

Above the Noise: Looking beyond the headlines

Invesco · 2026-09-23 · English original

Key takeaways

Market headlines are usually meant to capture attention, not to help investors achieve long-term goals. Before reacting, consider whether it's meant to inform or simply attract clicks.

Even if the pace of artificial intelligence (AI) development slows, adoption is still in its early stages, and demand for AI infrastructure has remained significant.

A 5% US Treasury yield isn't necessarily a breaking point. Household and corporate balance-sheet metrics have generally remained strong, and credit spreads have remained relatively tight.

Are the headlines you're reading helping you reach your long-term investment goals?

According to Betteridge's Law of Headlines, the answer is likely no. This tongue-in-cheek rule holds that when a headline asks a question, the answer is usually no. Over the past few months alone, some version of these headlines has flashed across my screen: Has World War III already started? Is the AI bubble bursting? Will 5% Treasury rates pop the AI bubble? Will rising oil prices push the US into a recession? Different topics. Same formula. And the formula works.

The question creates what psychologists call a curiosity gap. We feel compelled to close it. We click. We read. We search for certainty.

Will what you're eating right now kill you?

The problem is that the headline often delivers far more emotional impact than the answer itself. By the time we discover the conclusion is far less alarming than advertised, the damage has already been done. The question lingers. Fear survives. The nuance gets forgotten.

To be fair, the answer can't always be no. But far more often, it is.

The real lesson is to understand the incentive behind the question. Most of these headlines aren't trying to help you achieve your long-term goals. They're trying to capture your attention for a few moments. That's a very different objective.

Investors are being bombarded with questions that imply imminent danger. Will debt trigger a crisis? Will higher rates derail the bull market? Will geopolitical tensions end the expansion? Before reacting, it's worth asking whether the headline is designed to inform or simply to attract attention.

Successful investing has always required staying above the noise. (I used to love when TV sitcoms would mention the name of the show in an episode.) In an age when attention has become a business model, that may be more important than ever.

With that in mind, let's put some context to the questions being asked and focus on what likely matters most for long-term investors.

It may be confirmation bias but...

... concerns that hyperscaler capital spending is a harbinger of a bubble appear overstated.

Massive capital expenditures (Capex) can be far less concerning when they're funded by equally massive operating cash flows. The capital expenditure to cash from operations ratios for companies such as Alphabet, Amazon, Meta, and Microsoft have moved modestly higher as AI-related investment is accelerating. But cash from operations has remained strong, keeping the ratios below 1.0.1 At some point, these investments may need to generate attractive returns on invested capital. Until then, the current level of hyperscaler capex looks less like a warning sign to me and more like companies investing aggressively in a potentially transformative opportunity.

Phone a friend

Anthropic CEO Dario Amodei's recent letter has raised questions about whether the extraordinary pace of artificial intelligence (AI) investment can continue and what a slowdown could mean for markets. You've asked about our perspective. I phoned Ashley Oerth, Senior Investment Strategist at Invesco, for her take:

"The central question for markets is whether a deliberate slowdown in AI development would reduce demand for computing power and, by extension, investment in the AI ecosystem. I'm not particularly concerned. Even if the pace of model development slows, adoption is still in its early stages, and demand for AI infrastructure has remained significant.

The important distinction is between the pace of AI development and the pace of AI adoption. Even if development were frozen today, the technology has already been extraordinarily powerful. Businesses are still figuring out how to implement AI, integrate it into workflows, build applications around it, and ultimately use it to improve productivity and profitability. That process has a long way to go, in my view.

There's also already a significant pipeline of demand as companies build the infrastructure needed to support greater AI usage. A more cautious approach to developing increasingly powerful models doesn't necessarily mean businesses suddenly stop deploying the technology that already exists. Nor does it necessarily mean that the need for computing power would materially decline.

For markets, that may be the key takeaway. A slowdown in the rate of AI advancement may change the trajectory of investment at the margin, but it may not undermine the broader adoption story or the substantial investment that could still be required to support it."

It was said (part 1)

"If the 30-year must trade at 5.5% to clear, that isn't a crisis. It is an invoice."

– Stanley Druckenmiller, former hedge fund manager

I agree with Stanley Druckenmiller that the current debt situation isn't a crisis, but I'm less convinced by the notion that rising Treasury yields represent "the bill coming due." An invoice implies that the federal government is finally being forced to pay for years of accumulated borrowing.

What we've been experiencing looks more like a normalization of interest rates in the context of stronger nominal economic growth to me. Throughout much of the 1980s and 1990s, the 10-year Treasury yield consistently exceeded the nation's nominal growth rate.² The post 2008 Global Financial Crisis period was the anomaly, with yields held well below nominal growth for an extended period by weak demand, low inflation, and extraordinary monetary policy. From that perspective, higher yields may be less a

reckoning for past excesses and more a reflection of a healthier long-term growth trajectory. Rather than an invoice arriving in the mail, it may simply be the bond market recognizing that the economy's future growth potential is stronger than it appeared in the years after the financial crisis.

It was said (part 2)

“(Interest rates) should be 1 percent, or less, because we are the best credit in the world, by far.”

US Treasury yields aren't priced like corporate credit. The market generally has little reason to demand significant compensation for traditional default risks from a government that issues debt in its own currency. Instead, Treasury yields largely reflect expected inflation, real interest rates, expected monetary policy, and a term premium.

