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# Monitoring the AI Trade: Cross-Asset Risk Signals from Equity, Credit, and CDS

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Apollo Global Management

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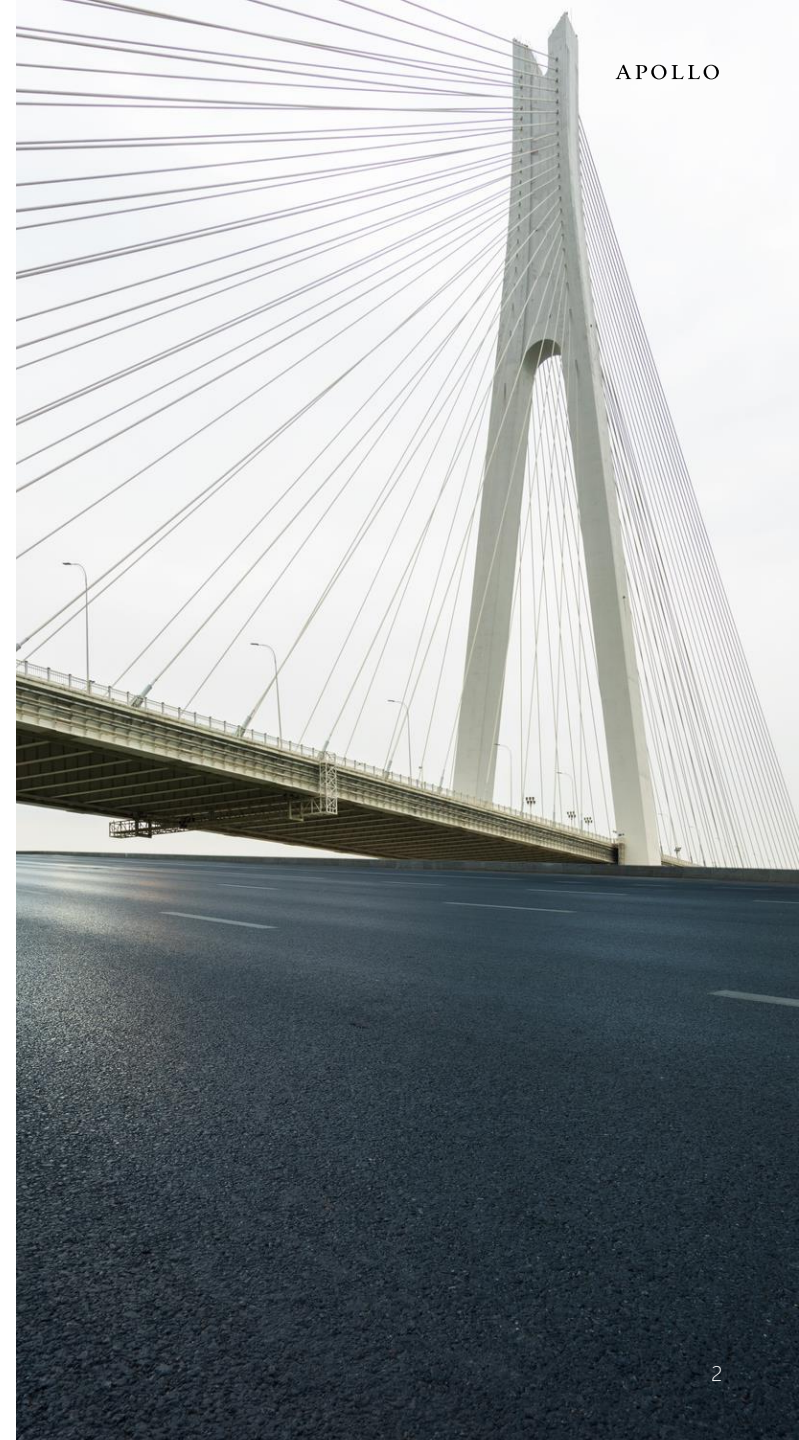
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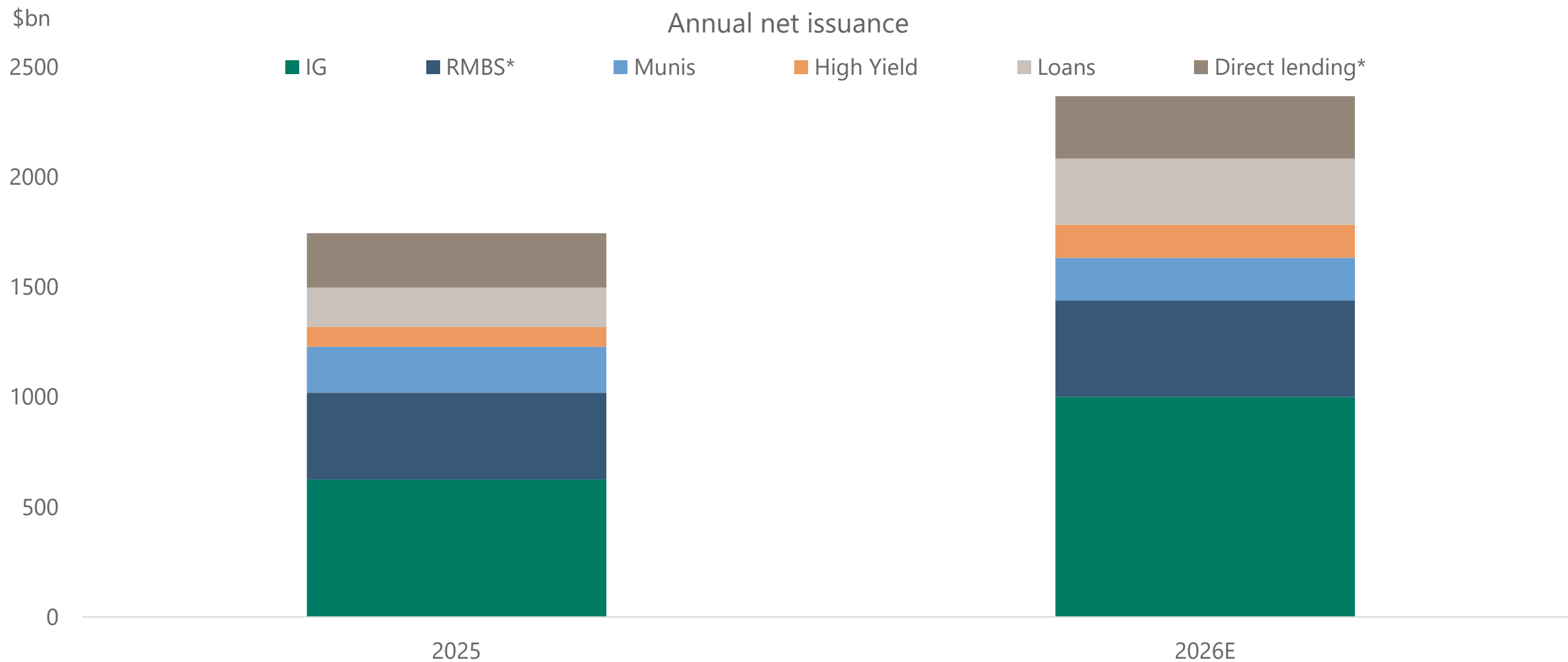
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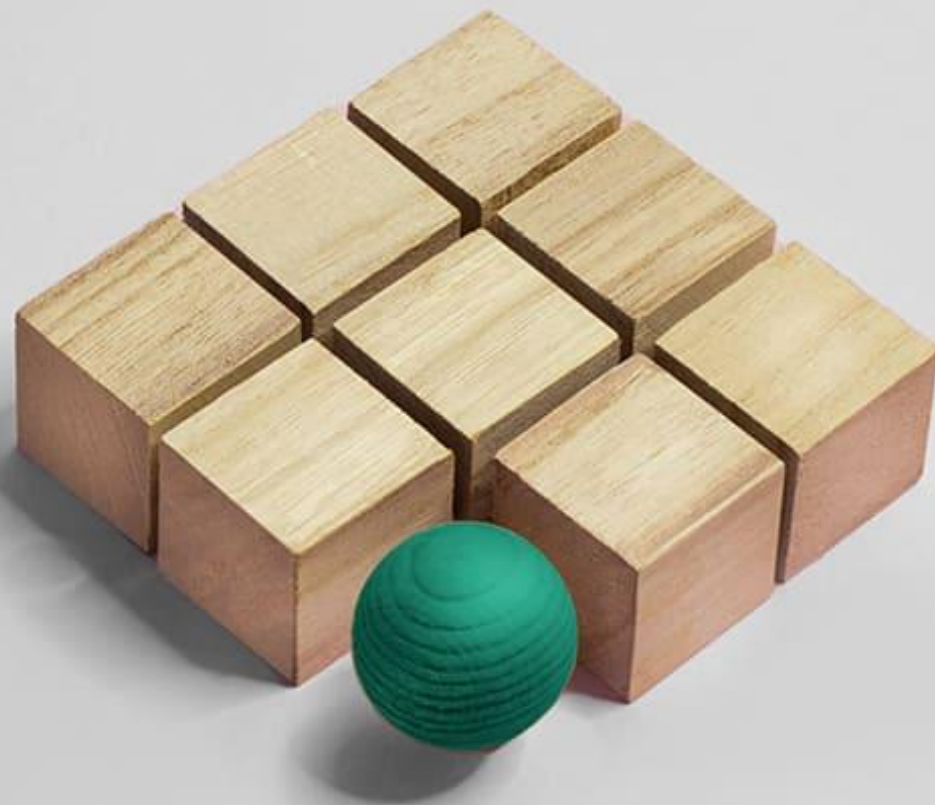


# A lot of fixed income product coming to the market

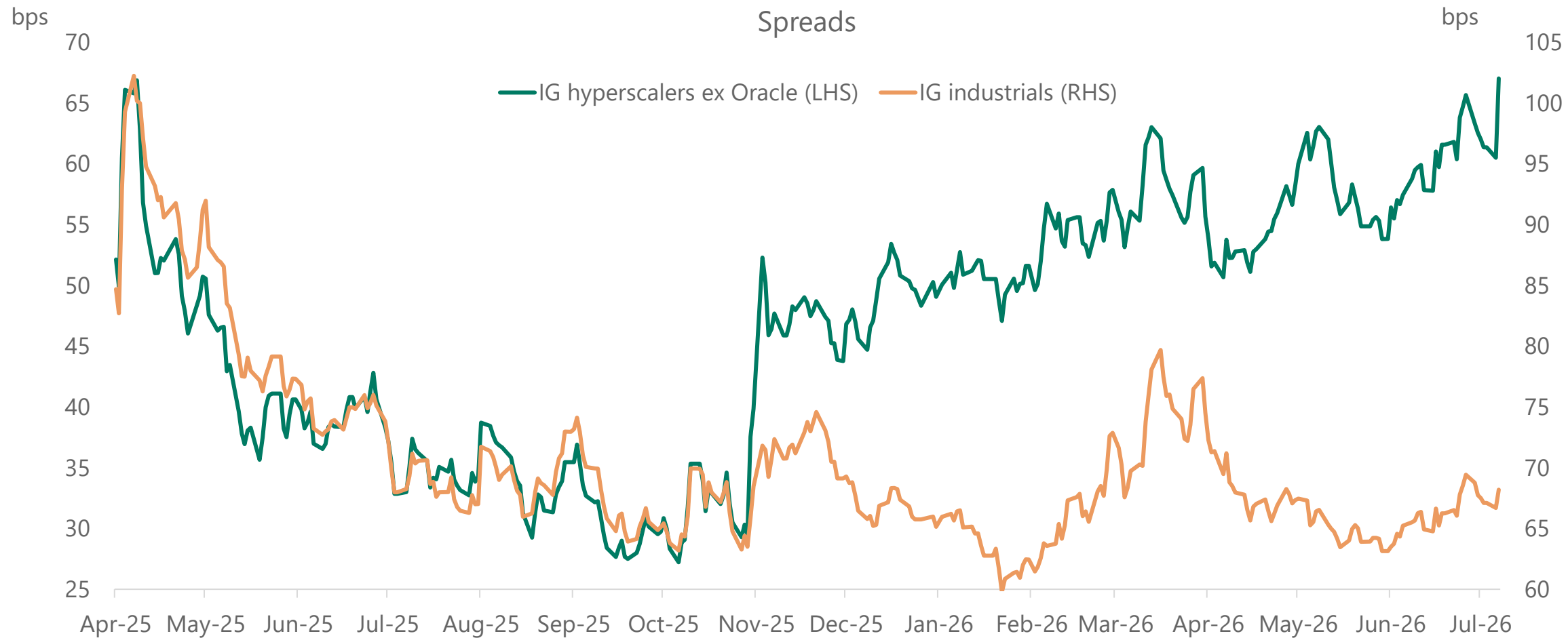


Source: MS, Barclays, PitchBook, Apollo Analysts, Apollo Chief Economist. Note: \* RMBS shown ex fed purchases and bills, \* Direct lending includes gross originations and 2026 is annualized

# Overview

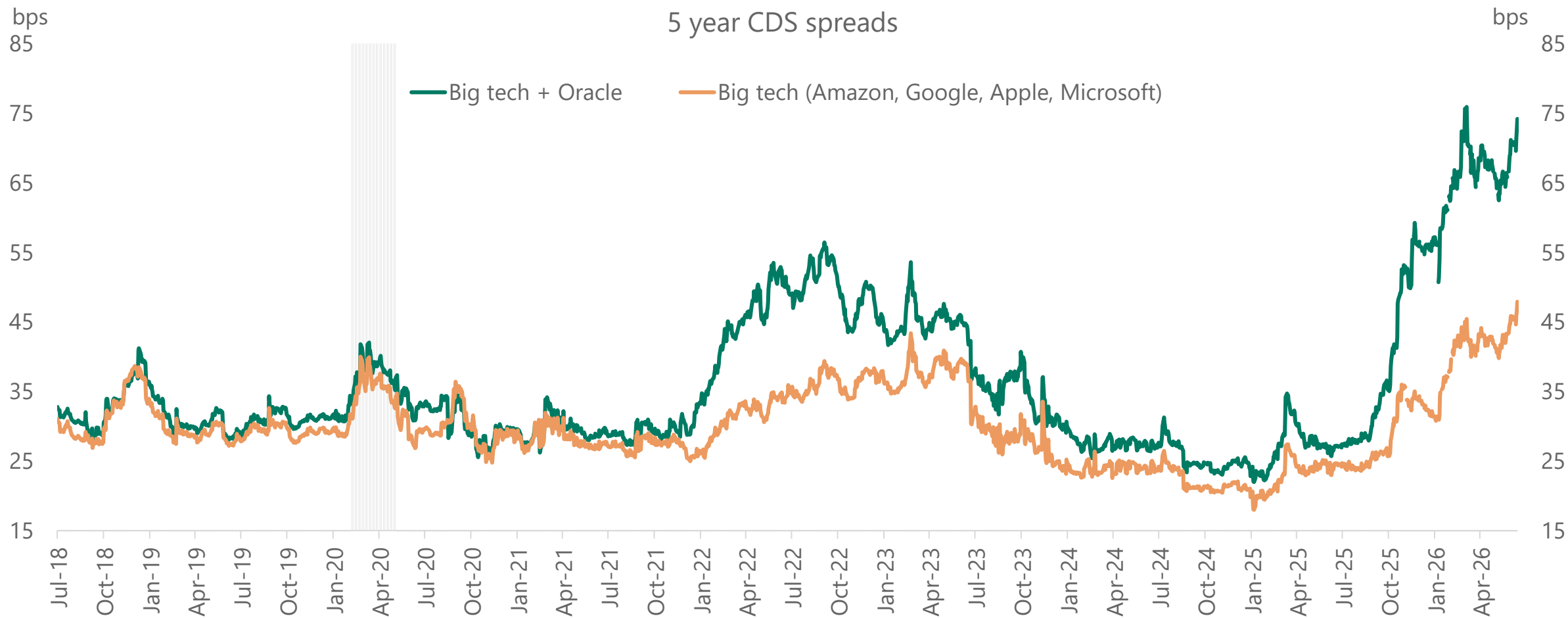


# IG hyperscaler spreads steadily trending wider

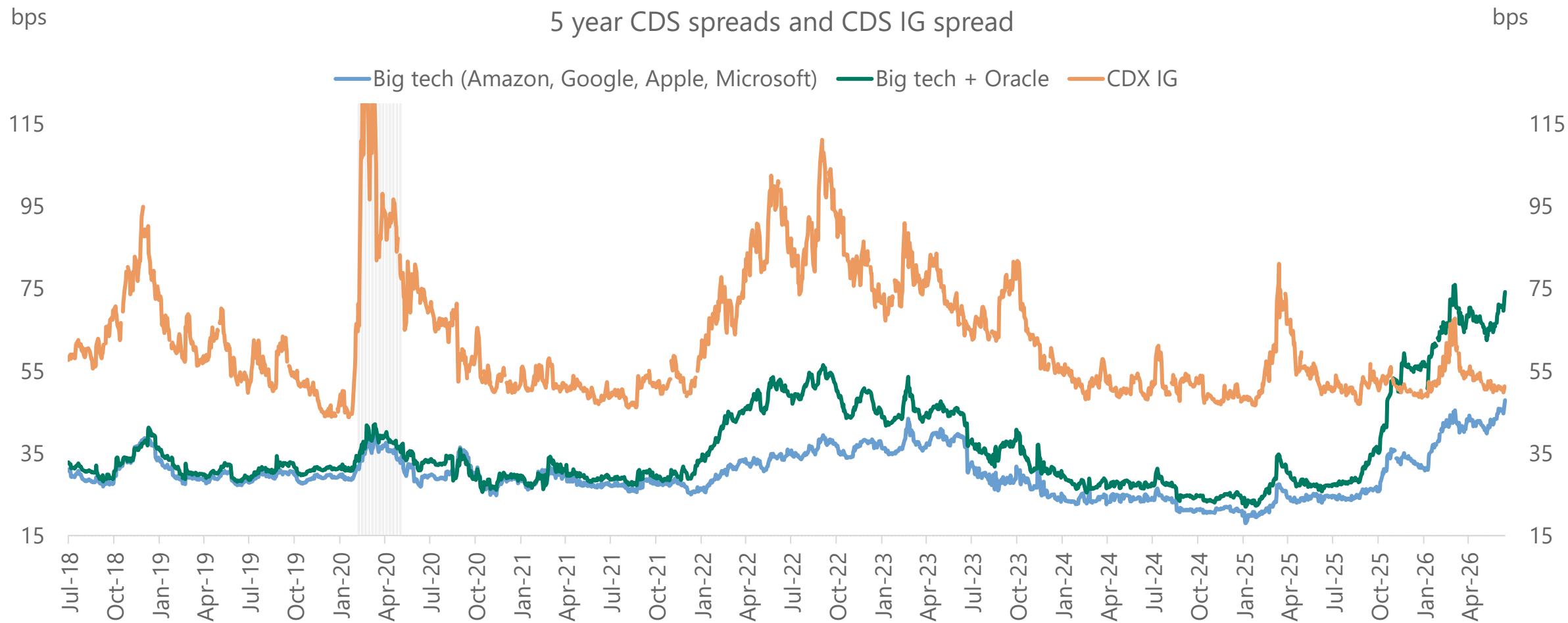


Source: ICE BofA Indices, Apollo Chief Economist. Note: 7 to 11 year maturity.

