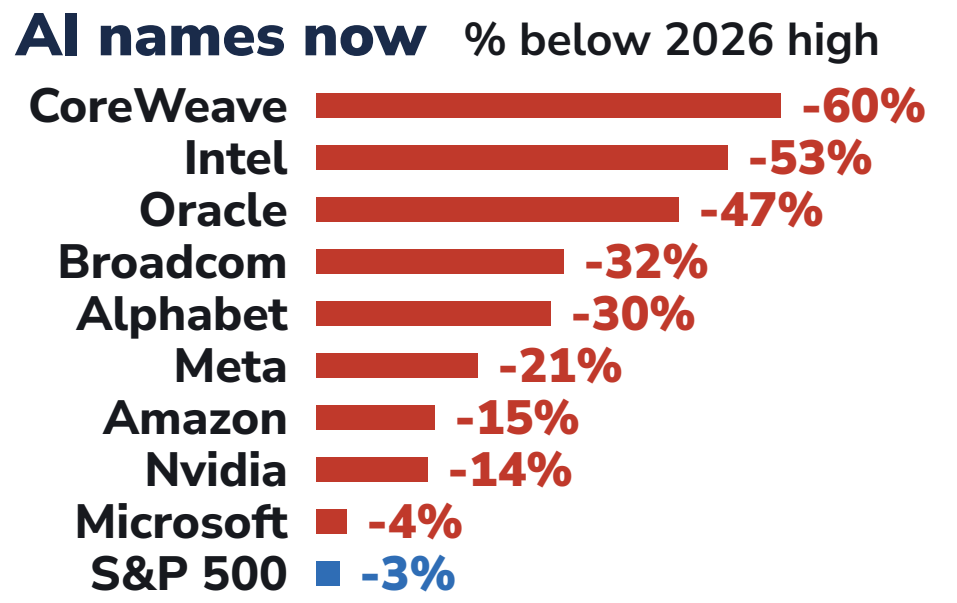


A bust likely

before AI pays off

To me this looks like the dot-com bust and 2008 happening together.

- It will take time. The players left standing may be different.
- The five biggest AI builders now spend \$1.18 on capex and leases for every dollar of operating cash. Prices have run ahead.
- Gartner sees AI revenue at less than half of what is needed, and over \$3.5 trillion could face write-downs by 2030.
- Oil is near its wartime high and US households are stretched. Euro-zone debt is under strain, led by France.

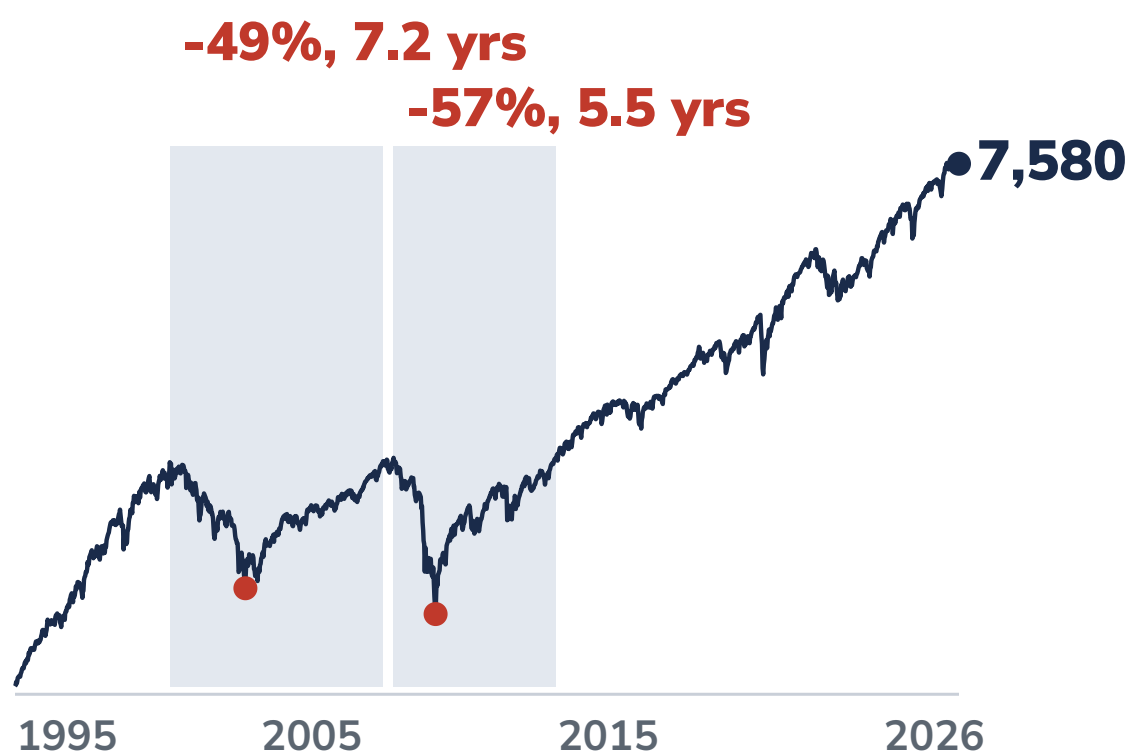


|              |          |                |            |
|--------------|----------|----------------|------------|
| AI cash flow | NEGATIVE | Valuations     | OVERVALUED |
| AI credit    | STRESS   | Interest rates | HIGH       |
| US jobs      | WEAK     | US households  | STRETCHED  |
| Iran war     | ONGOING  | Euro-zone debt | STRAIN     |

# In the dot-com and 2008 busts, prices fell by half or more and took years to come back

The S&P 500 took 7.2 years after 2000 and 5.5 after 2007.  
The Sensex took 3.9 and 2.8.

## S&P 500 Log scale



GARTNER, 14 OCT

### Write-downs

“Failure to achieve sustainable ROIC on rapidly depreciating assets would almost certainly necessitate write-downs.” More than \$4 trillion could be exposed through 2032.

## BSE Sensex Log scale



### Over \$3.5 trillion

of AI infrastructure spending could be exposed to impairment by the end of 2030.

