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Hyperscalers in EUR credit markets: The best of times or the worst of times?

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Hyperscaler issuance is set to transform EUR credit markets

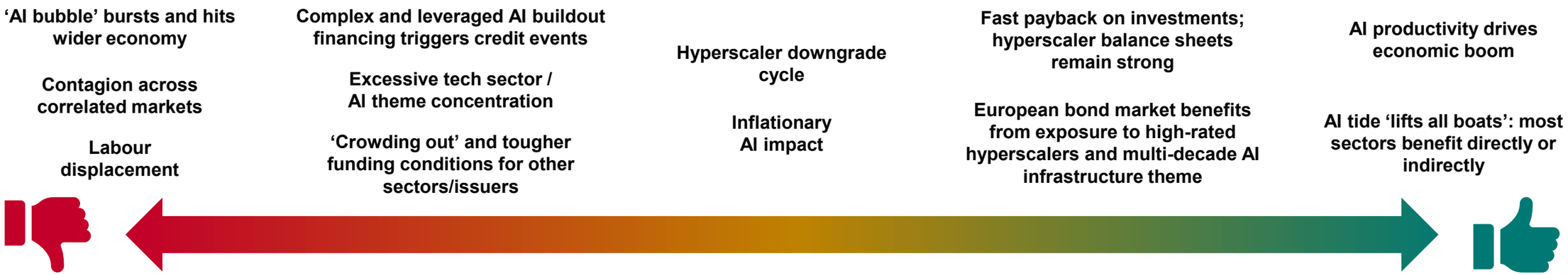
AI buildout requires significant investments to be funded. Is swelling hyperscaler bond issuance good for EUR credit markets?

What we know

- **Capital spending** growth will eventually moderate but **will remain high**: >$1trn per annum from 2027 onwards.
- In 2026 YTD hyperscalers issued €23.5bn of debt in EUR IG markets: 5.5% of total EUR IG gross issuance. A moderate level vs c.14% share of USD IG credit market gross supply.
- **Presence in the long-end more pronounced**: hyperscalers made up c.11% of EUR IG 10+ yrs maturity supply.
- Reception of hyperscaler deals by EUR investors has been showing signs of fading: early deals boasted subscription levels >4x, falling towards 1.5-2x most recently.
- **Technology sector** in EUR IG market is **small at 2%, but concentration could increase sharply** in the next few years.

What we don't know

- **Broad AI impact**: will it live up to expectations?
- How **appetite for large and concentrated debt** will develop:
  - How will perception of risk-reward change over time?
  - Will investors accept longer duration and greater issuer/sector concentration?
  - What constraints are limiting absorption? (e.g. Solvency 2 and other capital charge models)
- **Extent of potential future correlation between markets**.
- **Scope and magnitude of crowding out**: certain segments of credit markets or broader and wider impact on other asset classes?
- **How complex layers of funding develop** and extent of hidden leverage.



Source: Bloomberg, Vanguard calculations. EUR IG market = Bloomberg Pan-European Aggregate Corporate EUR only index. USD IG market = Bloomberg US Corporate Bond Index
Notes: Here and further in this presentation, the term 'hyperscalers' and data collected refers to five large US tech companies: Alphabet, Amazon, Meta, Microsoft and Oracle.

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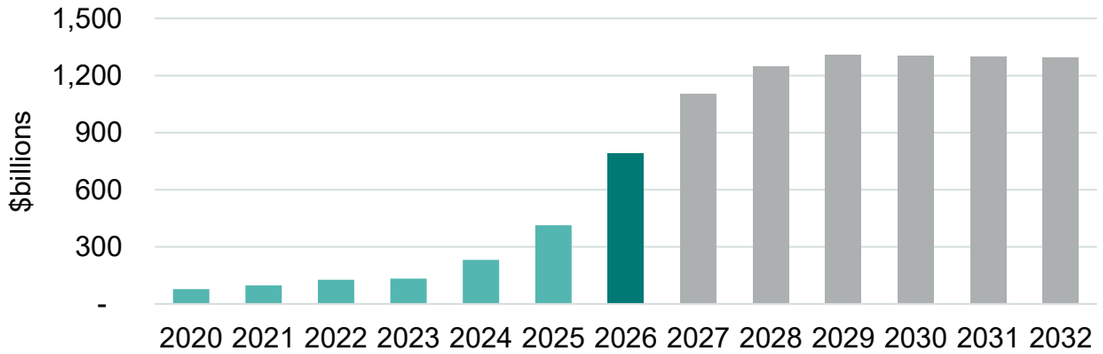
What of supply? The tide of debt funding required for AI infrastructure buildout could reshape the EUR credit market

