

# Financial HARTbeat

Cross lending  
Oct 1<sup>st</sup> 2026



Good Morning,

Broadcom to lend Anthropic \$42B to lease its chips....

Oracle and Nvidia have a similar arrangement...

Microsoft and OpenAI also lend for partnerships...

This cross lending is making me see increased risks in the AI race..

**Catch the playback of our Weekly Roundup [Click here](#)**

**Also, catch the playback of our Annual Outlook [Click here](#)**

**Chart of the Day: AI Vendor Financing to watch..**

| <b>Public Companies Most Exposed to AI VENDOR FINANCING</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |       |                                            |                                                                                                        |                    |                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--------------------------------------------|--------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------------------------------------------------------------|
| Companies providing financing, credit, or capital support that helps customers buy their products or use their infrastructure.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |       |                                            |                                                                                                        |                    |                                                                                           |
| <b>BROADCOM</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | AVGO  | Supplier + Lender + Infrastructure Partner | Lending Anthropic up to \$42B to lease chips; part of \$125B compute commitment (per filing).          | <b>VERY HIGH</b>   | Direct financing to a major customer to buy its chips; potentially convertible to equity. |
| <b>NVIDIA</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | NVDA  | Supplier + Investor + Ecosystem Financing  | Investments in AI startups, cloud providers, and infrastructure projects that buy GPUs.                | <b>HIGH</b>        | Uses balance sheet to stimulate demand across the ecosystem.                              |
| <b>ORACLE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | ORCL  | Builds Infrastructure (AI Datacenters)     | Finances and builds datacenters in advance of demand; long-term contracts with AI labs (e.g., OpenAI). | <b>HIGH</b>        | Takes on large capital risk based on expected future AI demand.                           |
| <b>Microsoft</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | MSFT  | Investor + Cloud Provider                  | Multi-billion dollar investment in OpenAI; Azure compute commitments.                                  | <b>MEDIUM-HIGH</b> | Financially intertwined with a major AI customer.                                         |
| <b>Alphabet</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | GOOGL | Infrastructure + Strategic Investments     | Provides TPUs and cloud to AI firms (e.g., Anthropic); invests in AI companies.                        | <b>MEDIUM-HIGH</b> | Hardware, cloud, and investment exposure to AI ecosystem.                                 |
| <b>amazon</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | AMZN  | Cloud Provider + Strategic Investments     | AWS credits, financing programs, and investments in AI startups (e.g., Anthropic).                     | <b>MEDIUM</b>      | Supports AI customers with compute and financing mechanisms.                              |
| <b>DELL Technologies</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | DELL  | Direct Customer Financing                  | Dell Financial Services provides financing for servers, storage, and AI infrastructure.                | <b>MEDIUM</b>      | Traditional vendor financing model now applied to AI infrastructure.                      |
| <b>IBM</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | IBM   | Direct Customer Financing                  | IBM Global Financing for hardware, software, and AI solutions.                                         | <b>MEDIUM</b>      | Long history of financing customer purchases.                                             |
| <b>Apple</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | AAPL  | Consumer Financing                         | Apple Card and installment plans for products (including AI-enabled devices).                          | <b>LOW-MEDIUM</b>  | Financing supports product sales, though not specific to AI infrastructure.               |
| <b>CATERPILLAR</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | CAT   | Direct Customer Financing                  | CAT Financial lends to customers for heavy equipment.                                                  | <b>LOW</b>         | Established, lower-risk model with hard assets and cash flow.                             |
| <div><div><b>KEY TAKEAWAYS</b><ul style="list-style-type: none"><li>AI vendor financing is real and growing.</li><li>Broadcom, Nvidia, and Oracle are the most exposed among major tech names.</li><li>This is not necessarily a Ponzi scheme, but it does create circular risk if demand slows.</li><li>History (telecom 1999-2000) shows vendor financing can amplify booms — and busts.</li></ul></div><div><b>EXPOSURE LEVEL GUIDE</b><ul style="list-style-type: none"><li>Very High - Direct, material financing to major customers</li><li>High - Significant capital at risk</li><li>Medium-High - Meaningful exposure</li><li>Medium - Moderate exposure</li><li>Low-Medium - Some exposure</li><li>Low - Limited exposure</li></ul></div><div><b>SAME PATTERN. BIGGER NUMBERS. HIGHER STAKES.</b><p>"The technology may be real. The risk is in the financing chain."</p><p>As of Oct 2023.</p></div></div> |       |                                            |                                                                                                        |                    |                                                                                           |

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## Top News

U.S. stock index futures rise this morning, buoyed by gains in chip and consulting stocks, even as inflation and mounting government debt concerns pushed Treasury yields to more than two-decade highs. Micron Technology's better-than-expected revenue forecast and \$32 billion customer commitments under its supply agreements reinforced faith in the AI trade. Still, sentiment remains fragile as global bond markets come under renewed pressure, with rising energy costs stoking inflation concerns and heavy investment in AI infrastructure reinforcing expectations that interest rates will remain elevated.

The yield on the benchmark 10-year Treasury note hit 5.34%, its highest since 2002, a day after Treasuries logged their worst quarter since 1994. Softer-than expected inflation data on Wednesday tempered expectations for an interest-rate hike later this month, with traders pricing in a 63% chance that the Federal Reserve would hold rates steady. Still, with inflation above the central bank's 2% target, a December rate hike remains on the table. Comments later from policymakers Thomas Barkin, Christopher Waller, Philip Jefferson, Michelle Bowman and Lorie Logan could offer further policy cues on the path forward.

