



# Trickle-Down AI-conomics

The strongest IG quarter in years rests on a narrower foundation than the breadth suggests

Mariya Entina, CFA, CPA | July 2026

U.S. investment grade (IG) companies in the first quarter of 2026 posted their strongest quarterly earnings in years while recording the IG cohort's largest cash drawdown on record. Capital expenditure (capex) connects the two. AI spending is no longer a hyperscaler story. AI expenditures flow through supply chains into utilities, industrial manufacturers and infrastructure suppliers across the IG index. Consequently, a capex slowdown would likely impair earnings well beyond a prominent, closely followed group of technology firms to impact a wide set of IG issuers. DoubleLine's Corporate Credit team factors this overlooked risk dimension into its ongoing assessment of corporate credits.

## A Concerning Conjunction: Record Earnings, Record Cash Drawdowns

U.S. IG companies in the first quarter of 2026 printed their strongest earnings in years, even as balance sheets marked the largest cash drawdown of any first quarter on record.

### Median Q1 Earnings – best in years<sup>1</sup>:

- Revenue +7.0% year-over-year, highest since Q3 2022
- EBITDA +8.1% year-over-year, highest since Q1 2022
- EBITDA margins since Q3 2022

### Median Balance Sheet Metrics – deployment at multiyear highs:

- Net leverage jumped to 2.06x, highest since Q4 2024
- Cash dropped 5.3% quarter-over-quarter versus a typical 0.9% seasonal decline

Both sets of numbers describe the median U.S. IG issuer, so this isn't a top-of-the-index story. The unusual part isn't either metric on its own; it's the pairing. Companies typically build cash when earnings are this strong. This quarter, they spent it. Capex is the explanatory variable connecting them. AI-related investment contributed roughly 1.1%<sup>2</sup> to Q1 real GDP growth, more than half of the 2.0% annualized rate. (Figure 1) The Wall Street Journal's Greg Ip put it more starkly this May, "My back-of-the-envelope estimate is that the AI economy grew 31%, the non-AI economy just 0.1%."<sup>3</sup>

### Percentage Contribution From AI-Related Investment to U.S. Real GDP Growth

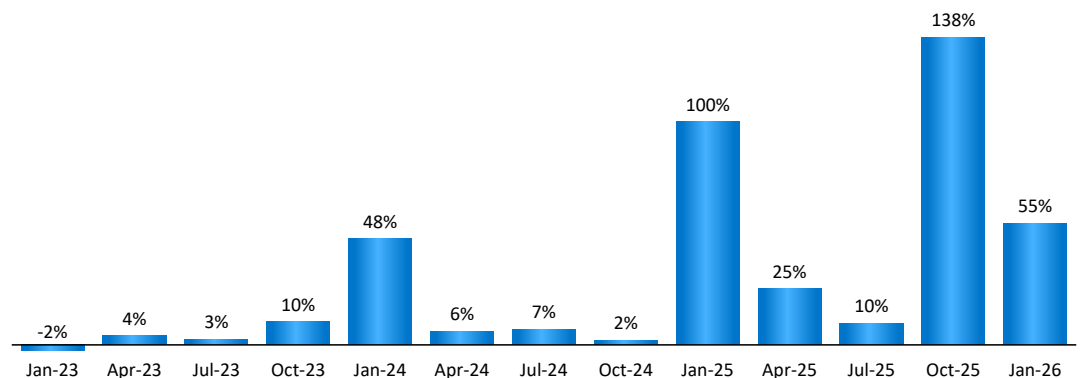
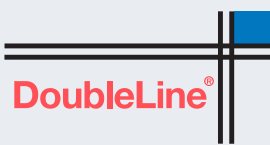


Figure 1

Source: DoubleLine, U.S. Bureau of Economic Analysis, Macrobond, as of January 2026

However, that which lifts the median issuer can also lower it. The capex trend bears watching in both directions.



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## The Trickle-Down

Hyperscaler spending results in cash flowing to suppliers in semiconductors, networking, power and cooling, construction and electrical equipment. Those suppliers book revenue, hire and invest in capex of their own. The pattern shows up not just in the headline AI names but in the median IG issuer as well. In other words, this is not a few names carrying an index; this reflects broad participation.

## The Breadth Is the Concentration

The AI-infrastructure trade is well mapped in equity markets. In the corporate credit sector, it is harder to see and larger than it looks.

