Mark to Swap: How the Market is Mispricing the AI Boom

AI credit default swaps have blown out. The credit behind the AI buildout is being repriced, and the value of every lease and guarantee is falling with it.



GROUNDBREAKER

NOV 20, 2026

In November 2008, John Paulson explained to Congress how his firm had made about $15 billion in 2007. He said the firm had become “very concerned about weak credit underwriting standards, excessive leverage among financial institutions, and **a fundamental mispricing of credit risk.”**

While the trade is usually remembered as a bet against the housing market, it was fundamentally a bet against the accuracy of the credit ratings. **The rating agencies, and the banks, investors and insurers who relied on them, had deeply underestimated credit risk, and the leverage built on that mistake left the financial system fragile.**

Moody’s and S&P rated riskier slices of subprime mortgage bonds as investment grade, relying on historical data from a period when home prices only rose and borrower defaults were uncorrelated. CDO managers pooled those slices and let diversification math turn most of them into triple-A. Bond insurers such as MBIA and Ambac guaranteed many of the securities, and any bond carrying their guarantee took on their triple-A rating.

Because the paper was rated investment grade, it could be financed as investment grade. Bear Stearns and Lehman Brothers ran at more than thirty times leverage, funded overnight in the repo market, and

every layer carried only the equity that a near-zero default rate required. **The mispricing began with the ratings. Leverage turned it into a crisis.**

That is why Paulson did not need every borrower to default. **He needed only the market to price the *chance* of default correctly**. Every balance sheet holding the bonds had been levered as if that chance were small, so **when the market repriced the risk, it repriced the assets, and the thin equity beneath them went first.** His first credit fund returned about 590% in 2007, well before most borrowers defaulted.

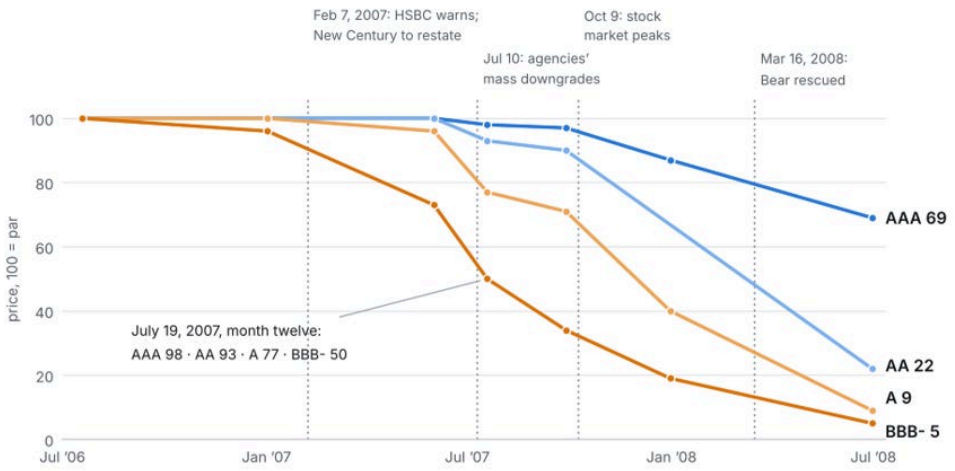
What led that repricing was the ABX index. Launched in January 2006, it gave subprime mortgage bonds - which almost never traded - a daily public price, with dealers quoting credit default swaps on every rated slice from AAA to BBB-.

The first crack in the index came on February 7, 2007, when banking giant HSBC announced severe losses from its U.S. subprime portfolio, causing the riskier tranches of the ABX index to plunge from about 97 at launch to 62. By the summer of 2007, the panic had spread to the index's AAA-rated tranches - securities previously deemed as safe as government debt. **The rating agencies began mass downgrades in July, and the stock market kept climbing until October.**

That September, after the downgrades began, a Moody's managing director said internally that the agency's errors made it look **"either incompetent at credit analysis, or like we sold our soul to the devil for revenue."**

The ABX repriced subprime months before the agencies, the stock market or the banks' books did. The junior slices broke first and the senior slices followed

ABX.HE 06-2 prices by slice, points of par. Dotted lines mark the turn.



Dated prints: launch at par; Wachovia Form 8-K (January 2 and September 28, 2007); BIS Quarterly Review, September 2008 (June 1 and December 31, 2007; June 30, 2008); Markit closes of July 19, 2007. Lines join the prints.

Most of the market read the ABX as a gauge of sentiment - a sign that investors were nervous about subprime. But it was something much more important: **the ABX was the first public measure of how far the ratings had understated the risk and therefore what the bonds, and the leverage built on them, were *actually* worth.**

Gary Gorton, the Yale economist who studied the panic as it unfolded, explained why the index mattered: **"For the first time information about subprime values and risks was aggregated and revealed."** The losses were already in the loans; the index made them visible. Once repo lenders could see the collateral deteriorating, they pulled back on funding, margin calls followed, and the liquidity crisis began.

The AI buildout already has an equivalent price signal. **It shows what the ABX showed in 2007: a fundamental mispricing of credit risk.**

II. The Swaps Have Blown Out

Much of the AI build sits off-balance sheet, in leased data center campuses that rarely trade and have no public price. What does trade is the credit of the companies standing behind them.

OpenAI, Anthropic and the neoclouds could not finance campuses on their own credit, so the debt was made bankable by renting a stronger name: Oracle as lessee of record on the Stargate campuses, NVIDIA guaranteeing OpenAI's lease in Ohio, Google backstopping Fluidstack's leases for Anthropic, Broadcom standing behind Anthropic's chip vehicles, and Meta writing residual value guarantees on its own off-balance-sheet campuses. **Like the mortgage bond insurers, these companies rent their credit to obligations that could not earn it on their own.**

Broadcom, NVIDIA and Google did it to sell more chips, Oracle to buy its way into the AI boom, and Meta to keep its own build off its balance sheet. **This bit of financial engineering turned speculative frontier-lab demand into investment-grade debt.**

Nearly every payer in the chain has a five-year credit default swap that trades daily. A credit default swap is insurance on a company's debt: the buyer pays an annual premium, quoted in basis points (bp) of the amount insured, and the seller pays out if the company defaults. At Oracle's 316bp, it costs about $316,000 a year to insure $10 million of Oracle debt for five years.

Since the end of June, the swaps have blown out. Broadcom's swap is up about 155%, NVIDIA's 130%, Oracle's 80% and Meta's 60%, and CoreWeave's has roughly doubled. The CDX index of investment-grade credit, by contrast, has barely moved over the past year. **This is a repricing of AI credit, and of little else.**

A swap translates into two numbers that matter to investors:

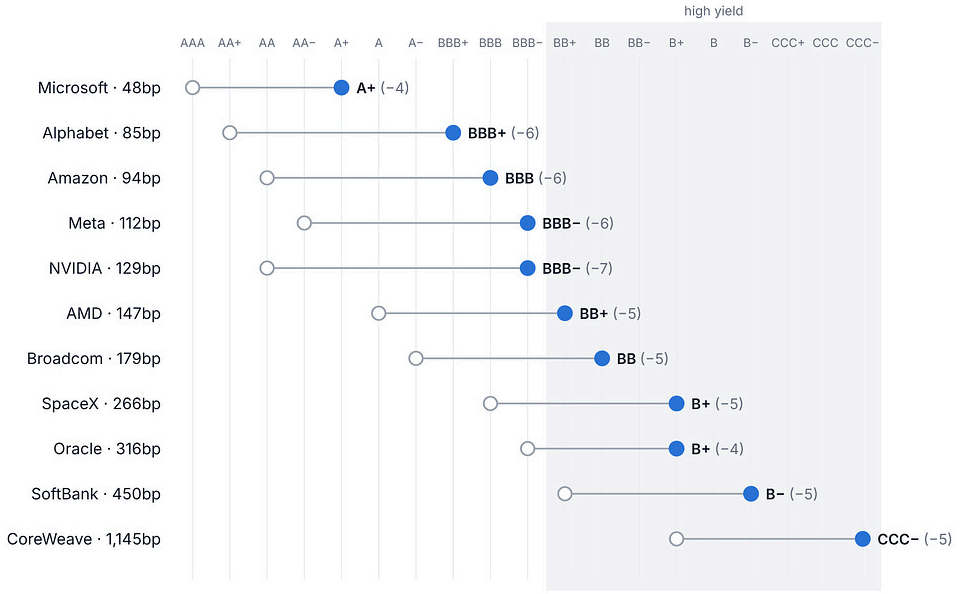
The first is a default probability. The swap market assumes lenders recover about 40 cents on the dollar after a default, so the annual premium divided by 60% is roughly the market's annual default rate. Oracle's 76bp a year ago implied about a 6% chance of default over five years. Today, its 316bp implies about 23%, and CoreWeave's 1,145bp about 61%.

The second is a market-implied credit rating. Moody's has published market-implied ratings like this for two decades: find the median swap at each rating notch, and draw the boundaries between notches at the geometric mean of neighboring medians. **Oracle's 23% probability of default is that of a typical B+ company, and CoreWeave's 61% puts it at CCC-.** Moody's says changes in these ratings usually lead changes in its own, and academic work agrees that swaps widen ahead of downgrades. On this grid, investment grade ends at about 135bp.

Run every lessee and guarantor in the build through the grid, and every rated payer with a traded swap sits four to seven notches below its agency rating, 5.3 on average.

Every rated payer trades four to seven notches below its agency rating

Hollow: S&P rating. Filled: the rating implied by the five-year swap, with the gap in notches. Average gap: 5.3 notches.



Five-year senior CDS at latest closes. Market-implied rating: the median swap by notch, on Moody's method; investment grade ends near 135bp.

Microsoft, rated AAA, trades as A+. Meta, rated AA-, as BBB-. NVIDIA, upgraded to AA by S&P in June, trades as BBB-, about 6bp from high yield. Broadcom, SpaceX and Oracle, all rated investment grade, trade as high yield. CoreWeave, rated B+, trades as CCC-.

The CDX's 125 investment-grade credits, most of them triple-B, read as single-A on the same grid. **The broad market trades at or above its agency ratings; the AI names alone trade far below theirs.**

Every rated payer with a traded swap sits four to seven notches below its agency rating

Agency rating and market-implied rating of the lessees and guarantors behind the AI build, at the latest closes.

