DATE: August 28th, 2026
TITLE: **When the Tech Growth Story Meets the Bond Market**

TRANSCRIPT:
Host:
Eric, Nvidia delivered another extraordinary set of results this week, but the market's reaction was surprisingly restrained. What did you make of it?
Eric:
I think the reaction may have been more revealing than the results themselves.
Nvidia's numbers were exceptional. Quarterly revenue more than doubled to over $96 billion, and the company expects revenue to grow by around 70% in the year ending January 2028. Yet the shares finished the week up less than 1%.
A few years ago, numbers like those might have lifted the entire market. But today, two powerful forces are pulling investors in opposite directions. On one side, we have an extraordinary AI investment cycle supporting growth. On the other, we have persistent inflation and a bond market demanding a higher price for money.

Host:
So investors still believe in AI, but are becoming more selective?
Eric:
Exactly. Initially, almost any large technology company was treated as an AI winner. That excitement then spread into semiconductors, cloud computing, data centres and software.
Now investors want more than an exciting story. They want to see orders, margins, cash flow and evidence that all this expenditure is producing a commercial return.
AI is also becoming more expensive. Nvidia has reportedly told some customers that server systems using its most advanced chips could cost over 15% more next year, partly because of higher memory prices.
That pricing power is excellent for Nvidia, but it also illustrates the Federal Reserve's problem. AI may be supporting economic growth, while simultaneously becoming another source of inflation.

Host:
And the wider US economy seems increasingly dependent on technology investment.
Eric:
It does. US growth is starting to look rather one-dimensional.
Consumer spending was essentially unchanged in July, while housing, smaller companies and other interest-rate-sensitive parts of the economy are losing momentum. At the same time, investment in technology, data centres and AI infrastructure remains extremely strong.
One-dimensional growth is still growth, but it creates a vulnerability. The economy and the equity market are becoming increasingly dependent on a relatively small number of companies continuing to invest at an extraordinary rate.
We saw that divide in the market this week. The Nasdaq gained around 0.8% and the S&P 500 rose about 0.5%, helped by technology shares. But the small-cap Russell 2000 fell approximately 1.3%, while healthcare and energy declined by more than 2%.
Underneath the headline indices, the market was considerably weaker than it first appeared.

Host:
How does the bond market fit into all of this?
Eric:

The problem is that inflation remains too high.
Headline US PCE inflation is still 3.7%, with core inflation at 3.3%—both well above the Federal Reserve's 2% target.
Fed Chairman Kevin Warsh reinforced that message at Jackson Hole. He didn't predict an imminent rate increase, but he challenged the comfortable assumption that the Fed's next major move would automatically be a rate cut.
The probability of a September rate rise subsequently increased from around 35% to 56%. The two-year Treasury yield reached approximately 4.36%, while the ten-year yield rose to around 4.73%.
And this is where the technology and bond-market stories collide.
Strong AI growth means more investment, more demand for financing and potentially more corporate debt issuance. At the same time, the US government is already borrowing enormous amounts of money.
Governments and some of the world's largest companies are therefore competing for the same pool of capital. When everybody wants money at the same time, the price of that money—interest rates—tends to rise.

Host:
So strong technology growth is no longer unambiguously good news?
Eric:
That's right. Strong earnings are clearly positive, but investors must also ask whether that growth requires even more spending, borrowing and energy consumption.
That doesn't undermine the long-term potential of AI. But it does affect how much investors should be willing to pay for future growth.
It also creates a difficult choice for the Fed. Higher rates are already putting pressure on housing, consumers and smaller businesses. But if the Fed overlooks persistent inflation because the headline economy is growing, it risks losing credibility.

Host:
What should investors watch in the week ahead?
Eric:
The US employment report will be crucial.
A strong number would increase the likelihood of a September rate rise and could push short-term bond yields and the dollar higher. A weak report might reduce the need for higher rates, but it would raise more serious questions about the consumer and the wider economy.
Investors will also watch US business surveys, European inflation and Chinese purchasing managers' data. Oil remains another potential inflationary shock. Brent fell by more than 5% last week, but the geopolitical risks surrounding global energy supplies have not disappeared.
Ultimately, the message is that the AI growth story remains extremely powerful—but it no longer exists in isolation.
Technology companies must now compete for capital in a world of persistent inflation, heavy government borrowing and higher interest rates.
The winners will be the companies that can translate investment into genuine cash flow and finance their own growth.
The bond market isn't saying that growth can't continue. It is simply reminding investors that growth now has a price—and that price is considerably higher than it used to be.

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