Credit Market Themes in 5 Charts

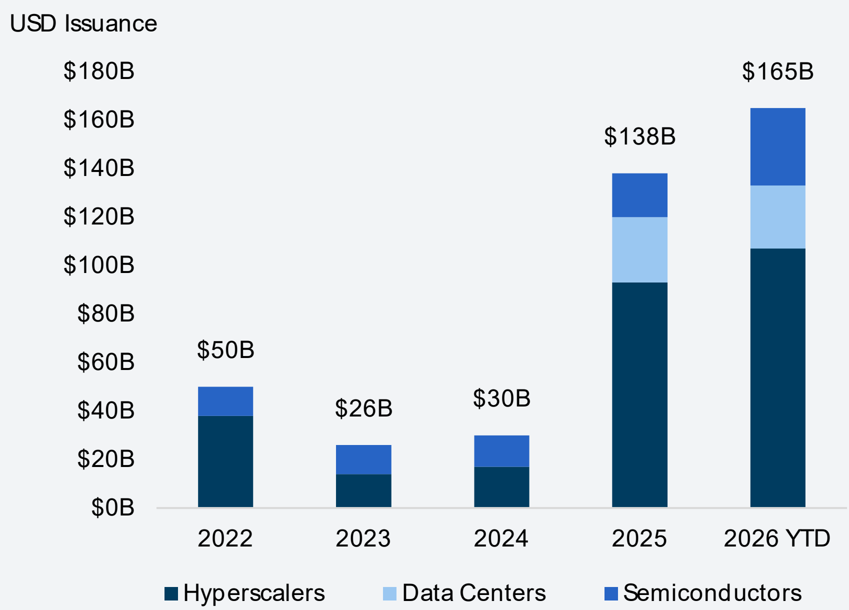
Q2 2026

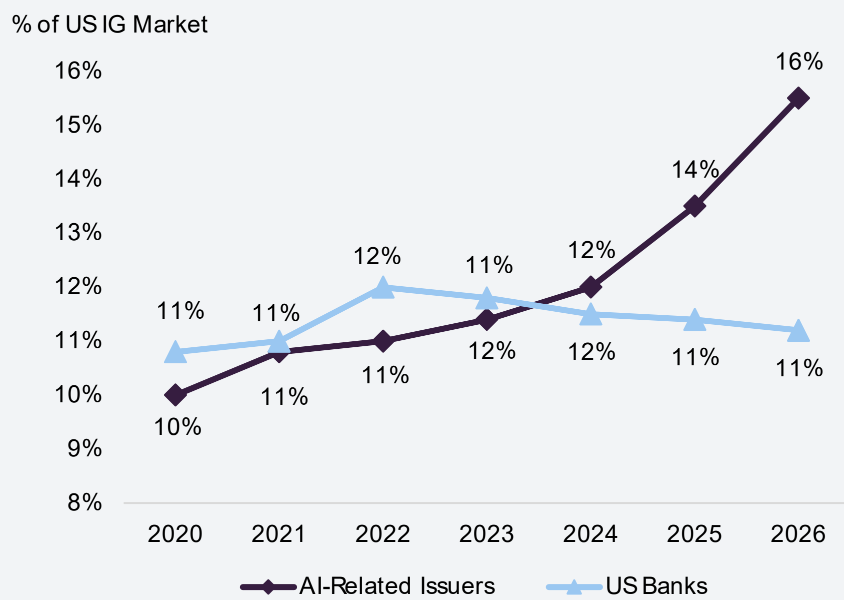
1.

AI-Related Issuers Have Become the Largest Sector in the US IG Market

AI-related issuance has accelerated sharply in 2026, led by hyperscalers, data centers, and semiconductor issuers. Year-to-date USD issuance has already reached approximately $165 billion, compared to $138 billion in 2025. This surge in supply has materially changed the composition of the credit market, where AI-related issuers now account for approximately 16% of the US IG market. We expect the issuance trend to continue as issuers pre-fund their future AI infrastructure needs. This can create opportunities for active investors to invest across issuers and structures.

