THEIA INVESTMENTS
YOUR BESPOKE FAMILY OFFICE



Daily Commentary

The Market That Depends on the Market

2nd November 2026

The Market That Depends on the Market

On Friday, the Nasdaq lost **2.86**%, the semiconductor index **7.2**%, the **S&P500** index **1.82**%, the worst session since June.
Over the weekend, the bill for the off-balance-sheet commitments of the major Artificial Intelligence companies arrived, **4,110** billion dollars, one thousand more in ninety days.
However, this is not the most important number.
The real question is another one, who pays for them?

Let's start with an observation.
The fate of Artificial Intelligence no longer depends on technology, which works, nor on the demand for computing power, which exists, but depends on the market.
At the top of the chain, there are laboratories that spend much more than they earn and cover the difference with capital raised on the stock market and from funds.
In the middle, there are the large cloud operators (hyperscalers), which sign multi-year commitments on those contracts with builders and suppliers.
Downstream, there are the suppliers, whose stocks now carry enormous weight in the indices.
Here, the circle closes.
High stock market indices keep the capital-raising window open, which finances the laboratories.
It is the market that depends on the market.

At the top, there are two companies that are not yet profitable.
OpenAI has planned approximately **750**

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
Please refer to the warnings on the last page of this document

billion USD in computing expenditure through 2030 against annualized revenues of around **50** billion USD.
In the first quarter, it burned **3.7** billion USD in cash on **5.7** billion in revenues, with an estimated cash burn of **85** billion USD in 2028.
The gap is covered by capital, with **122** billion USD raised in March.
Anthropic is in a better position, with **16.3** billion dollars in revenues in the half-year and an operating loss of just **0.7** billion, but it still has approximately **518** billion USD in commitments and is going public in the week of November 16.
Here, the key issue is **concentration**.
Approximately **45**% of Oracle's order backlog and **44**% of Microsoft's depend on these two customers; for AWS, the figure is between **26**% and **43**%, and for Google Cloud, around **20**%.
Are the contracts non-cancellable?
Yes, but a contract is worth as much as the ability to pay of whoever signed it, and today that ability depends on the market.

In the middle, there are **4,110** billion USD off-balance-sheet, meaning that for every dollar of debt and leases on the balance sheet, more than four remain in the notes.
Within that figure, there are **2,250** billion USD in non-cancellable purchase contracts, **1,390** billion USD in leases already signed on data centers that will enter the balance sheet as debt when they become operational, and **273** billion USD in guarantees, almost doubled since August.
In the third quarter alone, the five

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
Please refer to the warnings on the last page of this document

companies that have already published their financial results added **577** billion USD, +**23**% in three months.
For Oracle, these commitments amount to almost **seven years** of operating cash flow, for Meta **six and a half**, and for Alphabet **six**.

Today, **free cash flow is no longer sufficient**.
Alphabet closed the quarter with negative cash flow of **9.1** billion USD, while Amazon stands at −**42.4** billion USD over the last twelve months.
Debt depends on the rating agencies.
On Friday, **S&P revised Meta's outlook to negative**, seeing leverage exceeding the downgrade threshold as early as 2027; Oracle is at **BBB−**, one notch above high yield (high-yield bonds).

Here is the point.
S&P counts leases as debt, Moody's and Fitch do not, but Moody's has said it is ready to do so.
If the agencies align, everyone's leverage rises all at once.
Equity capital remains.
Meta has already raised **37.5** billion USD and from January will have a continuous share sale program of **60** billion USD, while Alphabet raised almost **85** billion USD in June.
In the worst-case scenario, dilution for shareholders would be 2% for Microsoft, **6**% for Alphabet, **8**% for Amazon, **12**% for Meta and **38**% for Oracle.
For over ten years, buybacks have been Wall Street's largest buyer, now the **giants are becoming sellers of their own shares**, and a continuous share sale program

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
Please refer to the warnings on the last page of this document

appears promptly on every rally.

Downstream, there are those who pay the bill.
The former miners, now **data center builders**, are the weakest link, because their risk is counterparty risk.
Riot and TeraWulf have contracts with Anthropic without investment-grade guarantees, while Cipher and TeraWulf depend on Fluidstack with Google's safety net.
In October, the market has already punished them: Cipher −**54**%, IREN −**41**%, Riot −**36**%.
For **technology suppliers**, the nature of the risk changes.
None have debt problems, the problem is the price paid for growth.
Arm, which trades at around 100 times operating earnings, would fall to around **44** dollars (−**78**%) in the worst-case scenario; Marvell to **46** (−**77**%), Coherent to **67** (−**68**%), Credo to **50** (−**67**%), Corning to **48** (−**61**%), Arista to **71** (−**58**%).
There is also a hidden multiplier, **concentration**: two customers account for **71**% of Credo's revenues and **42**% of Arista's, while three customers account for **66**% of Celestica's.

Should we despair?
No.
According to Zeygos, the worst-case scenario has a probability of **15**%, while the base-case scenario remains the one in which the bridge holds, because the large hyperscalers' cash reserves are enormous and demand for computing power exceeds supply.

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
Please refer to the warnings on the last page of this document

However, **the chain has a single point through which everything passes, the market's willingness to finance it**.
This week we will measure it through quarterly earnings reports.
Cipher today, Arista tomorrow, Arm, Coherent and Riot on Wednesday, IREN on Thursday, TeraWulf on Friday.
Then, Anthropic's listing and Nvidia's quarterly earnings report.
The market has built the infrastructure, now it must decide whether to continue keeping it standing.

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
Please refer to the warnings on the last page of this document

Disclaimer

This publication is for your information only and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors.

All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to Theia Investments Limited). All information and opinions as well as any forecasts, estimates and market prices indicated are current as of the date of this report, and are subject to change without notice.

THEIA INVESTMENTS LIMITED	+971 4 570 0793
https://theiainvestments.com/	#814, Liberty House, DIFC, PO Box 566720, Dubai, UAE (Regulated by DFSA)