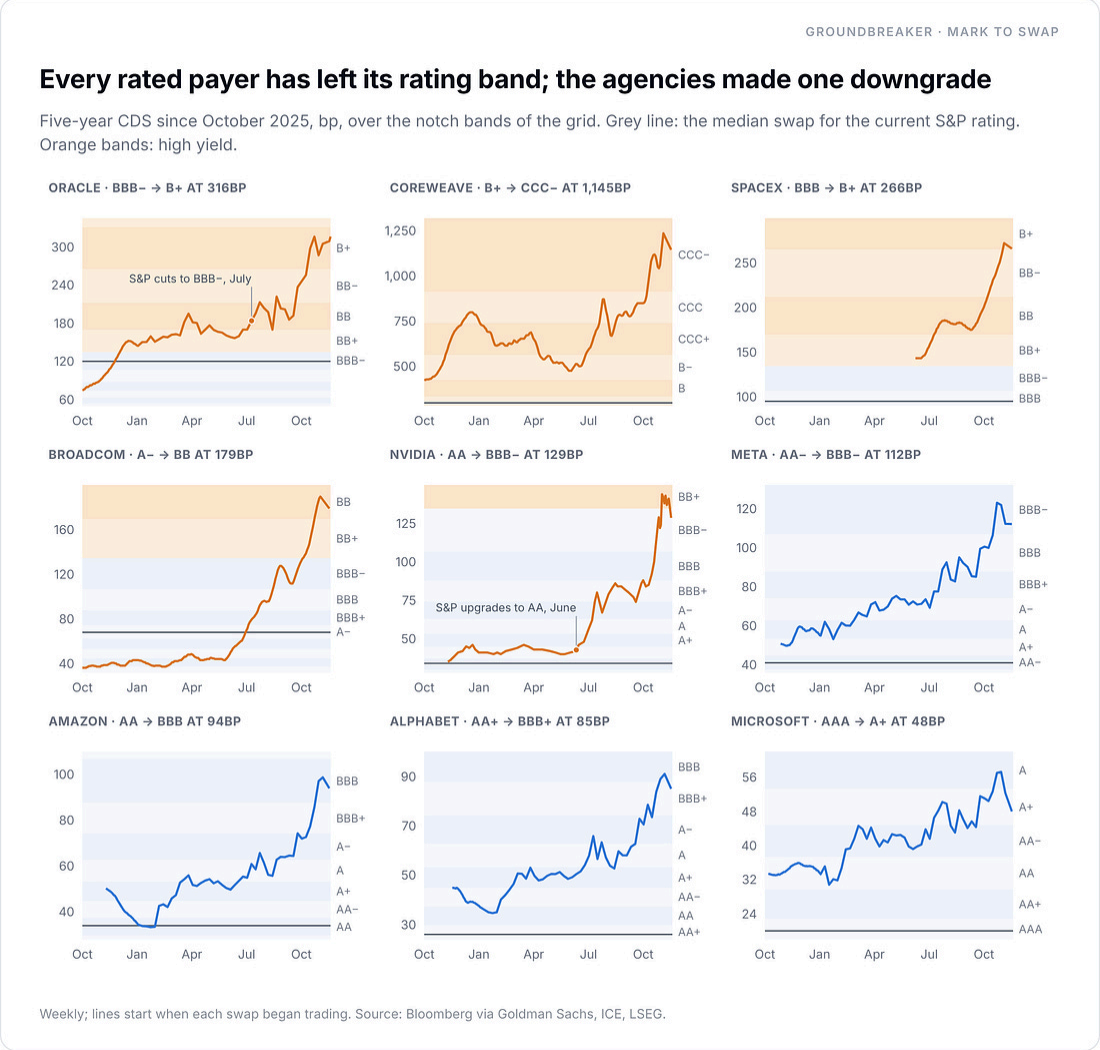
Payer	Five-year swap	Agency rating	Market-implied rating	Notches below
Microsoft	48bp	AAA	**A+**	4
Alphabet	85bp	AA+	**BBB+**	6
Amazon	94bp	AA	**BBB**	6
Meta	112bp	AA−	**BBB−**	6
NVIDIA	129bp	AA	**BBB−**	7
AMD	147bp	A	**BB+**	5
Broadcom	179bp	A−	**BB**	5
SpaceX	266bp	BBB	**B+**	5
Oracle	316bp	BBB−	**B+**	4
SoftBank	450bp	BB+	**B−**	5
CoreWeave	1,145bp	B+	**CCC−**	5
Anthropic	none · model 181bp	BB+ (KBRA)	**BB**	1
OpenAI	none · model 217bp	unrated	**BB−**	—
CDX investment-grade index	62bp	BBB+	**A**	2 above

Market-implied ratings from five-year swaps through a grid of median spreads by notch; investment grade ends at about 135bp. Shaded: investment grade at the agencies, high yield on the swap. Anthropic's agency rating is KBRA's, assigned in June 2026 alongside a chip financing. The labs have no traded swap and are shown at structural-model spreads: Anthropic at its first close as a public company, $97.17, with its non-cancellable compute commitments as debt; OpenAI at its last private round, with its firm compute commitments as debt. CDX: the North American investment-grade index of 125 names; its agency rating is the approximate average.

Some of the widening is hedging: banks with construction loan exposure to campuses buying protection to free capital, and bondholders hedging bonds they cannot sell without moving the price. That flow pushes the swap wider than a pure estimate of default would. It also makes the swap the price at which the risk clears: a hedger holds the risk and has decided to pay to be rid of it, and what it pays is what the risk costs. The same argument was made about the ABX. In March 2007, the New York Fed’s markets chief said its widening “was probably exaggerated.”

Most of the AI build’s swaps did not exist in any size until lenders to the build needed a hedge. CoreWeave’s began trading in late September 2025, Meta’s around its $30 billion bond sale at the end of October, and NVIDIA’s in November. **The ABX first broke thirteen months after it**

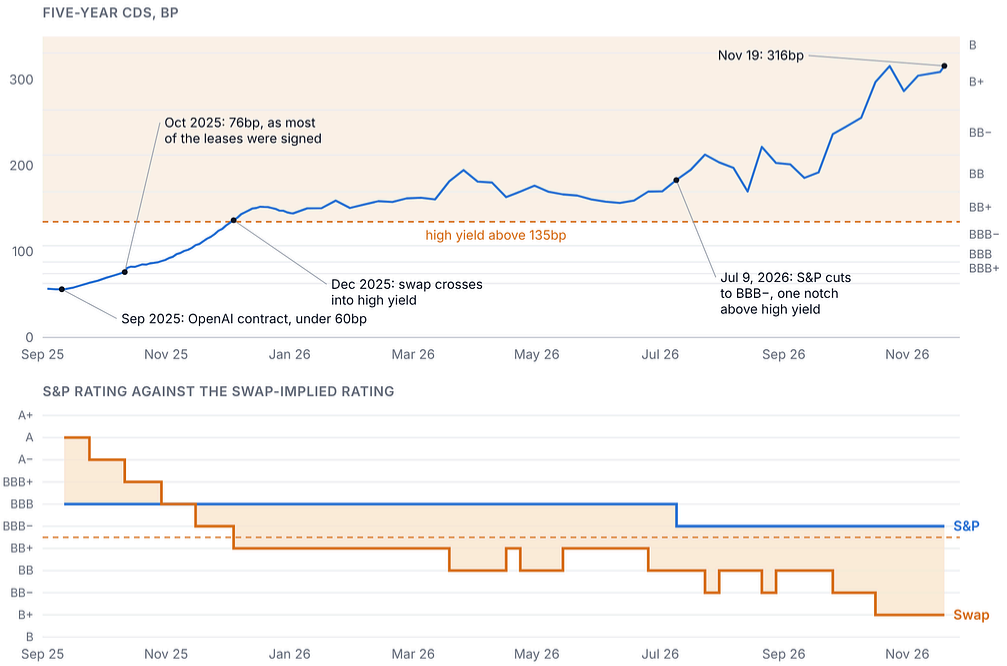
launched. Thirteen months after these swaps began trading, every one of them is near its record.



Against all of this, the agencies have moved once: S&P cut Oracle from BBB to BBB- on July 9. Every other agency rating in the chain is where it was a year ago, or ***higher***: S&P upgraded NVIDIA to AA in June. **In fourteen months, Oracle's swap-implied rating has fallen eight notches, from A to B+, while S&P has moved its rating down one.**

The swap moved Oracle eight notches down, into high yield; S&P moved it one

Top: Oracle's five-year CDS since September 2025, over the bands of the grid. Bottom: S&P's rating against the rating implied by the swap since Oracle signed its OpenAI contract.



S&P cut Oracle to BBB− from BBB on July 9, 2026. Weekly closes; September 2025 from Bloomberg screens; latest November 19. Source: Bloomberg via Goldman Sachs Global Investment Research; S&P.

Agency ratings lag by design: a downgrade can set off collateral calls and forced selling, so an agency that moves first risks causing what it describes. The result is ratings that are stable but slow. That stability is what can make ratings useful for deciding which index the bond sits in, how much capital an insurer must hold against it, or when a collateral clause springs. **The swap carries none of those constraints, which makes it the most independent, real-time read on a company's credit.**

Henry Paulson, Treasury secretary through the crisis and no relation to John, told the Financial Crisis Inquiry Commission in May 2010 that the agencies had been "critical to the functioning of the financial markets" and "failed us." **Reliance on their ratings, he said, was "just a crutch, and a dangerous crutch."**

Pledge your support

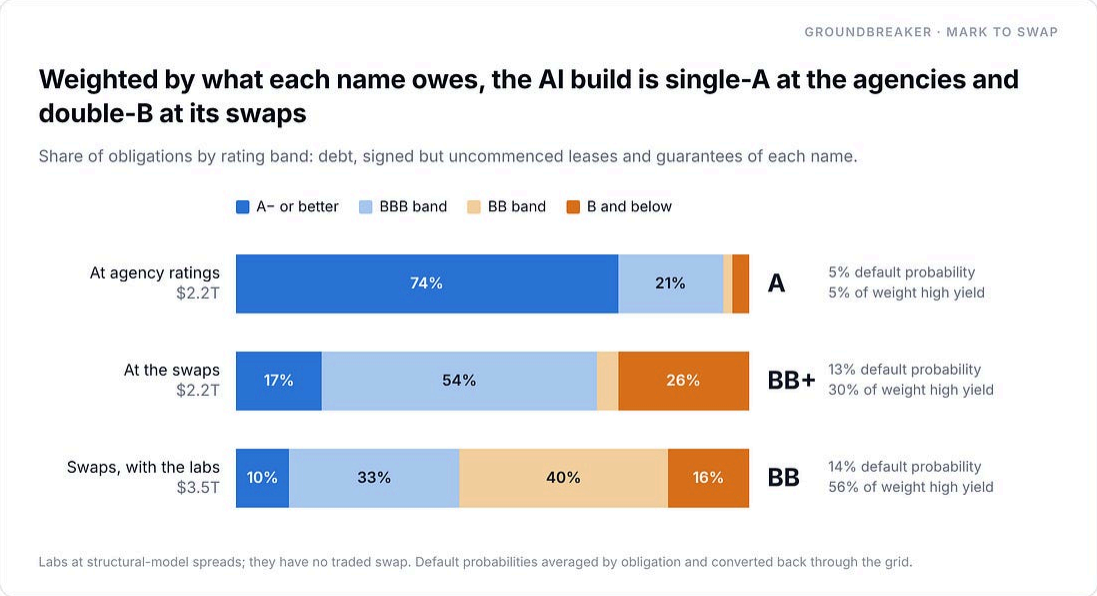
III. A Double-B Credit, Financed as Single-A

Judging each name on its own understates the problem, because the obligations are concentrated in the names whose swaps have moved most. A rating for the buildout as a whole weights each name by what it has committed in debt, signed leases and guarantees, averages their five-year default probabilities, and converts the result back through the grid.

At the agency ratings, the roughly $2.2 trillion of rated obligations average out to a single-A credit, with about 5% of the weight in high yield and a weighted default probability near 5%. **At the swaps, that probability rises to about 13%, which converts to BB+, with 30% of the weight below investment grade.**

A standard structural model, which treats each lab's latest valuation as its equity and the non-cancelable compute it has committed to buy as its debt, puts Anthropic at BB and OpenAI at BB-. Add those commitments and the total rises to about $3.5 trillion. **The build's rating falls to BB, with more than half of the weight in high yield.**

On the market-implied ratings, the AI build is a double-B credit financed as if it were single-A.



The AI build carries the default risk of a high-yield credit, yet it was valued and levered as if its investment-grade agency ratings measured that risk correctly. This is Paulson's fundamental mispricing of credit risk. It borrows at the agency rating while its risk trades at the swap, and that spread is the subsidy the build has run on.

IV. Where Wall Street Stood in 2007

Wall Street's broker-dealers showed the same gap in 2007. At the end of February, Moody's market-implied ratings put Goldman Sachs, Morgan Stanley and Merrill Lynch five notches below their agency ratings, and Lehman Brothers and Bear Stearns four, an average of 4.6. By late July, Bear, Lehman, Goldman and Merrill all traded as high yield, six to seven notches below agency ratings that had not moved, for an average of 6.5. **The AI build's 5.3 sits between those two readings, roughly where Wall Street stood in the spring of 2007.**

The AI build's 5.3-notch gap sits between Wall Street's in February and in late July 2007

Agency rating (hollow) against the rating implied by the five-year swap (filled). Shaded: high yield.

