

Two kinds of money

Two stories, same news pages: what it takes to attract capital where AI is abundant — and how to build the same on-ramp for human wellbeing and reconstruction.

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Sources: S&P Global Ratings · Moody's · Morgan Stanley · BofA Global Research · UNEP · Fitch Ratings · XDI · Reuters / Bloomberg

\$115B Hyperscaler debt issued in Q1 2026 alone	\$4–5B Cost of rebuilding Nepal after the 2026 floods	12–14x Gap between adaptation needs and actual public flows
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Open the financial pages these weeks and two stories sit side by side, often in the same news cycle. One is the fastest, largest credit boom in corporate history, built to feed AI. The other is a country that still cannot borrow what it needs to survive its own disasters.

Yet as they draw on the same global pool of capital, the same lenders, the same rating agencies, I cannot help but ask why we are making two very different judgments about where money is worth the risk. I tried to see how best I could understand this “why”, and started by identifying where the gap is, and how to close it.

01 2026: the hyperscaler debt surge accelerates

2025 was already unusual: the five major hyperscalers — Amazon, Alphabet, Meta, Microsoft, Oracle — issued roughly \$100–121 billion in U.S. corporate bonds, about four times their 2020–2024 annual average. 2026 has gone further, faster.

The pace has more than doubled again

- 01 Direct hyperscaler debt issuance hit **\$115 billion in Q1 2026 alone**, more than the \$70 billion issued across all of 2025, according to S&P Global. U.S. high-tech is now the single largest contributor (19%) to global nonfinancial bond issuance.

- 02 Morgan Stanley now forecasts nearly **\$570 billion in AI-linked bonds** for 2026, with \$236 billion already placed by end-May — four times the 2025 pace.
- 03 BofA's Global Fund Manager Survey (Feb 2026) found investors expect \$285 billion in hyperscaler issuance this year, even as a record share of managers now call AI capex “overinvestment.”
- 04 Amazon alone raised roughly **\$54 billion** in a near-record investment-grade bond sale in early 2026, on top of a \$364 billion cloud backlog and \$200 billion in planned 2026 capex.
- 05 S&P now projects the six hyperscalers will spend a combined **~\$750 billion on capex in 2026** (38% of revenue), rising toward \$1 trillion by 2029, with total AI infrastructure investment set to exceed \$1.3 trillion by 2027.

Off-balance-sheet exposure is now larger than the debt itself

Moody's estimates outstanding data-center leases across the six largest hyperscalers have risen to \$1.2 trillion, of which \$820 billion is not yet fully recognized on balance sheets — almost three times the \$460 billion in outstanding on-balance-sheet debt, which has itself doubled since the end of 2024.

SAME MARKET, SAME QUARTER — TO SCALE

Hyperscaler bonds issued, Q1 2026

\$115B



Nepal flood reconstruction need, 2026

\$4–5B

“Q1 2026 hyperscaler debt issuance alone exceeds the entire cost of rebuilding Nepal after a disaster that killed over 600 people.”

02 S&P's warning: deteriorating credit, no downgrade yet

In its 2026 sector review, S&P Global Ratings sounded a note distinctly more cautious than its actual rating actions. They quote:

“If the expected cash flow improvements don't materialise, stretched balance sheets could pose a risk to the ratings.”

All six hyperscalers are expected to generate negative free operating cash flow in 2026 and 2027, with no recovery projected until 2029.

Growing use of joint ventures, SPVs, and residual value guarantees is “increasing the complexity of credit analysis” — prompting S&P to treat lease-like and guarantee obligations as debt-equivalent, even where not formally classified as such.

WHERE THE HEADROOM SITS		
AAA / AA+ Microsoft, Alphabet — most headroom retained	AA / AA- Amazon, Meta — “pronounced erosion of financial flexibility”	BBB neg. Oracle — weaker cash flow, higher leverage, bondholder suit

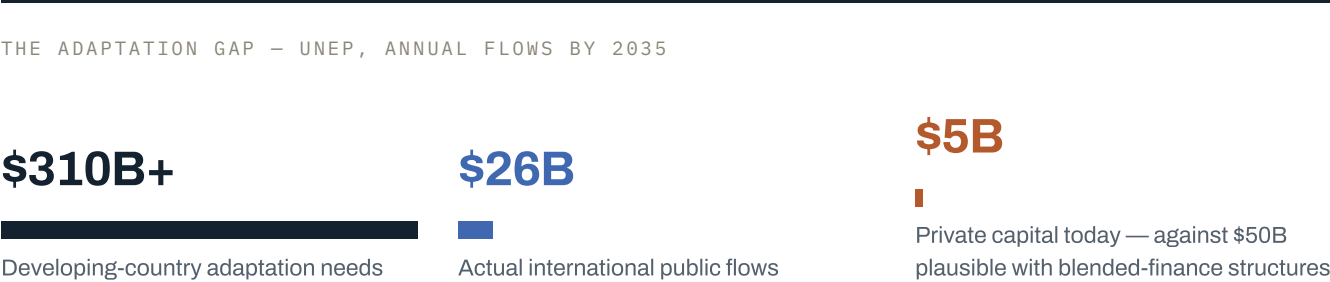
None of this has triggered an actual downgrade of the major names. That is proving my point: the agencies are flagging rising risk in writing while ratings — and therefore borrowing costs — remain largely untouched. Markets are still pricing this debt as close to risk-free, even as their own credit analysts describe deteriorating fundamentals, growing “circularity” between hyperscalers and the AI startups they fund, and contingent guarantees extended to unrated or speculative-grade counterparties.