- Hyperscaler aggregate capital expenditure is nearing $800bn in 2026 and expected to exceed $1trn annually from 2027.
- Companies **will be increasingly tapping the EUR bond market** to diversify funding and hedge revenues from European operations.
- **Preference for issuing in the long end** is driven by the long-term nature of assets to be financed (data centres, infrastructure).

Hyperscalers actual and forecasted capital spending

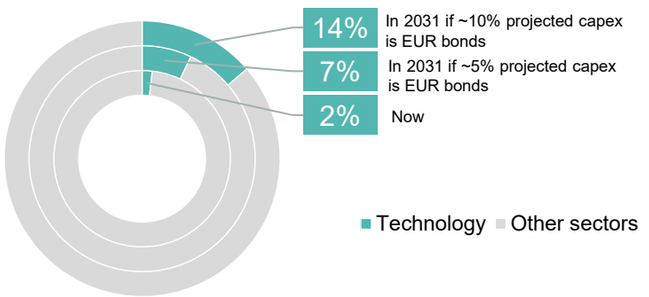


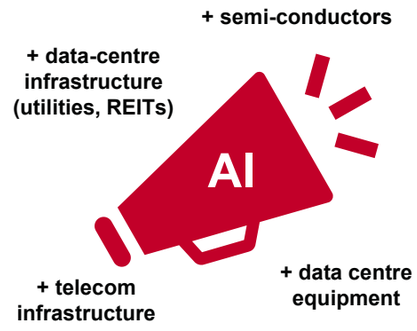
Hyperscaler issuance 2026 YTD	% of gross EUR IG supply	% share of 10+ yrs maturity EUR IG supply	Key deals
€23.5bn total/ €9bn 10+yrs maturity	~5.5%	~11%	• Amazon €14.5bn in March • Alphabet €9bn in May

Expected structural implications for EUR credit markets:

- **Higher concentration in technology sector**, which historically accounted for a modest share of the index.
  - Exacerbated **by other sectors driven by AI theme.**
- **Longer duration**.
  - Subject to investor willingness and ability to buy into hyperscaler preferred maturity buckets.
- **Increased correlation with other markets.**
  - **Global bond markets**: hyperscalers can quickly become large constituents of many global indices.
  - **Global equity markets**, where fundamentals are already significantly driven by hyperscaler and broad AI themes.
  - **Private markets**, given that a sizeable share of data-centre financing is arranged through private credit and off-balance-sheet structures.

Tech sector weight* in EUR IG corporate bond index





For illustrative purposes only. Any projections should be regarded as hypothetical in nature and do not reflect or guarantee future results.
Source: Bloomberg, Vanguard calculations. EUR IG market = Bloomberg Pan-European Aggregate Corporate EUR only index.
Notes: *Projected tech sector weights as of end-2031 calculations assume that 5% to 10% of expected capex will be funded in EUR bond market; assuming aggregate EUR IG market grows at similar pace as in the past 5 years.