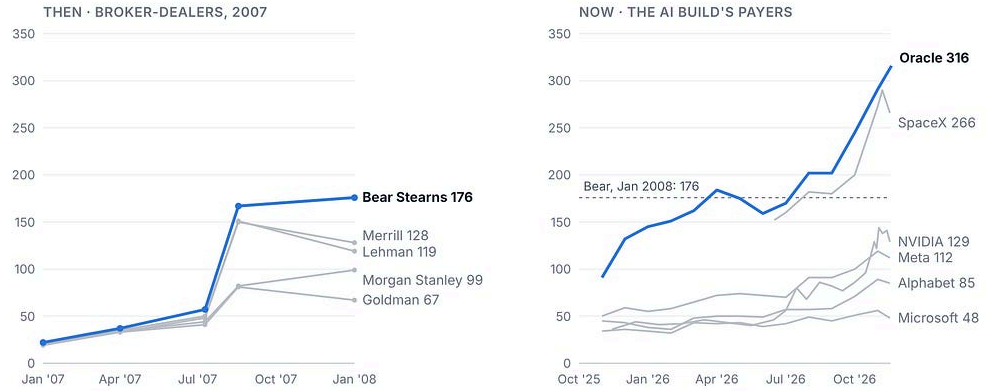


2007: Moody's CDS-implied ratings against Moody's ratings, via Bloomberg, shown on the S&P scale.

The companies behind the AI build are not funded overnight at thirty times leverage, as the broker-dealers were. But **at 316bp, Oracle's swap already trades wider than Bear Stearns's did on January 1, 2008.** Bear was rescued about eight months after its market-implied rating first fell to high yield. Merrill was sold and Lehman failed about fourteen months after they fell to high yield, each still rated investment grade. Oracle's swap first crossed into high yield in early December 2025, eleven months ago.

Oracle's swap is wider than Bear Stearns' was eleven weeks before its rescue

Five-year CDS, bp, same scale. Left: the five broker-dealers, 2007. Right: the AI build's payers since October 2025.



CoreWeave (1,145bp) is off the scale. Source: Flannery, Houston and Partnoy (2010) for 2007; Bloomberg via Goldman Sachs, ICE, LSEG.

V. A Self-Referential Credit System

In 2007 the banks' marks, the agencies' ratings and the insurers' wraps were all set by firms that needed the structure to hold. **The AI build's credit is self-referential in the same way.**

The labs' valuations were built in private rounds, many led by the hyperscalers and chipmakers that sell them compute, and the same companies anchored Anthropic's IPO. Those valuations let the labs sign commitments they cannot yet pay from revenue, which become the backlogs of Oracle, the hyperscalers and the neoclouds: about 40% of the combined backlogs of Microsoft, Oracle, Amazon and Google is owed by OpenAI and Anthropic. The hyperscalers point to those backlogs to support their own valuations and credit, and lend that credit back to guarantee the labs' leases.

Each side's credit is collateral for the other's. As the guarantors' swaps widen, the labs' compute costs more to finance and their valuations fall, which weakens their credit, which cuts the value of the guarantors' backlogs, which widens the guarantors' swaps. **A self-referential credit**

system has no outside reference point, because the ratings on each name assume the others perform.

That is why Anthropic's valuation matters to the whole chain. It priced at about $1.5 trillion and closed its first day up 17%, at about $1.76 trillion. If the price holds, its credit strengthens, and with it the backlogs and backstops tied to it. Holding that price is the harder part: SpaceX's shares are down more than a third from their post-IPO high, and its swap has widened by about three-quarters since June.

Like the ABX for subprime, the swap is the only real-time credit signal not shaped by the AI boom's self-referential credit system. It is set by traders who are paid if the system breaks, which is why the stress shows up there first. That is why the signal matters more than the market realizes.

Pledge your support

VI. The Swap Prices the Campus

Most of the market reads the widening the way it read the ABX in early 2007, as nervousness about AI spending. **The more important reading is about the collateral.**

A leased data center is worth the present value of its lease payments, and those payments are only as good as the credit behind them. **When the market reprices that credit, the campus loses value whether or not the tenant ever misses a payment, and the equity beneath it goes first.**

Here the closest parallel from 2007 is the bond insurers. MBIA and Ambac did not lend to subprime borrowers; they wrapped the bonds.

Their business was to rent their triple-A to obligations that could not get one on their own.

When their swaps widened, every bond they had insured was marked down with it - not because a borrower had missed a payment, but because the credit standing behind the payments had been repriced. When Moody's cut both in June 2008, it cut the bonds they wrapped in the same action.

The AI build was financed the same way, by attaching investment-grade names to obligations that could not earn the rating. Financed solely on an unrated AI lab's credit, the same campus would carry a coupon several hundred basis points wider, if it could be financed at all. That credit enhancement is the entire margin that made the project viable.

Its data center campuses are financed as credit-tenant leases: the loan is sized to the rent and rated on the tenant, and the building serves mainly as downside protection. Carlyle's Jason Thomas told Bloomberg in September that **the campuses are financed against the guarantor's investment-grade credit rather than their own economics.**

Law firm Clifford Chance said it more bluntly in a July briefing titled "The Data Center Lease Is the Bond": the rating of such a bond is "in substance, a rating of the underlying data center lease," and Moody's said in February that lenders are "effectively taking risk on the hyperscaler, not the bricks and mortar."

The underwritten value of the data centers being financed today depend on the credit of the company behind each lease or guarantee, and the swap market is already repricing that credit.

VII. The Market-Implied Cap Rate

Because a campus is worth the credit behind its lease, every gap between a payer's agency rating and its market-implied rating

translates directly into the cap rate and the collateral's value.

Real estate values a leased building by its cap rate, its annual income as a share of its value, so a higher cap rate on unchanged income is a lower value. And because the debt is fixed in dollars while the value floats, every dollar of value lost comes out of the equity first: at 70% leverage, a 10% fall in value wipes out a third of the equity.

On a building leased long-term to one tenant, the cap rate is the ten-year Treasury, plus a credit premium for the tenant's risk of default, plus a premium for owning a building rather than a bond, less expected rent growth. Hold the building, the rent and the Treasury fixed, and the only term that moves is the credit premium, which the tenant's swap reprices every trading day. **A wider swap raises the discount rate on every campus behind that tenant, which raises its cap rate and lowers its value.**

Investors have done this credit-tenant lease math for decades, on drugstores, distribution centers, and net-leased office towers. What's new is applying it to AI campuses at scale, at the market-implied rating rather than the agency rating:

> **Market-implied cap rate** = ten-year Treasury + credit premium + building premium − expected rent growth

The credit premium is the landlord's expected loss: the chance the tenant defaults in a given year, times what the landlord loses when it does.

> **Credit premium** = Probability of default × (1 − building recovery)

Substitute the probability of default using the CDS spread, as discussed in Section II:

> **Credit premium** = CDS spread ÷ (1 – unsecured recovery) × (1 – building recovery)

As with any valuation method, there is nuance: lease terms, location and the cost of re-tenanting all move the value. But the formula ties the cap rate directly to the tenant's swap, the same way for every campus. **The market has long priced credit-tenant leases off the tenant's rating; pricing them off its swap is what this piece has termed "mark to swap."**

As in Section II, a standard swap prices default risk for an unsecured bondholder who recovers 40 cents on the dollar. A landlord whose tenant fails still owns the building, so recovery is higher. Though specialized infrastructure recovers far less than traditional property: S&P underwrites data centers at roughly 35% to 55% recovery, compared to 60% to 80% for other commercial real estate. This piece uses 50%, in the upper half of S&P's range. In the formula above, then, the unsecured recovery is 40% and the building recovery 50%, so about 83% of the swap spread passes through to the credit premium.

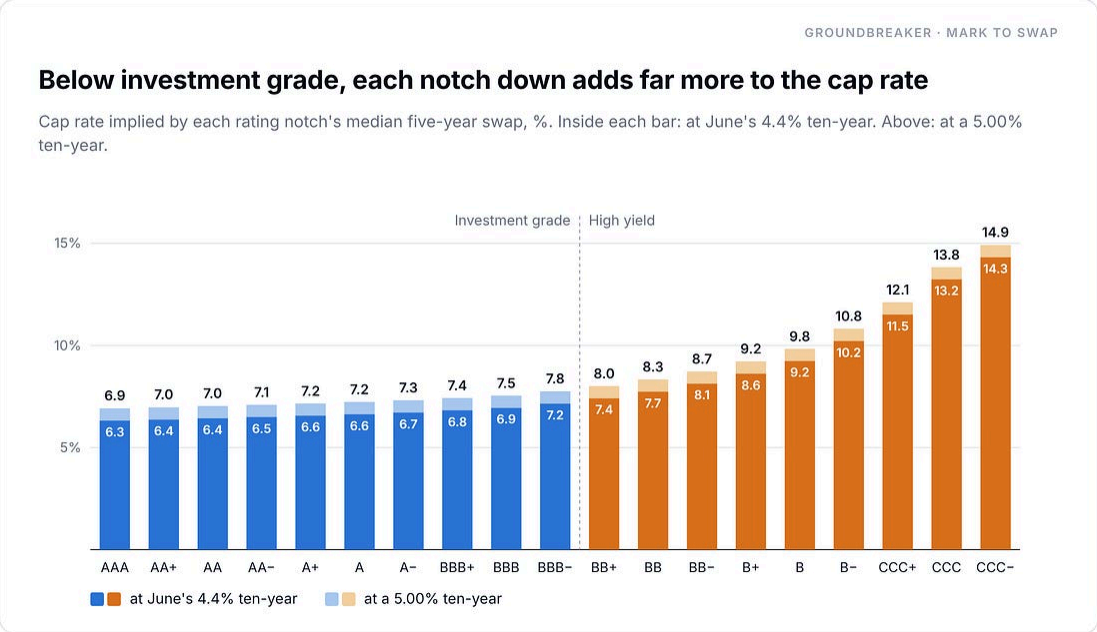
The building premium, the extra yield you demand for owning an illiquid property rather than a bond, comes from Digital Realty's June purchase of Blackstone's interest in three fully leased data centers in Northern Virginia, the deepest data center market in the world, at an expected stabilized cap rate of over 6.5% with tenants averaging about AA-. Most of the AI build today sits in secondary markets and remote parts of Texas, where the building premium is likely wider and recovery lower.

For example, take a single-A tenant at June's ten-year of about 4.4%, with the median single-A swap of 58bp:

> **Market-implied cap rate** = 4.40% + (0.58% ÷ (1 − 40%) × (1 − 50%)) + 1.75% = 6.63%

The last term, 1.75 points, is the building premium less rent growth, calibrated to Digital Realty's purchase. At the single-B median of 370bp, the credit premium rises to about 3.08 points and the cap rate to 9.23%, so the same campus is worth about 28% less with a single-B than a single-A tenant.

So, credit default swaps have a direct, structural connection to cap rates because both price the exact same underlying variable: **credit risk**.



Using this methodology, **the grid that turns a swap into a market-implied credit rating also turns a rating into a market-implied cap rate.**

One grid turns a swap into a rating, a default probability and a cap rate

Five-year swap by rating notch, the default probability it implies, and the cap rate on a stabilized campus leased at that notch, at June's 4.4% and a 5.00% ten-year. Where each payer sits at S&P, and where its swap trades today. Shaded: high yield.

Rating	Swap, median, bp	Swap range, bp	Five-year default probability	Cap rate at 4.4%	Cap rate at 5.00%	S&P rates here	Swap trades here today
AAA	20	below 23	1.7%	6.32%	**6.92%**	Microsoft	
AA+	26	23–30	2.1%	6.37%	**6.97%**	Alphabet	
AA	34	30–37	2.8%	6.43%	**7.03%**	Amazon, NVIDIA	
AA−	41	37–45	3.4%	6.49%	**7.09%**	Meta	
A+	49	45–53	4.0%	6.56%	**7.16%**		Microsoft
A	58	53–63	4.7%	6.63%	**7.23%**		
A−	68	63–74	5.5%	6.72%	**7.32%**	Broadcom	
BBB+	81	74–88	6.5%	6.83%	**7.42%**		Alphabet
BBB	95	88–107	7.6%	6.94%	**7.54%**	SpaceX	Amazon
BBB−	120	107–135	9.5%	7.15%	**7.75%**	Oracle	Meta, NVIDIA
BB+	151	135–169	11.8%	7.41%	**8.01%**	SoftBank	
BB	190	169–212	14.6%	7.73%	**8.33%**		Broadcom; Anthropic*
BB−	237	212–265	17.9%	8.12%	**8.72%**		OpenAI*
B+	296	265–331	21.9%	8.62%	**9.22%**	CoreWeave	SpaceX, Oracle
B	370	331–425	26.5%	9.23%	**9.83%**		
B−	488	425–561	33.4%	10.22%	**10.82%**		SoftBank
CCC+	644	561–740	41.5%	11.52%	**12.12%**		
CCC	850	740–913	50.8%	13.23%	**13.83%**		
CCC−	980	above 913	55.8%	14.32%	**14.92%**		CoreWeave

*Structural-model spread; the labs have no traded swap.