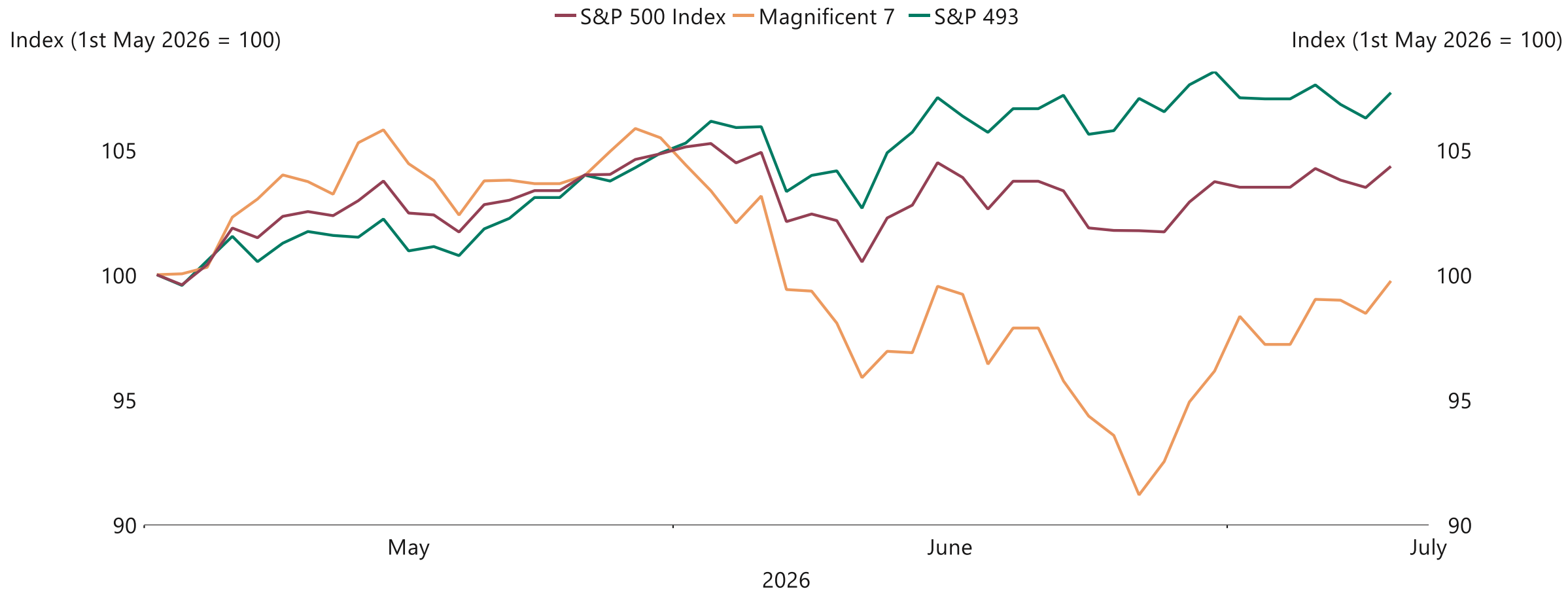
# Hyperscalers: CDS spreads have widened out



# CDS spreads widening for hyperscalers. In contrast to overall IG CDS spreads



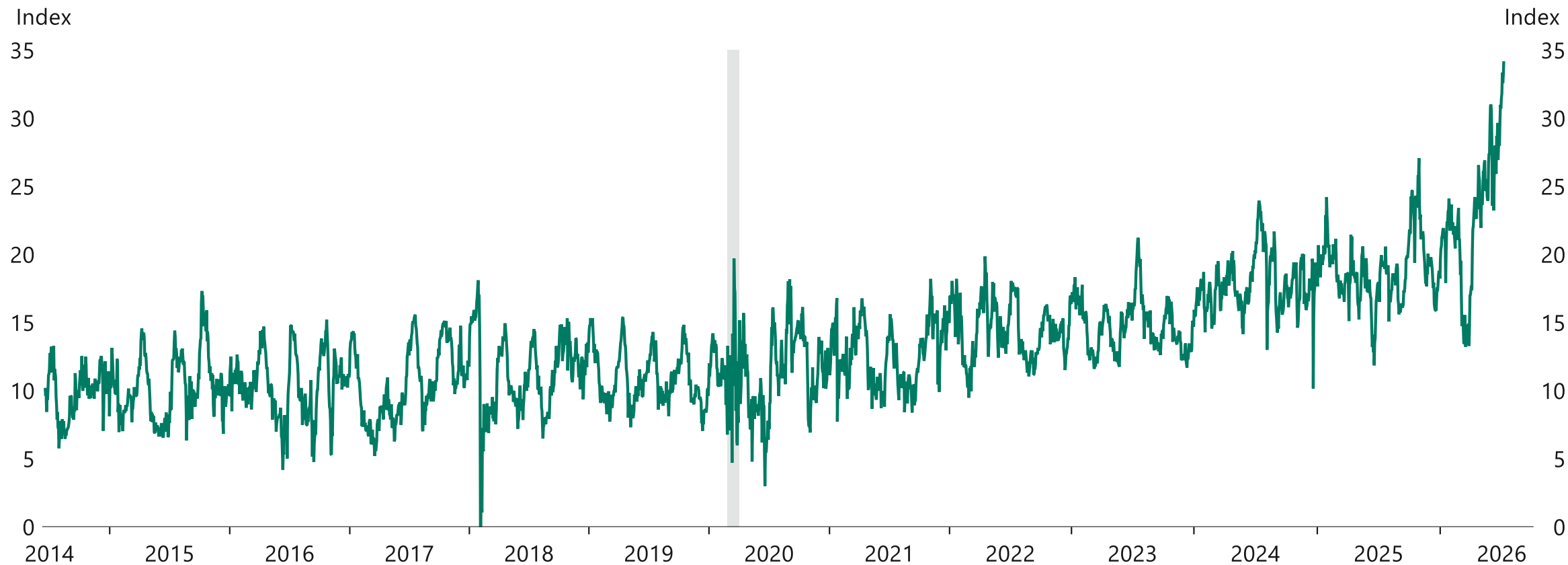
# Mag 7 equity underperforming



Source: Bloomberg, Macrobond, Apollo Chief Economist. Note: Bloomberg Magnificent 7 and Bloomberg 500 ex mag 7 indices used

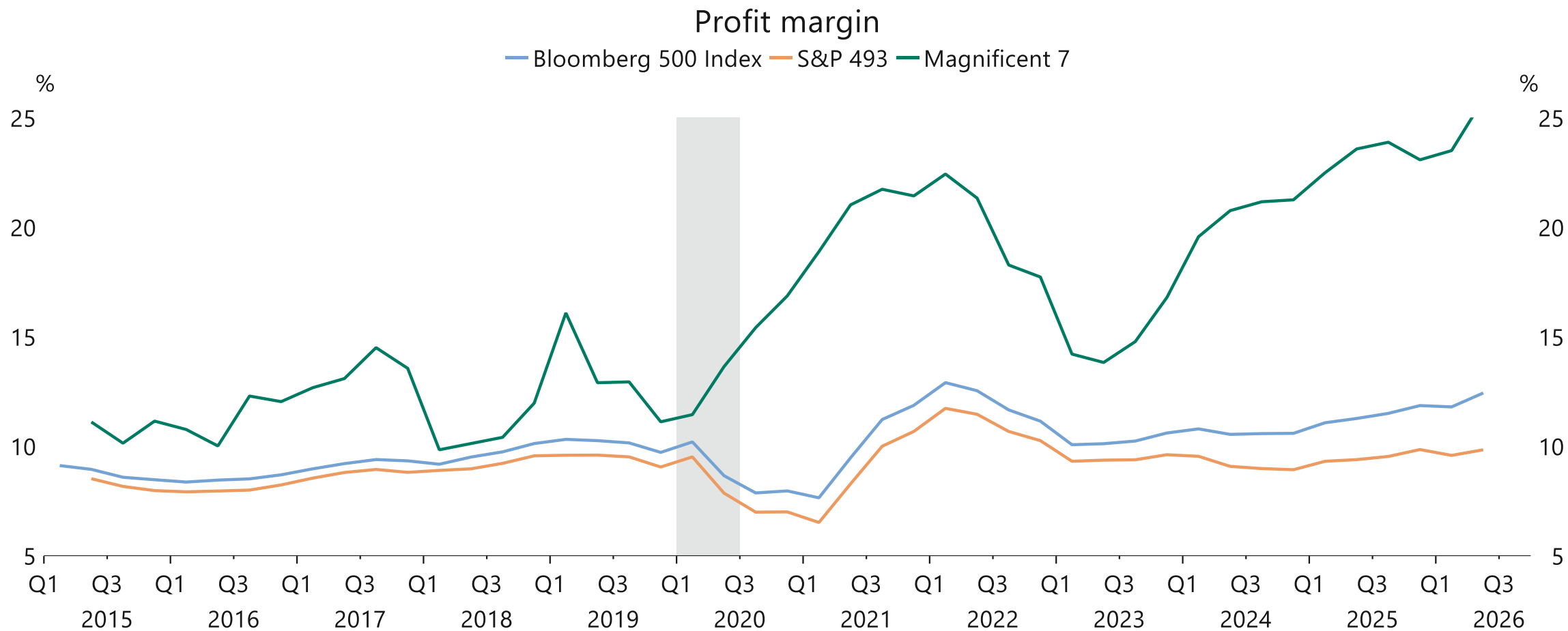
# Single-stock volatility premium near cyclical highs

Single stock implied volatility premium (VIXEQ Index minus VIX Index)



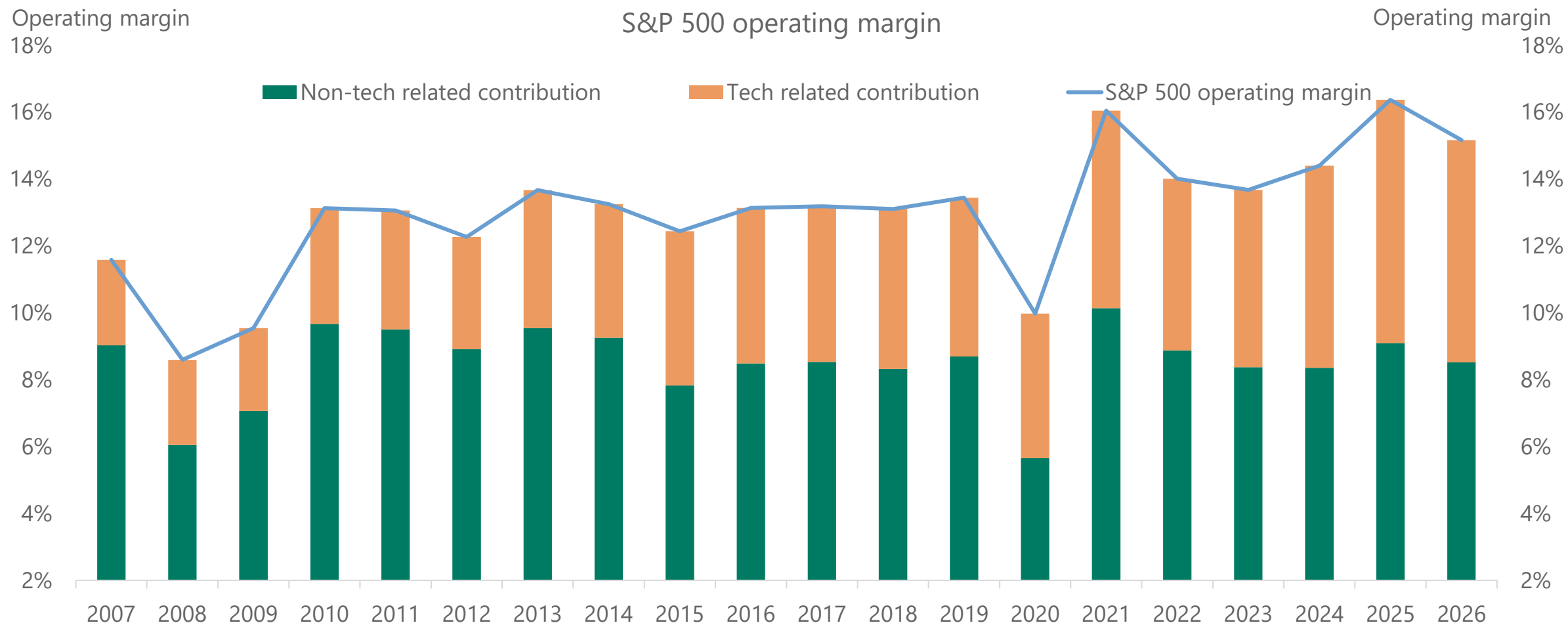
Source: Bloomberg, Macrobond, Apollo Chief Economist

# Profit margins not moving up for the S&P 493



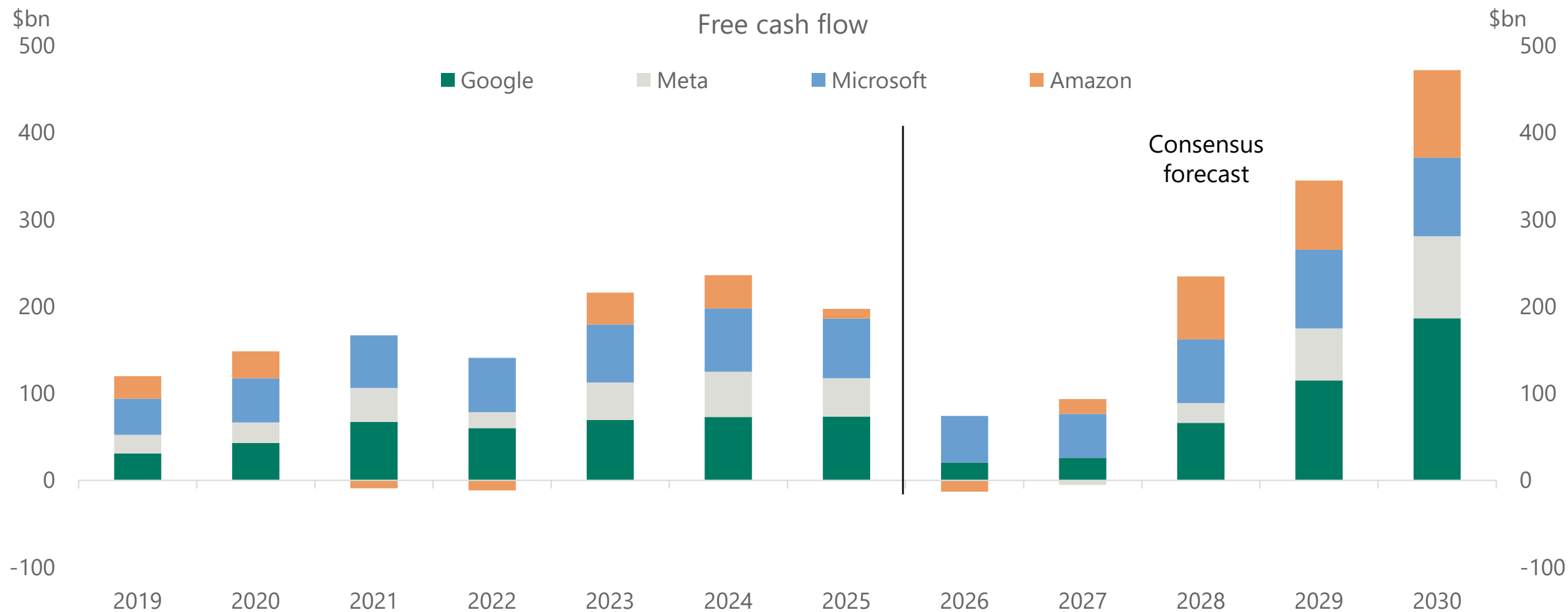
Source: Bloomberg, Macrobond, Apollo Chief Economist

# S&P 500 operating margin expansion since 2007 has come entirely from tech

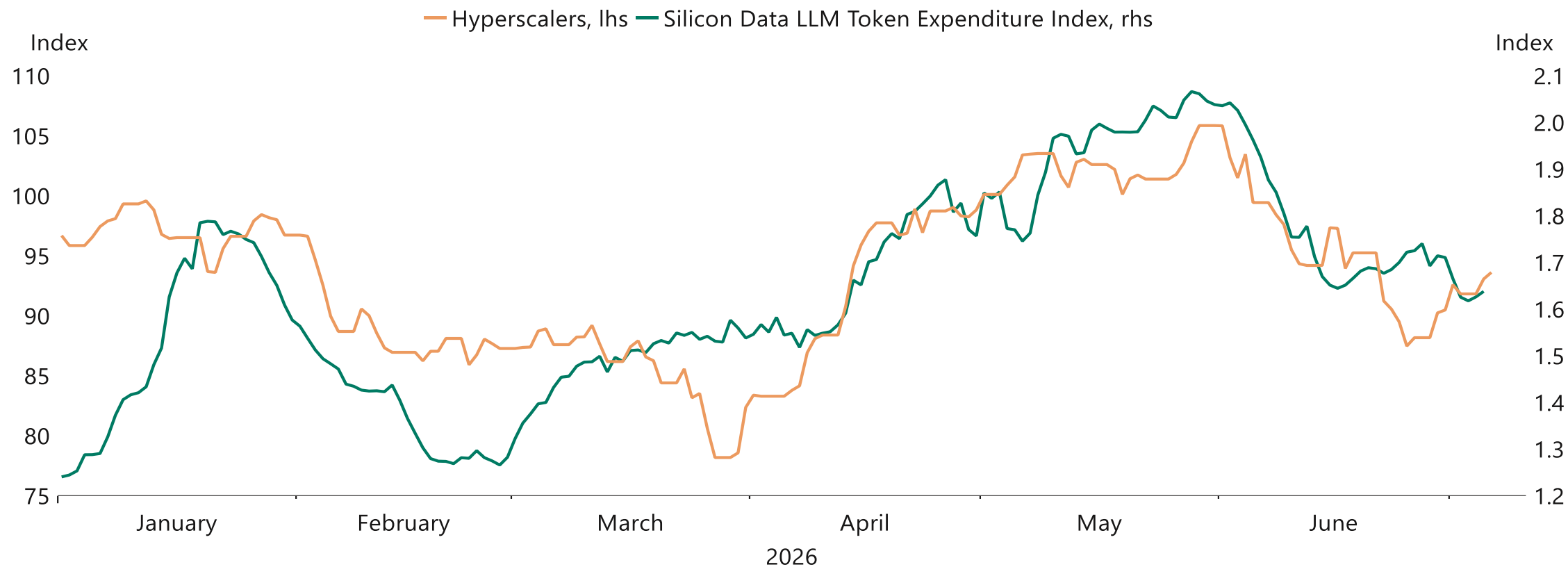


Source: Bloomberg, Apollo Chief Economist. Note: 2026 data as of 31<sup>st</sup> March 2026

