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Daily Commentary

When the Numbers Don't Add Up

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Yesterday's market action says it all: S&P 500 −**1.1**%, Nasdaq −**1.9**%, healthcare sector +**2.4**%, consumer staples +**2.2**%, technology −**3.0**%, semiconductors −**4.5**%.
CoreWeave, the best-known of the so-called neocloud providers, that is, operators specializing in renting out AI infrastructure, fell **15.5**% during the session, then dropped another 6.0% after the close.
When everything is green except Artificial Intelligence, the market is sending a message. Let's try to read it.

The bond market already knew, because for weeks it had been pricing in a deterioration.
On Tuesday, the spread on CoreWeave's unsecured bonds exceeded **1,000** basis points for the first time, and the bond maturing in 2032 yielded more than **15**% yesterday.
The five-year CDS contract (insurance against the risk of default) rose by **135** basis points to **1,117**, a level that implies roughly a **63**% probability of default within five years.
More than a coin toss.

So why did the stock plunge only yesterday?
Because bondholders and shareholders look at the same company through different eyes.
The former asks whether they will be repaid; the latter, how much the company can grow.
As long as the growth story holds up, shareholders look at the order book and ignore the cost of debt.

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
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Then someone puts a number on the table.
Yesterday, Gartner (a research firm) did so, saying that by 2030, **cost pressures and the lack of a differentiated business model will force more than 80% of neocloud providers to cease operating independently**.
Four out of five, absorbed by someone larger or gone.

Why don't the numbers add up?

The reasoning is disarming.
Between now and 2030, data center owners would need to generate $**8,500** billion in cumulative revenue to cover announced investments and financing costs, and earn a **12%** return on capital.
AI revenue attributable to data centers over the same period is estimated at no more than $3,600 billion.
That leaves a gap of about $**4,900** billion.
Meanwhile, spending is rising: nearly $**1,000** billion in 2026, another $**6,000** billion by 2030, and **more than $3,500 billion of infrastructure is at risk of being written down**.
There is more: **less than half of AI revenue will go to those who own the infrastructure**, meaning that those signing the biggest checks get the smallest slice.

Perhaps an analogy can help.
A neocloud provider is like a landlord who buys apartments with a mortgage and rents them out by the hour.
Demand is very high today, and short-term rentals earn good returns, between $**40** and more than $**50** billion per gigawatt per year.

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But long-term contracts, which account for most of the volume, are signed at between $**20** and $**44** billion, and every new gigawatt that comes online pushes prices down.
The apartments also age quickly.
A GPU loses much of its value in three years, while the mortgage lasts six.
If the rent does not cover the payment, there is nothing else to cover it.
Amazon, Microsoft and Google have other buildings and other sources of income, while neocloud providers have a single product, bought with debt.

CoreWeave is a textbook example.
Its debt rose from about $15 billion to about $**52** billion in one year, while quarterly interest payments increased from $267 million to $**640** million, roughly a quarter of the $**2.58** billion in revenue reported for the second quarter, which ended with a net loss of $**626** million.
One analyst summed it up in a single line: **CoreWeave borrows at around 9% and earns roughly 1% on its investments**.
Why should we care, even if CoreWeave is not in our portfolio?
Because for companies that depend on access to capital markets, the stock is a form of financing.
If it plunges, equity and debt become more expensive, and the prediction becomes self-fulfilling.
Here, the chain is long.
A major investment bank counts **20** data center project finance high-yield bonds, totaling $**45.6** billion, with CoreWeave as the tenant in seven of them and yields already between **12**% and **15**%.

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Yesterday, **Oracle**'s CDS contract widened by **31** basis points.
Finally, there is **Nvidia**, which supported CoreWeave's listing and holds an estimated stake of around $**2** billion: the supplier financing its customer.
The AI narrative rests on three pillars: seemingly infinite demand, the ability to finance it, and the promise of future returns.

The first is holding up for now, because TSMC is expected to report today what would be its sixth consecutive record quarter, and ASML says customers are already placing orders for 2029–2030.
Yesterday, the second showed a real crack.
The third is precisely what Gartner is calling into question.

How could this end?
There are three possible paths.
The first is **orderly consolidation**: the strong absorb the weak, GPUs change hands at a discount, and construction continues.
A bigger slice, fewer people at the table.
Heavy dilution for shareholders.
The second is **disorderly consolidation**: capital markets close to the weaker names, and write-downs and restructurings follow.
The contagion spreads through the data center high-yield segment, private credit, and the balance sheets of those who provided guarantees.
This is the scenario currently priced in by the CDS market.
The third is a **bailout**: Nvidia or a major cloud operator steps in.
It buys time, but it does not fix the

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numbers: a bailout supports a price, not the economics of a business model.
Still, there are counterarguments.
Demand for computing power still exceeds supply, major cloud operators can withstand years of losses, neocloud providers are not the whole of Artificial Intelligence, and CoreWeave's CEO says the market «misunderstands and acts irrationally».
But the CDS widened after that message, not before.

The macroeconomic backdrop offers little help.
Yesterday's CPI showed core inflation at +**0.3**% versus 0.2% expected, and the probability of a rate hike by December rose to around **87**%.
Financing costs are rising for everyone, and much more so for those already paying **14**%.
Overnight, Treasuries regained ground, with the 10-year yield returning to around **5.10**%, but this is a rebound driven by investors seeking shelter, not celebration.
The Kospi, South Korea's stock market index, which is heavily weighted toward chip stocks, fell more than 15% in a week, and US futures point to another weak open.
This market's performance and narrative are built almost entirely around AI.
Every crack in one of the three pillars weighs on sentiment far beyond the individual stock's market weight.
Nvidia and customer financing in August, Oracle in September, and CoreWeave today are not isolated episodes; they are creaks in the same structure.

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
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A nervous session lies ahead, with technology under pressure and defensive sectors serving as a refuge.
This is not the time to remove protection; it is better to keep hedging.

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