

# Tight Spreads Persist Amid Record Issuance and Rate Volatility

This report is excerpted from the *Fourth Quarter 2026 Fixed-Income Sector Views*.

Record issuance and AI financing split the market while spreads held firm.

Despite geopolitical tensions, Fed policy uncertainty, record corporate issuance, and a sharp backup in U.S. Treasury rates that drove Bloomberg Corporate Investment Grade Index total returns to -3.9 percent in the third quarter, mutual funds and ETFs saw inflows, supported by historically high all-in yields. As a result, investment-grade corporate spreads traded in a tight range and near historical tightness throughout the third quarter.

## Sector Commentary

- At around \$300 billion year to date, AI/datacenter/hyperscaler debt financing was the most influential driver of investment-grade spreads through the third quarter. Dispersion between AI-related spreads and industrials continued to widen alongside steeper hyperscaler credit curves. Concessions on the largest primary issuances appeared to reflect limits on investor exposure and single-name sizing rather than a broader repricing of risk.
- Credit curves excluding AI/tech continued to flatten. The combination of limited long-duration industrial supply, secondary selling in front-end bonds, and issuers shifting primary issuance inside 10 years as rates rose suggests that supply mix, more than volume, has been the dominant technical factor.
- Second quarter fundamentals revealed marginally lower net leverage and higher earnings before interest, taxes, depreciation, and amortization (EBITDA) margins. We expect fundamentals to soften in the third quarter as input and corporate funding costs rise.

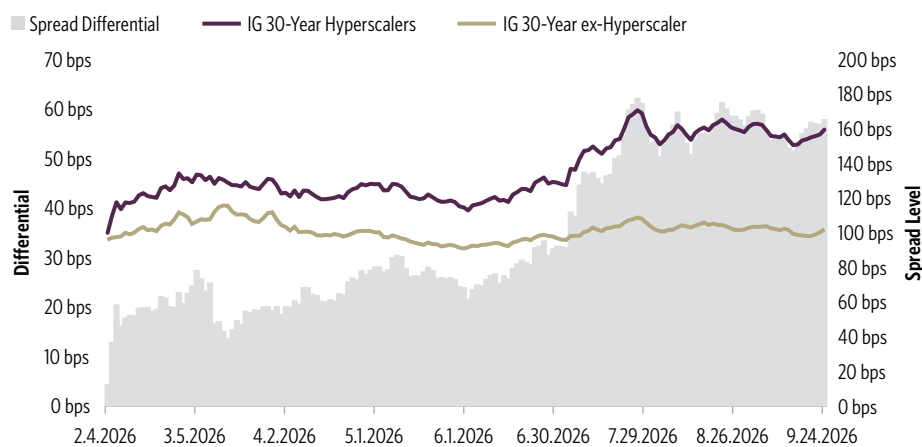
## Investment Themes

- For spread-based buyers, the front end looks attractive relative to intermediate maturities, while yield-based buyers should still favor longer duration.
- We continue to favor hybrid and preferred securities when priced appropriately. The deluge of supply year-to-date has created good coupon carry but mediocre performance. We are watching for larger pricing concessions and adding opportunistically in these structures.
- Although issuance will slow in the fourth quarter, market estimates put compute financing alone in 2027 at \$250–350 billion. That figure excludes direct supply from hyperscalers, which continue to raise their capital spending forecasts quarterly.

By Justin Takata

Dispersion between AI-related spreads and industrials continued to widen alongside steeper hyperscaler credit curves.

### Dispersion and Credit Curve in Hyperscalers Continue to Increase



Source: Guggenheim Investments, Bloomberg. Data as of 9.30.2026.



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