# Consensus expects today's AI capex to translate into surging free cash flow by 2028



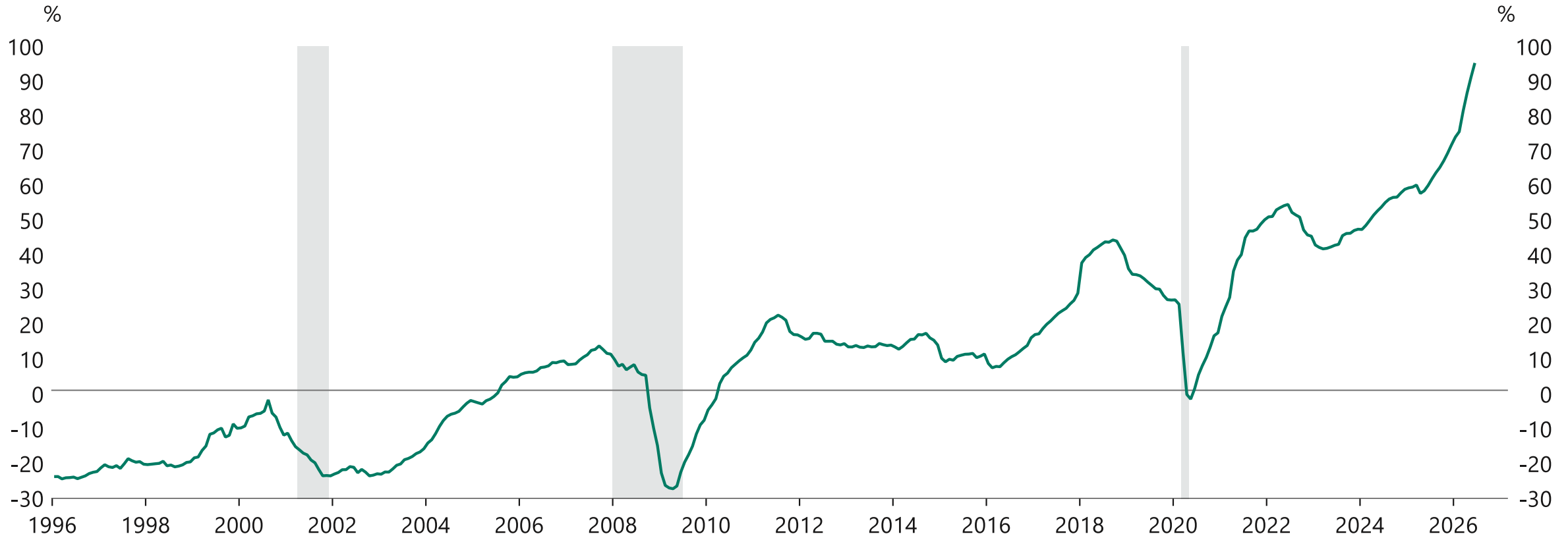
# Hyperscaler stock prices versus LLM token expenditures



Source: Bloomberg, Macrobond, Apollo Chief Economist. Note: The Silicon Data LLM Token Expenditure Index measures the effective cost of using large language models (LLMs), expressed as the price per million tokens. A rising index indicates higher spending on AI model usage, while a falling index suggests declining inference costs. The UBS Hyperscalers Basket Index tracks the performance of the largest U.S.-listed cloud infrastructure companies supporting AI workloads. The basket is equally weighted and rebalanced semi-annually.

# S&P 500: Gap between forward and trailing earnings at multi-year high

Forward 12 months earnings relative to cyclically adjusted earnings



Source: Bloomberg, Robert Shiller, Macrobond, Apollo Chief Economist. Note: Percentage calculated as  $(\text{Forward earnings} / \text{Cyclically adjusted earnings} - 1)$ . Cyclically adjusted earnings is the 10 year average of real earnings series from Robert Shiller.

# Equity: Performance & Concentration

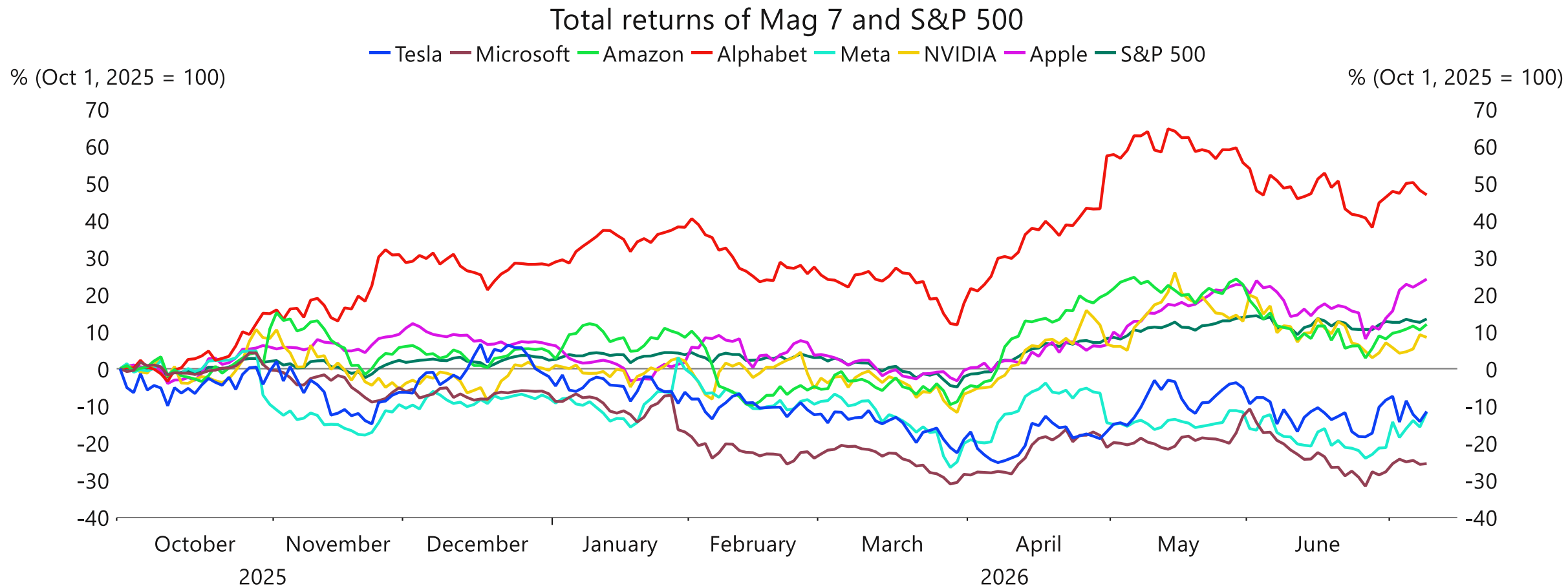


# Mag 7 share of S&P 500 market cap



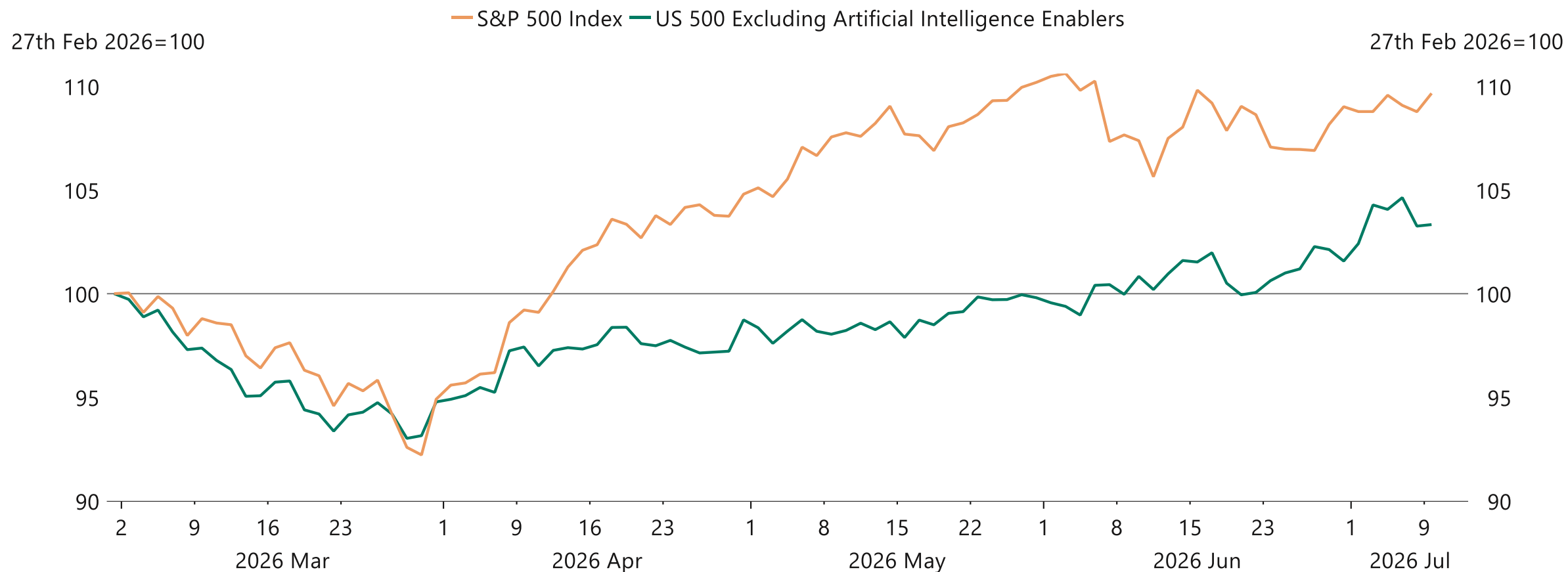
Source: Bloomberg, Macrobond, Apollo Chief Economist

# Some divergence in performance inside the Mag 7



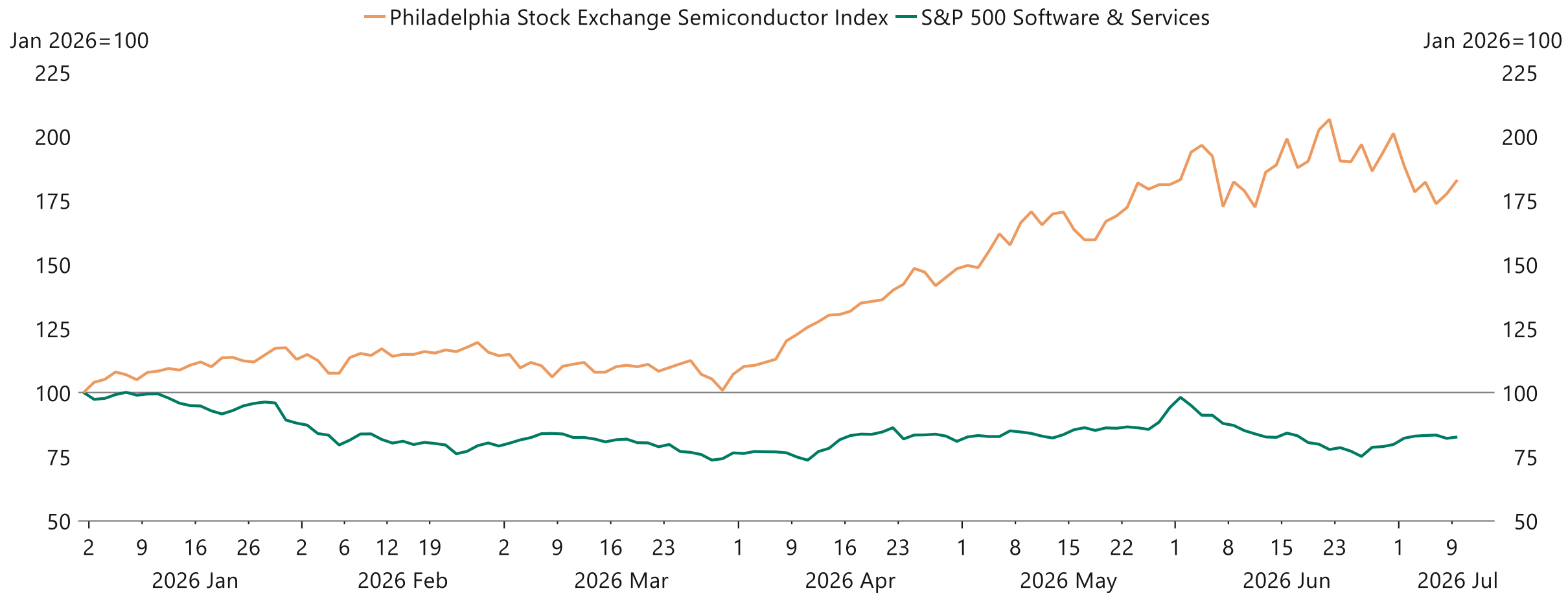
Source: Bloomberg, Macrobond, Apollo Chief Economist

# Performance of S&P 500 versus S&P 500 excluding AI enablers



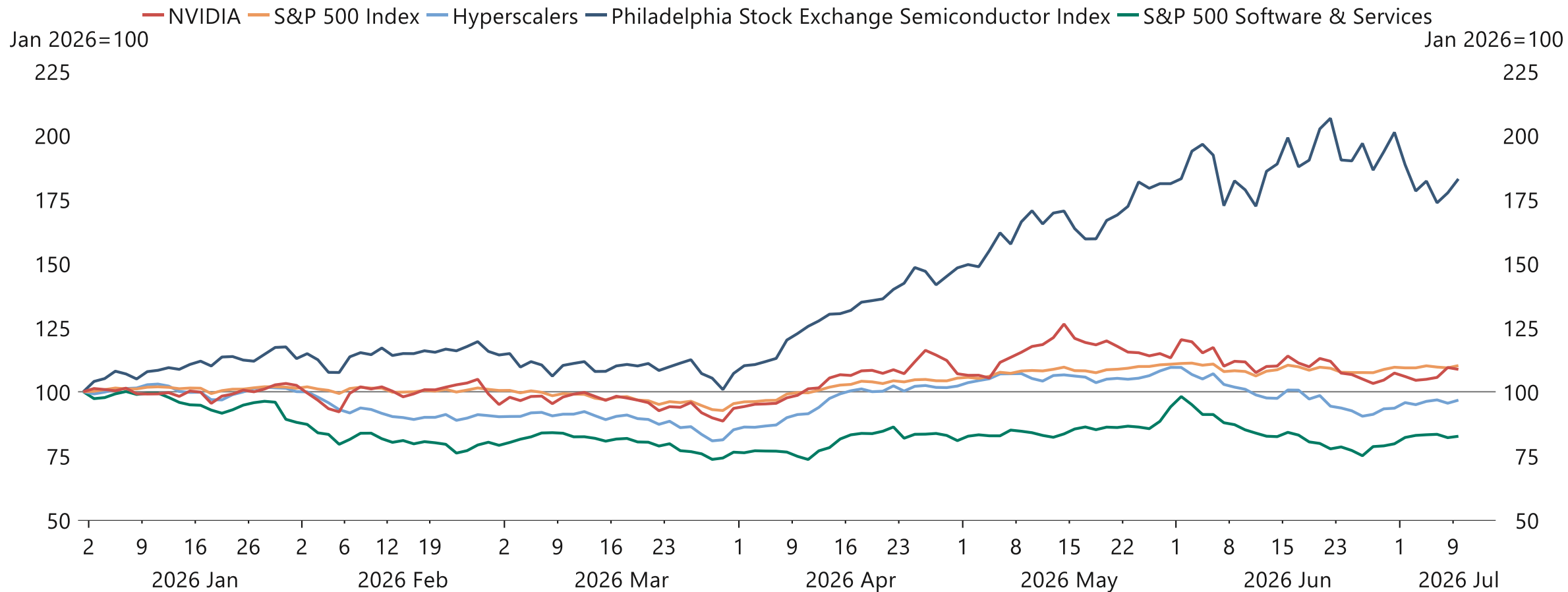
Source: Bloomberg, Goldman Sachs, Macrobond, Apollo Chief Economist. Note: Index used SPTRXAI Index. The SPXXAI index excludes companies perceived to be enablers of artificial intelligence innovation before applying the S&P 500 Index weighting methodology to the remaining universe of companies.