### 80% of neoclouds

are expected to cease independent operations by 2030.

**SOURCES** Yahoo Finance via [tigzig.com](https://www.tigzig.com) APIs; [Gartner](https://www.gartner.com); Earlier: [24 Oct](#), [17 May](#)

# Seven of nine big indices are 9% to 37% below their 2026 highs. The S&P 500 and DAX are 3% off

5 of the 9 are still up for the year. India, China and France are down.

End-2025 to 30 Oct. Red dot: the 2026 high. Navy dot: latest close.

## S&P 500

+11% YTD, 3% off high



## DAX, Germany

+5% YTD, 3% off high



## CAC 40, France

-2% YTD, 9% off high



## Taiwan

+56% YTD, 9% off high



## Kospi, Korea

+36% YTD, 37% off high



## Nikkei, Japan

+26% YTD, 13% off high



## Hang Seng

-9% YTD, 17% off high



## Shanghai

-9% YTD, 15% off high



## Nifty 50, India

-12% YTD, 12% off high



**SOURCES** Yahoo Finance via [tigzig.com](https://www.tigzig.com) APIs; Earlier: [24 Oct](#), [19 Oct](#)

# Alphabet fell 13% in a day, its worst ever. Intel fell 29%, its worst since the 1970s

Seven of these nine AI names are 15% to 60% below their 2026 highs.

End-2025 to 30 Oct. Red dot: the 2026 high. Navy dot: latest close.

## CoreWeave

-60% off high, -23% YTD



## Intel

-53% off high, +78% YTD



## Oracle

-47% off high, -32% YTD



## Broadcom

-32% off high, -5% YTD



## Alphabet

-30% off high, -10% YTD



## Meta

-21% off high, -7% YTD



## Amazon

-15% off high, +4% YTD



## Nvidia

-14% off high, +10% YTD



## Microsoft

-4% off high, +9% YTD



**SOURCES** Yahoo Finance via [tigzig.com](https://www.tigzig.com) APIs; worst days: CNBC [30 Oct](#), [30 Oct](#); Earlier: [23 Oct](#)

# Oil is up 93% this year and US diesel is at \$6.35 a gallon. Gold has broken below \$4,000

The 30-year mortgage rate is 7.2%, up from 6.2% at the end of 2025.

End-2025 to 30 Oct. Red dot: the 2026 high. Navy dot: latest close.

## US 10-year yield

Peak 5.31% on 5 Oct



## 30-year mortgage rate

Peak 7.40%, highest since Nov 2023



## Brent crude

+93% YTD, near its high



## US diesel

+81% YTD, \$ a gallon



## Gold

-10% YTD, 27% off high



## Silver

-30% YTD, 57% off high



**SOURCES** Yahoo Finance via [tigzig.com APIs](#); EIA, Freddie Mac via [tigzig.com Tremor](#). Gold, silver, Brent: futures. Brent is the December contract, which expired 30 Oct; January settled at \$113 ([CNBC](#)); Earlier: [25 Sep](#), [30 Oct](#)

# Two more pressure points: the Iran war and euro-zone debt

Oil swings on each attack and each hint of a deal. France now pays more to borrow than Italy.

## The Iran war, month nine

Brent crude, \$ a barrel

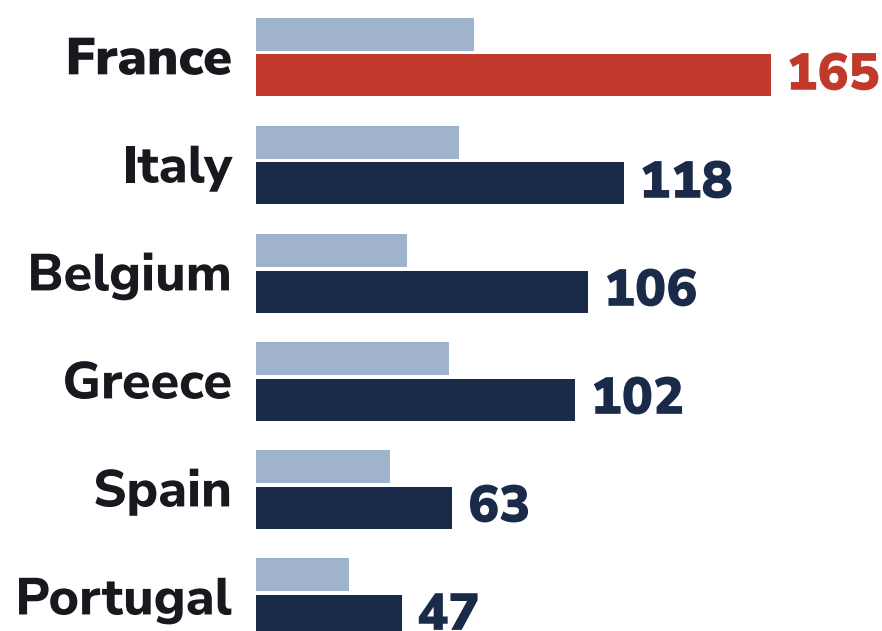


- A deal signed on 17 June broke down weeks later.
- October has had the most ship attacks of the war: at least 30 vessels.
- Qatar is mediating new talks. The US has warned of strikes after the 3 Nov midterms.

## Euro-zone debt

Gap over Germany's 10-year, bp.

Pale: January. Bold: 30 Oct



- The gap has widened for all six. France's has more than doubled.
- Fitch cut its outlook to negative on 30 Oct. Moody's kept a negative outlook.
- More than half of France's €3.46 trillion debt is held abroad.