Checking the model

The market's own valuations confirm the method. When KBW first valued Core Scientific's AMD leases in July, it used a 6.7% cap rate for a single-A tenant, and later put the CoreWeave leases at 9.2% as single-B. The gap comes entirely from the credit behind the lease. **Using those ratings at June's ten-year, the model gives 6.63% and 9.23% - within a few basis points of KBW's estimates.**

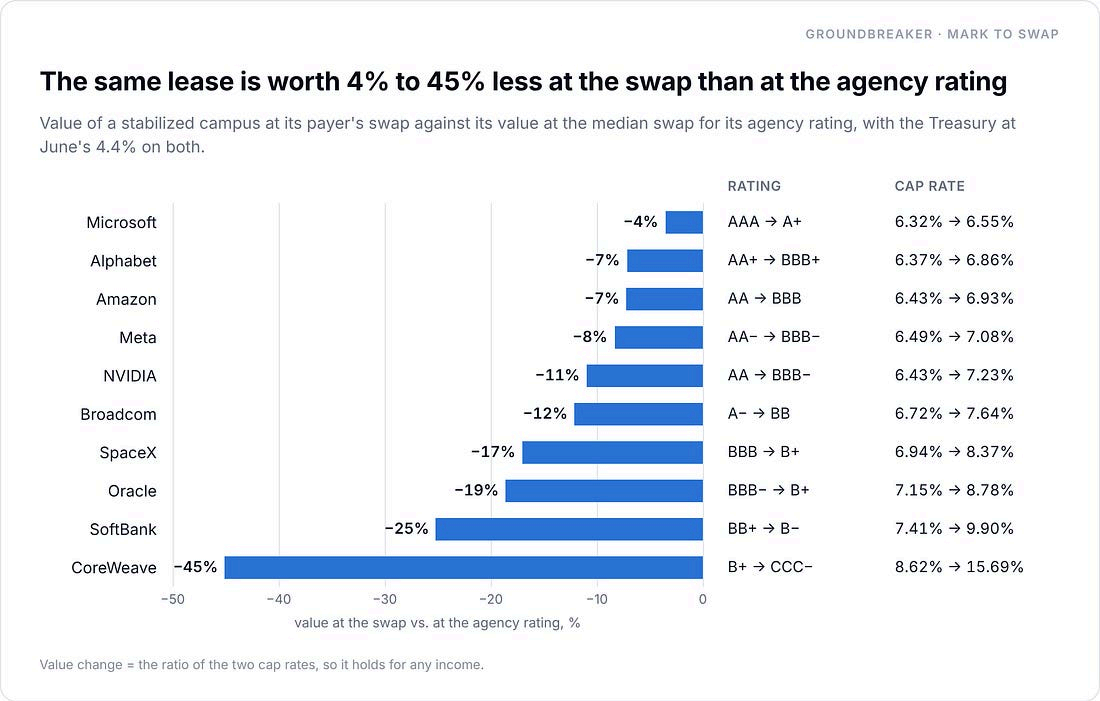
Blackstone's purchase this month fits the model just as closely: BXDC acquired two powered shell campuses leased to AWS at a 7.0% cap rate. This matches exactly what the model gives at Amazon's AA agency rating with a 5.00% ten-year.



The disagreement, then, is which rating goes in. **At CoreWeave's actual swap, the same arithmetic gives a cap rate of about 16%.** The market's math is sound. **But it is pointed at the wrong credit, and every value, loan and equity stake built on it inherits the error.**

At the swaps

Value each tenant's campus at its own swap rather than the median for its rating, and **the same lease is worth about 4% less behind Microsoft, 19% less behind Oracle and 45% less behind CoreWeave.**



No Oracle-backed campus has traded to test that price. The owners and lenders behind Oracle's and CoreWeave's campuses are waiting for comparable sales to tell them what the buildings are worth, as holders of subprime bonds did in 2007, but those sales never came.

VIII. Mark to Swap

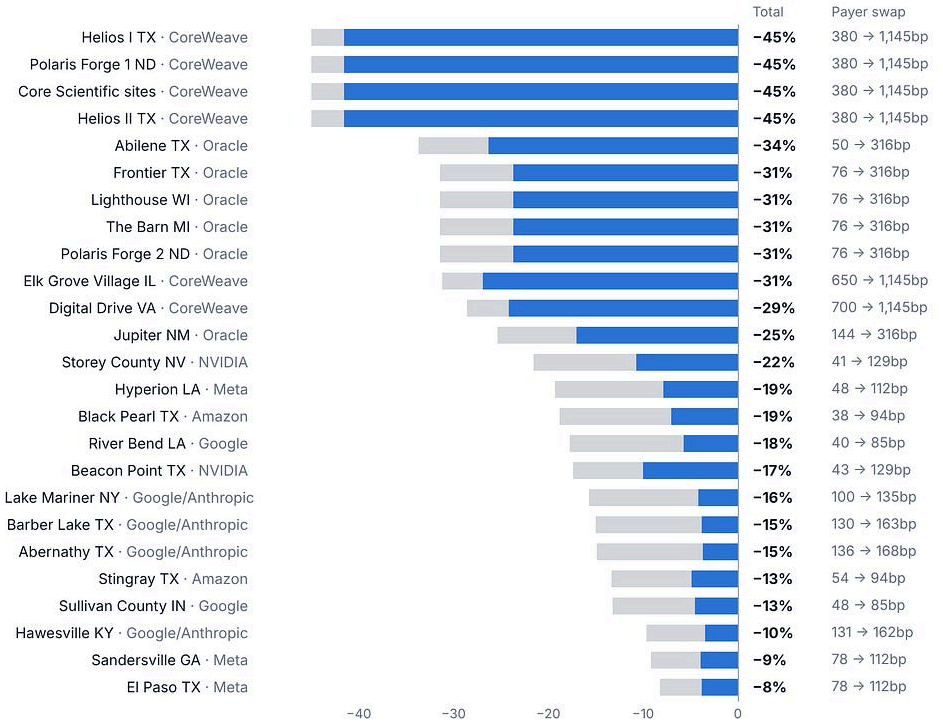
The same method works across the build. This piece aggregates twenty-five AI campuses that disclose enough about their leases, guarantees, financing and cost to be valued, about $207 billion of all-in cost. The full list is in the appendix, with figures adjusted to a common definition. Each is marked from its tenant's swap at signing to its swap today. Private arrangements, such as Lambda's and Nscale's capacity for Anthropic, disclose too little to value, but they rest on the same few tenants and are likely exposed in the same way. The ten-year is volatile, and cap rates follow it slowly and only in part, so the piece shows the swap's effect and the ten-year's separately.

About 16% of the collateral value across those twenty-five campuses has disappeared on the swaps alone, and about 24% once the ten-year's rise is counted.

GROUNDBREAKER · MARK TO SWAP

Data center campus values have fallen across the AI build as tenants' swaps and the ten-year have risen, most behind Oracle and CoreWeave

Change in value since signing or October 2025, percent. Blue: the payer's swap alone, with the ten-year held at its level at signing. Grey: the further change from the ten-year's rise since signing.



Ten-year at signing: 4.05% for campuses signed through January 2026, the day's close after. CoreWeave's campuses are marked from its first trades in October 2025.

Across the twenty-five campuses, 40% of the owners' equity has been wiped out. Behind Oracle, 72% of the equity is already gone; behind CoreWeave, 91%. **At today's swaps, four of the six CoreWeave campuses are worth less than their debt. Add the rise in the ten-year to 5.00%, and so are three of the six behind Oracle.**

GROUNDBREAKER · MARK TO SWAP

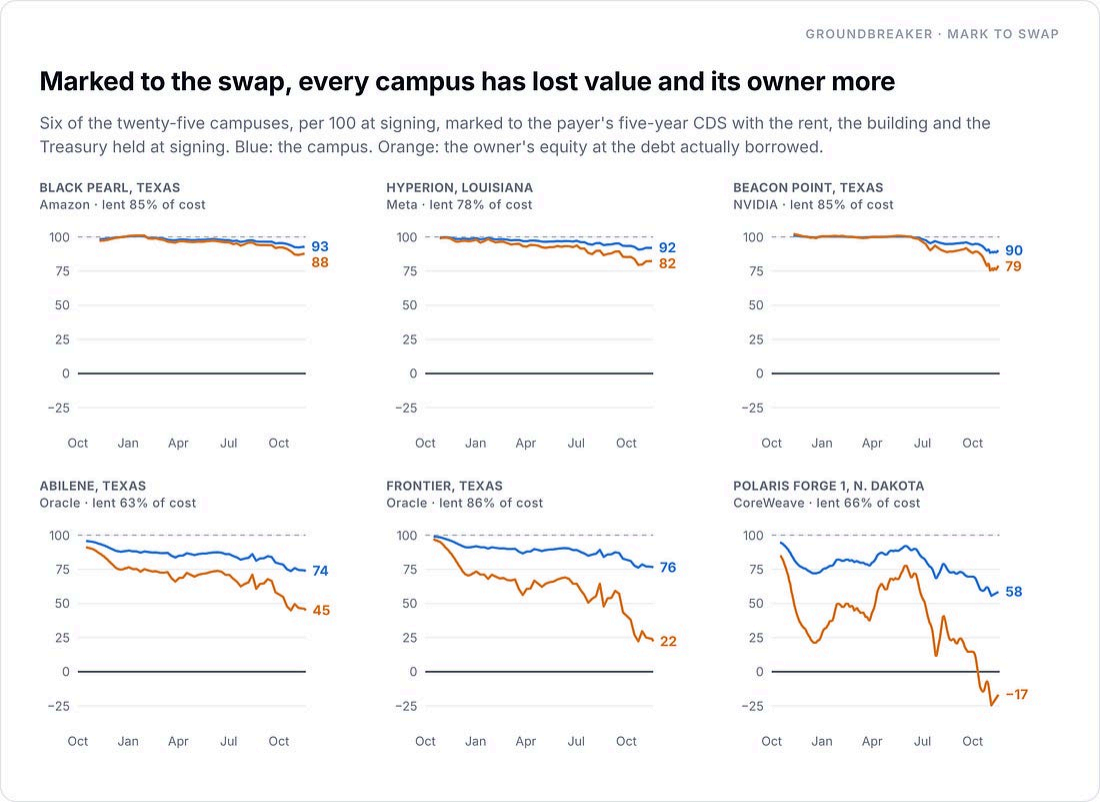
Behind Oracle and CoreWeave, the swap has taken most of the equity cushion

The twenty-five campuses, marked to their payers' swaps from signing to today, with the ten-year held at its level at signing and no missed payment.