# Performance of semiconductors vs software



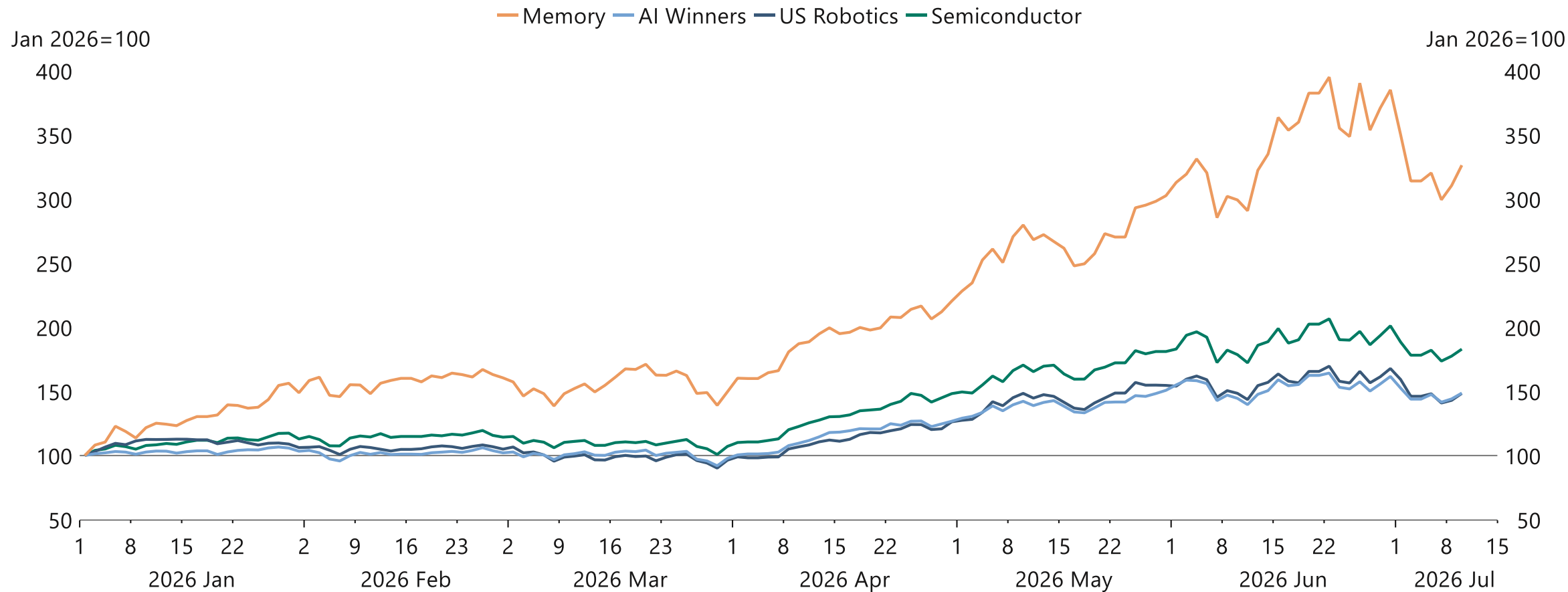
Source: Bloomberg, Macrobond, Apollo Chief Economist

# Performance of AI baskets



Source: Bloomberg, Macrobond, Apollo Chief Economist

# Performance of AI baskets



Source: Bloomberg, Macrobond, Apollo Chief Economist

# Semiconductors account for 18% of the S&P 500

Semiconductors as % of S&P 500

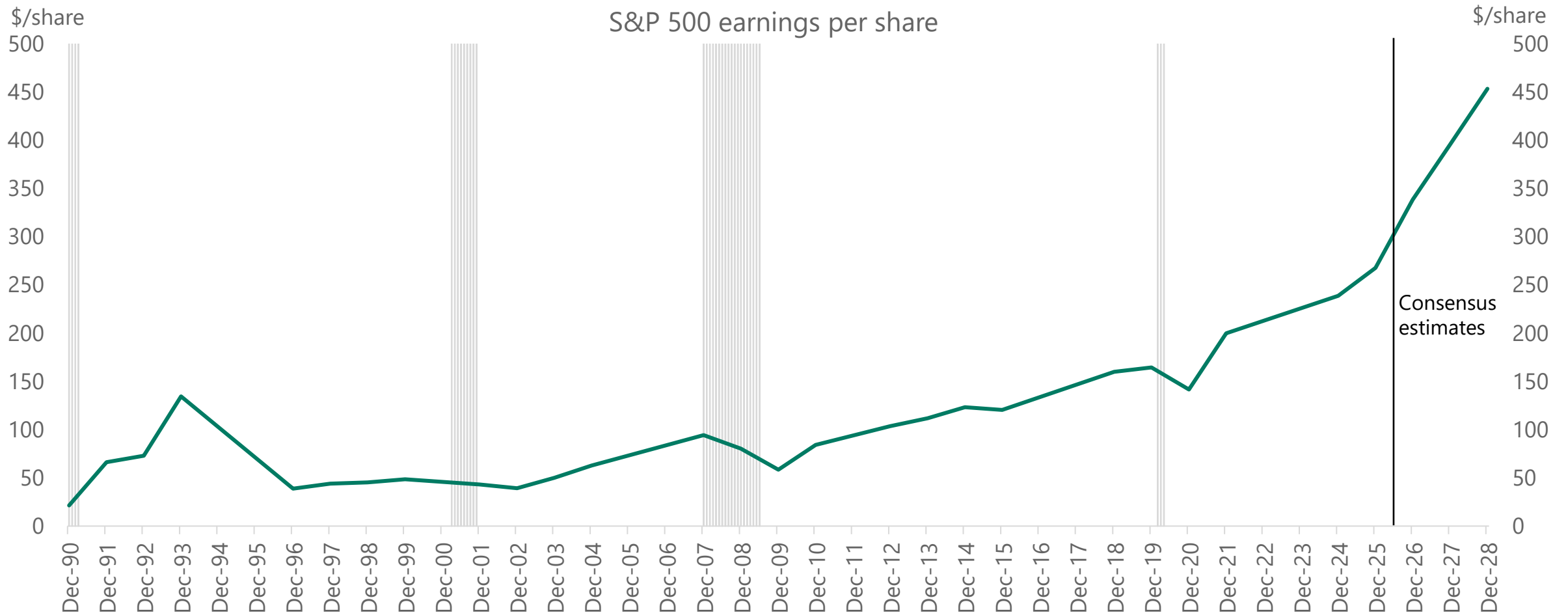


Source: Bloomberg, Macrobond, Apollo Chief Economist

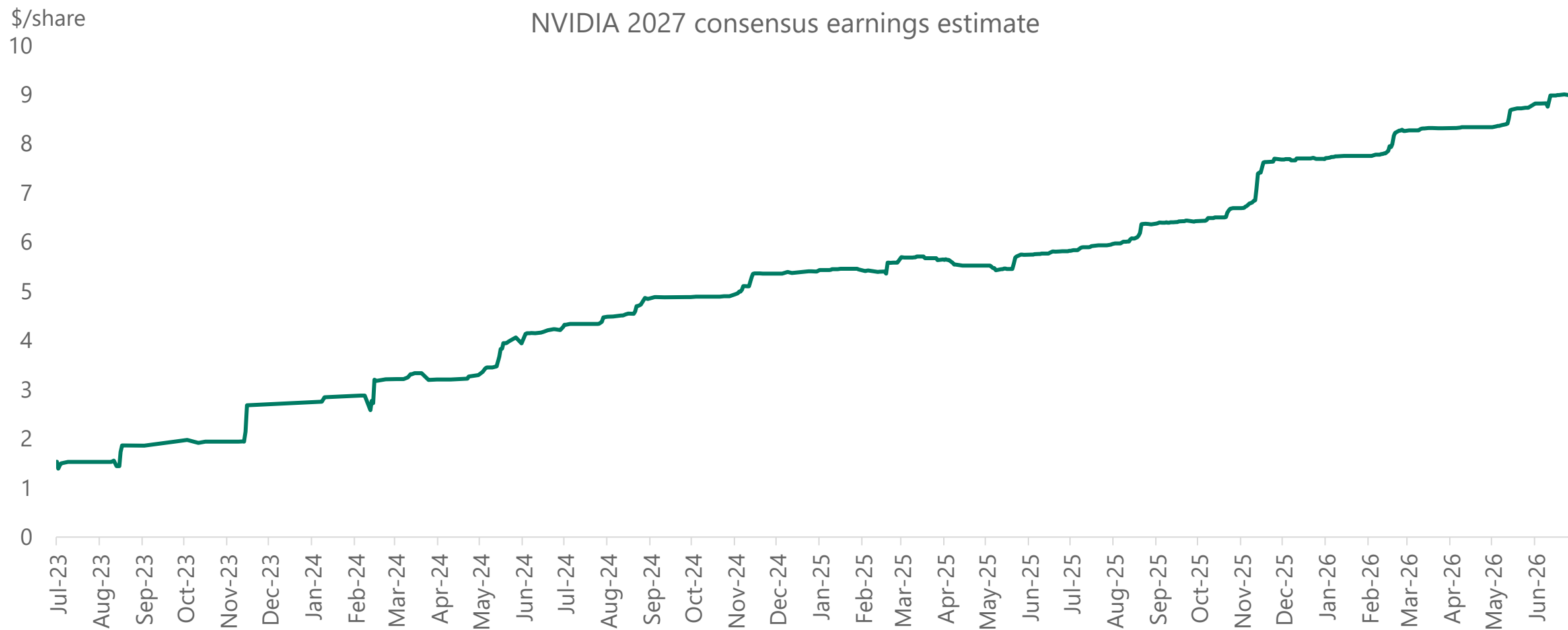
# Equity: Earnings & Fundamentals



# Consensus expects massive increase in S&P 500 earnings over the coming years

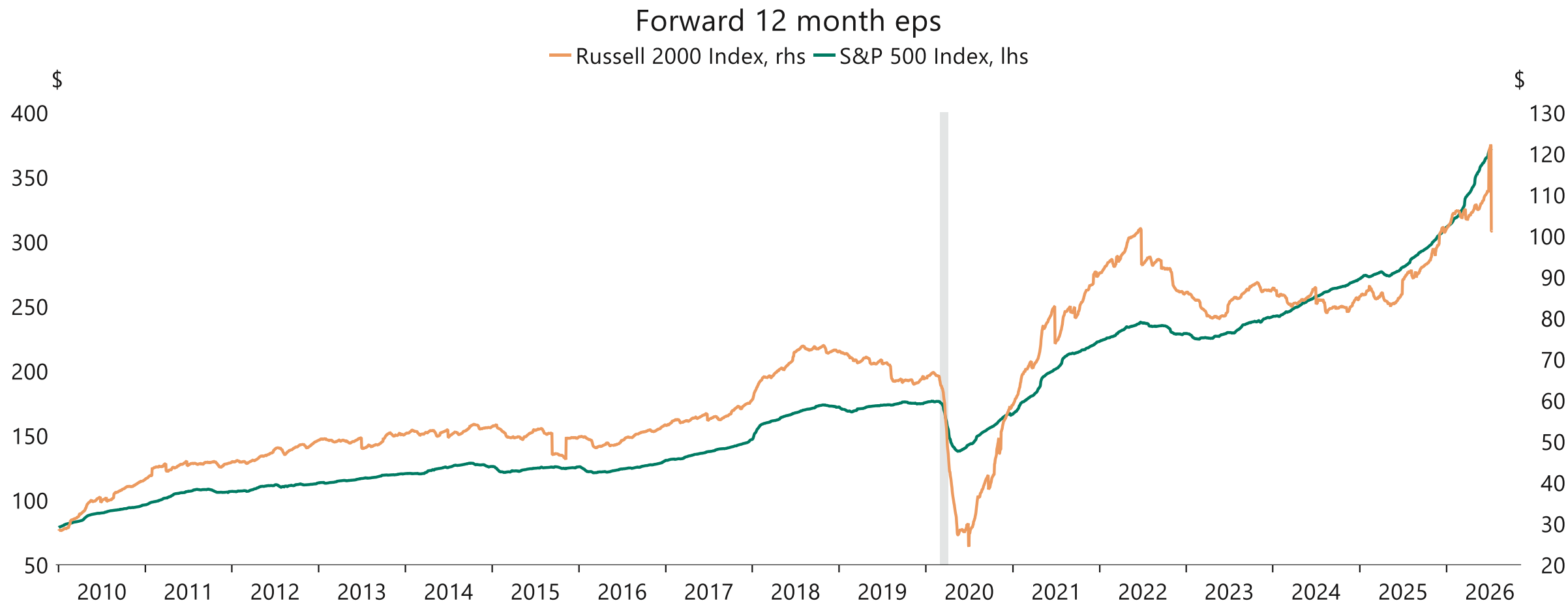


# NVIDIA earnings continue to be revised up



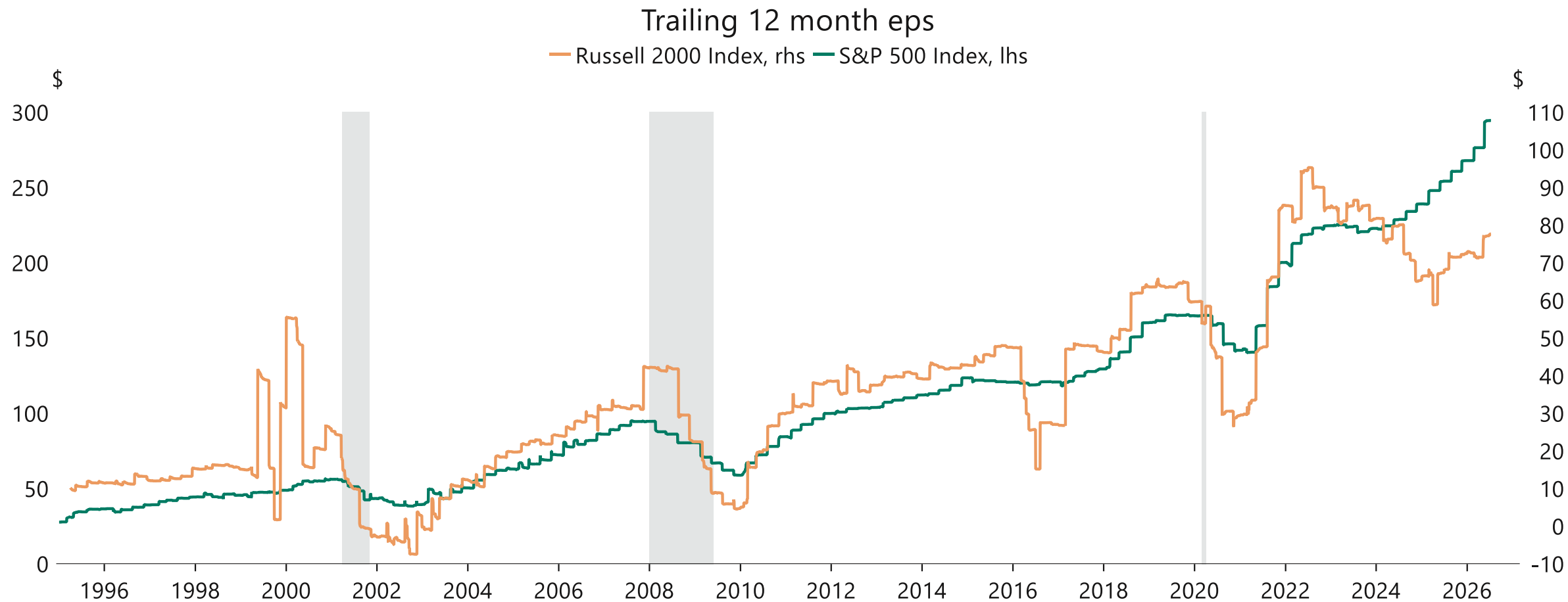
Source: Bloomberg, Apollo Chief Economist