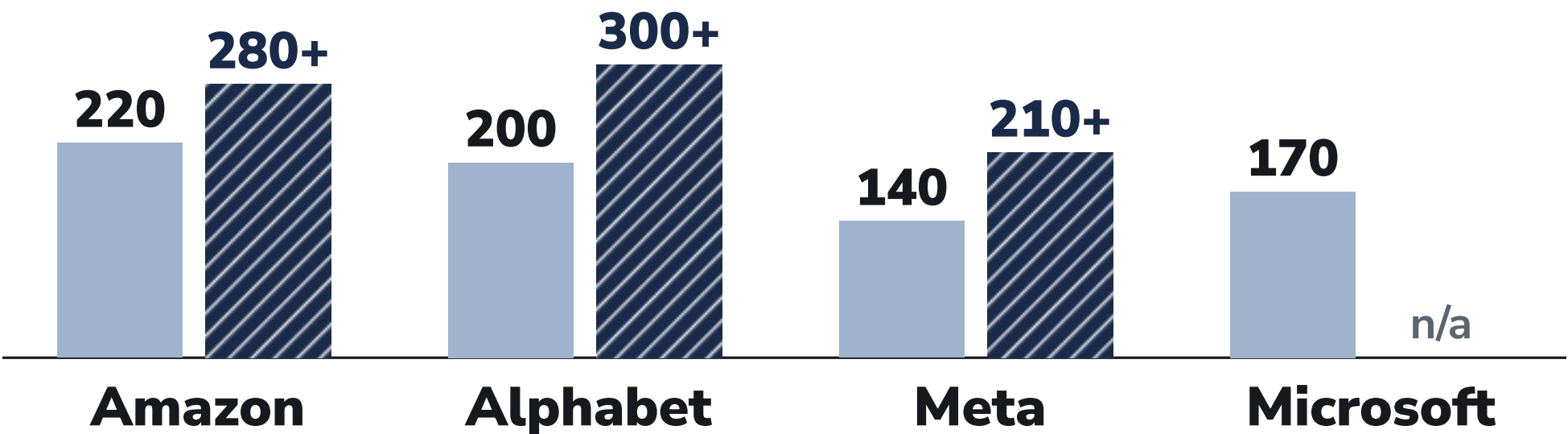
My deep dive: [France's sovereign debt crisis, 25 Oct](#)

**SOURCES** CNBC [30 Oct](#), [31 Oct](#), [23 Oct](#); Fitch via [Investing.com on Yahoo Finance](#); 10-year yields: CNBC; Brent via [tigzig.com APIs](#); Eurostat

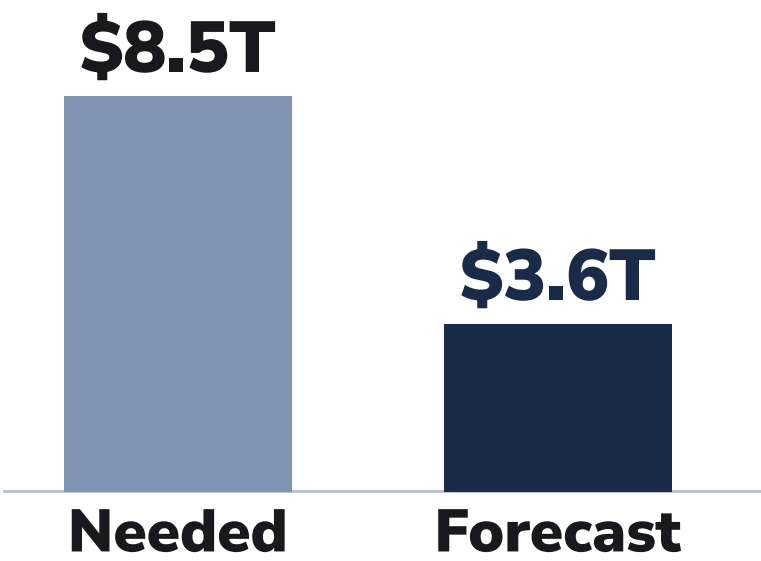
# The builders say the cash comes later. Gartner sees AI revenue at less than half of what is needed

Gartner says over \$3.5 trillion of AI infrastructure spending could be exposed to impairment by the end of 2030.

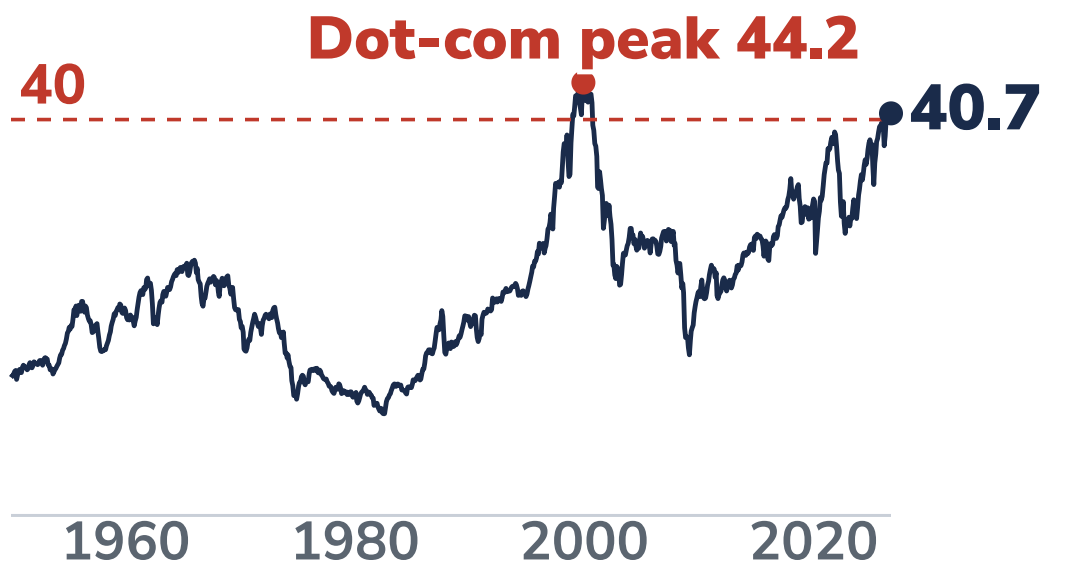
**Capital spending, \$bn a year** 2026 plan (Alphabet, Meta: midpoint). Hatched: 2027 estimates