DoubleLine’s Corporate Credit team defines AI infrastructure-exposed IG issuers as those with roughly 10% or more of their business tied to AI infrastructure: revenue and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) or, for utilities, electric load. The exposed universe is much wider than the hyperscalers. It includes chip and component suppliers, utilities serving data centers, industrials supplying power and cooling equipment, and construction and electrical names building the physical footprint. That subset now accounts for roughly 10% of the Bloomberg US Corporate Index<sup>4</sup> by market value. It contributes about 0.76 years to the index’s 6.8-year duration, putting 11% of the index’s interest-rate sensitivity in this group. Treated as its own sector, AI infrastructure-exposed credits would rank second in the index by both market value and duration contribution, behind only banking in both categories.<sup>5</sup>

## The Two Sides Are One Story

The phenomena of trickle-down and breadth as concentration are not separate stories. They are the same story. Median IG fundamentals look strong because a concentrated set of names is spending unprecedented sums, which in turn flow through to utility, industrial and supplier issuers.

Given the magnitude of these expenditures, a slowdown in AI capex would likely put earnings at risk across a wide set of companies and industries. When fundamentals lift the median issuer, it does not feel like a concentrated bet, but if a widespread theme is doing the lifting, that “breadth” predominates in the concentration.

## February: The Breadth, on the Downside

The companies that repriced in February were not building AI. They were in its path. IQVIA manages clinical data for pharmaceutical companies. Atlassian sells project and workflow software. H&R Block prepares consumer tax returns. Three sectors, three rating tiers, no shared customers. They were AI targets: businesses whose services AI is increasingly capable of approximating.

That shared vulnerability repriced in two markets at once. Equity prices fell. Credit spreads, the premium a company pays to borrow above U.S. Treasury rates, widened on the same names over the same days. (Figures 2-4)

### IQVIA Bond G-Spread vs. Equity Price

January 1, 2026 – February 26, 2026

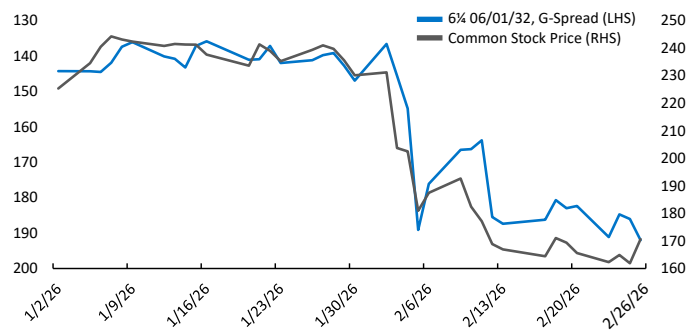


Figure 2

### Atlassian Bond G-Spread vs. Equity Price

January 1, 2026 – February 26, 2026

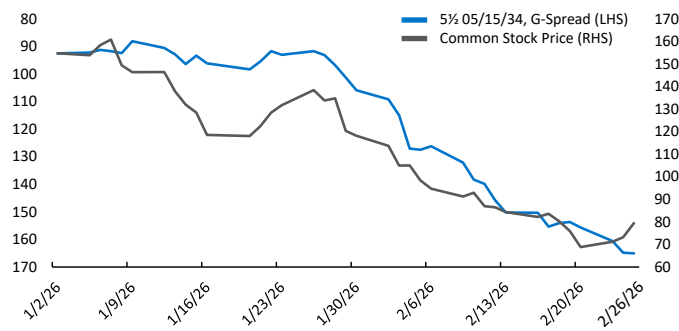


Figure 3

### H&R Block Bond G-Spread vs. Equity Price

January 1, 2026 – February 26, 2026

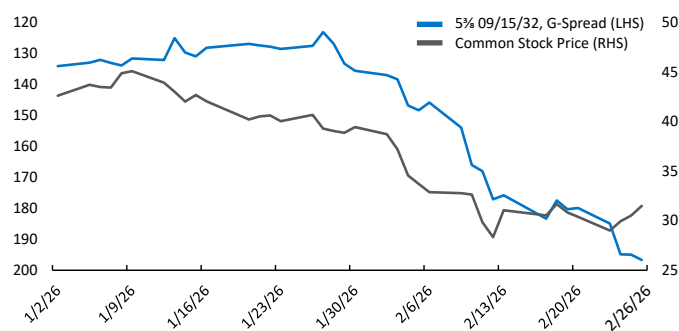
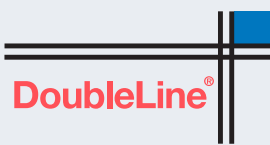


Figure 4

Source for Figures 2-4: Bloomberg. Left-hand scales are inverted.