# Earnings expectations rising for both small cap and large cap



Source: Bloomberg, Macrobond, Apollo Chief Economist

# Actual earnings rising in large cap companies and falling in small cap companies

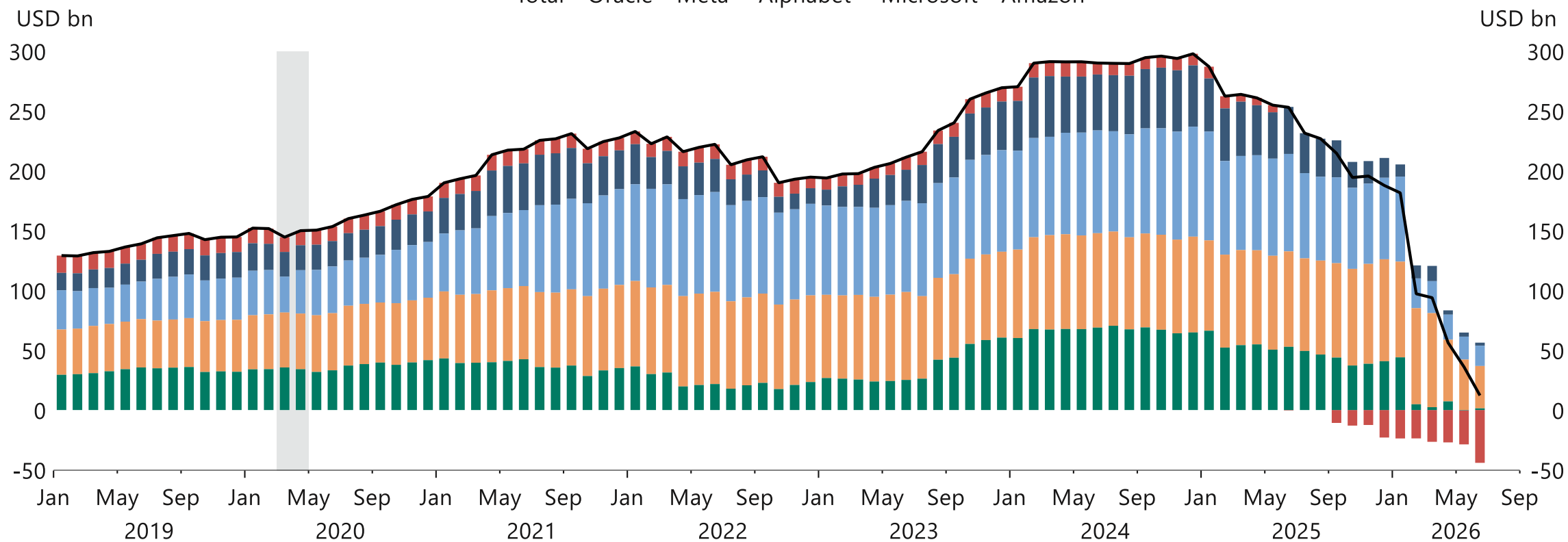


Source: Bloomberg, Macrobond, Apollo Chief Economist

# Hyperscaler free cash flow coming down

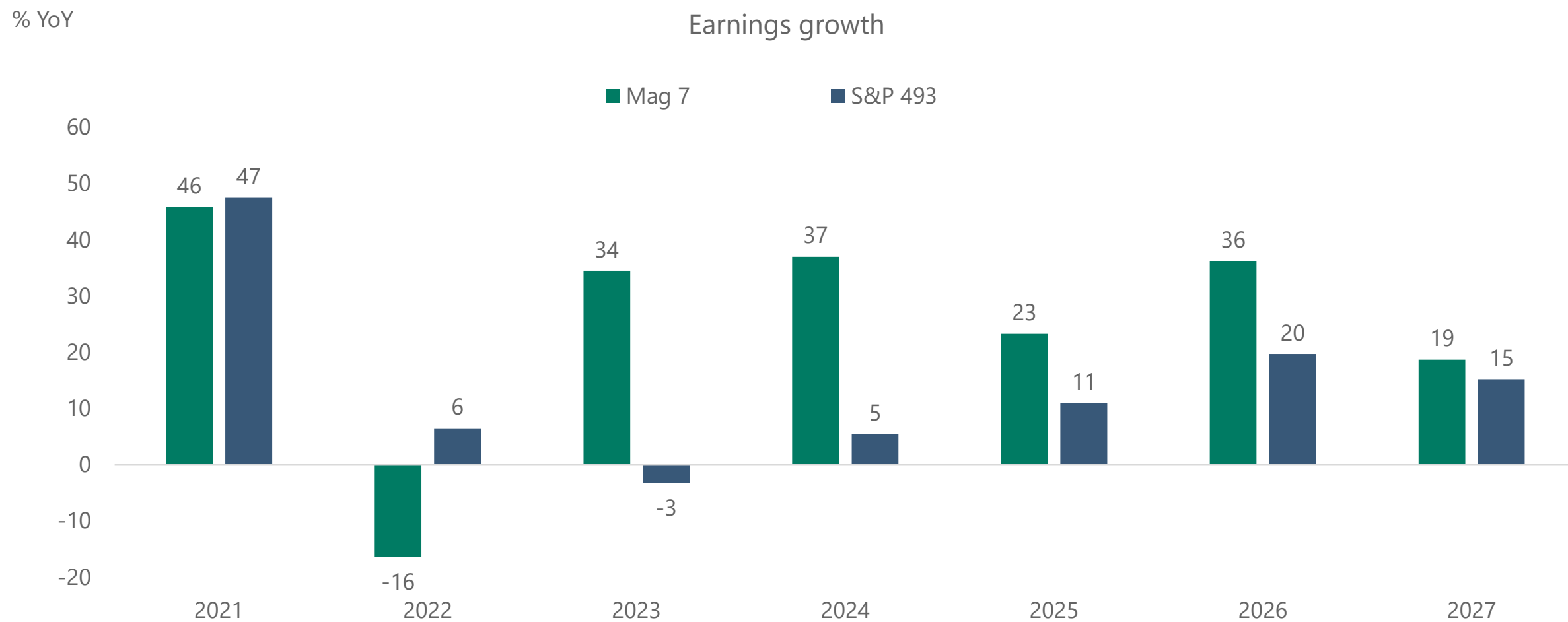
12 month forward free cash flow

— Total ■ Oracle ■ Meta ■ Alphabet ■ Microsoft ■ Amazon

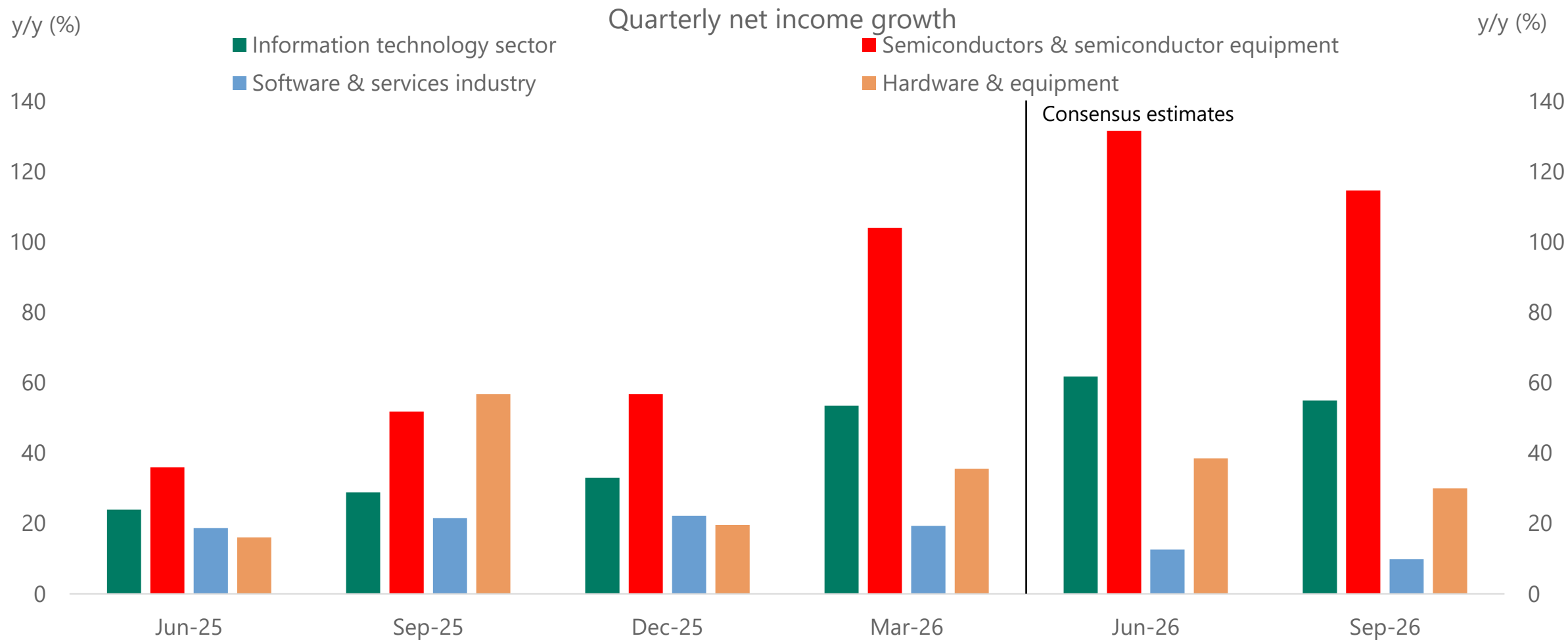


Source: Bloomberg, Macrobond, Apollo Chief Economist

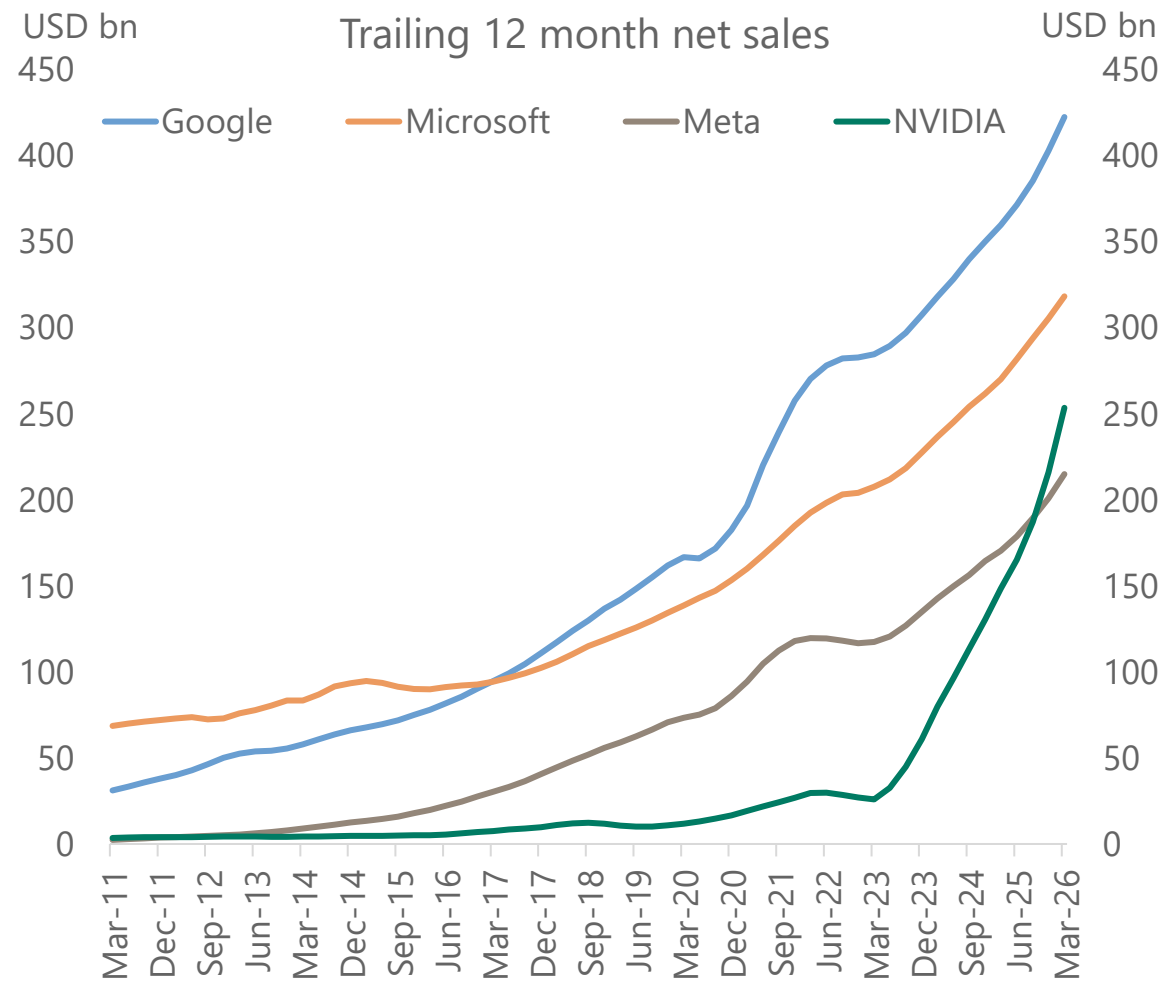
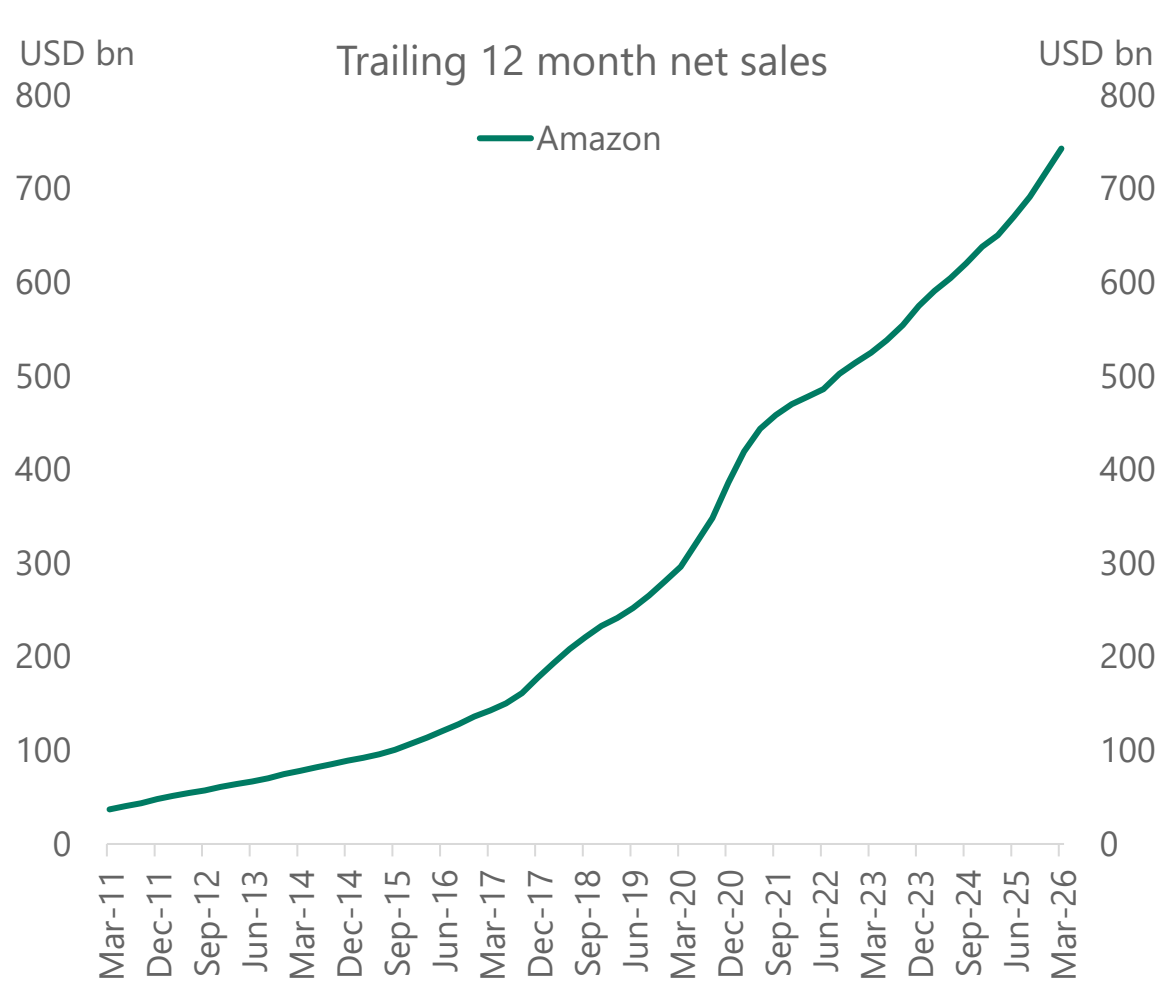
# Earnings growth converging between the Mag 7 and the S&P 493



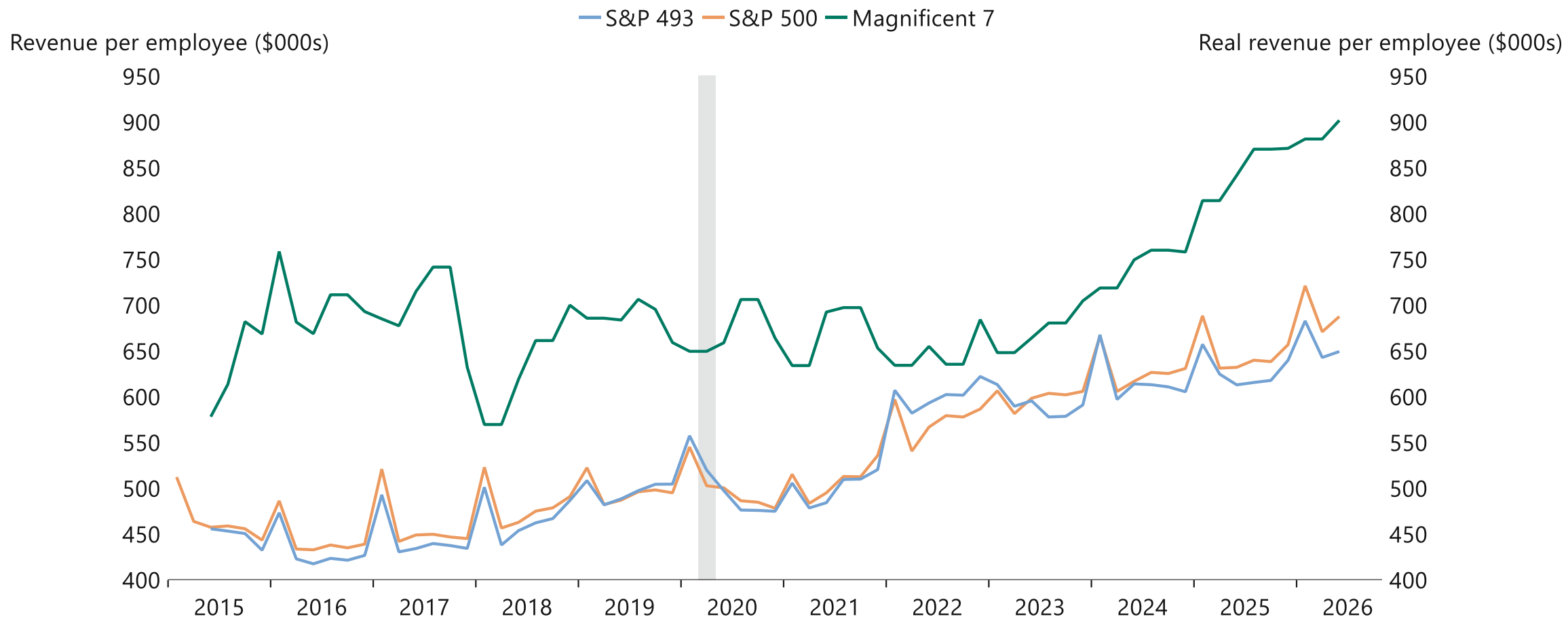
# Semiconductor earnings growth peaking



# Strong revenue growth in Mag 7 companies



# Revenue per employee rising faster in Mag 7 companies

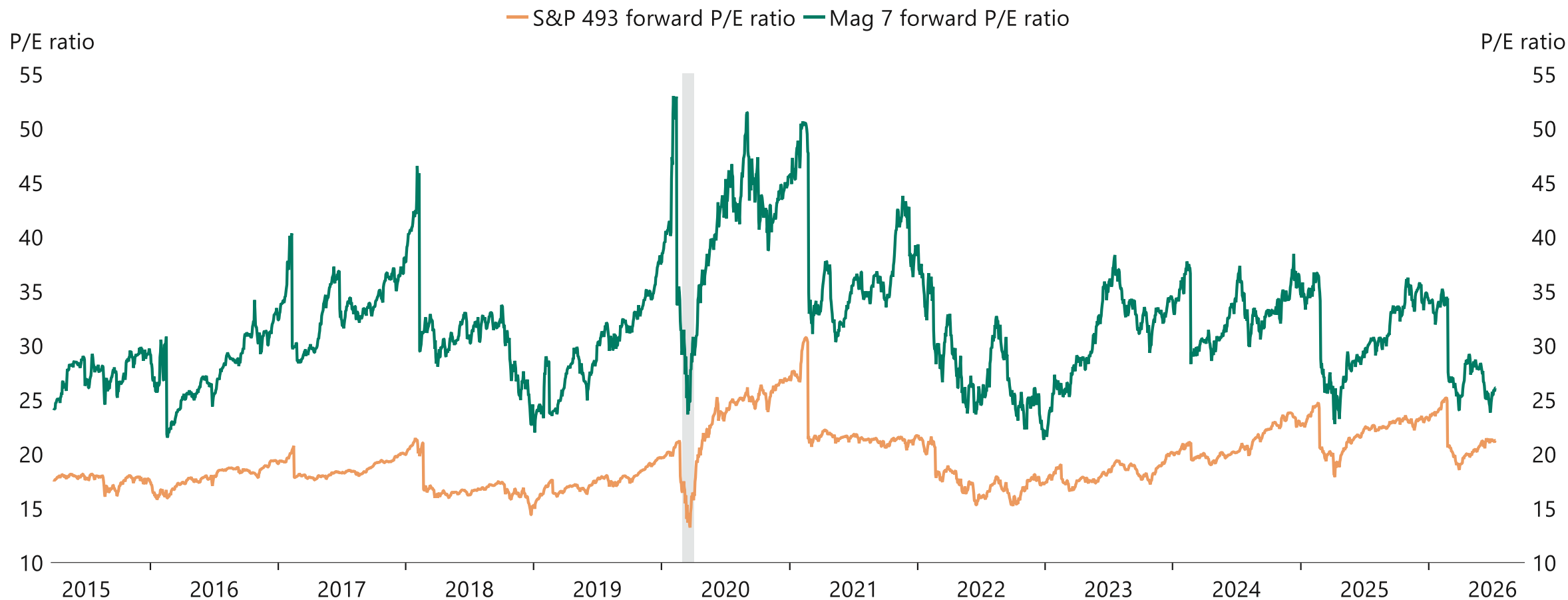


Source: Bloomberg, Macrobond, Apollo Chief Economist

# Equity: Valuation



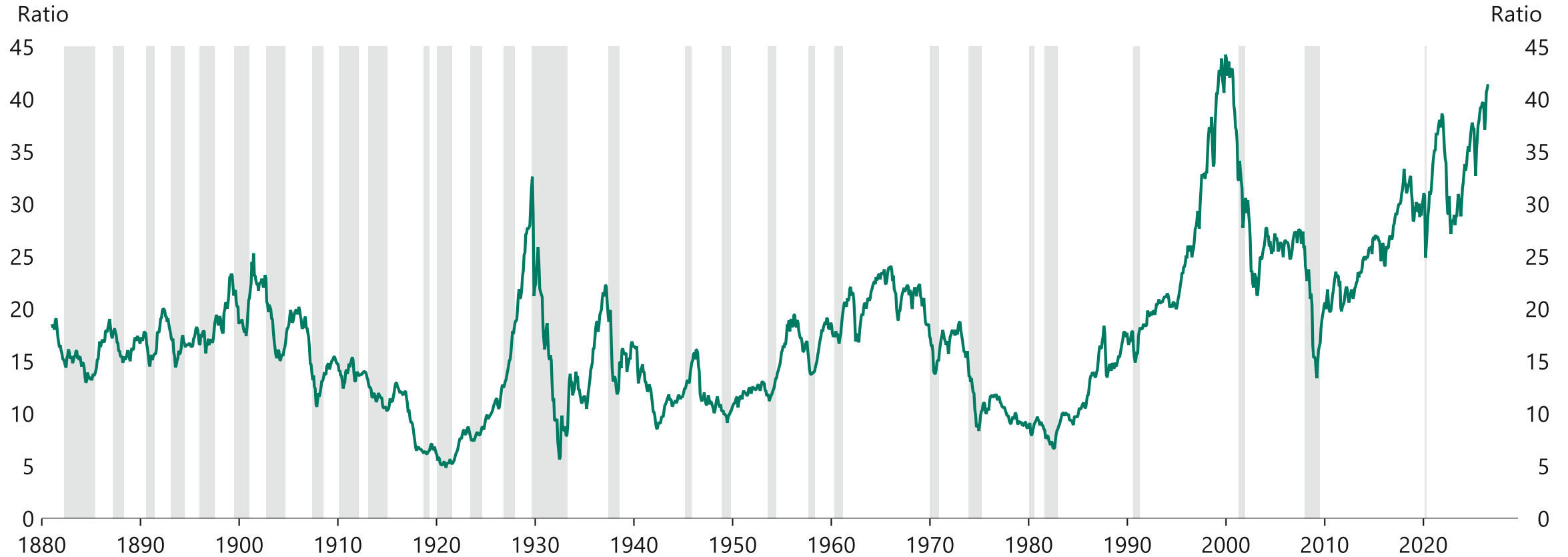
# Mag 7 forward P/E ratio versus S&P 493 P/E ratio



