RBC BlueBay Asset Management

# The high-grade credit opportunity from AI

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## We look at how the real story of AI debt issuance is the curve, not the volume.

### Key takeaways:

- **AI is reshaping the corporate bond market**: AI-related borrowing has become a major source of long duration credit – almost double that of the broader investment grade (IG) market for maturities over 10 years. It is also lifting technology's benchmark weight from 3% in 2024 to an estimated 12% by year-end 2026.
- **Steepening AI/hyperscaler yield curves reflect supply, not credit deterioration**: front ends are pricing in fortress balance sheets (strong financial health and resilience), but 30-year tenors are pricing decades-long uncertainty around capex returns and compensation for persistent supply calendars.
- **A potential buying opportunity for active managers**: we believe elevated carry from fortress balance sheets, combined with the prospect of spread tightening once supply overhang eases, may create a clean relative value dynamic in high-grade credit.

## AI is reshaping the corporate bond market

The deluge of debt supply is well recognized by the market. However, far less attention has been paid to how it is reshaping the corporate bond market itself, and almost none to where the reshaping is concentrated – the long end.

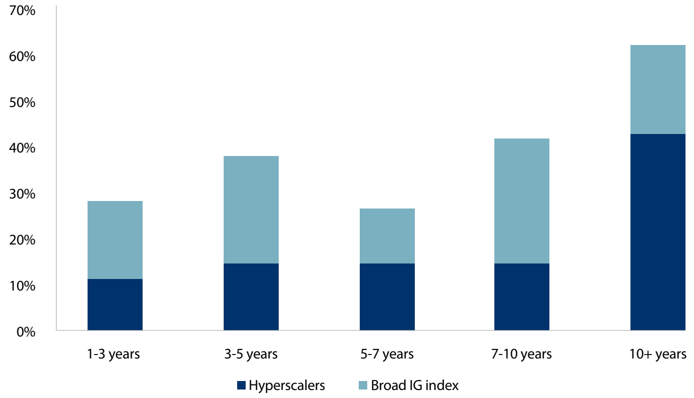
Large technology companies that once financed themselves almost entirely from free cash flows are now issuing debt at record scale to support the AI infrastructure buildout. The five largest hyperscalers issued roughly USD121 billion of corporate bonds in 2025[1], a number that has already been surpassed in 2026 with Amazon's July deal. This brings year-to-date hyperscaler supply to just shy of USD127 billion and is expected to more than double by the end of the year.

Critically, this issuance is heavily skewed toward longer-dated maturities, and the consequences of it are already observable:

[1] Bank of America report, January 2026.

1. **AI-related borrowing has become a major source of long duration IG supply**: this is lifting technology's benchmark weight and introducing meaningful new duration to fixed income portfolios.
2. **The repricing is occurring in the term structure rather than in credit**: hyperscaler 10s30s spread curves have steepened well beyond the broad index curve.
3. **The cost has been visible in returns**: hyperscaler long-end paper has offered carry nearly identical to the broad long corporate market while giving much of it back in spread – an underperformance that has been a function of supply, not fundamentals. This distinction is why we think this repricing has created more of an opportunity, coming in the form of attractive carry and potential spread compression trades, than a risk.

### Exhibit 1: Maturity profile of debt issued in the last 12 months




Source: Bloomberg, as of July 7, 2026.

## AI is now a major supplier of long duration credit and is lifting technology's benchmark weight

The defining feature of the AI borrowing wave is likely not going to be its volume but its maturity profile.

Because the assets being financed – data centers, power infrastructure, multi-decade compute capacity – are long-lived, issuers have matched them with long fixed-rate liabilities. So, while markets are focused on their increasingly concentrated share of new IG debt supply – hyperscalers alone have accounted for nearly 10% of IG debt issued in the last year – the real story is in the curve.