**AI revenue to 2030**  
Needed for a 12% return, and the most Gartner forecasts



**Shiller CAPE**  
Price to 10 years of real earnings, since 1950



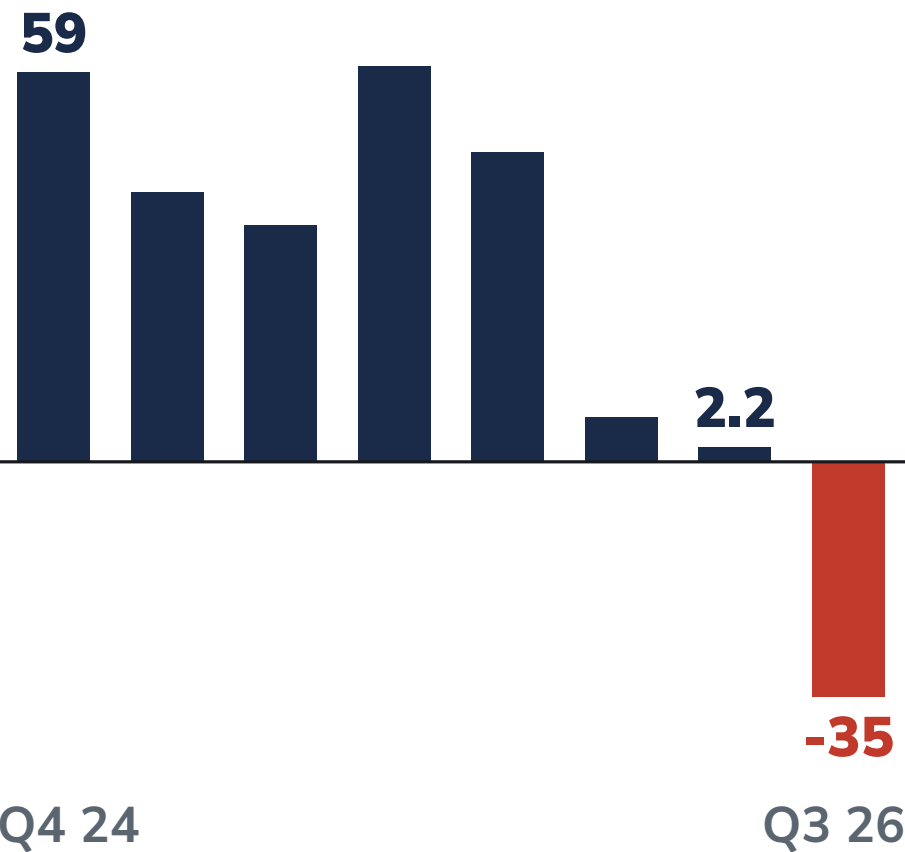
My deep dive: [A correction in AI valuations is looking more likely, 31 Aug](#) · [The biggest tech build meets the bond rout, 28 Sep](#)

**SOURCES** CNBC [30 Oct](#), [28 Oct](#), [29 Oct](#); [Gartner](#); Shiller via [tigzig.com](#) Tremor

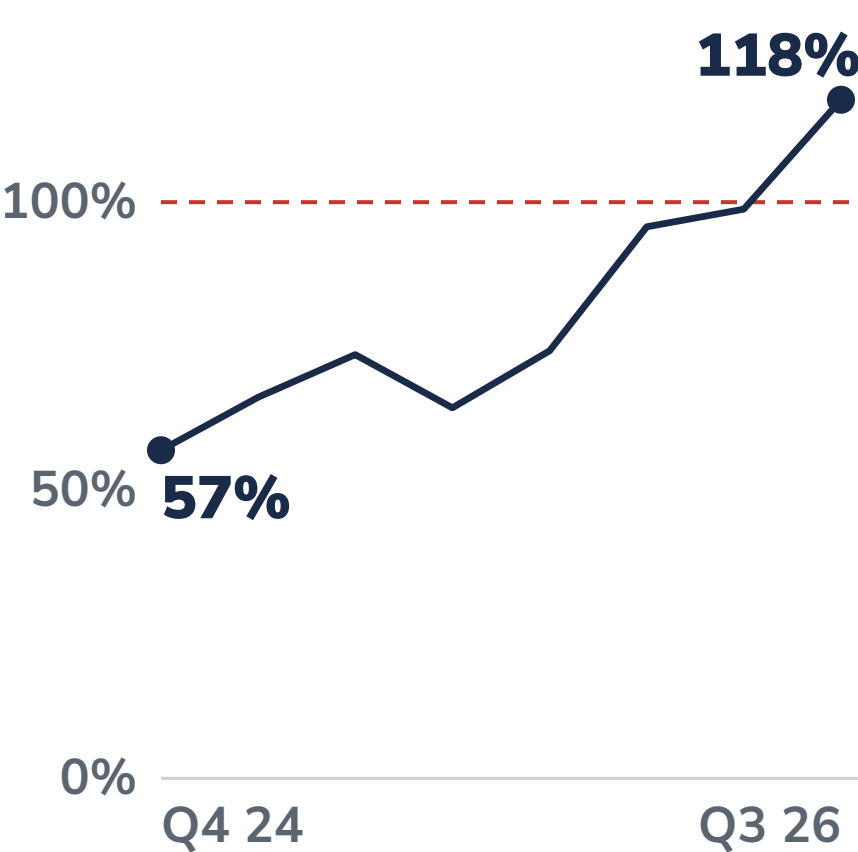
# Last quarter the five spent \$1.18 for every dollar of cash their operations brought in

Their free cash flow turned negative, the first time in nine years of data. Four of the five now burn cash.