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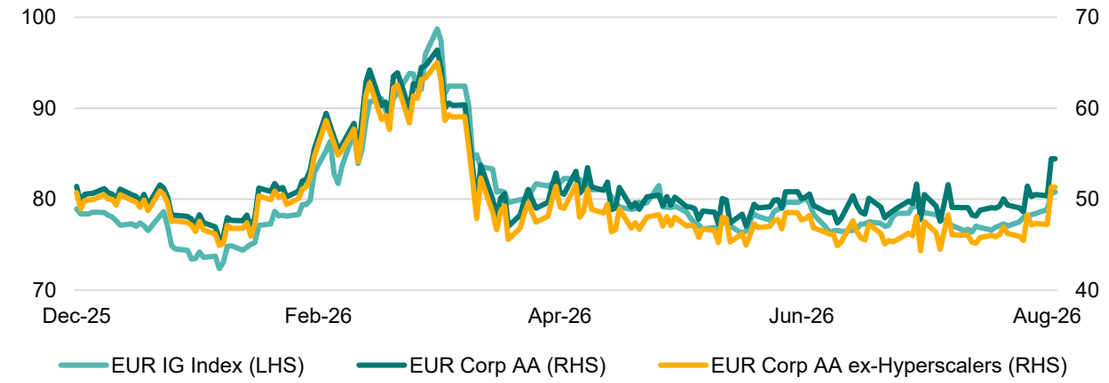
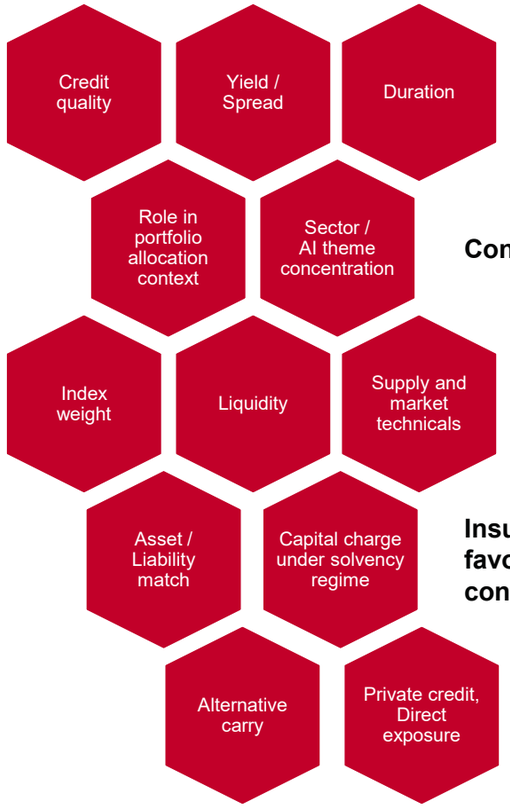
What of demand? Are European credit markets able and willing to absorb the large amounts of hyperscaler debt?

- **Early deals attracted solid demand.**
  - High credit quality and bond liquidity appeal to broad investor base.
  - Low sector weight In EUR market leaves room to add hyperscaler and AI exposure
- **But interest has cooled somewhat in the past few months.**
  - GOOGL EUR deal in May 2026 had subscription ratios 1.5-2.5x vs >4x coverage across tranches for its April 2025 deal.
- **Emerging signs of crowding out, limited to high-quality credit market segment.**
  - Widening in EUR IG AA segment credit spreads seen recently.
  - Hyperscalers have the financial flexibility to offer attractive pricing, supporting large funding needs and better maturity matching.
  - If significantly more supply from hyperscalers hits the EUR market, accessing funding could become more challenging for other issuers.

EUR corporate issuers' credit spreads (OAS in bps)



- **Many considerations will define appetite going forward:**



Perception of risk-reward

Concentration and allocation considerations

Market capacity: flows into funds and cash to deploy, benchmark weight

Insurers: (+) AA ratings and duration match lead to favourable capital charges; (-) issuer/sector concentrations increase capital required

Are there good quality credits with similar/ better carry? Alternative avenues of exposure.

- **We are heading towards a new market equilibrium.**

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Source: Bloomberg, Vanguard calculations.
Notes: EUR IG market universe = Bloomberg Pan-European Aggregate Corporate EUR only index.

