

The Credit Market Lens: Hyperscalers Are Repricing, Not Displacing (So Far)

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In our most recent “The Credit Market Lens,” we pushed back against one version of the AI crowding-out story. We did note that a large investment boom can still put upward pressure on equilibrium real yields through the saving-investment channel. However, the evidence for a narrower portfolio-rebalancing channel – that is, AI bond supply directly crowding out U.S. Treasuries – looked weak across nominal yields, term premia, and swap spreads, at least for now.

This note asks the same question one layer down in corporate credit. If AI issuance is not visibly crowding out Treasuries, is it crowding out other corporate borrowers? As shown in Figure 1, AI borrowers have accounted for almost one-quarter of total nonfinancial supply in the USD bond market, up from less than 13% last year and 4% in 2024.

To assess whether that surge is crowding out other corporate borrowers, we look at both price and quantity.

That repricing has created some interesting relative value “anomalies”: High quality hyperscalers (those rated A or higher) now trade wider than utilities despite meaningfully stronger balance sheets on spot leverage, cash flow, and liquidity metrics (again, Figure 2). Also, the incremental spread offered by the broader IG market relative to the Bloomberg AA Corporate Index, which is dominated by high-quality hyperscalers, is at its narrowest level in more than two decades.

This pattern could look like crowding out at first glance, but quantities alone cannot distinguish between an inability to issue and an unwillingness to issue. The more prosaic explanation is that most companies are not passive takers of the maturity structure available to them. They time it. When long-term borrowing looks relatively cheap, they term out their debt issuance, and when it becomes more expensive, they favor the shorter maturities. This relationship is well established in the academic literature,^{Footnote1} and Figure 6 shows the same relationship in our own data: Rising long-dated yields have tended to coincide with declining long-duration net corporate supply.

Corporate CFOs and treasurers don’t have some perfect model of expected excess returns. For them,

this maturity choice is a real corporate finance decision shaped by the trade-off between locking in funding and preserving flexibility.

The academic literature also shows that, at the aggregate level, corporate borrowers have tended to adjust the amount of duration they supply when the government changes the amount, or price, of duration in the market.^{Footnote2}

Simply put, companies manage duration actively, so a decline in long-end issuance does not automatically mean they have been crowded out, especially in the current environment where long-dated yields have risen materially. One might argue this reflects Treasuries crowding corporate borrowers toward shorter maturities (a discussion for another time), but it is not evidence that hyperscaler issuance is driving this shift.

1 See Baker, Greenwood, and Wurgler (2003), “The maturity of debt issues and predictable variation in bond returns,” *Journal of Financial Economics*, 261-291, Volume 70, Issue 2 [Return to content](#)

2 Greenwood, Hanson, and Stein (2015), “A Comparative-Advantage Approach to Government Debt Maturity,” *Journal of Finance*, 1683-1722, Volume 70, Issue 4 [Return to content](#)

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