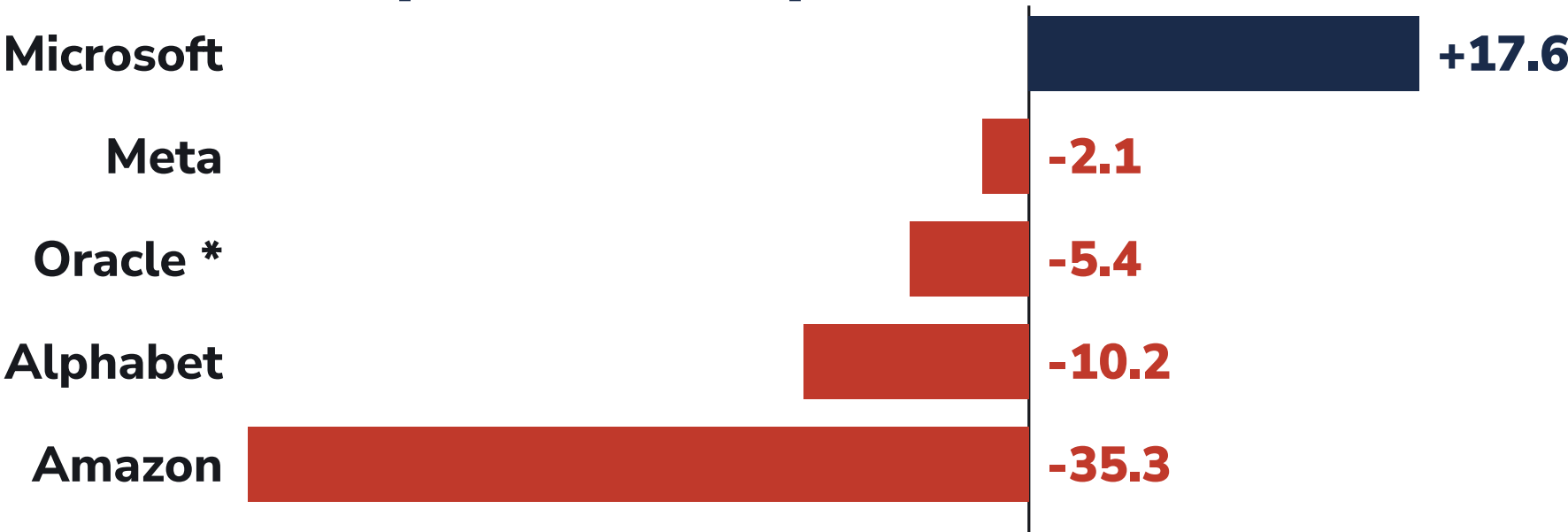
Free cash flow, all five  
\$bn a quarter



Share of cash flow spent  
% of operating cash flow



Free cash flow, quarter to Sep \$bn



Free cash flow is operating cash flow less capital spending and finance lease repayments. Oracle's quarters end a month early, so its bar is the quarter to 31 Aug.

**SOURCES** SEC filings of [Microsoft](#), [Amazon](#), [Alphabet](#), [Meta](#), [Oracle](#); Earlier: [28 Sep](#), [14 Sep](#)

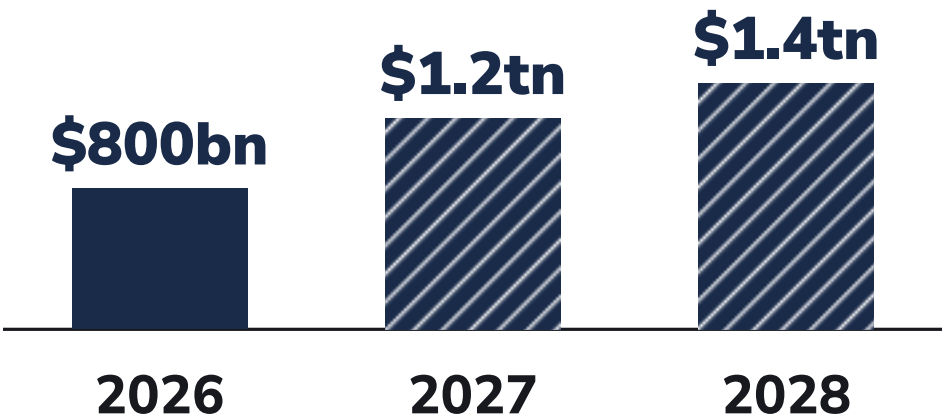
# The bill runs into trillions, and more of it is now borrowed

Free cash flow can no longer pay for the build, so the builders are turning to bond markets.

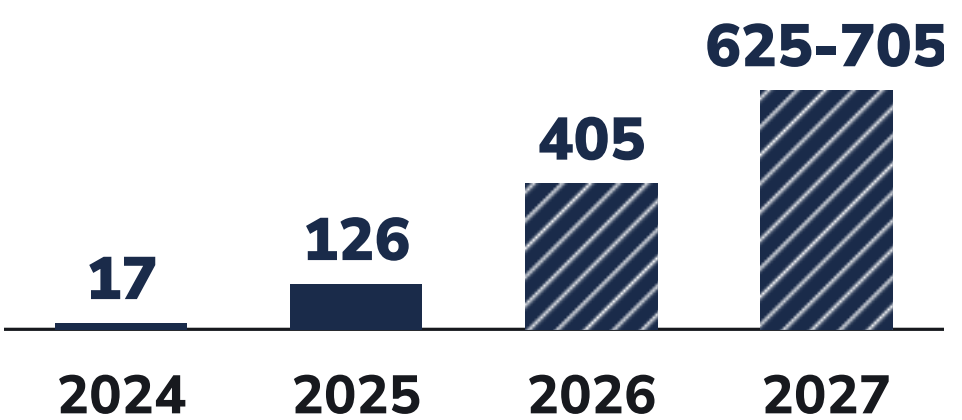
**OpenAI has cut its funding target to \$20 billion, from \$30 billion**

Some investors reduced their allocations. The round values OpenAI at \$1.25 trillion and is still open. CNBC and the FT, 31 Oct.