Investors also digest the weekly jobless claims report and wait for the Institute for Supply Management's manufacturing activity report later in the day. Futures tracking Canada's main stock index fall as a global bond rout drives borrowing costs to multi-decade highs, while investors also monitor volatile oil prices. Oil prices rise over 2% after China suspended oil products exports. It is not clear whether Beijing will resume permitting refiners' exports after the holiday ends on October 7, adding it could depend on domestic fuel inventories and refining output (see chart). Global markets are grappling with the loss of fuel supplies from the Iran war and Ukraine's attacks on Russian refining infrastructure, and China's move could drive prices in some countries to new highs. Gold prices are little changed, helped by Wednesday's cooler-than-expected US inflation report, although rising Treasury yields and a firmer U.S. dollar limit further gains. Canada's S&P Global Purchasing Managers Index (PMI) data for September, due later in the day, could offer a timely read on business activity.



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European shares start the final quarter on a downbeat note as investors turned risk-averse, with global government bond yields hitting multi-year highs. French 10-year government bond yield jumped to its highest level since 2002 as the government prepared to unveil its 2027 budget later in the session. S&P Global's Eurozone Manufacturing Purchasing Managers' Index (PMI) rose for a third consecutive month to 52.9 in September from 52.7 in August, its highest level since May 2022 and above a preliminary estimate of 52.7. Meanwhile, euro zone unemployment stood at 6.4% in August, in line with economists' expectations.

Japan's Nikkei 225 Index rose 3.3% to close at 68,956.72, its highest since August 17, after robust earnings from Micron Technology fuelled optimism over AI-related investment. South Korea's KOSPI snapped three consecutive sessions of decline to post its biggest daily percentage rise since September 18. The domestic market was led by strength in the chip sector after strong export data.

## Fourth Quarter Typically Positive for Stocks (Argus)

In theory, investors can feel optimistic heading into the fourth quarter, when the stock market typically posts the strongest returns of the year. To draw this conclusion, we analyzed data collected on S&P 500 performance from 1980 to 2025. By our calculations, the fourth quarter has generated average gains of 4.7%, compared to gains of 2.0%, 3.3% and 0.5% for 1Q, 2Q and 3Q, respectively. And the fourth quarter is consistent as well, with a "win percentage" of 83%. That means that 4Q stock returns are positive in four years out of five, and compares to winning percentages of 64% in 1Q, 68% in 2Q, and 63% in 3Q. Further, the S&P 500 has achieved its high-water mark for the year more than 70% of the time during 4Q, with more than 50% of these highs occurring in December.

To be sure, the quarter has posted some clunkers. In 1987, which included Black Friday, stocks fell 23% during the quarter. In 2008, stocks sold off 18% after the collapse of Lehman Brothers and as the U.S. economy plunged into a deep recession. As recently as 2018, stocks slid 14% in the final quarter when trade wars intensified and the Federal Reserve raised rates. But in 2023, when stocks were still in the early stages of the current bull market, 4Q performance was outstanding at up 12%. Last year, the S&P 500 advanced 2.6%. This year, it is not unreasonable to expect a slow start, given concerns over inflation,



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mid-term elections, and on-again, off-again trade wars. Even so, we expect 2026 to be a positive year for stock returns, with help, as usual, from the fourth quarter.

## Bond Yields (bps (basis points) negative means prices up and positive means prices down)

Figure 1: Key Interest Rates (Canada & U.S.)

| Canadian Key Rate                   | Last       | Change bps | Canadian Key Rate  | Last  | Change bps |
|-------------------------------------|------------|------------|--------------------|-------|------------|
| CDA o/n                             | 2.25%      | 0.0        | CDA 5 year         | 3.64% | -5.9       |
| CDA Prime                           | 4.45%      | 0.0        | CDA 10 year        | 3.97% | -3.4       |
| CDA 3 month T-Bill                  | 2.40%      | 0.0        | CDA 20 year        | 4.20% | -1.5       |
| CDA 6 month T-Bill                  | 2.58%      | 1.4        | CDA 30 year        | 4.29% | -1.4       |
| CDA 1 Year                          | 2.98%      | -3.2       |                    |       |            |
| CDA 2 year                          | 3.30%      | -7.1       |                    |       |            |
| US Key Rate                         | Last       | Change bps | US Key Rate        | Last  | Change bps |
| US FED Funds                        | 3.75-4.00% | 0.0        | US 5 year          | 5.06% | -2.5       |
| US Prime                            | 7.00%      | 0.0        | US 10 year         | 5.28% | -1.6       |
| US 3 month T-Bill                   | 4.03%      | -1.0       | US 30 year         | 5.63% | -1.3       |
| US 6 month T-Bill                   | 4.33%      | -1.4       | 5YR Sovereign CDS  | 40.74 |            |
| US 1 Year                           | 4.53%      | -1.9       | 10YR Sovereign CDS | 49.46 |            |
| US 2 year                           | 4.86%      | -2.7       |                    |       |            |
| Preferred Shares Indicators         | Last       | Daily %    | YTD                |       |            |
| S&P Preferred Share Index           | 697.18     | -0.04%     | 0.14%              |       |            |
| BMO Laddered Preferred Shares (ETF) | 12.72      | -0.31%     | 3.16%              |       |            |

Source: LSEG

Keep looking forward! Have a great day!

Ben



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