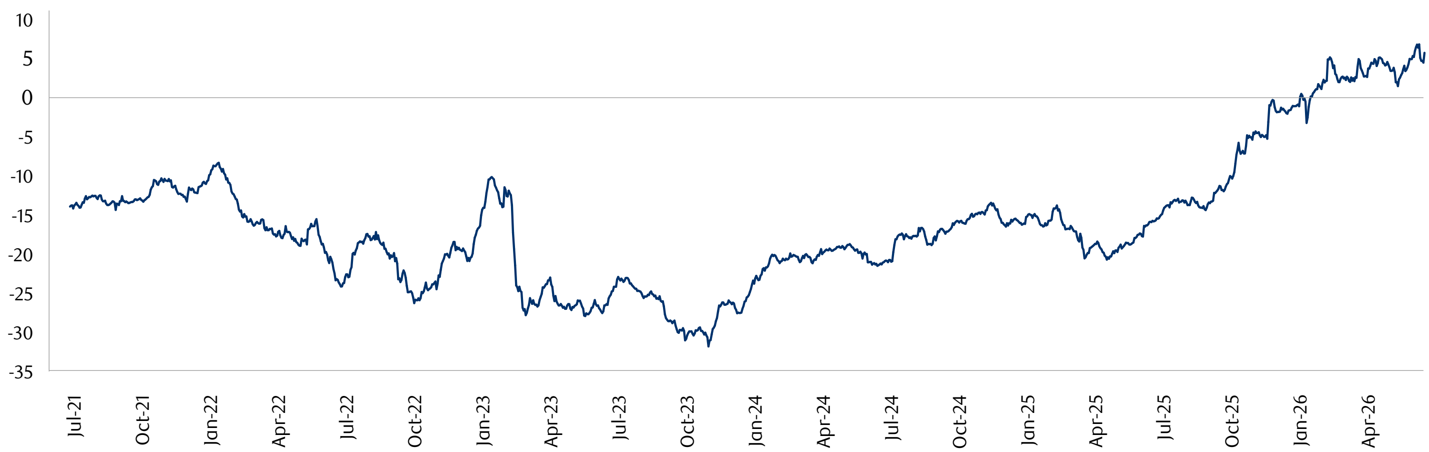
Of the USD200 billion+ of hyperscaler debt issued in the last 12 months, 40% has a maturity of over 10 years (Exhibit 1). That is nearly double the percentage observed across the broader IG new issue market over the same period[2].

The knock-on effect is that technology's share of major IG benchmarks is expected to rise to 12% by year end 2026. This would be up 3% from 2024, with the four largest hyperscaler issuers nearly doubling their weight alone.

## Spread curves have steepened well beyond the broad index curve, especially at the long end

As the flurry of debt continues, market sentiment has flipped. While technology spreads were tighter than the broad index for most of the past decade, as issuance has accelerated recently, their spreads are now trading wider as investors are demanding higher yields to absorb this new supply (Exhibit 2).

### Exhibit 2: IG tech sector option-adjusted spread (OAS) – broad IG corporate OAS

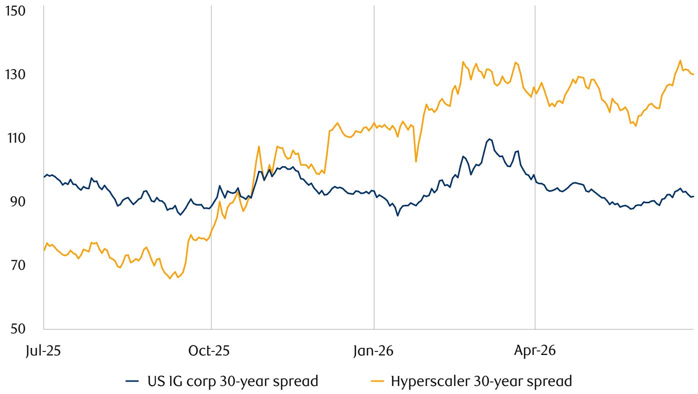



Source: Bloomberg, as of July 7, 2026.

[2] Source: Bloomberg, BofA, RBC GAM, as 30 June 2026.

The shift in valuation is much more dramatic at the longer end of the curve, largely driven by the hyperscalers, whose bond spreads have been decoupling from the rest of the index. A key driver of that widening is coming from long duration (30-year) hyperscaler bonds (Exhibit 3).