AI-Related Issuance Has Reached ~$170B YTD, Making it the Largest Segment of the US IG Market





Source: JP Morgan, Dealogic. Data as of Jun 23, 2026.

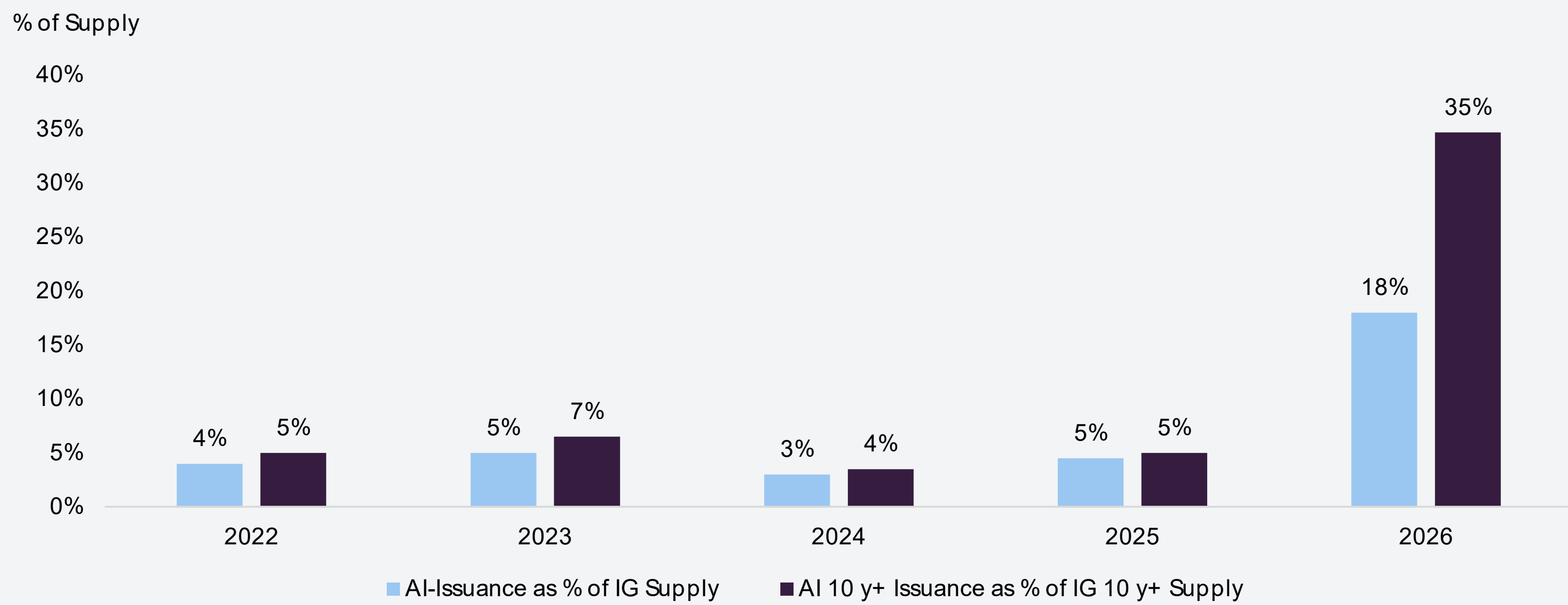
2.

AI Issuers Are Taking an Outsized Share of Long-Dated IG Supply

Due to the long-term nature of the AI investment cycle, AI-related issuers have shown a stronger tendency to lock in funding at longer maturities. Year-to-date, AI-related borrowers have represented 18% of total US IG supply but 35% of 10-year+ supply.

The increase in long-end supply has created some pressure on credit spreads. However, we view this more as supply-driven than a sign of deteriorating fundamentals. Strong demand from yield-oriented buyers should continue to support the long end, but we expect dispersion across issuers and maturities to remain elevated.