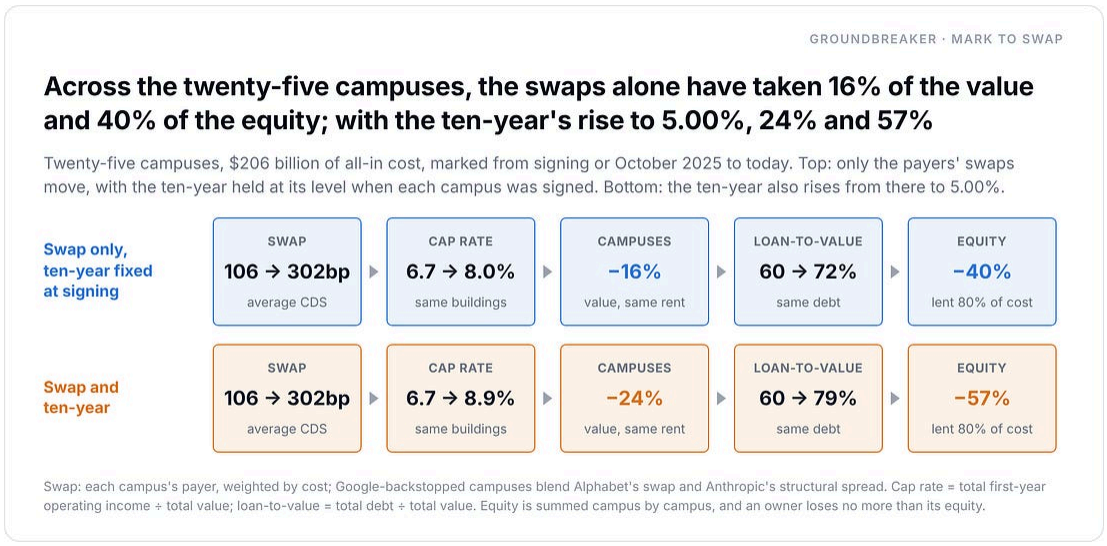
Payer behind the rent	Campuses	All-in cost	Change in value	Loan-to-value, signing → today	Equity cushion lost
Oracle as lessee	6	$99B	−23% ($27.3B)	68% → 89%	**72%**
CoreWeave as tenant, no support	6	$18B	−40% ($8.4B)	60% → 99%	**91%**
Anthropic capacity, Google backstop	6	$23B	−4% ($1.7B)	48% → 50%	**8%**
Investment-grade tenant, direct	7	$66B	−7% ($6.9B)	55% → 59%	**16%**
Twenty-five campuses	**25**	**$206B**	**−16%** ($44.2B)	**60% → 72%**	**40%**

Value = first-year operating income ÷ implied cap rate at the payer's swap at signing and today. Equity cushion = value at signing less debt; summed campus by campus, and an owner loses no more than its equity. Google-backstopped campuses blend Alphabet's swap and Anthropic's structural spread. Shaded: loan above 85% of value today.

The marks did not move in a straight line. Polaris Forge 1, Applied Digital’s campus for CoreWeave in North Dakota, lost about a quarter of its value by the new year and recovered most of it by midsummer as CoreWeave’s swap tightened. It is now down 42% and worth less than its loan. The Oracle campuses have declined steadily, by 26% at Abilene and 24% at Frontier.



A mark becomes a loss if the tenant defaults, the owner has to sell or refinance, or a sponsor whose equity is gone hands back the keys rather than put more in. **The trouble starts before any of that, because the build needs new money every quarter, and the money prices off the mark.** Banks that cannot sell their loans at par stop making new ones; Jupiter’s banks have struggled to sell theirs, and this month HSBC sold a piece at about 85 cents on the dollar. Lenders price the next campus off where the last one trades. Holders funded with borrowed or redeemable money face margin calls and withdrawals and sell into a falling market, as they did once the ABX made subprime’s losses visible.

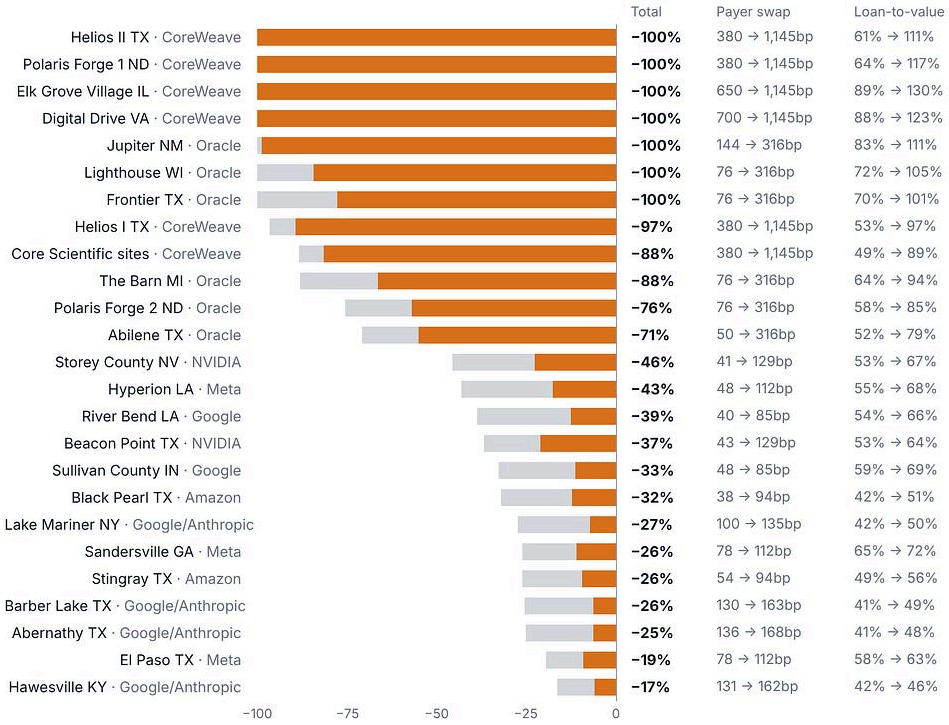


In 2008, millions of homeowners who had never missed a payment found themselves underwater and unable to refinance when their teaser rates reset. The campuses are heading to the same place: **four CoreWeave campuses are already worth less than their debt, and once the ten-year’s rise is counted, so are three of the six behind Oracle.**

GROUNDBREAKER · MARK TO SWAP

Data center equity falls further across the AI build. Marked to swap, it has already been wiped out at four CoreWeave campuses

Change in campus equity since signing or October 2025, percent. Orange: the payer's swap alone, with the ten-year held at its level at signing. Grey: the further change from the ten-year's rise since signing.



An owner can lose no more than its equity: a campus worth less than its debt counts as a 100% loss. Loan-to-value today includes the ten-year's rise, as the total does. Ten-year at signing: 4.05% for campuses signed through January 2026, the day's close after. CoreWeave's campuses are marked from its first trades in October 2025.

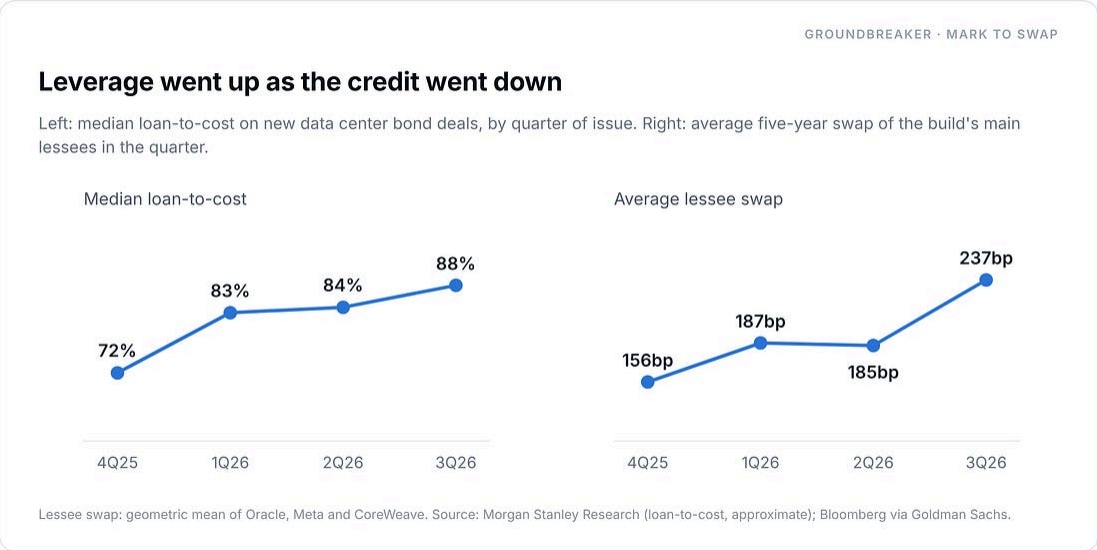
Thanks for reading! Subscribe for free to receive new posts and support my work.

Pledge your support

IX. Levered on Certainty

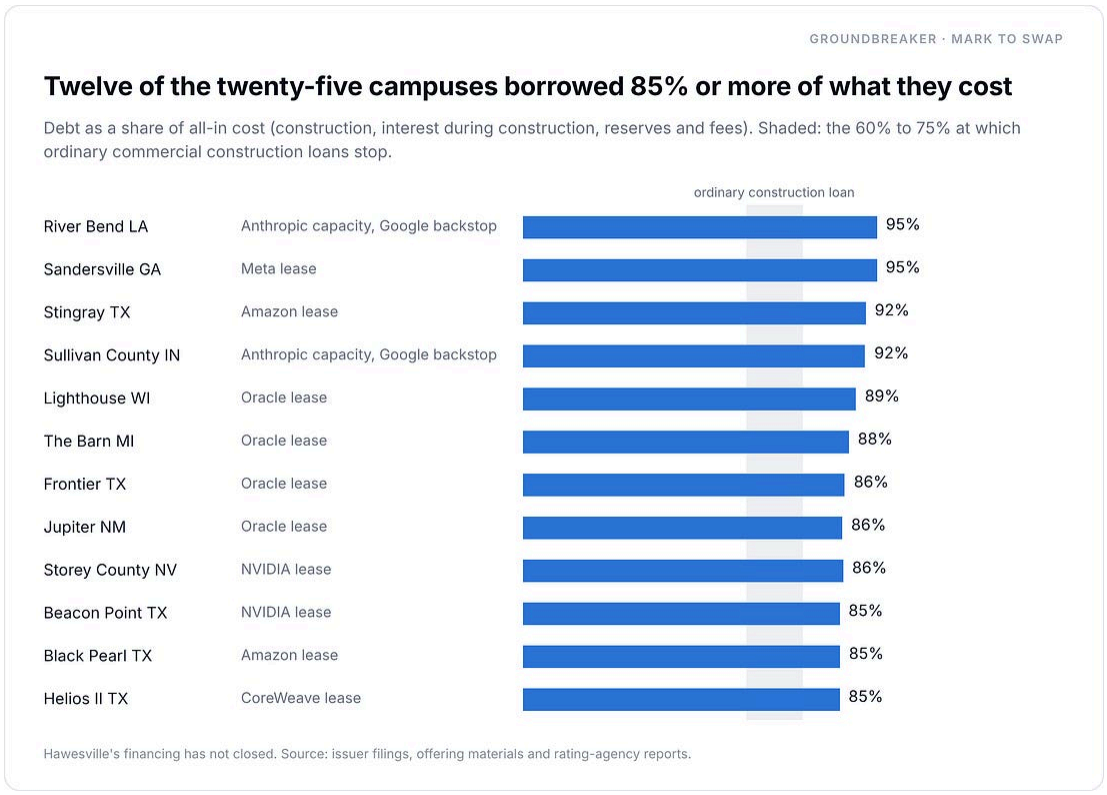
Losses of that size take out so much of the equity because of how the campuses were financed. They were levered as if their leases were certain, and **leverage went up as the tenants' credit went down.**

Morgan Stanley's data on data-center bond deals shows median loan-to-cost rising from about 72% in the fourth quarter of 2025 to about 88% in the third quarter of 2026, while the average swap of the build's lessees rose from about 156bp to about 237bp, the equivalent of a fall from BB+ to BB-. **Because a campus is worth the credit behind its lease, loan-to-cost peaked just as the equity cushion beneath it was at its thinnest.**



Each lender priced its deal against the payer's agency rating, which had not moved. The rating also decided who could buy the loans: in February, banks were marketing more than $56B of construction loans tied to Oracle's leases with investment-grade ratings (rare for construction debt) so that insurers and private credit funds could take them.

