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Weekly Market Commentary



Charts of the week: Artificial Intelligence is Leading a CapEx Boom

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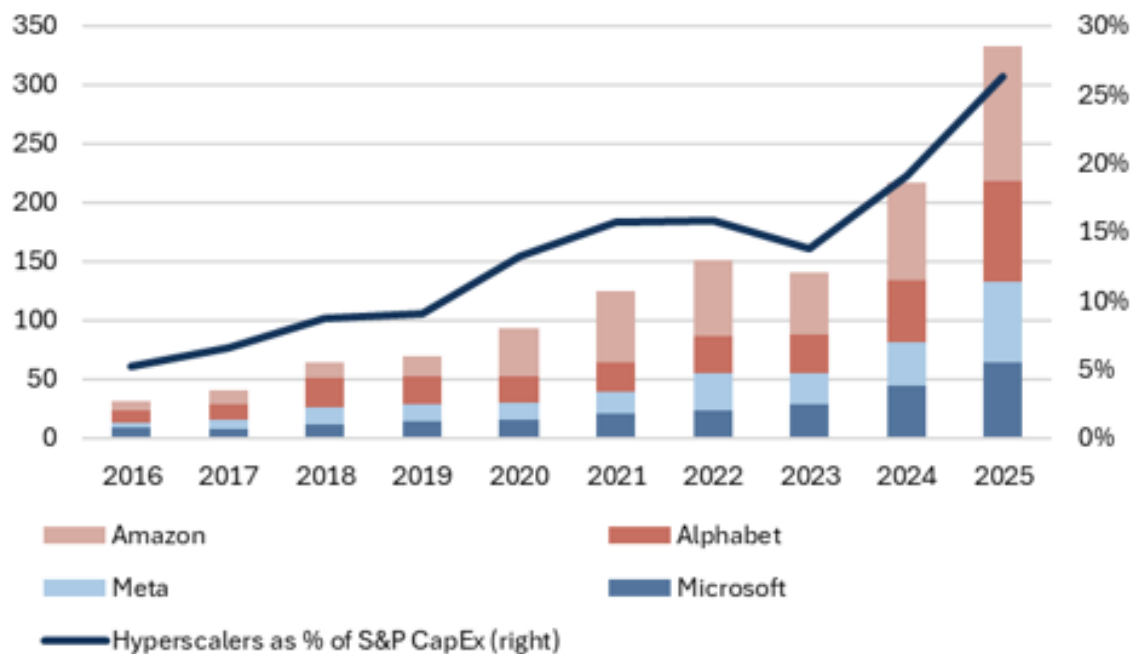
1. Hyperscaler capital expenditures, used mainly to build AI infrastructure, have exploded upward over the last three years (Fig. 1) and now represent almost 30% of all S&P 500 cap ex.
2. Hyperscalers are financing this cap ex out of cash flows, not through borrowing. Approximately 70% of current revenues are being routed for AI investment (Fig. 2).
3. CapEx is now 4% of US GDP (Fig. 3) and is responsible for 0.5-1% of GDP growth so far this year, exceeding the contribution from consumer spending.

What it means for investors:

After a period of anemic investment by large American corporations, AI optimism has led to a capital expenditure boom, particularly by the so-called hyperscalers (Amazon, Alphabet, Meta, and Microsoft), who are now dedicating nearly 70% of their revenues to AI-related investment.

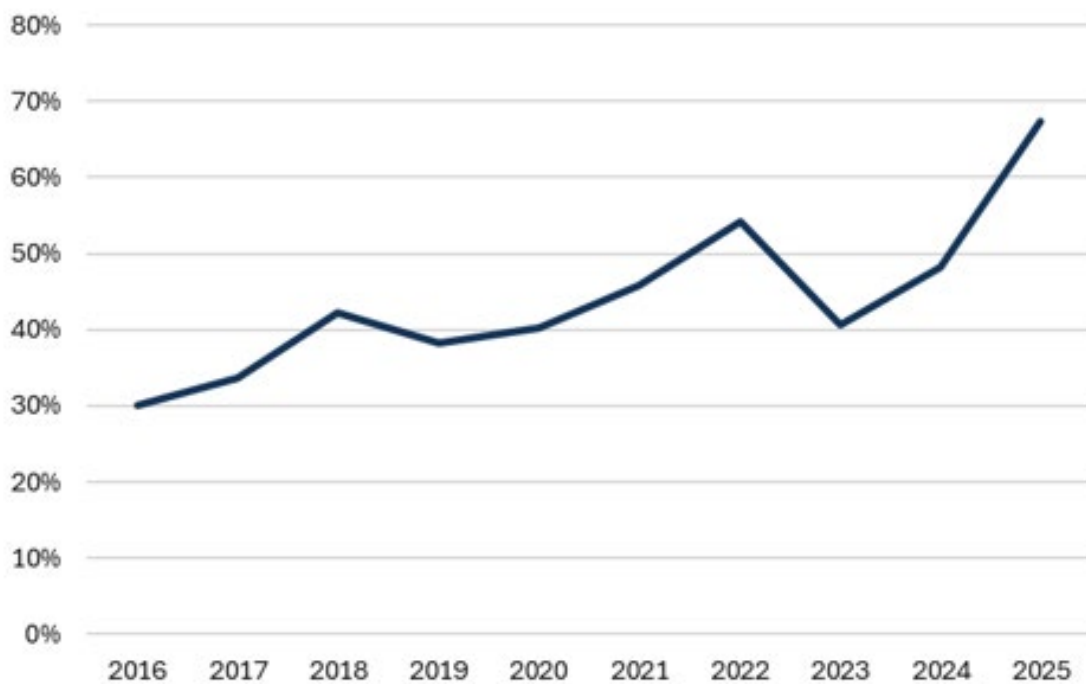
Investors that are worried about an AI bust can take some solace in the fact that these firms have not been leveraging up to make the investment in AI, but debt and private credit are likely to play a larger role in financing investment if [current forecasts are accurate](#).

Fig. 1: Hyperscaler cap ex investment (Billions)



Source: Bloomberg, Mill Creek.

Fig. 2: Hyperscaler cap ex as a percentage of operating cash flows



Source: Bloomberg, Mill Creek. 2025 excludes Alphabet.

Fig. 3: Cap ex as a percentage of GDP



Source: Bloomberg, Mill Creek. Orange line illustrates lack of growth in cap ex between 2010 and 2020.

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