Over One-Third of US IG Issuance YTD Has Been in 10+ Year Maturities

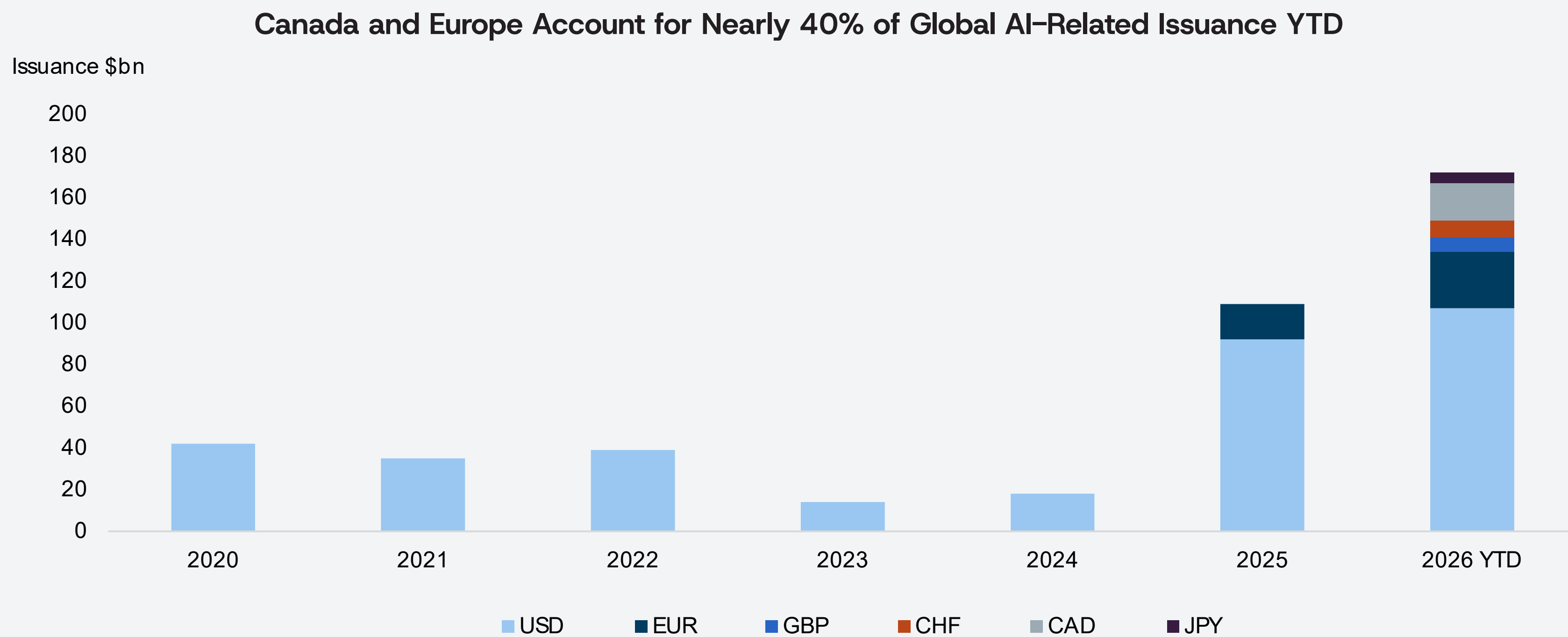


Source: BarclaysLive. Data as of Jun 26, 2026.

3.

Large AI Issuers Are Expanding Beyond the US Dollar Market

As AI-related funding needs continue to grow, issuers are increasingly looking beyond the US dollar market, with Amazon's large CAD transaction being the latest example of hyperscalers testing demand across different funding channels. For issuers, accessing multiple currencies can diversify funding sources and reduce reliance on any single market. For credit investors, this creates a broader relative-value opportunity set, as AI supply is no longer only a US IG market theme, and there could be potential mispricings across regions.

