

# IS HIGH YIELD AT LESS RISK FROM AI?

April 2026

Artificial Intelligence (AI) is reshaping markets. While optimism around AI’s potential continues to grow, many investors remain cautious about the disruptions it may bring to the investment universe. In this environment, high yield bonds could play a key role, as they can perhaps surprisingly, often be a more defensive option in uncertain times, while also offering exposure to companies that could benefit from AI-related growth.

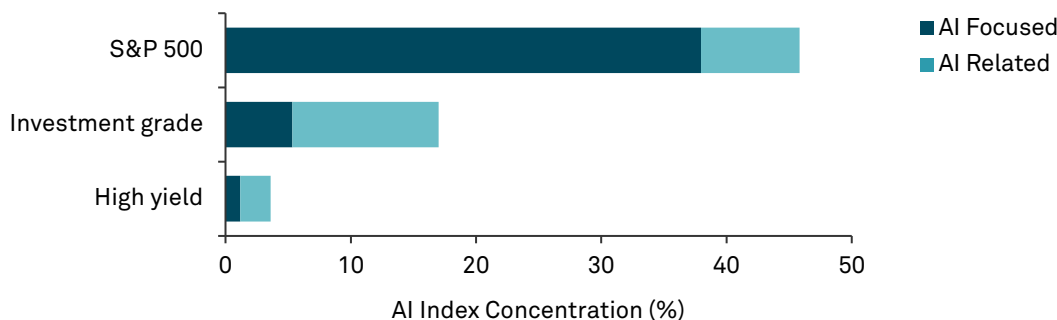
## High Yield Has Relatively Low Direct Exposure to AI

Relative to equity benchmarks, fixed income indices have limited representation from cloud, semiconductor, and AI infrastructure issuers.

In investment grade markets, they comprise just ~5% and are highly concentrated in AAA and AA- rated hyperscaler issuers. In high yield, exposure is even less at ~1% while businesses that are increasingly pivoting toward AI-related products and services comprise only another ~2.5%.

These concentrations are dwarfed by comparable exposures to equity markets.

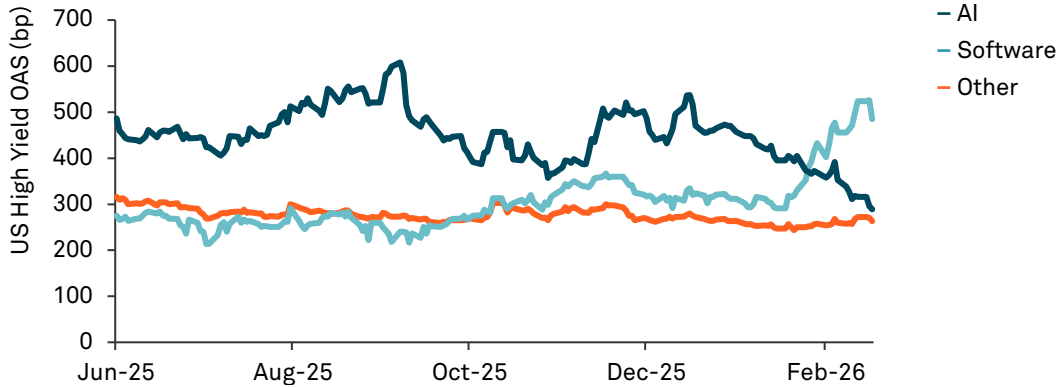
## High Yield Markets Have Lower Direct Exposure to AI Than Investment Grade and Equities



Sources: Bloomberg, Barclays Research, Morgan Stanley, Insight calculations, as of February 2026. All year-to-date returns are calculated from 12/31/25 - 2/24/26. Chart is for illustrative purposes only. Past performance does not guarantee future results.

High yield may also be less exposed to AI disruption. Software companies have returned -14% year-to-date on concerns that AI platforms and agents could disrupt their business models. High yield software companies have similarly struggled, widening by over 200 basis points (bps) so far this year.

### Software Companies Have Struggled This Year Due to AI Disruption Concerns

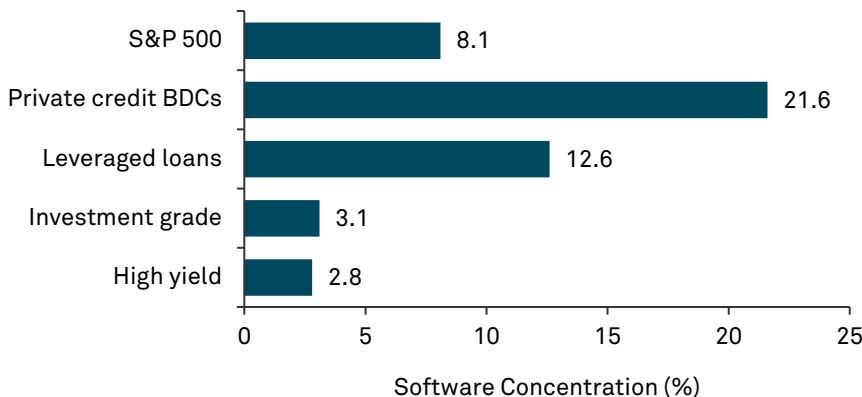


Sources: Bloomberg, Barclays Research, Insight, as of February 2026. OAS=options adjusted spread. Chart is for illustrative purposes only. Past performance does not guarantee future results.

