

NEWS | EQUITY MARKETS

AI debt jitters wipe \$1 trillion off top 20 AI and chip stocks

CoreWeave's default insurance hits distress levels as investors question the borrowing behind the data-center boom

By **Manasee Kurlekar** | October 16, 2026



The AI boom just got its first real credit check, and the bond market isn't impressed.

A week-long global sell-off has erased more than \$1 trillion from 20 of the world's largest AI and semiconductor stocks. Investors are questioning the circular financing and heavy debt behind the AI data-center buildout, with neocloud Cloudweave at the centre. Twenty of the world's most valuable AI and chip stocks lost more than \$1 trillion in a week.

Coreweave's five-year credit default swaps briefly topped 1,140 basis points. S&P Global says 1,000+ generally signals credit distress. The company has taken on more than \$51B of debt and obligations, and its 2032 bonds, issued four months ago, fell below 80 cents on the dollar. *Default-insurance costs have also widened for Oracle and SoftBank.*

The worry is the plumbing, with AI firms lending to, investing in and buying from one another. It echoes the late-1990s telecom bubble, when equipment makers financed their own customers' purchases until the money ran out.

The IMF now ranks an AI correction as the top risk to financial markets. The Bank for International Settlements counters that about 85% of AI supplier ties are plain commerce.

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