03 Nepal: structurally locked out of the same market

Nepal received its first-ever sovereign credit rating only in November 2024 — a BB- from Fitch, squarely in speculative-grade (“junk”) territory, though with a stable outlook. Nepal isn't a fallen angel that got downgraded; it simply never had access to the investment-grade club that makes Meta's or Amazon's bonds move in days. Fitch's own read was that Nepal's debt-to-GDP ratio (44%) and reserve cushion (~\$13 billion, ten months of import cover) were genuine strengths, offset by weak revenue mobilization and political instability.

Then, in August 2026, a glacier collapse triggered catastrophic floods across Nepal's northern border, killing over 600 people. Finance Minister Swarnim Wagle put reconstruction needs at \$4–5 billion — nearly a tenth of the national economy, and less than what a single hyperscaler bond sale now raises in one sitting. It echoes 2015, when a magnitude-7.8 earthquake required \$9 billion in reconstruction and destroyed over half a million homes.

Zoom out and the pattern is global, not exceptional to Nepal.



04 Same pages, same money, different verdict

Read as two unrelated headlines, this looks like bad luck for Nepal. Read together, it is a market revealing its own priorities. The money did not choose AI over human survival because AI is more important — it chose AI because the market has spent a decade building the infrastructure that makes AI-scale debt easy to buy: ratings, guarantees, structured tranches, liquid secondary markets. Nothing comparable has been built for reconstruction or adaptation, so capital defaults to where the plumbing already exists.

WHERE THE PLUMBING EXISTS

Hyperscaler credit risk is rising — S&P and Moody's say so explicitly — yet ratings stay put, spreads remain investable, and hundreds of billions clear the market in weeks. The infrastructure of ratings, guarantees, and structured credit absorbs the deterioration and keeps the money moving.

WHERE IT DOESN'T

Nepal's risk was never given that forgiving treatment. Its very first sovereign rating landed in junk territory before any crisis, and each new disaster is absorbed almost entirely through ad hoc donor pledges and multilateral loans rather than capital markets — because the same structuring tools have not been built for it.

This is the connection worth naming: wherever investors' and lenders' priorities currently sit, the tools to redirect a slice of that appetite toward human wellbeing and reconstruction already exist — they are simply not yet pointed there. Closing the gap doesn't require asking capital to change its priorities. It requires building the same on-ramp for resilience finance that AI infrastructure was given.

Four adjustments that would matter more than raw pledges

01

Asset-level analysis, not blanket ratings

Risk on both sides is mispriced in aggregate. Only an estimated 6% of data centres globally sit in genuine high physical-climate-risk locations, yet a single corporate rating hides where exposure really is. Nepal proves the reverse: despite a junk sovereign rating, individual projects — the 440 MW Tila-1, the 50 MW Marsyangdi Besi — secured commercial bank consortia and DFI financing from the IFC, ADB, FMO and the OPEC Fund by being assessed plant-by-plant, not through the sovereign ceiling.

02

Credit enhancement for sovereigns, not just corporates

MDB guarantees and first-loss tranches — the same tool that lets private credit absorb speculative-grade AI counterparties inside hyperscaler deals — could do the same for resilience and reconstruction bonds issued by countries like Nepal.

Symmetry in disclosure standards

If regulators and rating agencies now insist on treating hyperscalers' off-balance-sheet leases and guarantees as debt-equivalent for transparency, the same rigour applied to sovereign climate risk would make adaptation financing easier to structure and rate — not harder.

Contingent capital, pre-positioned

Catastrophe bonds and parametric insurance, priced before the disaster rather than negotiated after it, would let a \$4–5 billion shock be absorbed the way markets now absorb a \$54 billion corporate bond sale: through a structure built in advance, not through emergency pledges.

CONCLUSION

The capital exists. In the first quarter of 2026 alone, hyperscalers raised more debt than Nepal needs to rebuild an entire disaster zone.

That is not proof that the market is heartless — it is proof of what the market can do once the right structures, and the right unit of analysis, are in place. Wherever investors' and lenders' priorities happen to sit today, the gap for reconstruction and adaptation can be filled with the same instruments already financing AI's expansion: asset-level analysis, guarantees, structured tranches, pre-positioned contingent capital.

Building that architecture for human wellbeing is not a request for capital to change its mind about where opportunity lies. It is an invitation to apply the engineering it already trusts to the people who need it most.

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SOURCES

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