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## Two Layers of Discipline

At the issuer level, a favorable narrative does not earn a name lighter scrutiny at DoubleLine. Our underwriting prioritizes downside protection and diversification, and the questions get harder, not easier, when the market is enthusiastic about a theme. At the portfolio level, the Corporate Credit team tracks total thematic exposure, because a portfolio can accumulate too much of one theme even when every individual credit decision looks sound. The same theme enters a portfolio through a number of seemingly uncorrelated sectors, and the risk of accidental concentration is what the team's active management seeks to avoid.

Active credit management in this environment is not about picking AI winners. It is about sizing a theme that benchmark exposure already delivers in abundance and exercising a deliberate effort to select names that will hold up if AI capex growth proves less durable than a naïve extrapolation from current spending might imply.

## Conclusion

The revenue and earnings growth are real. The concentration behind them is also real. Credit investors treating this quarter as broad-based improvement, rather than theme-concentrated improvement, are taking correlated risks. Knowing how much of this theme you already own, and deciding actively how much more you want, is the work that matters here. So, what's in your bond portfolio? ■



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Ms. Entina joined DoubleLine in 2019. She is a Portfolio Manager on the Corporate Credit team and is also a corporate sector specialist on DoubleLine's Responsible Investment team, overseeing and monitoring the Responsible Investment integration for the Corporate Credit team. Prior to DoubleLine, Ms. Entina was an Investment Research Analyst at Pacific Life, where she covered transportation, aerospace & defense, automotive OEMs, captive finance, auto parts suppliers, diversified manufacturing and infrastructure credit. Prior to Pacific Life, she was a Portfolio Analyst at Capital Group. Prior to that, Ms. Entina was an Associate at KPMG LLP. She holds a B.A. in Economics and Accounting from the University of California, Los Angeles. Ms. Entina is a licensed CPA, CFA® charterholder, SASB FSA Credential Holder and has earned the CFA Institute Sustainable Investing Certificate.

## Endnotes

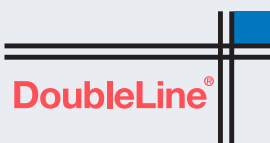
- <sup>1</sup> BofA Global Research, "1Q26 IG fundamentals final update: more earnings, less cash," May 20, 2026. Based on U.S. investment grade nonfinancial nonutility issuers, median values.
- <sup>2</sup> Nonresidential fixed investment, software and computers & peripheral equipment. In expenditure account terms, does not include net out effects of imported content.
- <sup>3</sup> "AI Is Distorting Practically Everything About the Economy," Wall Street Journal, May 7, 2026
- <sup>4</sup> As of March 31, 2026
- <sup>5</sup> On the basis of BCLASS 4 categories of the Bloomberg US Corporate Index.

## About DoubleLine's Corporate Credit Team

The Corporate Credit team at DoubleLine manages \$9 billion in assets in investment grade (IG) and below-IG corporate credit, including fixed income securities and bank debt. The team underwrites the individual credits and actively risk-manages the economic-sector concentration, duration and other aggregate characteristics of DoubleLine's corporate credit portfolios and sleeves of multi-sector portfolios. The team comprises 23 investment professionals, including portfolio managers, analysts and traders.

## About DoubleLine

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## Definitions

**Bloomberg US Corporate Index** – Measures the investment grade, fixed-rate taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

**Capital Expenditures (Capex)** – Funds used by a company to acquire, upgrade and maintain physical assets such as property, plants, buildings, technology or equipment. Capex is often used to undertake new projects or investments by a company, commonly with the goal of increasing the scope of or adding some economic benefit to operations.

**Duration** – A commonly used measure of the potential volatility of the price of debt securities in response to a change in interest rates prior to maturity. Securities with longer duration generally have more volatile prices than securities of comparable quality with shorter duration.

**Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)** – Measure of a company's overall financial performance that is used as an alternative to net income in some circumstances.

**G-Spread** – Difference in yield between a corporate bond and a benchmarking U.S. Treasury security of a comparable maturity, expressed in basis points. It serves as a primary metric for evaluating the credit risk and liquidity premium associated with a corporate issuer.

**Investment Grade (IG)** – Rating that signifies a municipal or corporate bond presents a relatively low risk of default. Bonds below this designation are considered to have a high risk of default and are commonly referred to as high yield (HY) or "junk bonds." The higher the bond rating the more likely the bond will return 100 cents on the U.S. dollar.

**Real GDP** – Inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year (expressed in base-year prices) and is often referred to as "constant-price GDP," "inflation-corrected GDP" or "constant-dollar GDP."

You cannot invest directly in an index.

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