Source: Bloomberg, Macrobond, Apollo Chief Economist

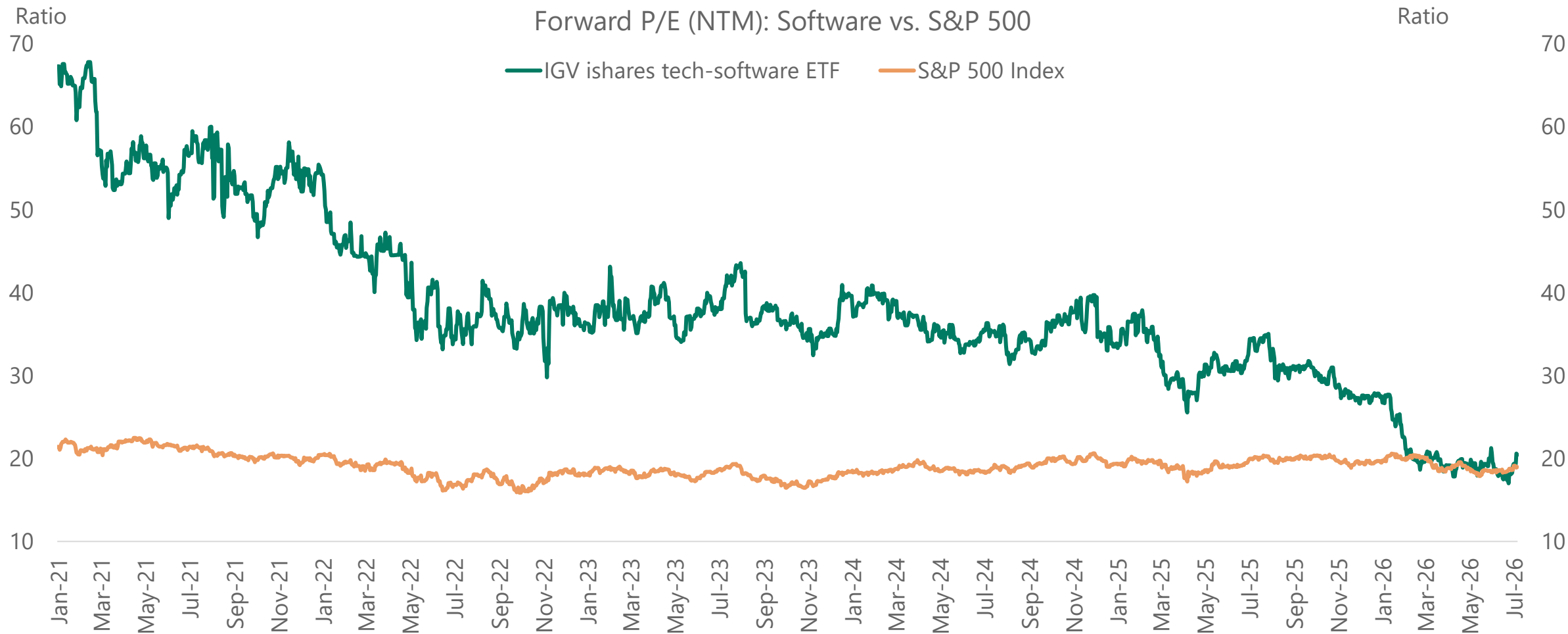
# Cyclically adjusted P/E ratio near all-time highs

S&P 500 Index, Cyclically Adjusted P/E Ratio (Shiller CAPE)



Source: Robert Shiller, Macrobond, Apollo Chief Economist

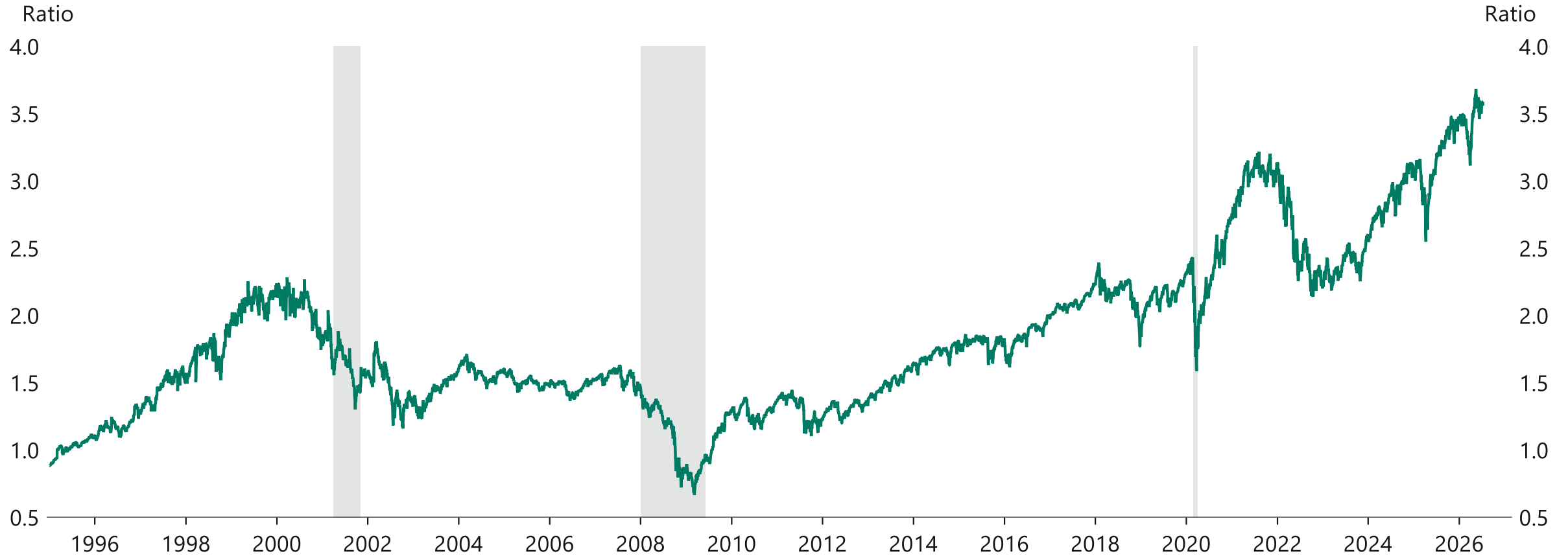
# Software trades at its lowest relative valuation in years



Source: Bloomberg, Apollo Chief Economist.

# Price to sales ratio at new highs for the S&P 500

S&P 500 Index, Price to Sales Ratio

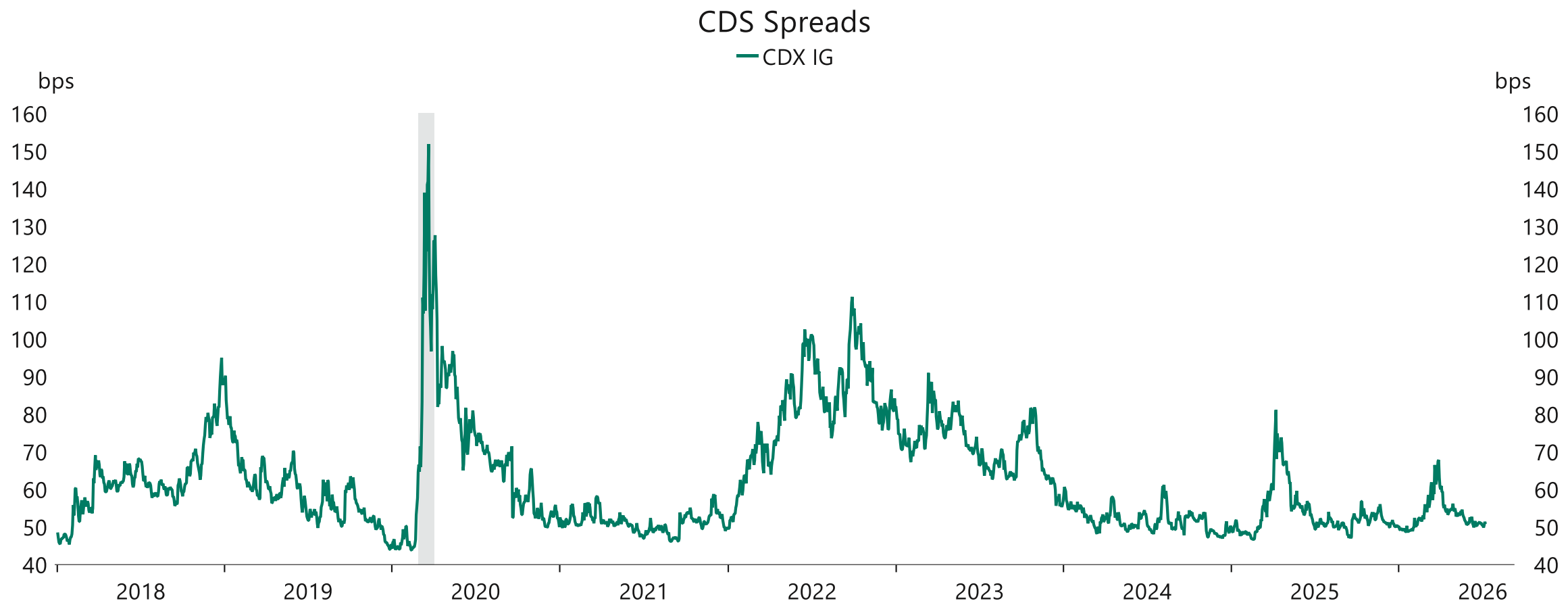


Source: Bloomberg, Macrobond, Apollo Chief Economist

# Credit spreads and CDS

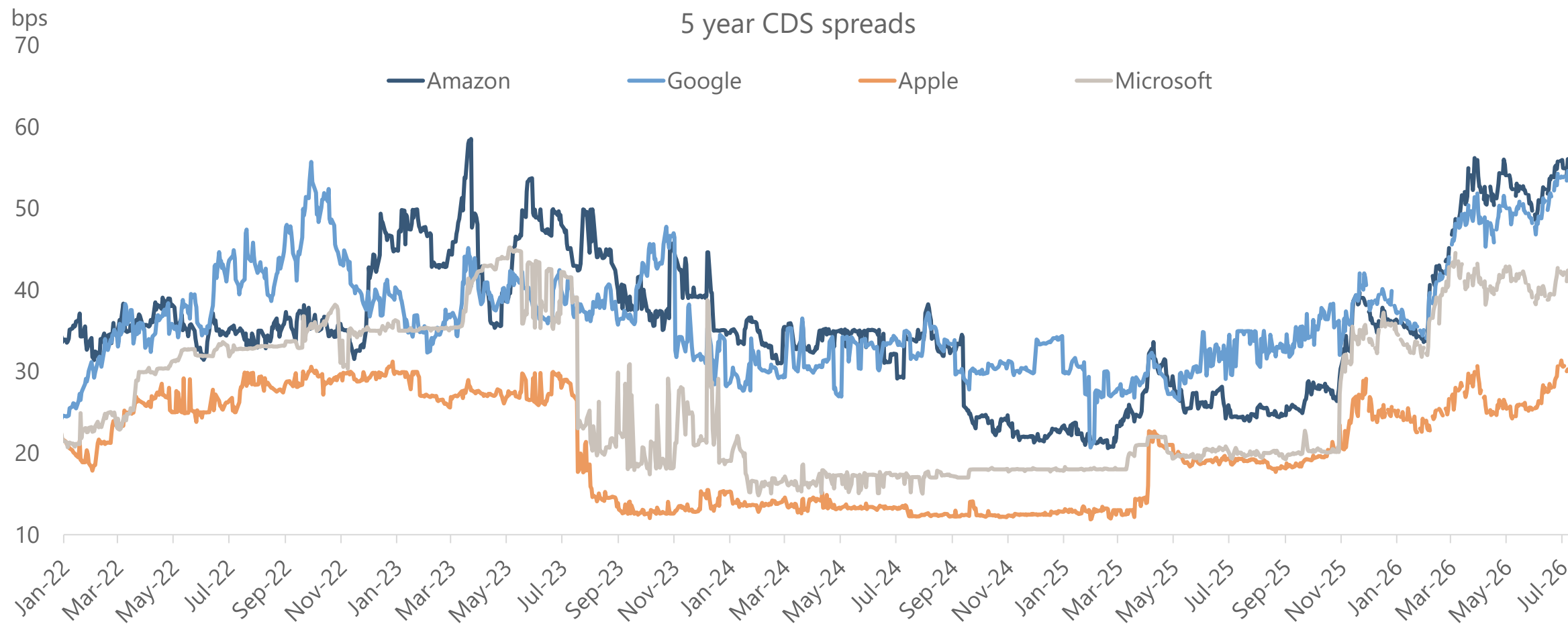


# CDS spreads: IG



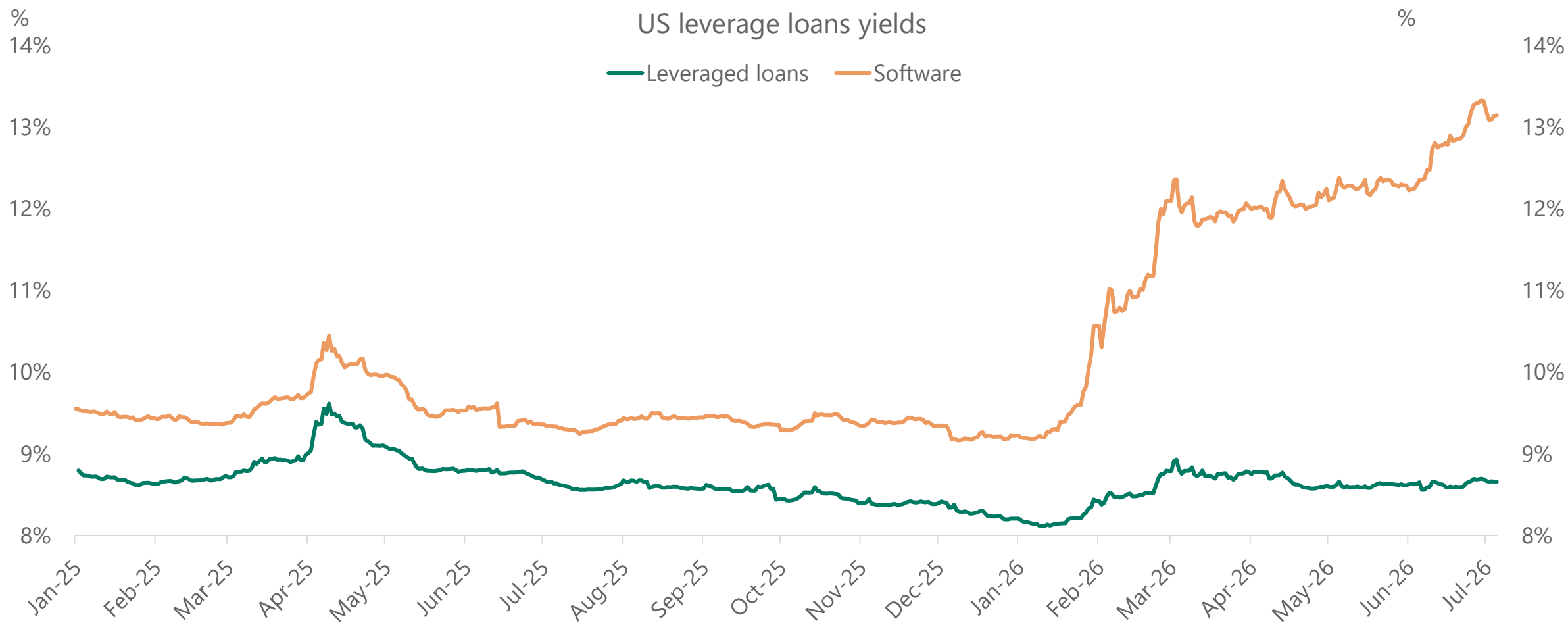
Source: Markit, Bloomberg, Macrobond, Apollo Chief Economist