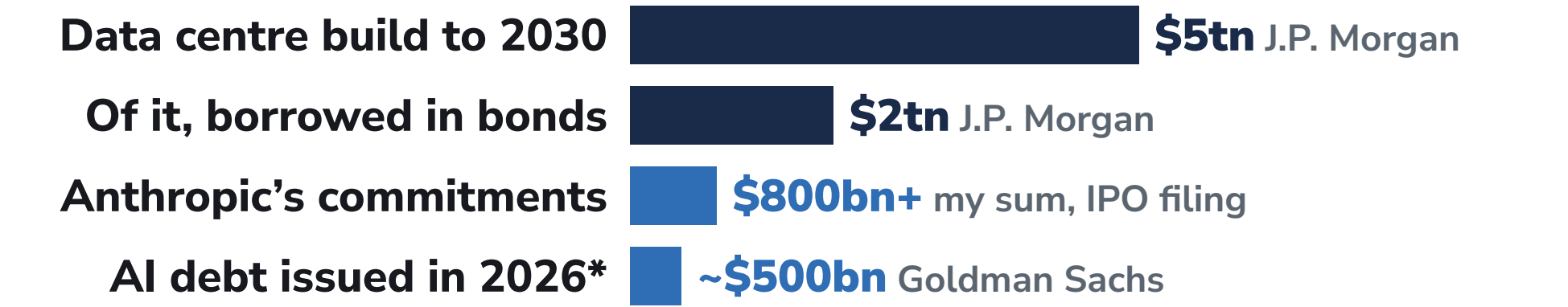
**Hyperscaler capex**  
Goldman Sachs, 23 Sep: 2026 on track. Hatched: estimates



**Hyperscaler bonds issued**  
\$bn, running total since 2024, J.P. Morgan. Hatched: estimates



## The scale



\* To early August. J.P. Morgan's \$5tn and \$2tn are estimates.

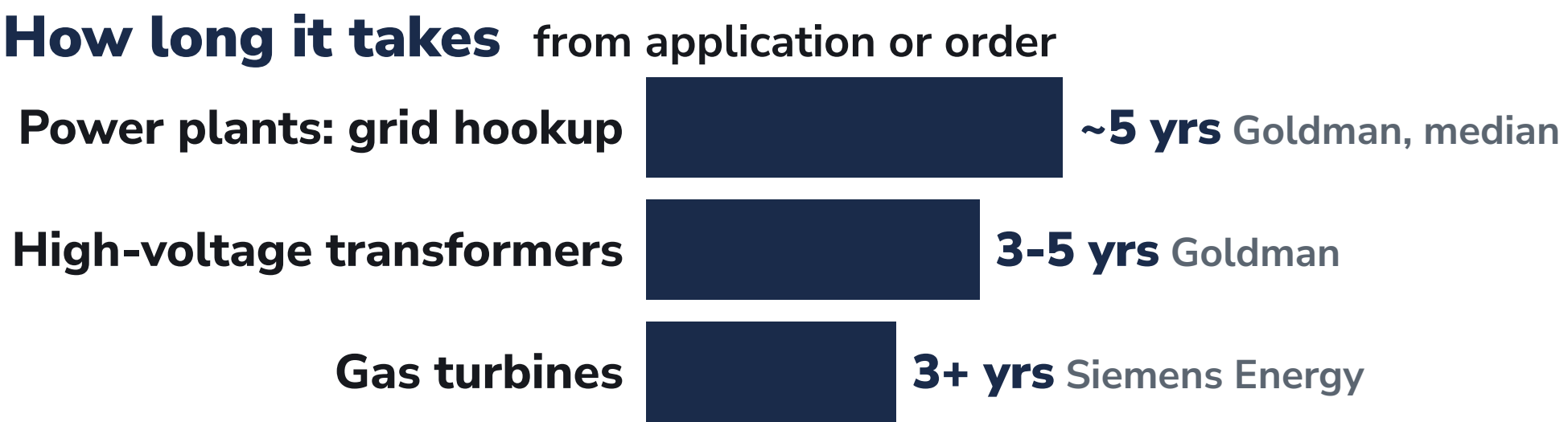
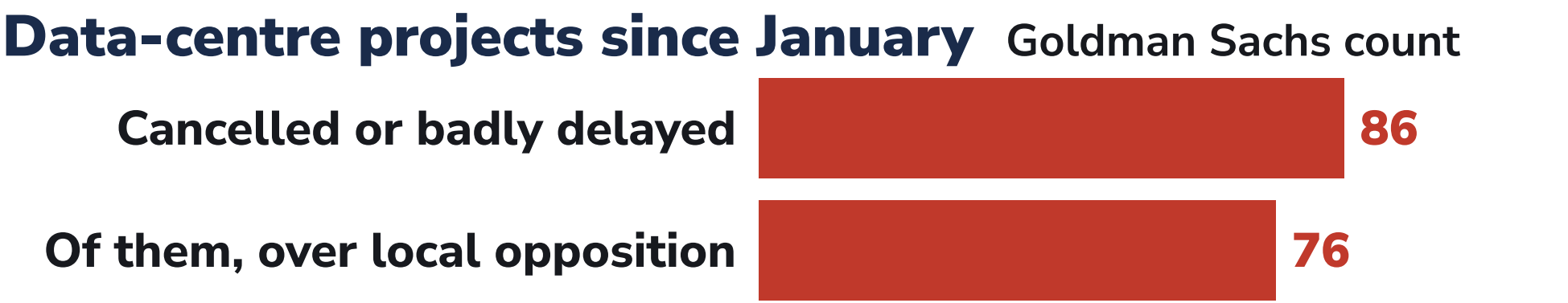
My deep dive: [The biggest tech build meets the bond rout, 28 Sep](#)

SOURCES [Goldman 23 Sep](#), [5 Aug](#); [J.P. Morgan AM 5 Aug](#); [Anthropic S-1](#); [CNBC 31 Oct](#)

# The build itself is running into limits: power, equipment and local opposition

**Bernstein expects only about 35% of planned US data-centre capacity to be built**

It expects the big hyperscalers to finish theirs. The shortfall is mostly newcomers. Business Insider, Oct.



- Goldman says delays push back returns, but also curb overbuilding.
- In July New York paused state environmental permits for new hyperscale data centres, for up to a year.
- 71% of Americans oppose a data centre in their area (Gallup, March).
- “Power is probably the forever bottleneck,” says Jason Tofsky of Goldman Sachs.

