DATE: October 23rd, 2026
TITLE: **Too Much, Too Fast**

TRANSCRIPT:

Host: Eric, last week we talked about hot inflation and falling bond yields. This week the picture seems to have sharpened. What changed?

Eric: Investors stopped worrying only about the price of money, and started worrying about their money.

When bonds rally on bad inflation news, that tells you something. US inflation is 3.7%, yet the 10-year Treasury yield has settled around 5.1%, down from a peak above 5.3% earlier in the month.

The fear now is credit. The weakest borrowers financing the AI build-out are paying much more for money. CoreWeave's bonds yield close to 16%, and weekly trading in default protection on big technology names has gone from under 2 billion dollars in July to more than 9 billion in September.

Host: So is the AI boom in trouble?

Eric: The boom isn't over. But the way it's paid for has changed.

The first phase was funded from cash flow. Today more of it is funded with debt, and lenders are getting choosier. Meta is a good example: revenue grew 26% last quarter, but it spent about 35 billion dollars on capital investment in those three months, and raised the bottom of its full-year plan to 135 billion.

There are physical limits too. Power, grid connections and electricians, not chips, are now the bottleneck. Local opposition has delayed or blocked more than a hundred data-centre projects this year.

Markets are drawing the line clearly. They reward companies whose investment turns into margins and cash, and they punish growth that can't justify its price.

Host: And outside the AI story, how is the US economy holding up?

Eric: Strip out AI and it looks tired.

Housing is the clearest casualty. Pending home sales fell 7.3% in September, to the lowest level since records began in 2001. Builder confidence is at its weakest since 2012, with mortgage rates near 7.4%.

That puts the Fed in a bind. It meets next week with rates at 3.75 to 4%. Inflation argues against cutting, but housing argues against hiking. Markets now give less than a 15% chance of a move in October.

Host: Is this just an American story?

Eric: No. Tightening has gone global.

UK inflation jumped to 3.5% from 3.1%, making a Bank of England hike in November more likely. The Bank of Japan is signalling more increases, and India's central bank raised rates to 5.5%, with its minutes pointing to more.

In France, ten-year borrowing costs hit their highest since 2002, now above Italy and Greece, as protests over living costs spread.

China grew 4.5% last quarter, but almost entirely on exports, which jumped 36% in September, while retail sales grew just 1.1%. And Asia's chip markets didn't buy the US bounce: in Korea, a data-centre company fell 16% below its IPO price on its first day.

Host: Oil was in the headlines again too.

Eric: It was, and the risk has moved onshore.

Brent is close to 110 dollars. Houthi strikes hit Saudi oil facilities and Riyadh's main airport, forcing the kingdom to postpone its flagship investment conference until 2027. That's a physical risk premium, not a headline that fades.

Add Israel's election on 27 October and the US midterms on 3 November, and the calendar is crowded.

Host: So what's the takeaway for investors?

Eric: Follow the credit market. It usually sees the excesses of a boom before the economy does.

This isn't a call for panic. Most of the S&P 500 rose in the week technology fell, so this is rotation, not capitulation. But it's a time to be selective.

That means cash flow over borrowed growth, high-quality bonds over reaching for yield, and companies that own the bottlenecks, such as power, rather than those borrowing to build capacity.

The AI revolution may well transform the world. The question is who gets paid for it.

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