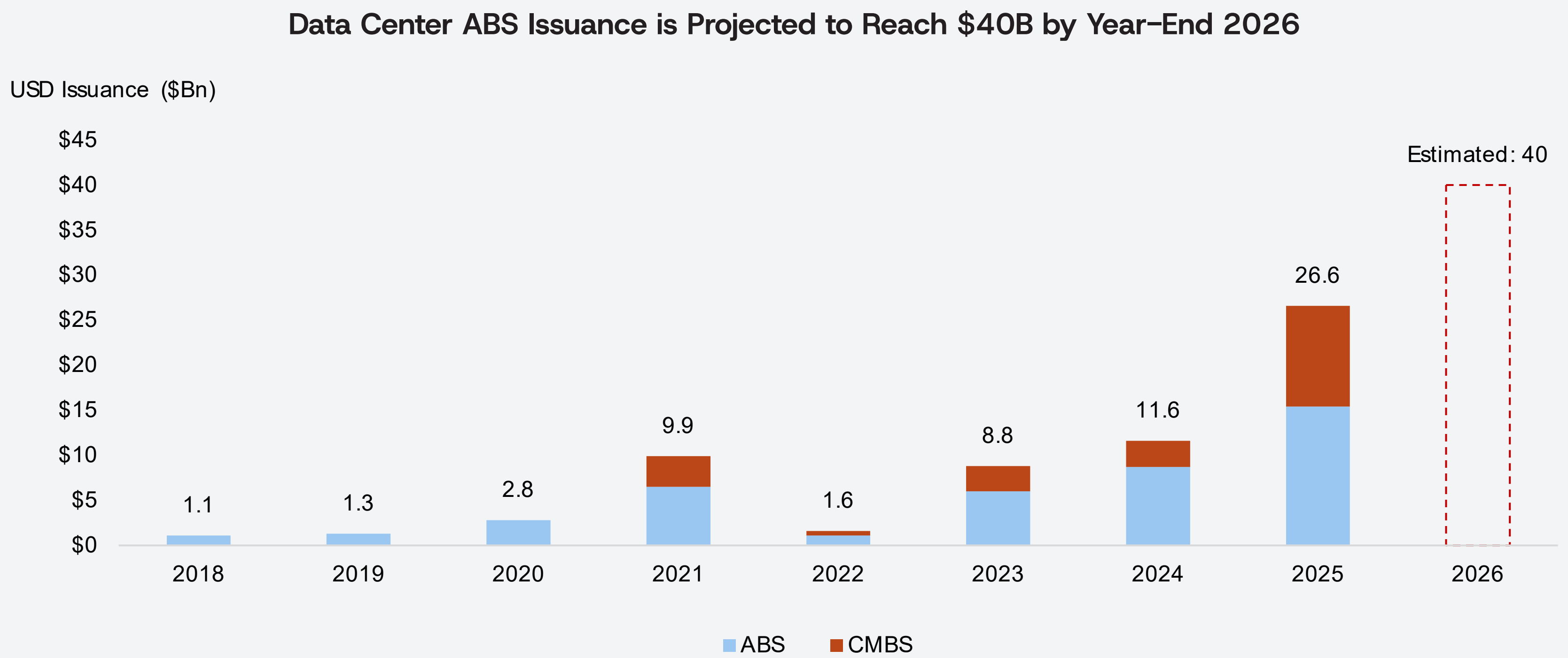


Captures debt issued by: Alphabet, Amazon, Microsoft, Meta and Oracle. Source: Goldman Sachs Investment Research. Data as of Jul 02, 2026.

4.

Asset-Backed Securities are Gaining Popularity as an Alternative Funding Source

The AI infrastructure buildout is also expanding beyond traditional corporate bond markets, including ABS (backed by lease payments) and CMBS (backed by single real estate assets). Compared to the IG and HY corporate bond markets, deal sizes in securitized markets remain smaller, but the growth has been meaningful. New issuance of data-center securitizations rose sharply in 2025, reaching approximately $27 billion, more than double 2024 volumes, and is expected to reach $40 billion by the end of 2026. While we expect securitization to be an interesting area to look at as AI infrastructure needs increase, we believe credit selection will be important, as risks can vary meaningfully across asset quality, tenant concentration, lease terms, and refinancing assumptions.