# Hyperscaler CDS spreads

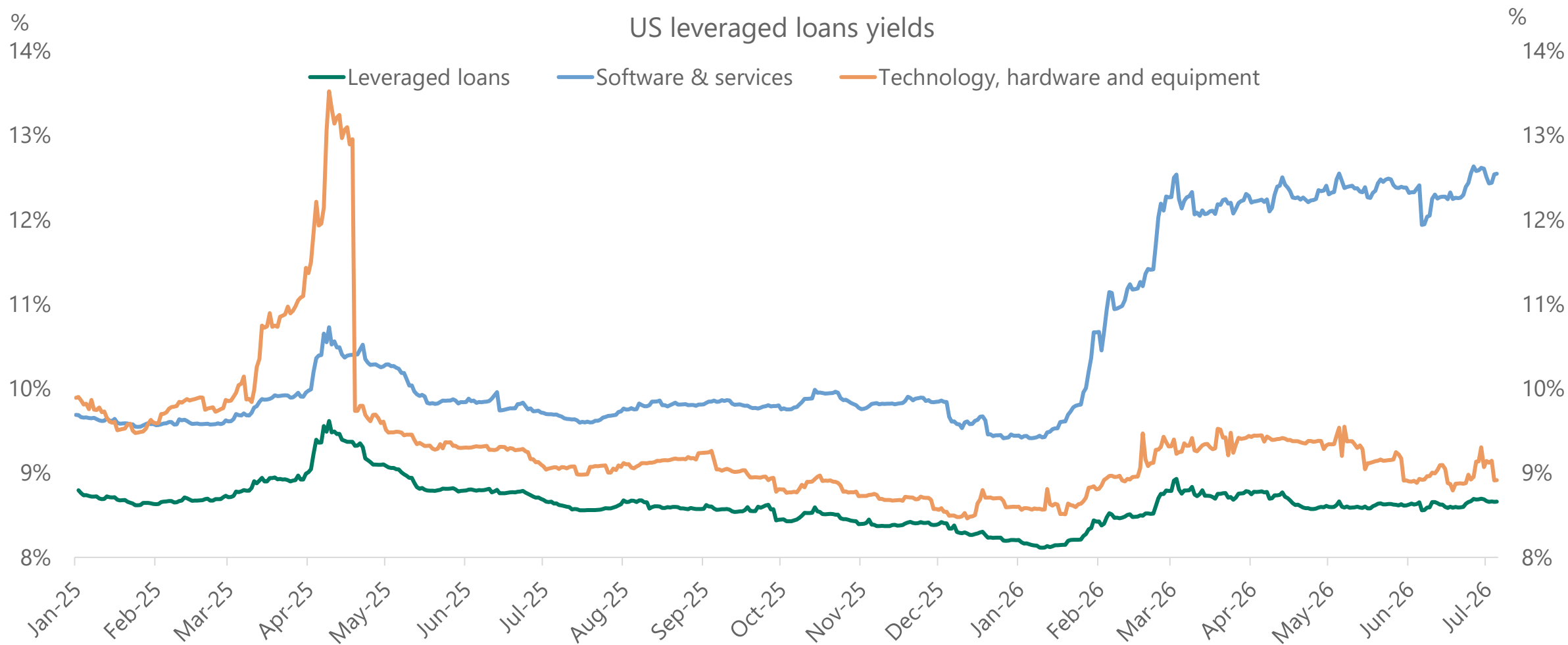


Source: Bloomberg, Apollo Chief Economist

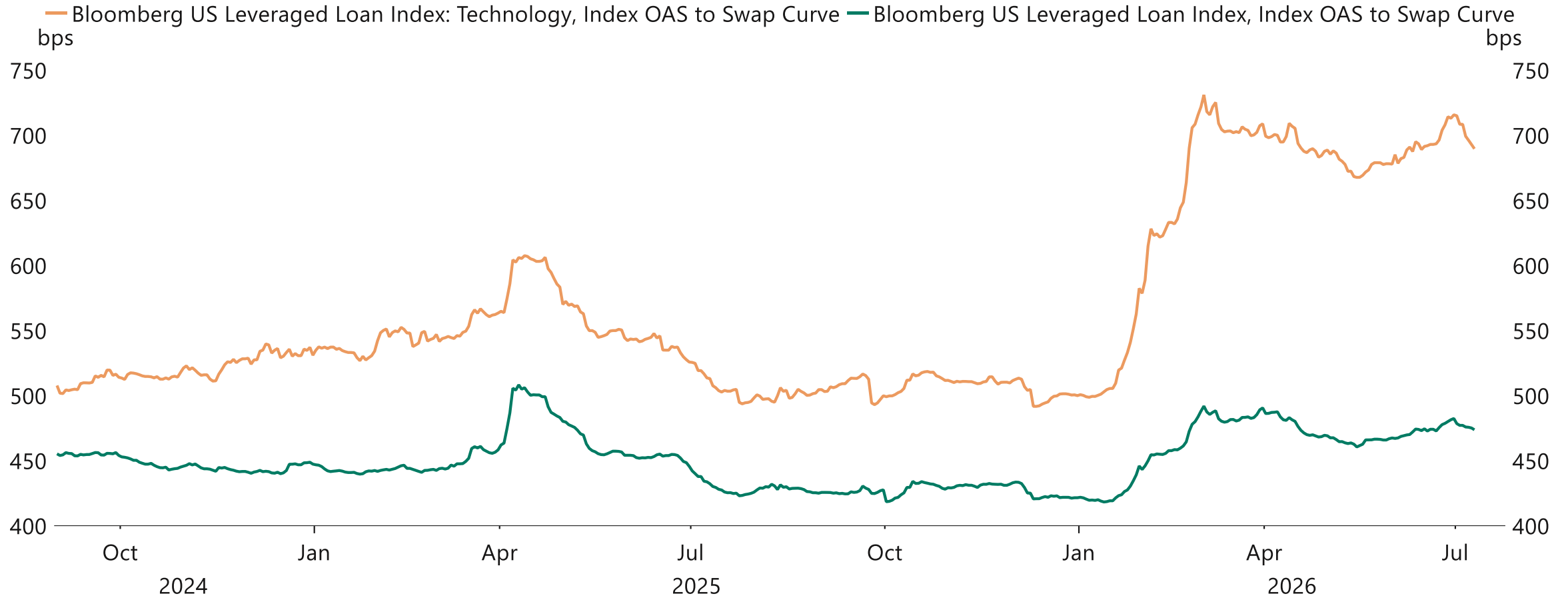
# Yields on software loans: 12%



# Yields on technology, hardware and equipment not wider than on leveraged loan index



# Leveraged loan technology vs overall index spreads

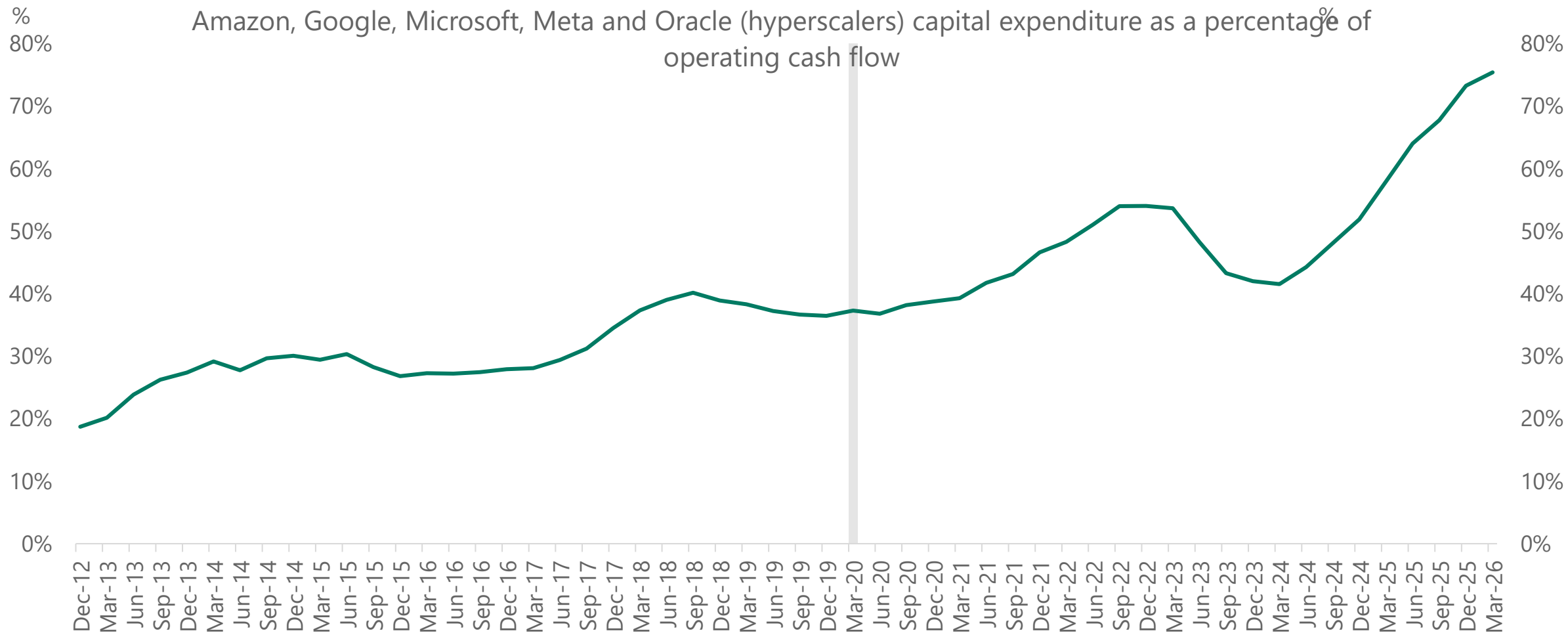


Source: Bloomberg, Macrobond, Apollo Chief Economist

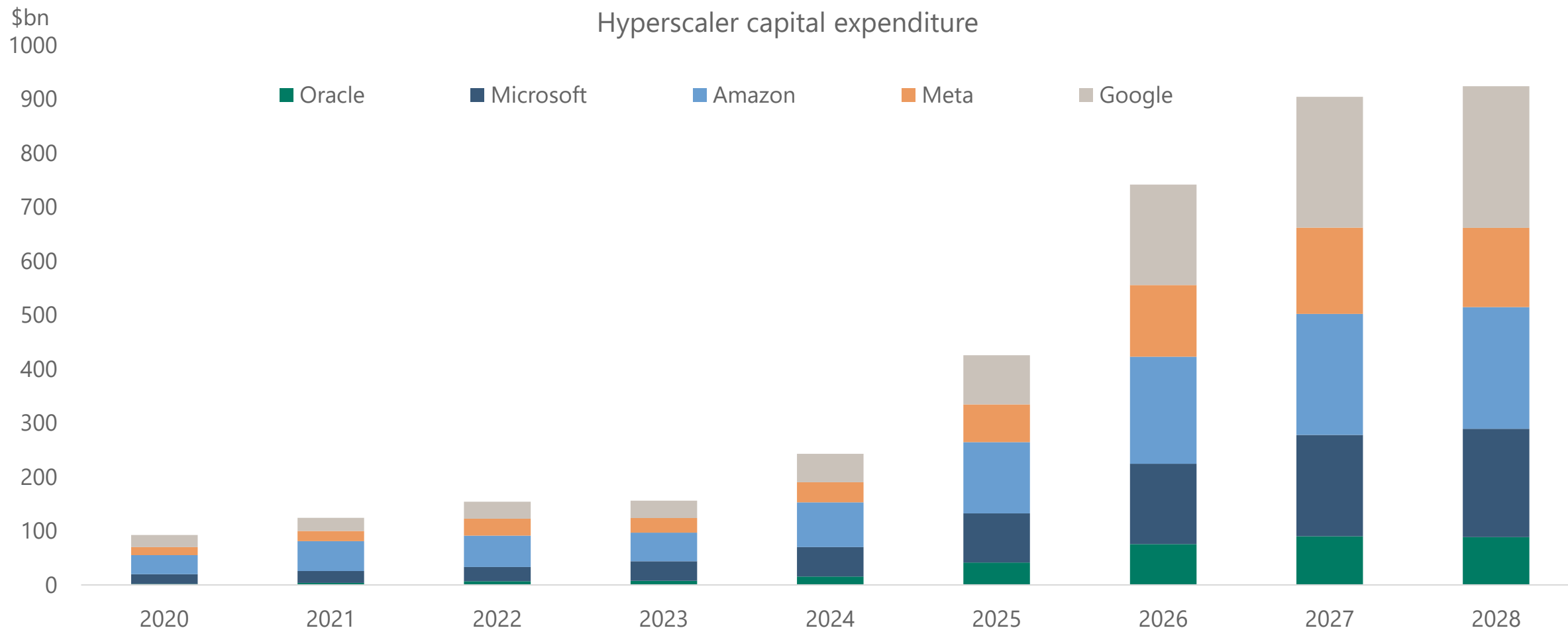
# AI Demand & Corporate Spend



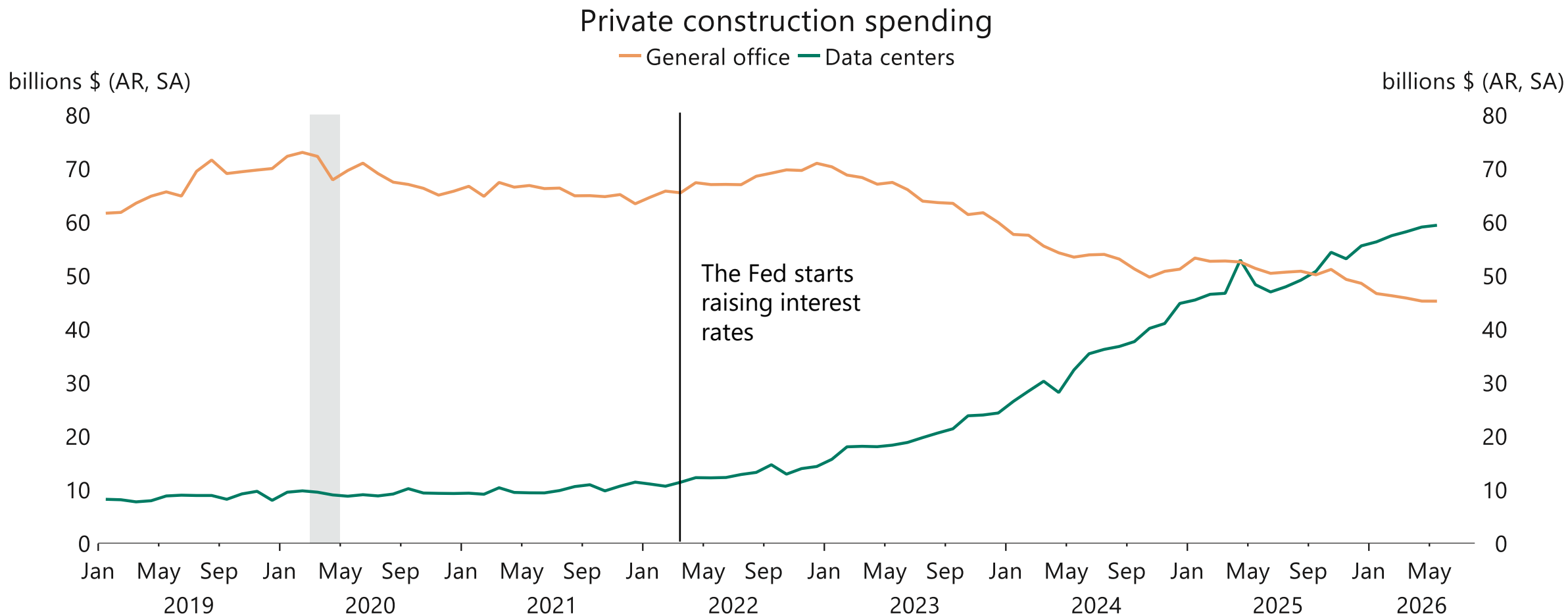
# Capex share of operating cash flow for hyperscalers: 80%



# Hyperscaler capex



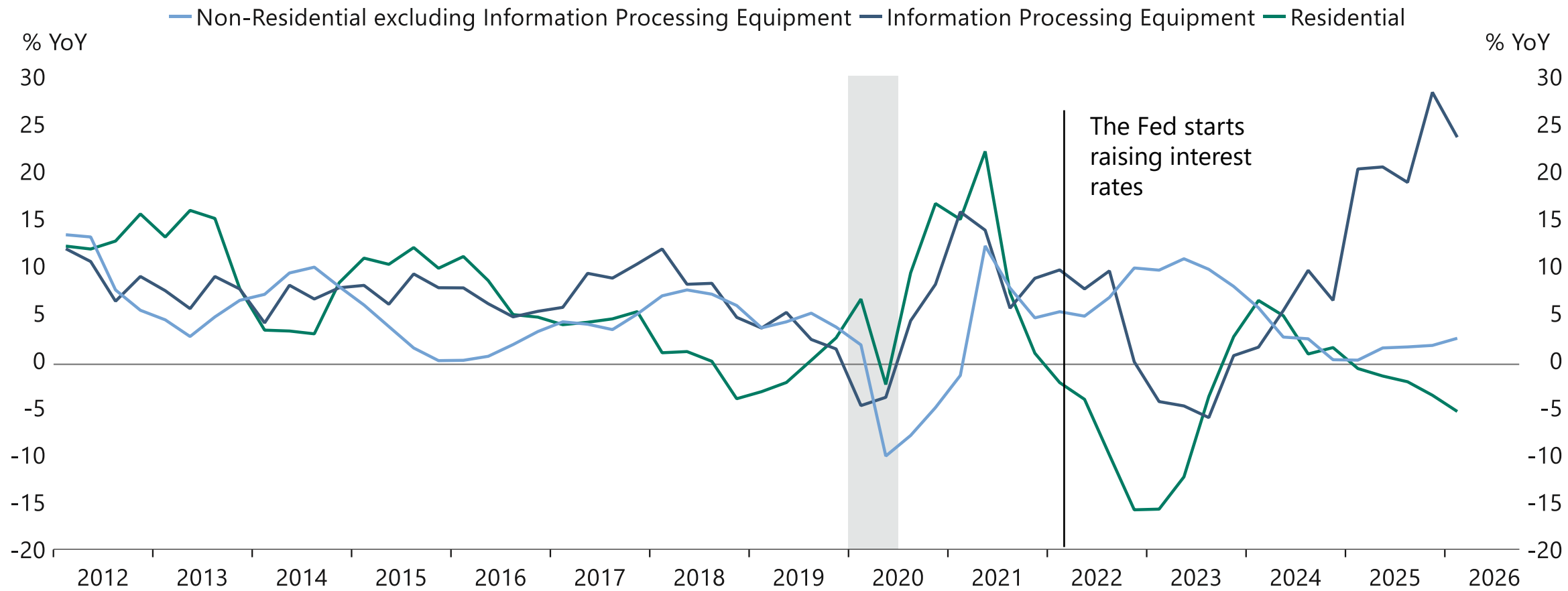
# Different interest rate sensitivity for office construction and data center construction