**SOURCES** Bernstein via [Business Insider](#); [Goldman Sachs 19 Oct](#); [Siemens Energy via Utility Dive, Aug](#); [New York governor, 14 Jul](#); Gallup via [CNBC 19 Oct](#)

# Lenders want more for AI debt.

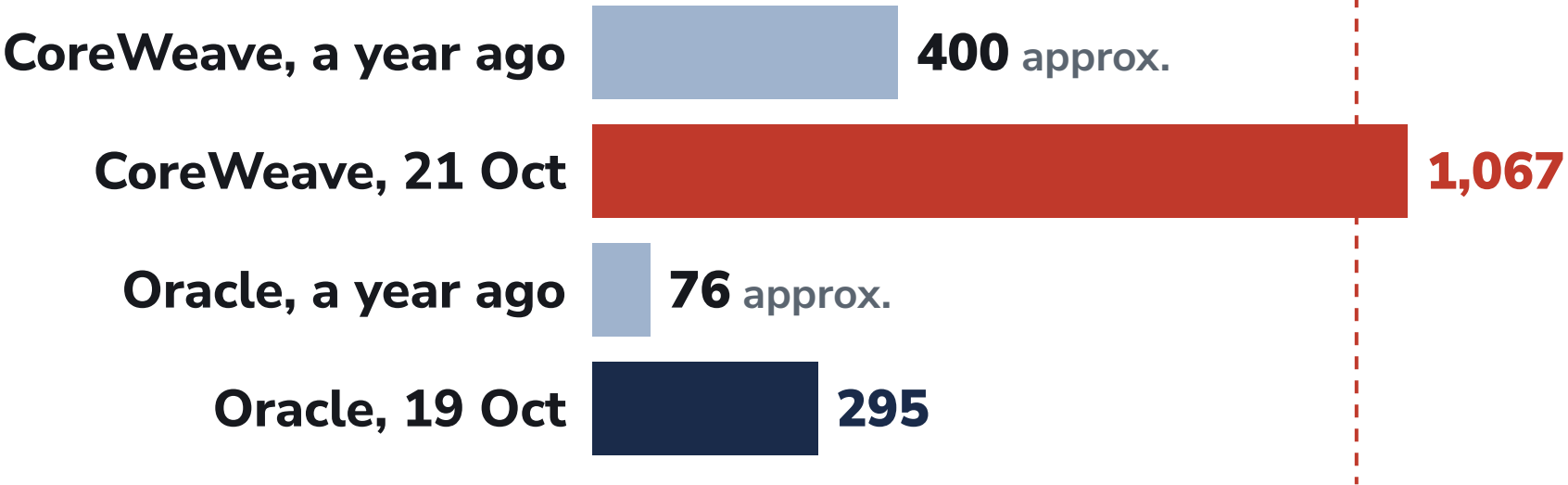
## CoreWeave's default swaps are at distress levels

S&P cut Meta's outlook to negative on 30 Oct and sees a \$71 billion cash shortfall for it in 2027.

### Cost to insure debt against default

5-year swaps, basis points

1,000: distress level



A year ago: from CNBC's reported change over the year. Oracle's eased to 277 by 28 Oct, after a peak earlier in the month. Meta's and Nvidia's hit records in October.

### CoreWeave, a neocloud

60% below its high, \$

### Nebius, a neocloud

46% below its high, \$

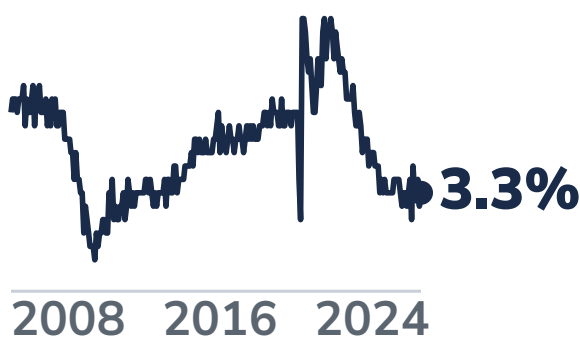


**SOURCES** CNBC [21 Oct](#), [19 Oct](#), [23 Oct](#), [28 Oct](#); S&P via [Yahoo Finance](#); prices via [tigzig.com APIs](#); Earlier: [23 Oct](#)

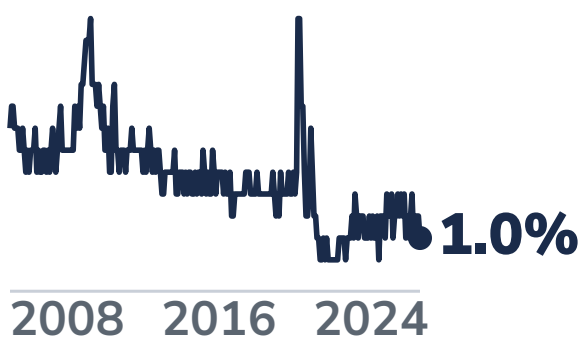
# US jobs: low hiring, low firing, longer searches, and pay behind prices

Unemployment is 4.2%, down from 4.5% last November. Job growth is 51K a month, up from 10K in 2025 but below 122K in 2024.