Put simply, being virtually certain that investors will get their dollars back from the US Treasury isn't enough. Investors care about what those dollars will buy when they get them back.

Since you asked

Q: Should a 5% 10-year US Treasury rate be viewed as a breaking point?

A: No, because this isn't an over-leveraged economy.³

Many US households appear insulated from higher rates on mortgages because they locked in fixed-rate mortgages during the low-rate era. Many corporations did the same by refinancing and extending maturities when borrowing costs were exceptionally attractive. As a result, corporate interest expense has remained relatively low compared to prior cycles, despite the rise in Treasury yields.⁴

Just as importantly, key market signals haven't been showing stress, in my view. Credit spreads remained historically tight,⁵ and suggest that lenders haven't been demanding significantly higher compensation for risk, and banks generally haven't been tightening lending standards.⁶ If a 5% Treasury yield truly represented a breaking point for the economy, we might expect to see more strain in credit markets and lending activity than we've seen today.

Think/Rethink: Where familiar beliefs meet inconvenient evidence

Think: The market has been exhibiting signs of a mania.

Rethink: The S&P 500 has advanced 127% over the 3.9 years since its last 20% decline. By comparison, it gained 557% over 2,463 trading days from 1990 to 2000 without experiencing a 20% decline.⁷

On the road again

My travels took me to Hyde Park, New York, for a client event at Franklin Roosevelt's home. I could have spent hours in the museum, but time didn't allow it. Still, I was fascinated to see the Roosevelts' possessions and to look into FDR's library, where he grappled with the challenges of the Great Depression and World War II. It was also a timely reminder that, as we confront the challenges of today, many of which are real and concerning, they pale in comparison with what the world faced during Roosevelt's presidency. Sometimes a little historical perspective is all we need to maintain our optimism.

Source: Bloomberg, L.P., June 2026. The mention of individual companies is not intended as investment advice.

Source: US Federal Reserve, June 2026, based on net interest payments of nonfinancial US

corporations and US household liabilities to US household net worth.

Source: US Federal Reserve, June 2026, based on net interest payments of nonfinancial US corporations.

Source: Bloomberg L.P., Sept. 17, 2026, based on the option- adjusted spread of the Bloomberg US Corporate Bond Index.

Source: US Federal Reserve, July 2026, based on the Federal Reserve Senior Loan Officer Opinion Survey.

Sources: US Bureau of Economic Analysis and Bloomberg L.P., as of Sept. 17, 2026

Source: Bloomberg, L.P., Sept. 17, 2026, based on the S&P 500 Index.

- September 21, 2026
- September 14, 2026
- September 8, 2026
- August 31, 2026

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All investing involves risk, including the risk of loss.

Past performance does not guarantee future results.

Investments cannot be made directly in an index.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Artificial intelligence (AI) technology companies are sensitive to specific risks such as small markets, business cycle changes, economic growth, technological progress, obsolescence, and regulation. These companies may have limited products, markets, resources, or personnel, making their securities more volatile, especially for smaller start-ups. Rapid technological changes can adversely affect their results. AI companies often rely on patents, copyrights, trademarks, and trade secrets to protect their technology, but there's no guarantee these protections will be sufficient. Significant research and development (R&D) spending doesn't ensure product or service success.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes US dollar-denominated securities publicly issued by US and non-US industrial, utility, and financial issuers.

A bull market is an environment in which stock prices are rising or are expected to rise.

Capital expenditures (or CapEx) is the use of company funds to acquire or upgrade physical assets such as property, industrial buildings, or equipment.

Cash flow is the net amount of cash and cash equivalents generated by a business.

Credit risk is the risk of default on a debt that may arise from a borrower or issuer of bonds failing to make required payments.

Credit spread is the difference in yield between bonds of similar maturity but with different credit quality.

Fixed income investments are subject to the credit risk of the issuer and the effects of changing interest rates. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa. An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.

In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic, and political conditions.

Inflation is the rate at which the general price level for goods and services is increasing.

Investments focused on a particular industry or sector are subject to greater risk and can be more impacted by market volatility than more diversified investments.

Leverage measures a company's total debt relative to the company's book value.

Many products and services offered in technology-related industries are subject to rapid obsolescence, which may lower the value of the issuers.

Option-adjusted spread (OAS) is the yield spread that must be added to a benchmark yield curve to discount a security's payments to match its market price, using a dynamic pricing model that accounts for embedded options.

References to specific companies aren't buy/sell recommendations.

The S&P 500® Index is an unmanaged index considered representative of the US stock market.

The Senior Loan Officer Opinion Survey on Bank Lending Practices (SLOOS) is a quarterly survey conducted by the Federal Reserve. It surveys senior loan officers at large US banks and US branches of foreign banks about changes in lending standards, loan terms, and borrower demand across major credit categories, including commercial real estate (CRE) loans.

Term premium is the excess yield that investors require to commit to holding a long-term bond instead of a series of shorter-term bonds.

The opinions referenced above are those of the author as of Sept. 23, 2026. These comments should not be construed as recommendations, but as an illustration of broader themes. Forward-looking statements are not guarantees of future results. They involve risks, uncertainties, and assumptions; there can be no assurance that actual results will not differ materially from expectations.

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