Source: Barclays Research. Data as of Jun 9, 2026.

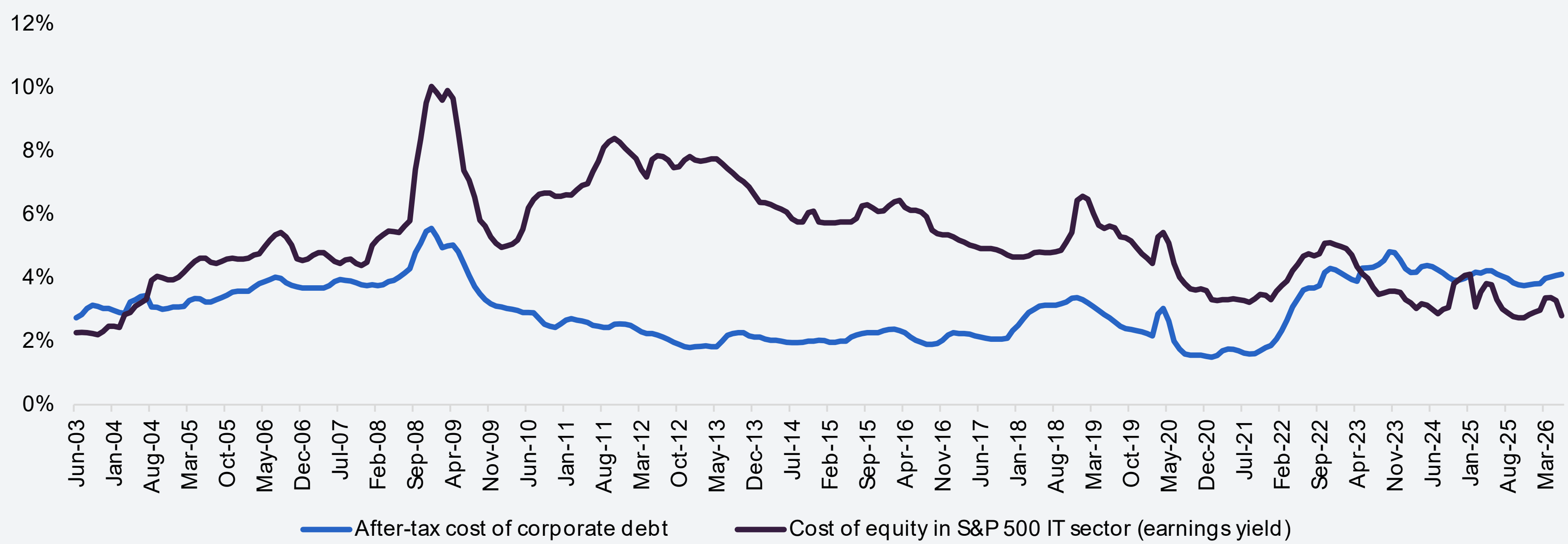
5.

AI Funding May Become More Balanced Across Debt and Equity Issuance

Debt issuance has been the most visible source of funding for AI investment, but it is not the only option. As AI-related equities have continued to rally, earnings yields have declined meaningfully and are now below the cost of corporate debt, making equity financing more attractive for some issuers.

With Oracle, Alphabet, and potentially Meta exploring these alternatives, funding strategies appear to be shifting toward a more balanced approach across capital structures. While debt issuance is likely to remain elevated, a broader mix of corporate bonds, equity-linked capital, and securitized financing could help ease supply pressure and provide support for AI bond valuations.

The IT Sector's Earnings Yield Has Fallen Below the Cost of Corporate Debt



Source: Bloomberg, TD Securities. Data as of Jun 15, 2026.

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