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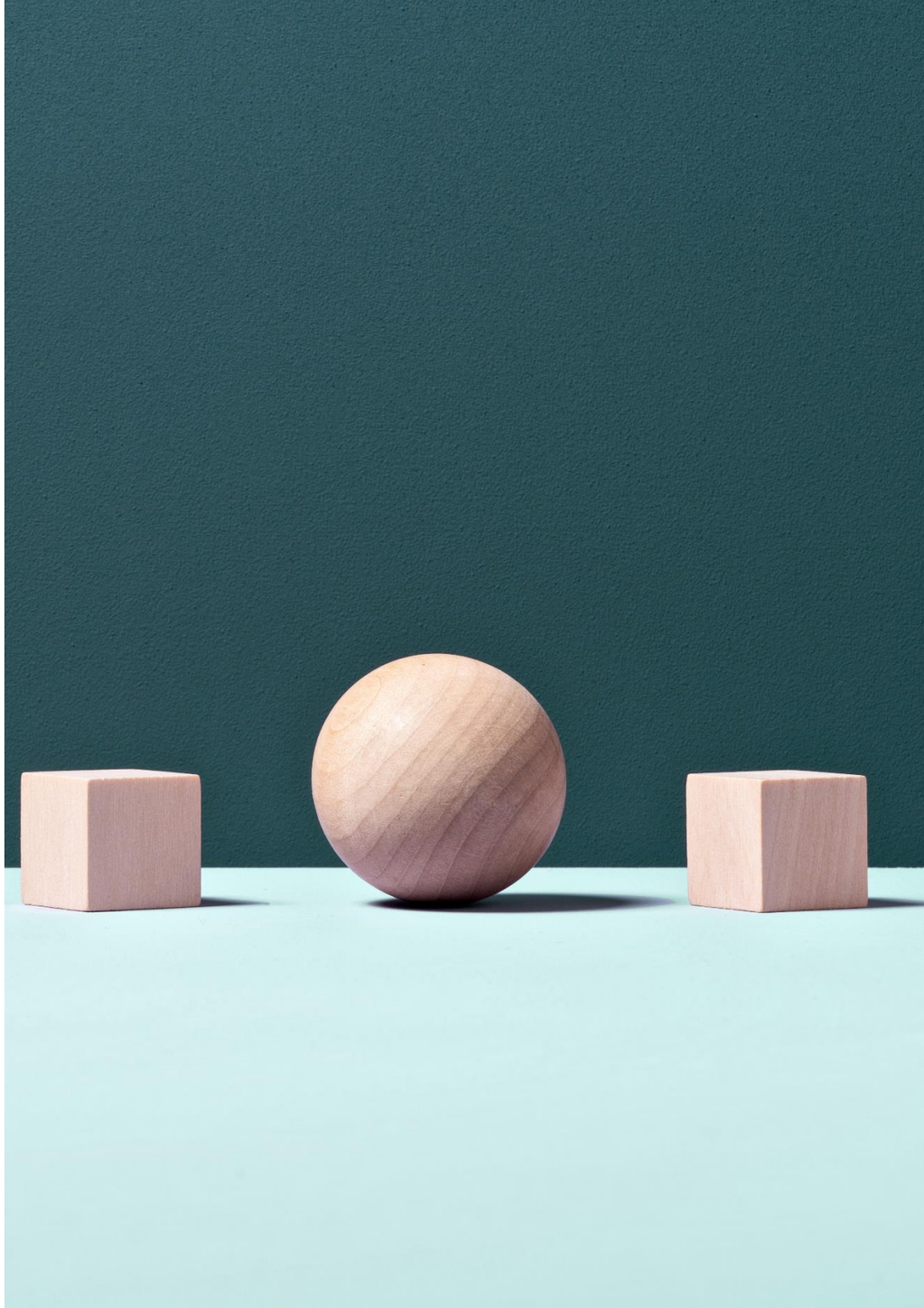
Discussion points

- ✓ Could hyperscalers compromise EUR credit market's role in the European economy? Would massive bond issuance crowd out European companies and governments?
- ✓ Who are the marginal buyers of hyperscaler bonds over the next few years? Are they the best opportunity out there for EUR credit investors?
- ✓ How should we think about correlation between bond and equity markets given growing sector concentration in both? And correlation with the private markets?
- ✓ How should we think about hyperscaler massive capex needs in the context of long-term AI transformation (speed and extent of productivity gains, risks of technology disappointing and AI bubble bursting)?



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