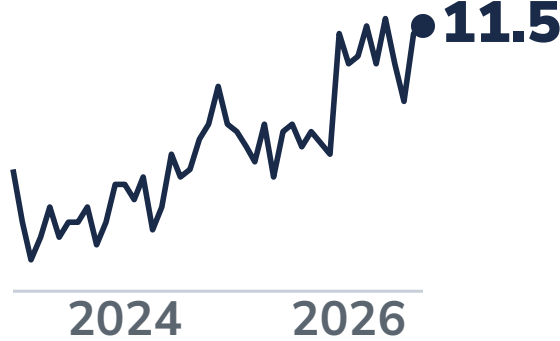
**Hiring rate**  
Near 2009-13 levels



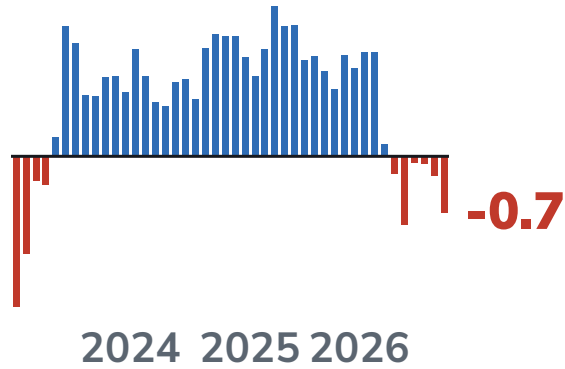
**Layoff rate**  
Near a 25-year low



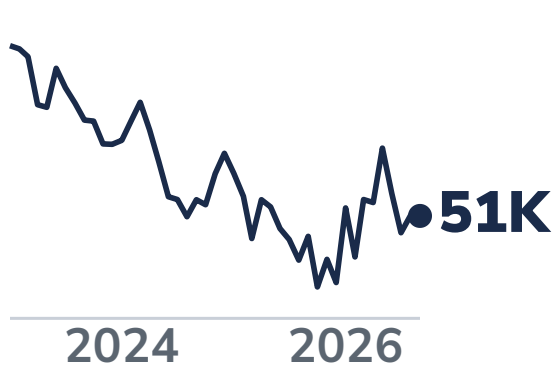
**Time out of work**  
Median weeks, Sep



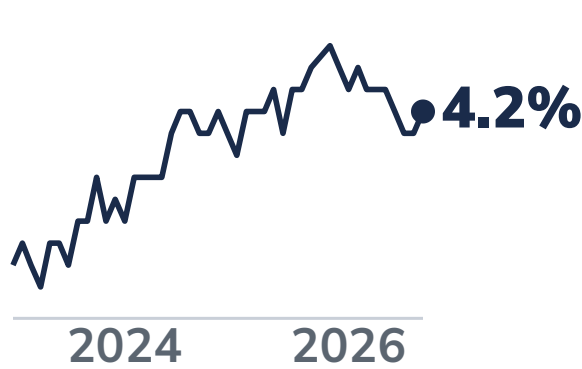
**Pay minus prices**  
Behind prices since April



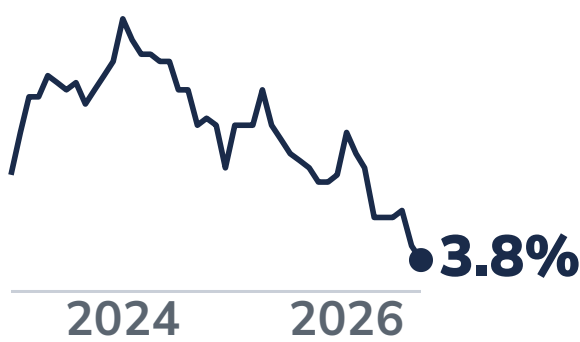
**Jobs added a month**  
3-month average



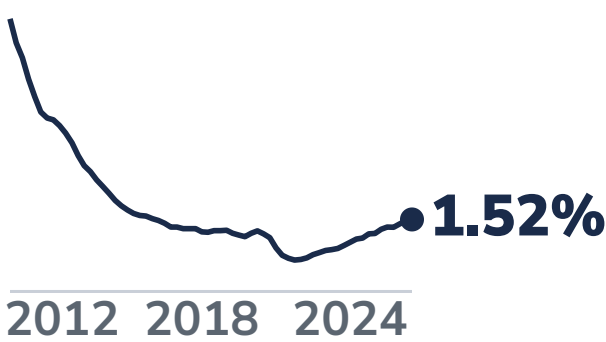
**Unemployment rate**  
Down from 4.5% in Nov



**Saving rate**  
Lowest since 2022



**Mortgages newly late**  
90+ days, most since 2015



My deep dive:  
[US jobs, September 2026, 4 Oct](#)  
[US housing is showing cracks, 22 Oct](#)

**SOURCES** BLS (hiring and layoff rates: JOLTS, Aug; 2020 spike cut off), BEA, NY Fed via [tigzig.com Tremor](#)

# The other side: the builders see strong demand

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## Amazon

Andy Jassy, CEO, 29 Oct

Amazon has a “clear line of sight to attractive financial returns.” He expects AWS to grow over 40% next year.

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## Google Cloud

Thomas Kurian, CEO, 28 Oct

“We are seeing extraordinary demand and strong growth from both AI labs, capital markets, financial service institutions, and enterprises.”

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## Microsoft

Amy Hood, CFO, 28 Oct

Azure revenue grew 48% and is now Microsoft’s biggest single business. She expects 49% to 50% growth next quarter, at constant currency.

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## Oracle

28 Oct

Expects free cash flow to turn positive in the second half of fiscal 2028. It caps new debt and equity for fiscal 2027-30 at \$20 billion.

---

## Nvidia

Jensen Huang, CEO, Oct

“Demand for the neoclouds is off the charts.”

---

## Gartner

14 Oct

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

---

## IMF

13 Oct

Its scenario: a steep AI pullback cuts world output 1.1% by 2028. Petya Koeva Brooks: not likely to mean a global recession.

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**SOURCES** [CNBC 29 Oct](#), [28 Oct](#), [28 Oct](#), [28 Oct](#), [23 Oct](#), [Gartner](#), [Reuters](#)

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# My earlier analysis

More at [tigzig.com](https://tigzig.com) → [Analysis](#)

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- 23 Oct [A crescendo of warnings on AI debt and returns](#)
- 17 Oct [IMF warnings, and AI credit under strain](#)
- 28 Sep [The biggest tech build meets the bond rout](#)
- 14 Sep [The Fed is caught](#)
- 31 Aug [A correction in AI valuations is looking more likely](#)
- 16 Jul [Three warnings on the AI boom: BIS, Buffett, S&P](#)

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- 17 May [S&P at 7,400: irrational exuberance](#)

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- 12 Oct [US consumers: the pressure is building](#)
- 4 Oct [US jobs, September 2026](#)
- 24 Sep [The US job market, below the headline](#)
- 10 Sep [Macro charts showing the stress they showed before 2007](#)

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