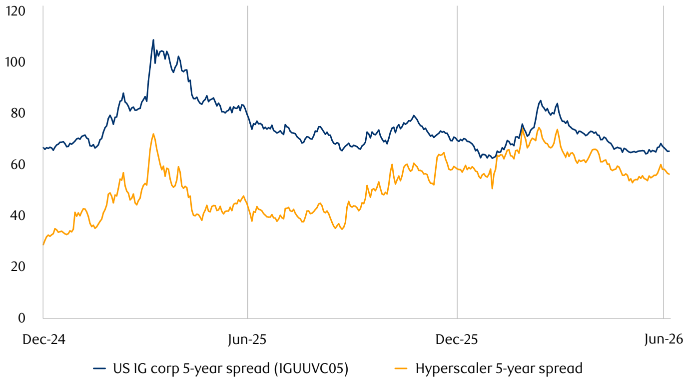
### Exhibit 3: Hyperscaler 30-year versus generic IG corporate 30-year spread moves




Source: RBC GAM, Bloomberg, as of June 30, 2026.

Meanwhile, AI-related/hyperscaler spreads at the front end of the curve – i.e. shorter maturity debt – are reflecting some, but meaningfully less, supply pressure (Exhibit 4).

### Exhibit 4: Hyperscaler 5-year versus U.S. IG corporate generic 5-year spreads



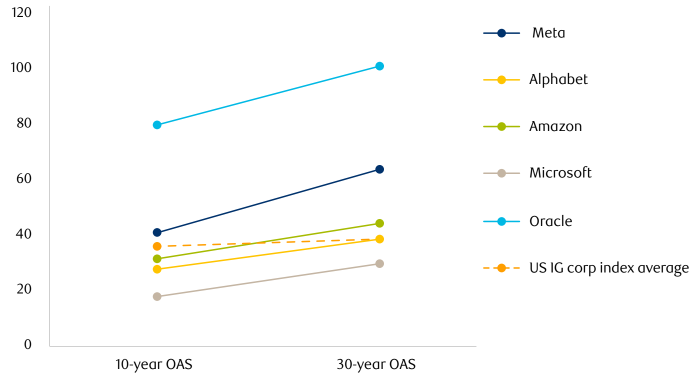

Source: Bloomberg, as of July 6, 2026.

## The repricing is largely in the term structure, not in the credit

Despite the late July spread widening in AI-related issuers, the shape of hyperscaler credit curves continues to suggest investors are less concerned about near-term credit quality than the longer-term financing burden and supply overhang of the AI buildout. As a result, repricing has been largely reflected in the slope of each issuer's spread curve – the premium demanded to hold these names at 30 years rather than 10 or five years.

Exhibit 5 highlights this point. As of July 13, 2026, the broad IG corporate index 10s30s spread curve slopes roughly +7bps. Every major hyperscaler curve is steeper: the strongest names (Microsoft, Amazon, Alphabet, Nvidia) still have spreads in line with or lower than the index on aggregate, yet their curves slope an average of ~40bps as of the same date.

### Exhibit 5: OAS for hyperscalers




Source: RBC GAM, Bloomberg, as of July 13, 2026.

Front ends are pricing in fortress balance sheets (i.e. strong financial health and resilience) but 30-year long duration lending is pricing in decades-long uncertainty around capex returns as well as a concession for a persistent supply calendar, and therefore leveraging cycle.

While the long-term economics of the AI build-out will remain unresolved for years to come, the shorter-term fundamentals remain intact, and we believe this will continue to create opportunities for active managers to generate value by selecting the right part of the curve to sit in, while clipping a relatively attractive coupon along the way.

### The opportunity for active managers

The opportunity has three parts:

- The repricing has left some of the highest quality issuers in the market paying yields upwards of 6% at the long end.
- New-issue concessions are now running several times the market average into heavily oversubscribed books.
- Issuer curves now offer 25-30bps of additional spread to move from 10 years to 30 years with no change in credit risk.

Because the widening is technical, it is also mean reverting – when the supply calendar decelerates, and as the bonds shorten in maturity, the premium compresses, and the tightening accrues to whoever owns the paper.

The conclusion for investors is that AI is not simply increasing corporate borrowing; it is reshaping the composition of a USD10T market. In doing so, it has created one of the cleaner relative value dynamics in high grade credit – elevated carry from fortress balance sheets today, with the prospect of spread tightening once the supply overhang eases.

Authors

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Neil is a BlueBay Portfolio Manager within BlueBay's Investment Grade team and joined the firm in March 2014. Prior to joining BlueBay Asset Management (which is now part of RBC Global Asset Management), Neil worked at BlackRock in their Client Analytics Group, as an associate. Neil graduated Summa Cum Laude from Baruch College with a BA degree in Finance and Investments. Neil is a CFA charterholder.


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