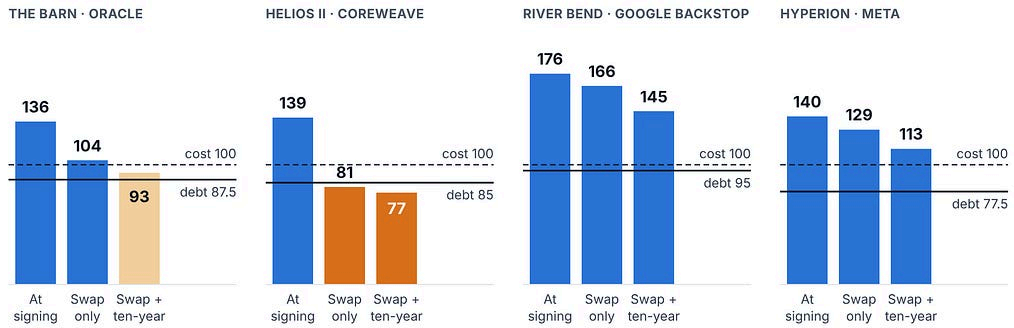
Twelve of the twenty-five campuses borrowed 85% or more of their cost, and River Bend, Stingray and Sandersville 92% to 95%. **At 95% of cost, a sponsor is levered twenty times.**



A fall in value comes out of the development profit first, then the sponsor’s cash, then the loan. At The Barn, Related Digital’s campus for Oracle in Michigan, Oracle’s swap alone has taken 24% of the value and nearly 90% of the development profit; with a 5.00% ten-year, the campus is worth less than it cost. Helios II, behind CoreWeave, has lost 42% of its value and is worth less than its loan.

The swap alone has taken most of The Barn's development profit and put Helios II below its loan

Value per 100 of all-in cost. At signing: the payer's swap and the ten-year then, 4.05%. Swap only: today's swap, ten-year unchanged. Swap + ten-year: today's swap and a 5.00% ten-year. Dashed: cost. Solid: debt. Light orange: worth less than cost. Orange: worth less than the debt.



River Bend's rent is fully backstopped by Google, so it is marked to Alphabet's swap.

X. An Uncommenced Lease Is a Forward-Starting Swap

That leverage rested on the strongest defense of the build: that it was contracted. **Signing before construction removes the vacancy risk but keeps the credit risk.**

A signed but uncommenced lease is economically a forward-starting swap. The tenant has committed to pay a fixed stream of rent beginning on a future date, and the present value of that stream moves with the credit of whoever pays it from the day the lease is signed.

The arithmetic is the same as an interest rate swap. A dealer who agrees today to receive a fixed rate starting in two years has a position with a mark-to-market value from the moment the trade is booked. If rates rise, the fixed leg he will receive is worth less, and he records a loss today, two years before the first payment.

A landlord with an uncommenced lease holds the same position on a credit curve. It has agreed to receive a fixed stream from a counterparty

whose credit is priced every day. When that counterparty's spread widens, the present value of the stream falls.

A backlog of signed, uncommenced leases is therefore a portfolio of forward-starting swaps on the payers' and guarantors' credit. The landlords and their lenders are long that portfolio. They have been long it since the day each lease was signed, and most of them signed into a widening market.

The market still treats the lease as binary: will Oracle pay or not? That misses the financial engineering underneath. The lease itself is a credit instrument. Each campus is worth its lease payments and the lease payments are worth the credit of whoever owes them. **When the market reprices the underlying credit, the asset loses value whether or not the tenant ever misses a payment.**

What the swap misses

The tenant also has exit options. A signed AI lease is wrapped in escape clauses: force majeure, delay termination, acceptance testing, cancellation and fee-and-walk rights, guarantees that spring or step down. Each is an option the developer gave away with the lease, and each is worth more to Oracle at 316bp than it was at 76bp. A tenant that would otherwise default will use every delay right first.

Quinn Emanuel, a litigation firm, warned earlier this year that take-or-pay disputes would be among the sector's earliest and costliest, because the deals rest on so few counterparties that losing one anchor customer can unsettle the whole financing. A single ruling on one clause would reprice every vehicle written on the same terms without a missed payment. **A clause dispute or a renegotiation, more than a default, is the likeliest first place the mispricing hits.**

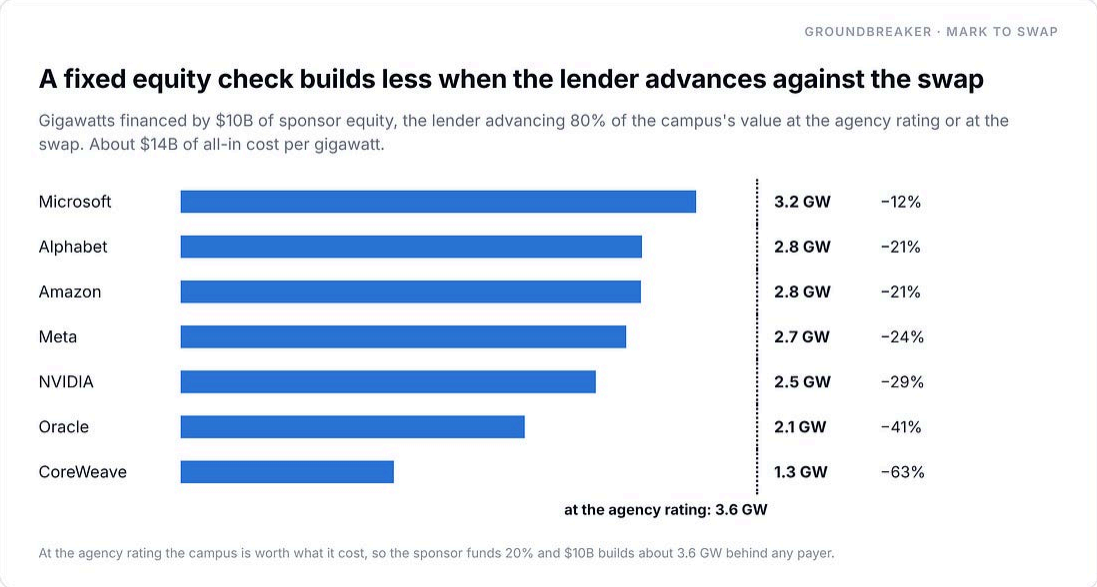
And the CDS prices say nothing about the intermediaries, such as Fluidstack, that stand between many labs and their landlords; about the

guarantees sized to protect the bondholders rather than the equity; or about the construction, power and acceptance risk on every campus not yet paying rent. **Each adds credit and execution risk that should require a higher cap rate from investors, an additional premium above the ones calculated here.**

XI. The Credit Limit of the AI Build

So far this is a story about marks on campuses that are built or under way. **The more consequential effect is on what gets built next.**

At the agency rating, a campus is worth what it cost, a lender advancing 80% leaves the sponsor 20% to fund, and $10 billion of equity finances about 3.6 gigawatts behind any payer. **Advance against the swap-implied value instead and the same check builds 41% fewer gigawatts behind Oracle and 63% fewer behind CoreWeave.**



The binding constraint on the AI build is debt capacity, ahead of demand, chips or power, and debt capacity is a function of the tenant's swap. The build can slow without a single customer canceling, because the next campus gets built only if some balance sheet's credit

can carry it. **The AI build has a credit limit, and the swaps price it every day.**

The migration

New capacity therefore moves to the balance sheets still trading tight, the only ones against which a lender can advance enough to make a campus work.

But every campus a hyperscaler takes on adds to its obligations, and its swap widens as they grow. Meta's has gone from about 45bp at its first trades to 120bp in the year it wrote residual value guarantees on $39.8B of campus debt at Hyperion and El Paso. NVIDIA's has gone from about 35bp to 128bp in the year it agreed to stand behind OpenAI's Ohio campus. **The build migrates onto the strongest balance sheets, which widens their swaps, which lowers the value of every campus behind them and every guarantee they have already written.**

The migration is therefore part of the mechanism: each campus a strong balance sheet takes on uses up some of the credit that drew the campus there, so the capacity left to finance the next one shrinks as the build moves through it.

The feedback loop runs through the entire buildout. The leases and guarantees tenants have signed have already widened their swaps; slower monetization at the labs would widen them further. Each widening pushes up cap rates and erodes the thin equity beneath the campuses, until marginal projects can no longer be financed. New capacity then concentrates on the strongest balance sheets, putting pressure on their swaps in turn.

That is where a credit problem becomes a capex problem: a campus that cannot be financed does not get built. Hyperscalers still fund much of their spending from operating cash flow, but credit conditions determine how far the marginal buildout can extend**. How fast AI capex**

keeps growing depends on the credit of the balance sheets financing it, and the swaps show those balance sheets are nearing their limits.

From credit crisis to capex crisis

A wider swap slows the AI boom long before any payer defaults. Economists at Apollo Global and the Economic Policy Institute estimate that AI capex and related stock wealth effects have driven 40% to 65% of U.S. GDP growth, against 28% for information technology at the peak of the dot-com boom. Growth depends on the change in that investment, not its level, so a build that only stops accelerating takes growth with it. **The capex that does not get built lands on the chipmakers, equipment makers, contractors, and utilities that were counting on it.**

The irony is in the labor market. **For three years the fear has been that AI would take jobs.** Goldman Sachs estimated in May that AI was costing a net 11,000 U.S. jobs a month in the industries it touches, a loss largely offset by data center construction, which has added about 212,000 jobs since 2022 and was adding about 9,000 a month.

A capex stall removes that offset. It reaches the electricians and crews, the turbine, transformer and switchgear plants, the utilities, and the consumer spending that rising AI stocks have supported. When an economy leans that heavily on a single investment cycle, a pullback creates an immediate cyclical shock, long before AI finishes automating white-collar roles. **In the near term, the AI build is likely to cost more jobs through slowing capex than AI itself will by replacing labor.**

XII. Where It Breaks

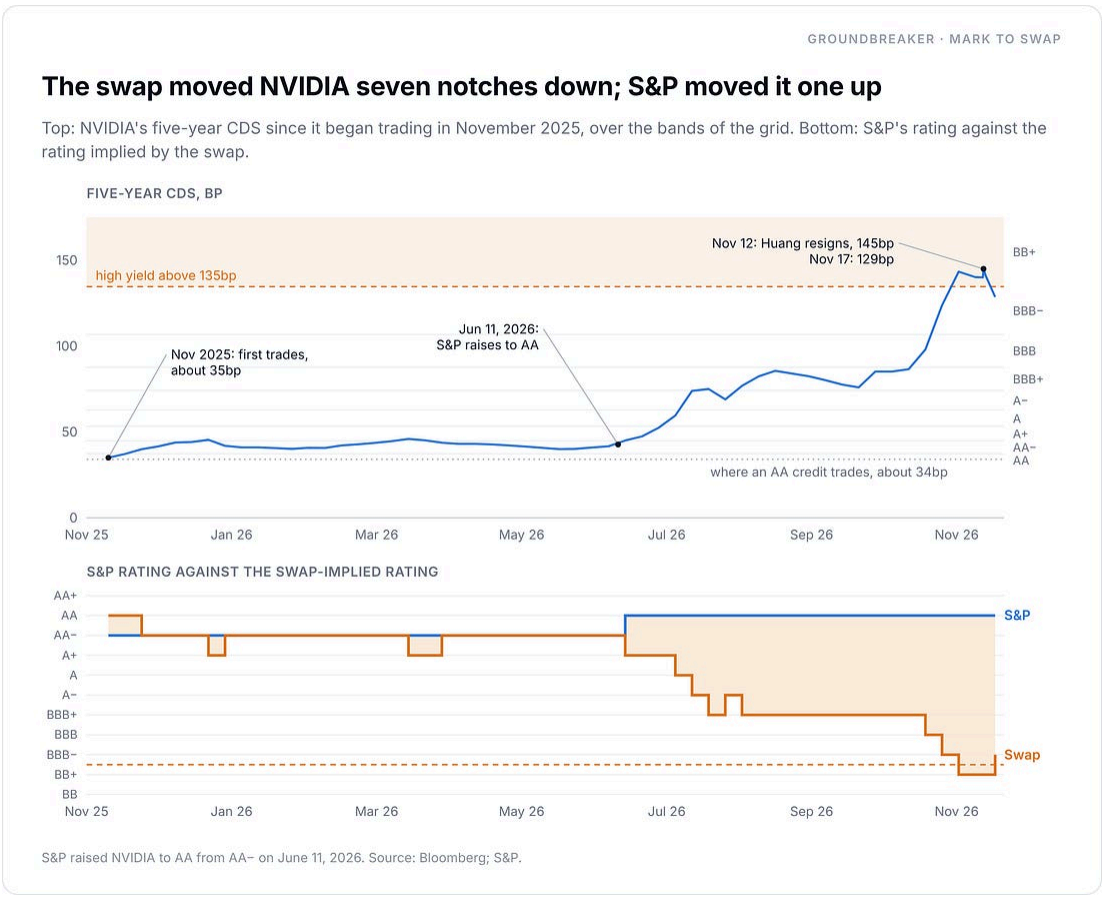
The bank of NVIDIA

Over the past year NVIDIA became the AI build's lender of last resort. When a neocloud could not borrow against its customers' credit, or