Source: U.S. Census Bureau, Macrobond, Apollo Chief Economist

# Different interest rate sensitivity for office and data centers

## Real Private Fixed Investment

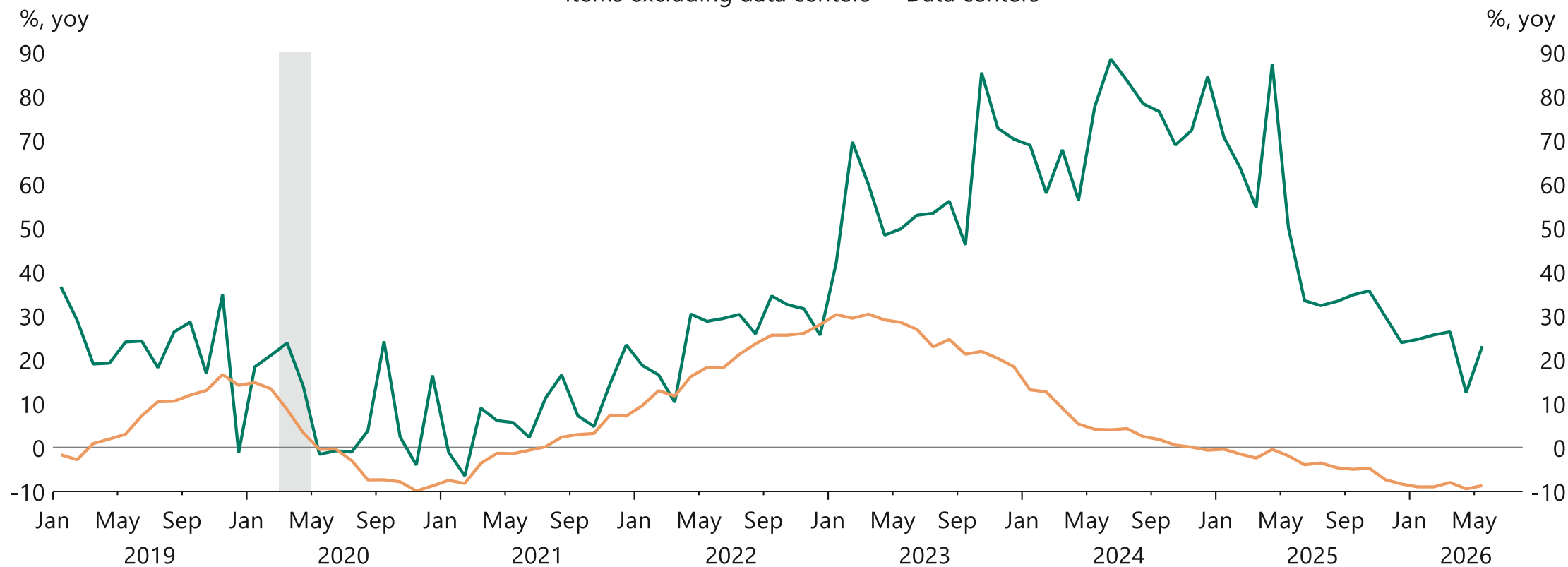


Source: U.S. Bureau of Economic Analysis (BEA), Macrobond, Apollo Chief Economist

# Still strong growth in data center construction

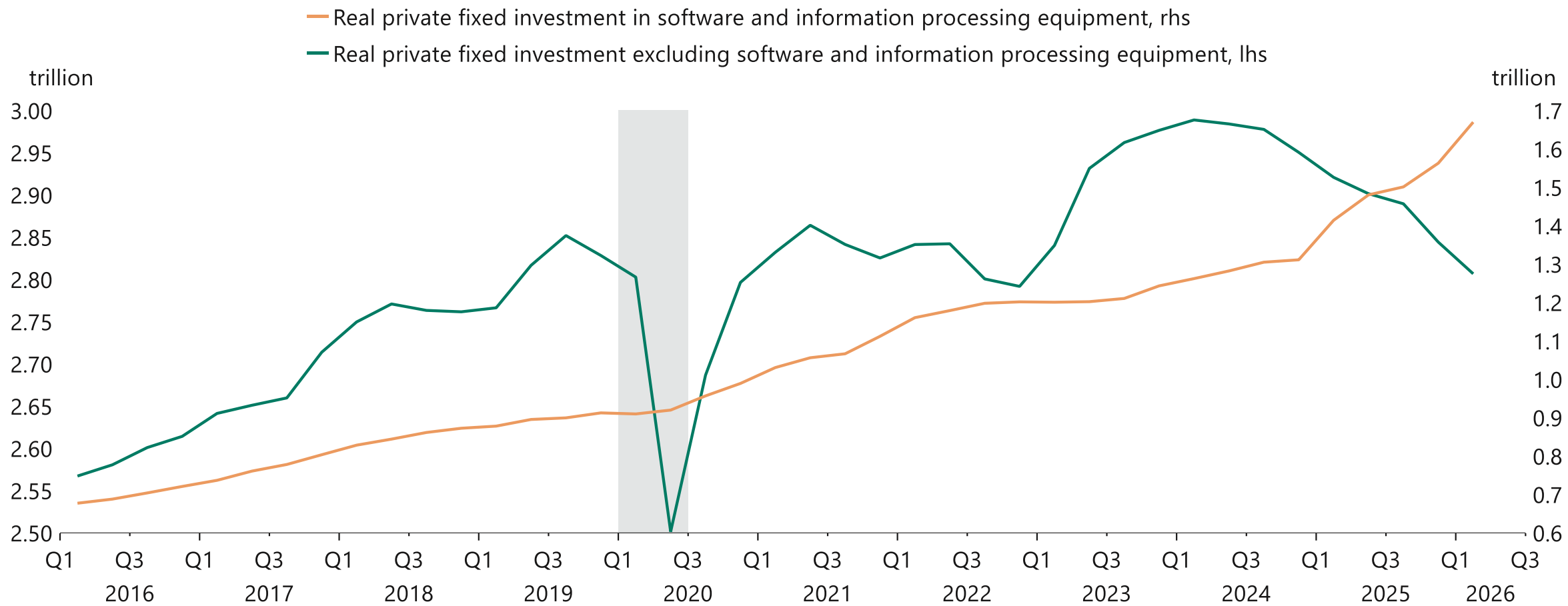
## Nonresidential structures investment

— Items excluding data centers — Data centers



Source: U.S. Census Bureau, Macrobond, Apollo Chief Economist

# Private investment outside the AI sector has stalled

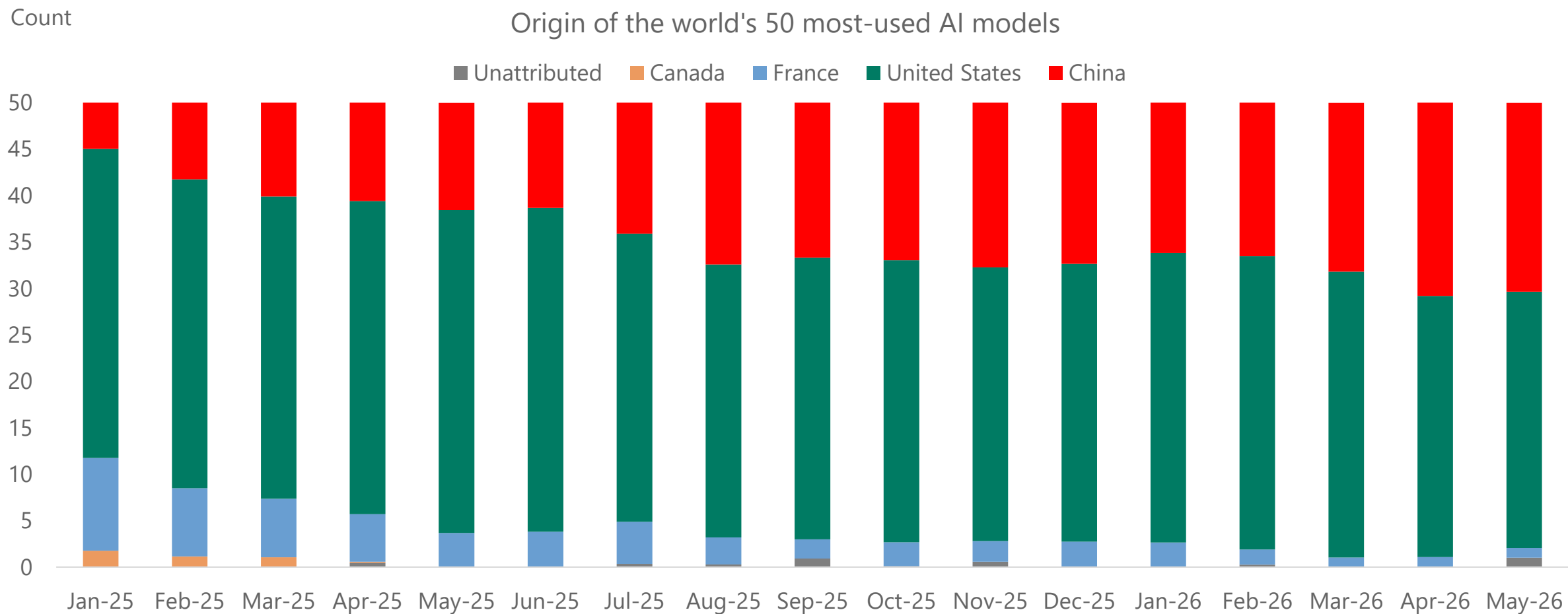


Source: U.S. Bureau of Economic Analysis (BEA), Macrobond, Apollo Chief Economist

# Comparing token costs across large language models

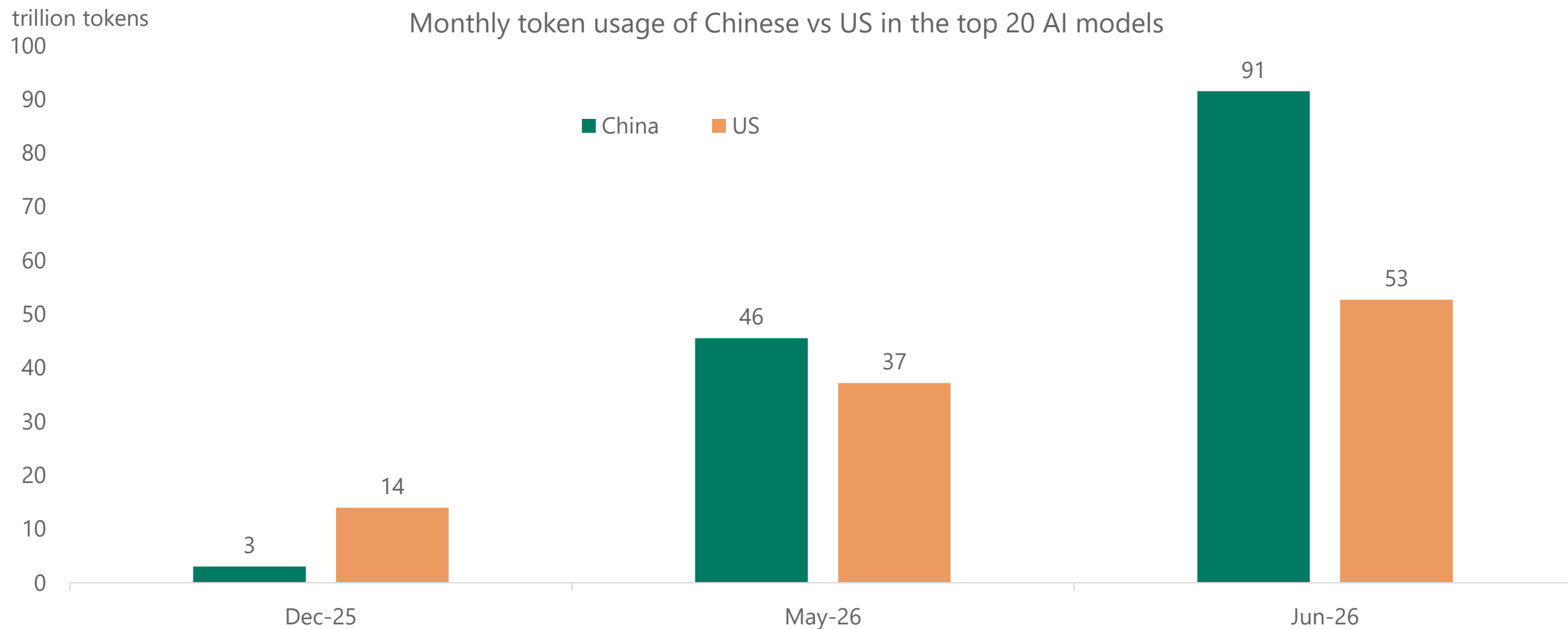


# Chinese AI models gain market share

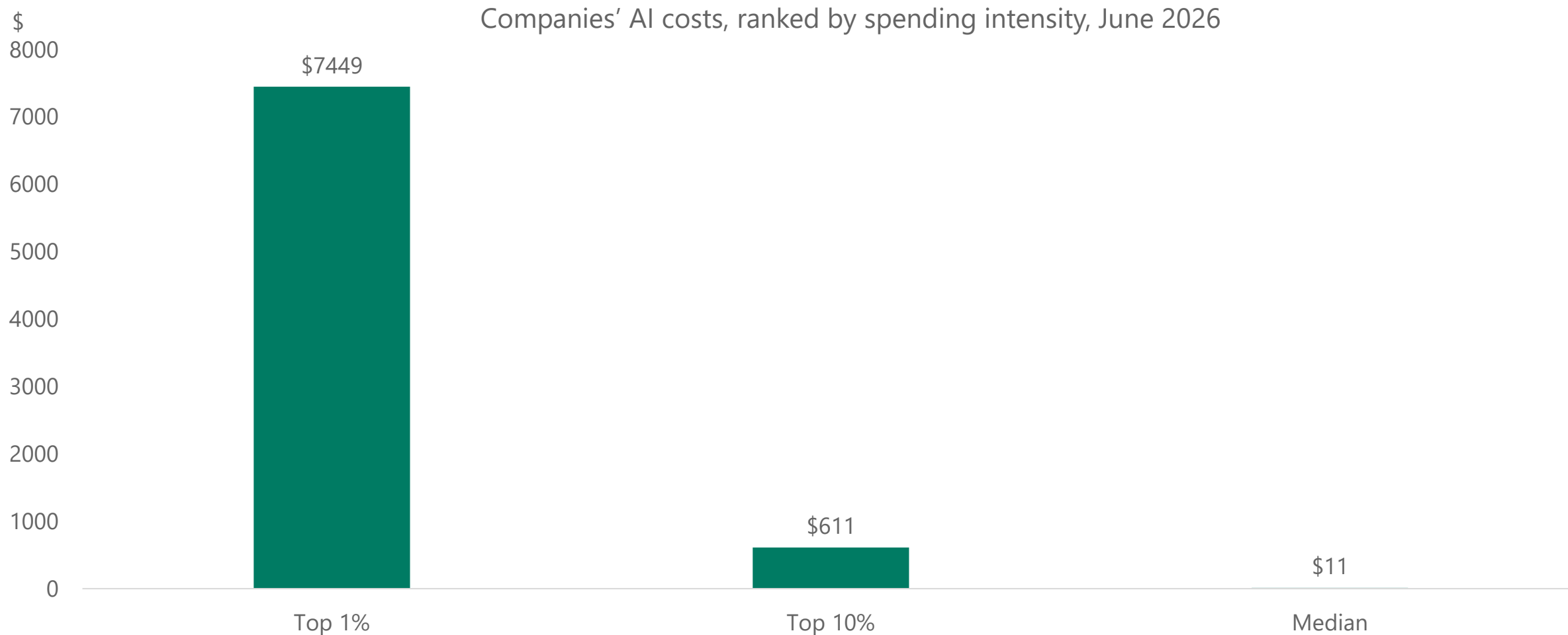


Source: OurWorldinData.org, Apollo Chief Economist.

# Token usage: Significant increase in usage of Chinese models

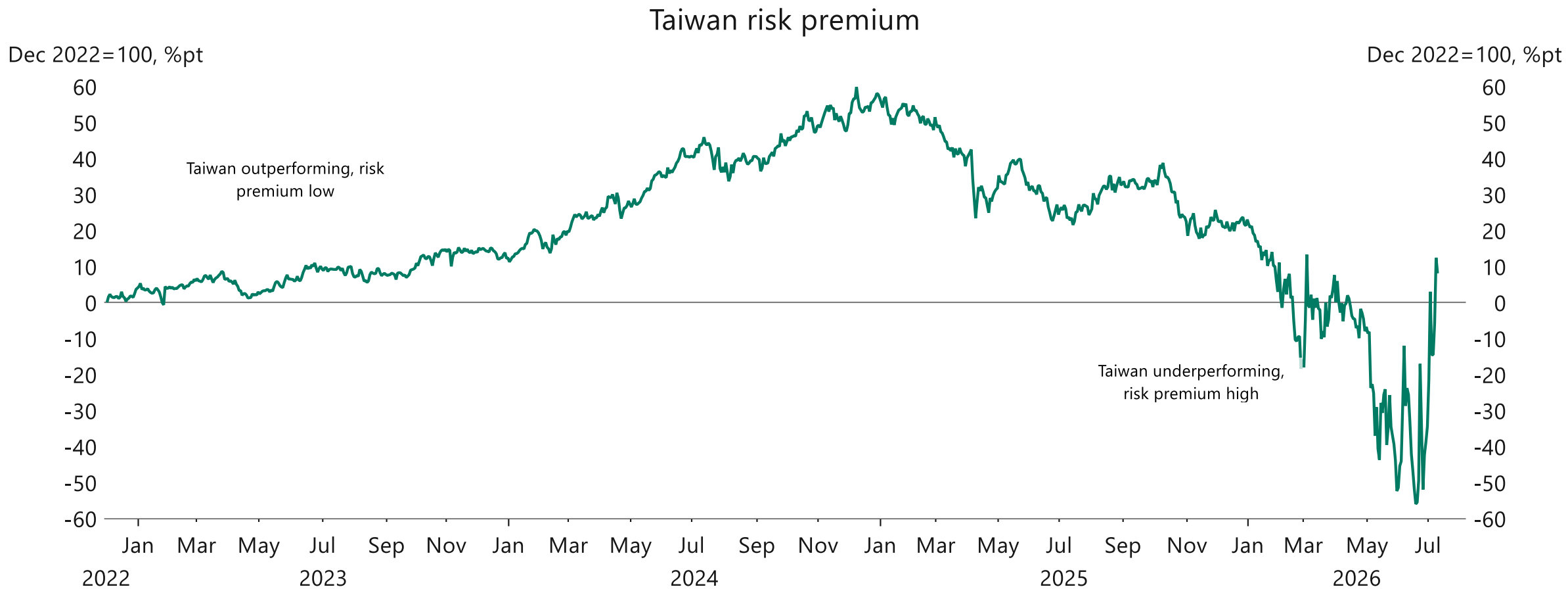


# Monthly corporate AI spend per employee, top vs. median spenders



Note: The figure is a company's total AI spend divided by headcount, expressed per employee. Ramp's index breaks business spend into subscriptions vs. coding agents vs. tokens and APIs. Tokens are just one of three components. The \$7,449 covers subscriptions, API access, usage costs, and more, captured from corporate-card and invoice-based payments. Source: [Ramp AI Index](#), Apollo Chief Economist

# Taiwan risk premium



Source: Bloomberg, Macrobond, Apollo Chief Economist. Note: Calculated as Taiwan Stock Exchange Weighted Index-Korea Stock Exchange KOSPI Index rebased to Dec 2022



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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.