OpenAI could not get a landlord to build on its own credit, NVIDIA stood in**. Its guarantees did for the AI build what the bond insurers' wraps did for subprime: they made a weaker credit financeable by lending it a stronger one.**

But every guarantee NVIDIA writes adds to its contingent liabilities and widens its swap, and every widening lowers the value of the guarantees it has already written. At 129bp, NVIDIA's swap prices the bank as BBB-, on the edge of high yield; it touched 145bp when Jensen Huang's resignation was announced. **The bank of NVIDIA sits on the edge of high yield, and every guarantee it writes pushes it closer.**

A lender of last resort is only as good as its own credit. Regardless of who is in charge, the bank of NVIDIA has lost much of its ability to manufacture demand by guaranteeing its customers' leases and backstopping neoclouds. A neocloud that cannot finance its data center does not buy NVIDIA's chips. That demand and the scarcity it helped create have propped up gross margins, compute rental prices, and what the GPUs themselves are worth as collateral.



Fallen angels

If the agencies closed the gap, the **four investment-grade names that trade as high yield - AMD, Broadcom, SpaceX and Oracle - would fall out of the indices and portfolios that can hold only investment grade.** Oracle is one notch from high yield and SpaceX two, while both their swaps trade as B+.

The swap has already priced the downgrade. If the agencies ratify it, the index rules will turn the ratification into selling, the selling into a wider spread, and the wider spread into a lower value on every campus behind those names.

The letter also sets the capital. A life insurer holds capital against a bond according to its NAIC designation, which follows the agency rating: about $2.17 per $100 of Oracle bonds at BBB-, and about $7.39 at the B+

its swap implies, 3.4 times as much. Across the AI build the increase runs from about 3.4x to 7.5x at the swap. **An insurer that bought the build's debt on the letter holds a third or less of the capital the swap calls for.**

The sacrifice layer

In subprime, the economic defaulters were the mortgage borrowers, but the first legal casualties were the intermediaries between them and the bond market. New Century filed for bankruptcy on April 2, 2007, long before most of its borrowers defaulted, after the banks that funded its loans cut off its warehouse lines and demanded it buy back loans that had gone bad early. In the AI build the economic defaulter would be a lab that cannot fund its commitments or decides to scale back. **The legal defaulter would be the intermediary in between: a neocloud that cannot pay its landlord, or a landlord that cannot pay its lenders.**

The intermediary is exposed because its contracts are mismatched. It is owed short contracts by the lab, has borrowed against them as if they will hold their full value, and owes long leases. When the lab delays, the intermediary's revenue stops and its coupons keep coming due. When the lab renegotiates, the intermediary takes the cut and its landlord still expects full lease payments.

The intermediaries are also the easiest counterparties to cut. Unlike the hyperscalers, they own no stake in the lab, so they have little leverage over it. They were built to stand between the lab and the long obligations, and in a downturn that position makes them the sacrifice layer: the layer that absorbs the loss.

XIII. Contained

On March 28, 2007, the chairman of the Federal Reserve told Congress that subprime's impact on the broader economy "seems likely to be

contained." On the defaults, he had a point: subprime was a small share of household debt. What the defaults did not show was the repricing. The ABX had been repricing subprime bonds for months, and their holders had borrowed against them as if the ratings were right.

The same reasoning is applied to the AI build now. Oracle is one overextended balance sheet, CoreWeave a story about neocloud leverage, the hyperscalers among the strongest credits in the world. **What it misses is the same thing: the swaps have repriced the tenants, and the campuses carry debt sized as if the ratings were right.**

For the thesis to fail, the payers' swaps would need to retrace and stay there while the labs' valuations hold up. CoreWeave's swap fell by about 40% between December and May before widening again, so it can happen. If hyperscaler swaps keep widening as they absorb what the weaker payers cannot finance, the credit limit is arriving. If they tighten while they absorb it, the build's capacity is larger than the swaps imply - and this thesis is early, or wrong.

Nearly everyone involved has an immense incentive to keep it going as long as they can. The sponsors need the rating to sell the loans, the banks need buyers for the pieces they still hold, the agencies are paid by the issuers, and the payers need the revenue and labs need the capacity. **In September, Kansas City Fed President Jeff Schmid asked whether the Fed was looking at a "too-big-to-fail AI ecosystem."** Many of the build's loudest defenders own large stakes in the labs, and they only need it to hold until they can sell.

In 2007, subprime mortgage bonds were priced as if the chance of default was small. The market eventually repriced the risk, but by then the assets had been levered as if the ratings were right. The AI build has reached the same point. The market-implied ratings of its payers sit about five notches below the agency ratings the build was financed on, and the campuses, the leases and the equity beneath them were levered

as if the agency ratings were right. **Every contract can be honored, and the leverage built on them can still be too high for the credit behind it.**

Paulson's case had three parts: weak underwriting, excessive leverage and a fundamental mispricing of credit risk. The AI build has all three. The underwriting took the agency rating as the credit and the guarantor's name as the guarantee. The leverage reached 85% to 95% of cost on buildings that have yet to be finished. And the mispricing is now visible: **the AI build was financed as a single-A credit and trades as double-B.**

> **Credit crises are built when credit risk is mispriced and assets are financed with more debt than their true risk can support. They break when the market reprices that risk, usually well before most of the defaults arrive.**

The swap market has already repriced the AI build. The agencies and the equity market have only started to follow.

Mark to Swap.

Thanks for reading! Subscribe for free to receive new posts and support my work.

Pledge your support

This article is 100% free to read, so please share it to pay it forward. Thanks!

Share

In Summary:

Over the past year, the cost of insuring the AI build against default has blown out. Oracle's five-year credit default swap has gone from about 76bp in October 2025 to 316bp. NVIDIA's has more than tripled, to 129bp. Since January 1, Broadcom's swap is up about 315%, NVIDIA's 214%, Oracle's 114% and Meta's 104%, against about 22% for the investment-grade index. **The credit market has stopped pricing the companies behind the AI build the way the rating agencies rate them.**

The usual reading is that credit investors are nervous. For most companies that is fair. For the AI build it is wrong, because the build's largest assets, its data center campuses, are worth exactly what the swap prices: the credit of whoever pays the lease. **When the swap widens, the campus is worth less, even if every payment arrives on time.**

That turns a sentiment story into a valuation story, and a valuation story into a financing story. The argument runs in seven steps:

1. **The swaps have blown out.** Every lessee and guarantor in the AI build trades well above its low of the past year, Broadcom five times over and Oracle four, and tech CDS has widened far faster than the credit market as a whole.
2. **A wider swap is a higher price for default.** Oracle's swap a year ago implied about a 6% chance of default over five years. Today it implies about 23%. CoreWeave's implies 61%.
3. **The market rates the build about five notches below the agencies.** Converted into market-implied ratings, the payers trade four to seven notches below their agency ratings, 5.3 on average. That is where Wall Street's broker-dealers stood in the first half of 2007.

4. **The swap is the only clean price in the system.** The AI boom finances itself in a closed circle: the labs borrow the guarantors' ratings, and the guarantors' backlogs rest on the labs' private valuations. The swap is the one real-time credit price set outside that circle, by traders who are paid if it breaks. It is this cycle's ABX.
5. **The market-implied rating is also a market-implied cap rate.** A leased AI campus is a bond with a building attached. Valued at the market-implied rating rather than the agency rating, campuses behind Oracle and CoreWeave are worth about 20% to 50% less than the market assumes.
6. **The leverage was built on certainty.** The campuses were financed at up to 95% of cost, as if their leases were certain, investment-grade cash flows. They are better described as forward-starting swaps on the lessee's credit. Across twenty-five campuses, the swaps alone have taken about 16% of the collateral value, and with it 72% of the equity cushion behind Oracle and 91% behind CoreWeave.
7. **The loop turns into a capex crisis.** The marginal campus no longer pencils, so new capacity migrates to the few balance sheets still trading tight, whose swaps widen as they take it on. Each turn raises cap rates again, and capex slows in an economy that has leaned on it for growth.

The debt on each campus is fixed, so every dollar of lost value comes out of the equity first. **In a highly levered system, you don't need a default to wipe out equity. You only need the market to reprice the risk.**

Appendix: Twenty-Five Campuses

The twenty-five campuses valued in this piece, with their payer, swap at signing and today, yield, loan-to-cost and the change in value and equity at today's swap, with and without the rise in the Treasury.

GROUNDBREAKER · MARK TO SWAP

The twenty-five campuses: on the swaps alone, 16% off the value and 40% off the equity

Each campus marked from signing or October 2025 to today. Fixed Treasury: the ten-year held at its level when each campus was signed, so only the credit moves. Treasury 5.00%: from the ten-year at signing to 5.00%.

					AT SWAP FIXED TREASURY		AT AGENCY RATING TREASURY 5.00%		AT SWAP TREASURY 5.00%	
Campus · sponsor	Payer · swap, bp	Yield on all-in cost	Loan-to-cost	Loan-to-value	Value	Equity	Value	Equity	Value	Equity
ORACLE AS LESSEE										
Abilene TX · Crusoe / Blue Owl	Oracle 50→316	**7.5%**	63%	52→71%	−26%	**−55%**	−15%	**−33%**	−34%	**−71%**
Frontier TX · Vantage	Oracle 76→316	**8.0%**	93%	70→91%	−24%	**−78%**	−15%	**−52%**	−31%	**wiped**
Lighthouse WI · Vantage	Oracle 76→316	**8.0%**	98%	72→94%	−24%	**−84%**	−15%	**−57%**	−31%	**wiped**
The Barn MI · Related Digital	Oracle 76→316	**8.75%**	88%	64→84%	−24%	**−66%**	−15%	**−44%**	−31%	**−88%**
Polaris Forge 2 ND · Applied Digital	Oracle 76→316	**7.3%**	66%	58→77%	−24%	**−57%**	−15%	**−37%**	−31%	**−76%**
Jupiter NM · Stack / Blue Owl	Oracle 144→316	**7.25%**	86%	83→100%	−17%	**−99%**	−15%	**−68%**	−25%	**wiped**
COREWEAVE AS TENANT, NO SUPPORT										
Core Scientific sites · Core Scientific	CoreWeave 380→1,145	**10.3%**	60%	49→84%	−42%	**−82%**	−10%	**−19%**	−45%	**−88%**
Helios I TX · Galaxy	CoreWeave 380→1,145	**12.5%**	80%	53→91%	−42%	**−89%**	−10%	**−20%**	−45%	**−97%**
Helios II TX · Galaxy	CoreWeave 380→1,145	**12.5%**	85%	61→104%	−42%	**wiped**	−10%	**−24%**	−45%	**wiped**
Polaris Forge 1 ND · Applied Digital	CoreWeave 380→1,145	**9.2%**	66%	64→110%	−42%	**wiped**	−10%	**−25%**	−45%	**wiped**
Elk Grove Village IL · Prime	CoreWeave 650→1,145	**9.7%**	77%	89→122%	−27%	**wiped**	−10%	**−30%**	−31%	**wiped**
Digital Drive VA · Blue Owl	CoreWeave 700→1,145	**10.2%**	77%	88→116%	−24%	**wiped**	−10%	**−28%**	−29%	**wiped**
ANTHROPIC CAPACITY, GOOGLE BACKSTOP: ALPHABET'S SWAP ON THE BACKSTOPPED SHARE, ANTHROPIC'S SPREAD ON THE REST										
Sullivan County IN · Meridian Arc	Google 48→85	**10.0%**	92%	59→62%	−5%	**−11%**	−10%	**−23%**	−13%	**−33%**
River Bend LA · Hut 8	Google 40→85	**10.8%**	95%	54→57%	−6%	**−13%**	−14%	**−29%**	−18%	**−39%**
Lake Mariner NY · TeraWulf	48% Google 100→135	**11.2%**	72%	42→44%	−4%	**−7%**	−13%	**−22%**	−16%	**−27%**
Barber Lake TX · Cipher	19% Google 130→163	**9.8%**	59%	41→43%	−4%	**−6%**	−12%	**−21%**	−15%	**−26%**
Abernathy TX · Fluidstack group	14% Google 136→168	**10.0%**	59%	41→43%	−4%	**−6%**	−12%	**−20%**	−15%	**−25%**
Hawesville KY · TeraWulf	20% Google 131→162	**15.3%**	88%	42→43%	−3%	**−6%**	−7%	**−11%**	−10%	**−17%**
INVESTMENT-GRADE TENANT, DIRECT										
Black Pearl TX · Cipher	Amazon 38→94	**12.5%**	85%	42→45%	−7%	**−12%**	−14%	**−23%**	−19%	**−32%**
Stingray TX · Cipher	Amazon 54→94	**12.3%**	92%	49→51%	−5%	**−10%**	−10%	**−18%**	−13%	**−26%**
El Paso TX · Sopaipilla SPV	Meta 78→112	**9.6%**	90%	58→60%	−4%	**−9%**	−5%	**−11%**	−8%	**−19%**
Hyperion LA · Beignet SPV	Meta 48→112	**8.7%**	92%	55→60%	−8%	**−18%**	−13%	**−30%**	−19%	**−43%**
Sandersville GA · CleanSpark	Meta 78→112	**10.2%**	95%	65→68%	−4%	**−11%**	−6%	**−16%**	−9%	**−26%**
Beacon Point TX · Hut 8	NVIDIA 43→129	**10.4%**	85%	53→59%	−10%	**−21%**	−8%	**−17%**	−17%	**−37%**
Storey County NV · Tract / Fleet	NVIDIA 41→129	**10.0%**	86%	53→59%	−11%	**−23%**	−13%	**−27%**	−22%	**−46%**
Twenty-five campuses · $206B of all-in cost			**85%**	**60→72%**	**−16%**	**−40%**	**−12%**	**−31%**	**−24%**	**−57%**

Yield on all-in cost: first full year of stabilized operating income ÷ all-in cost, the yield every value here uses. Loan-to-cost: as the sponsor or lender states it, or debt ÷ the disclosed budget; values use debt ÷ all-in cost. Value = income ÷ implied cap rate; equity = value less debt, and a campus worth less than its debt counts as a 100% loss. Loan-to-value: at signing, and today at the payer's swap with the Treasury fixed. Ten-year at signing: 4.05% through January 2026, the day's close after. At agency rating: the median swap for the payer's S&P rating at signing and today. Orange: half or more of the equity wiped out. Bold orange: worth less than its debt.

Notes on Method

Swaps. Five-year senior credit default swaps at the November 17 to November 19 close, from Bloomberg: Microsoft 48bp, Alphabet 85, Amazon 94, Meta 112, NVIDIA 129, Broadcom 179, SpaceX 266, Oracle 316 and CoreWeave 1,145; SoftBank 450 at an earlier close. Paths before November from Bloomberg data as compiled by Goldman Sachs Global Investment Research, LSEG, Markit, DTCC public trade reports and Barclays Research. Levels move daily and differ by a few basis points across providers.

Market-implied ratings. Medians of senior five-year CDS by notch, following Moody's Market Implied Ratings construction on S&P symbols, with boundaries at the geometric mean of neighboring medians: AAA 20, AA+ 26, AA 34, AA- 41, A+ 49, A 58, A- 68, BBB+ 81, BBB 95, BBB- 120, BB+ 151, BB 190, BB- 237, B+ 296, B 370, B- 488, CCC+ 644, CCC 850, CCC- 980. The BBB-/BB+ boundary is 134.6bp. The anchors sit close to Moody's last published global medians.

Yield on cost. First-year stabilized operating income over all-in cost, the measure comparable to a cap rate, which already nets out rent growth. Blue Owl builds at 7% to 8%. Weighted by cost, the Oracle campuses earn 7.9%, the Meta campuses 9.0% and the CoreWeave campuses 10.8%. Digital Realty's development pipeline targets about 11.6%, but includes colocation. Galaxy expects more than $1 billion a year of average revenue at about 90% margins from 526 MW at Helios, which it puts at a $7.5 billion investment: about 12% to 14% of cost, averaged over the lease. Sell-side yields on cost for the miners' conversions run higher, 17% to 19% at Bernstein and KBW, because they average escalating rent over the lease and often count only new capital spending: Hut 8's projected $454 million average NOI at River Bend is 13% of its all-in cost, against about 11% in its first full year.

Lab spreads. Merton (1974): equity at the valuation shown (Anthropic at its $83 IPO price, about $1.5 trillion, and its last private round of $965 billion; OpenAI at its $1.25 trillion round in November); debt equal to firm

compute and cloud payments due over about five years (OpenAI about $547 billion; Anthropic $447.5 billion of committed spend before December 31, 2030, per its amended S-1); 60% equity volatility, rising by half the percentage cut in valuation.

The build's rating. Each rated name weighted by its debt, signed but uncommenced leases and data center guarantees; five-year default probabilities averaged on those weights and converted back through the grid. The broker-dealer clock reads each firm's crossing into the high-yield band off its five-year CDS mapped through Moody's market-implied grid, approximate to the month. Every figure is a price or an estimate at a point in time and moves with the swap.

Sources

- John Paulson, statement to the House Committee on Oversight and Government Reform (November 13, 2008)
- Ben Bernanke, testimony before the Joint Economic Committee (March 28, 2007)
- Federal Open Market Committee, transcript of the meeting of March 20–21, 2007 (William Dudley on the ABX)
- Ingo Fender and Martin Scheicher, The ABX: How Do the Markets Price Subprime Mortgage Risk?, BIS Quarterly Review (September 2008); BIS Quarterly Review (December 2007) on losses in AA-rated 2006 subprime tranches
- Wachovia Form 8-K exhibits (January 2 and September 28, 2007); Markit ABX closes (July 19, 2007)
- HSBC's February 7, 2007 bad-debt warning, Reuters; New Century restatement; GlobalCapital on the February 2007 ABX break
- UBS and the ABX, Wall Street Journal (December 12, 2007)

- House Committee on Oversight and Government Reform, hearing on credit rating agencies (October 22, 2008), quoting Moody's September 2007 town hall
- Gary Gorton, The Panic of 2007 (Federal Reserve Bank of Kansas City, Jackson Hole, 2008)
- Financial Crisis Inquiry Commission, Final Report (2011)
- Moody's Analytics, Market Implied Ratings: Description and Methodology; Bloomberg on Moody's CDS-implied ratings of the broker-dealers (2007)
- Mark Flannery, Joel Houston and Frank Partnoy, Credit Default Swap Spreads as Viable Substitutes for Credit Ratings, University of Pennsylvania Law Review (2010)
- Basel Committee on Banking Supervision, capital treatment for bilateral counterparty credit risk (June 2011)
- Robert Merton, On the Pricing of Corporate Debt, Journal of Finance (1974)
- Oracle Form 10-Q for the quarter ended August 31, 2026; Oracle note pricing (November 2026)
- S&P's Oracle downgrade (July 9, 2026); Moody's affirmation at Baa2, negative outlook; Fitch affirmation at BBB (November 2026)
- J.P. Morgan Asset Management, credit default swap comparison, select AI stocks (October 30, 2026); ICE Data Services, CoreWeave five-year CDS; Reuters on AI-credit swaps at record levels (October 15, 2026)
- Anthropic, PBC, Form S-1/A (November 2, 2026); Reuters on Anthropic IPO valuation discussions; Financial Times on Blackstone and Anthropic's post-IPO rating
- Financial Times on OpenAI's annualized revenue (October 8, 2026); reports on OpenAI's valuation target and fundraising

- Moody’s on uncommenced hyperscaler leases, via Fortune (February 25, 2026); Moody’s on project-finance CLOs, via Creditflux (February 2026)
- Digital Realty and Blackstone, Form 8-K exhibit (June 29, 2026)
- KBW on Core Scientific (October 14, 2026); VanEck, Neocloud Sell-Off Leaves Bitcoin Miners Oversold (November 4, 2026)
- Morgan Stanley data center bond and loan-to-cost data; Man Group, Views from the Floor (September 2026)
- Galaxy Helios Data Centers II pricing release and launch presentation (July 2026); Related Digital Michigan financing (April 2026) and KBRA rating (May 2026)
- TeraWulf Form 8-K filings on Google backstops at Lake Mariner and credit support at Hawesville (including November 4, 2026); Cipher Digital investor presentation (October 2026)
- Abilene DC 1 audited financial statements, Blue Owl Form 8-K Exhibit 99.3; Blue Owl third-quarter 2025 earnings call
- NVIDIA’s OpenAI guarantee terms; Broadcom Form 8-K on residual value support (October 2026); Reuters on the $63 billion Broadcom chip financing for Anthropic (October 26, 2026)
- Meta Form 10-Q for the quarter ended September 30, 2026; Meta and Blue Owl on Hyperion
- Jupiter loan quotes and Oracle’s force majeure notice, via Reuters
- TD Cowen on bank retreat from Oracle-linked projects, via Data Center Dynamics; banks marketing $56 billion of investment-grade construction loans (February 2026)
- BofA on CLO exposure to chip and data center loans (September 2026)
- Data Center Watch on projects blocked or delayed (first half of 2026); Aterio on Lighthouse’s power timeline

- Reuters on Jeff Schmid and a “too-big-to-fail AI ecosystem” (September 25, 2026)
- Hannah Rubinton and Bontu Ankit Patro, Tracking AI’s Contribution to GDP Growth, Federal Reserve Bank of St. Louis (January 12, 2026); Goldman Sachs hyperscaler capex forecast (September 2026)
- S&P Global Ratings on data center underwriting values; CRA International, study of S&P liquidation values across fifty-four data center ABS deals
- SpaceX Form S-1 and amendment (May 2026) and Elon Musk on X (May 28, 2026), via TechCrunch, Data Center Dynamics and Reuters; Core Scientific earnings calls (2026)
- NVIDIA Form 10-Q for the quarter ended July 26, 2026 (guarantees, capacity agreements and leases), via Forbes (October 21, 2026) and CNBC (October 24, 2026); NVIDIA Form 8-K, CEO transition (November 12, 2026); Bloomberg and ICE Data Services on NVIDIA’s five-year CDS (November 12, 2026); The Information on Colette Kress and NVIDIA’s dealmaking (November 2026)
- Reuters on Jeff Schmid and AI commitments “getting too leveraged” (August 6, 2026)
- Broadcom Form 10-Q for the quarter ended August 2, 2026; SpaceX ratings from Moody’s, S&P and Fitch (June 18, 2026) and debut bond offering (June 2026); NVIDIA $25 billion bond offering (June 15, 2026)
- Challenger, Gray & Christmas job-cut reports (through October 2026); Goldman Sachs estimates of data-center construction employment and AI-exposed employment, via Fortune (November 2, 2026); U.S. Census Bureau construction spending (August 2026)

- Jason Thomas, Carlyle, to Bloomberg on how AI campuses are financed (September 2026); Clifford Chance, “The Data Center Lease Is the Bond” (July 2026); Moody’s review of hyperscaler uncommenced leases (February 2026)