These concerns have contributed to U.S. equities underperforming global equities year-to-date by the largest margin since 2008<sup>1</sup> (with the tech heavy Nasdaq Composite and Magnificent 7 indices even in negative territory).<sup>2</sup> However, U.S. high yield has been stable by comparison, with excess returns in positive territory, only slightly underperforming its euro high yield counterpart.<sup>3</sup>

This is largely because the U.S. high yield market has particularly low software exposure. Private credit is most exposed, with software accounting for the largest sector concentration of business development companies (BDCs).

### High Yield Also Has a Particularly Low Exposure to The Software Sector



Sources: Bloomberg, PitchBook, Barclays Research, February 2026. Note: IG/HY/LL % of market listed in par value. S&P 500 in market value terms. BDC exposure denotes Software as percent of portfolio across BDCs with publicly traded unsecured bonds (average of cohort). Chart is for illustrative purposes only. Past performance does not guarantee future results.

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Of course, the AI revolution remains at an early stage. It will likely take time before disruption risks across sectors become clearer, but we are closely watching sectors like human capital services, consumer intermediation, payroll, tax, financial processing, online education, legal services, and digital marketing for potential signs of AI-related vulnerabilities.

Although U.S. high yield would not be immune to worst-case scenarios, the market currently offers relatively high concentration (versus investment grade) to what we believe are potentially lower risk sectors like basic industry, energy, and capital goods.

### **High Yield May Also Offer AI Opportunities**

This is not to say that the high yield market does not offer potentially compelling AI opportunities of its own.

AI focused high yield issuers have performed particularly well year-to-date, but still offer a ~120bp pickup over the broader high yield market and ~90bp over single B debt.<sup>4</sup>

As with other credit markets, AI issuance has been on the rise, representing ~12% of new high yield supply so far this year. Our systematic models have flagged potential (overweight and underweight) security selection opportunities. For example, during February, our models noted CoreWeave, a leading “neocloud” provider, as a potential value-based overweight candidate. The issuer notably offers ~10% yields for four to five year debt, a sizable premium over investment grade “hyperscalers” (such as Microsoft, Amazon, Google and Meta) which mostly have AAA to AA ratings and tend to offer ~4% yields at comparable maturities.

Within the software sector, we believe caution is warranted, but our systematic models indicate some potential overweight opportunities in specific credits that offer compelling coupon income as compensation for risk.

### **High Yield Can Help Navigate AI Momentum**

The AI revolution will be potentially characterized by substantial opportunity and disruption. At present, we believe a systematic approach to the high yield market may be well placed to help investors navigate both.

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## Endnotes

1. Bloomberg (S&P 500 Index and MSCI ACWI ex-USA Index), February 25, 2026.
2. Bloomberg, February 24, 2026.
3. Bloomberg (Bloomberg U.S. Corporate High Yield Index and Bloomberg Pan-European High Yield Index).
4. Bloomberg (Bloomberg U.S. Corporate High Yield Index), Insight, February 2026).

## Appendix

**Magnificent 7** refers to the following seven stocks: Nvidia, Meta, Tesla, Amazon, Alphabet, Apple, and Microsoft.

**Hyperscaler issuers** refers to large-scale cloud service providers that operate distributed data center networks that can scale storage, computing and networking resources to meet global demand.

**The S&P 500 Index** is designed to track the performance of the largest 500 U.S. companies. **The MSCI ACWI ex-USA Index** captures large and mid cap representation across developed markets countries (excluding the U.S.) and emerging markets countries. **The Bloomberg U.S. Corporate High Yield Corporate Index** tracks the performance of U.S. dollar-denominated below-investment-grade-rated corporate debt publicly issued in the U.S. domestic market. **The Bloomberg Pan-European High Yield Index** measures the market of non-investment grade, fixed-rate corporate bonds denominated in the following currencies: euro, pounds sterling, Danish krone, Norwegian krone, Swedish krona, and Swiss franc. The Bloomberg Investment Grade Index measures the investment-grade, U.S. dollar-denominated, fixed rate, taxable corporate and government related bond markets. **U.S. Leveraged Loans:** The Morningstar LSTA U.S. Leveraged Loan Index is a market-value weighted index designed to measure the performance of the U.S. leveraged loan market.

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Bond ratings reflect the rating entity's evaluation of the issuer's ability to pay interest and repay principal on the bond on a timely basis. Bonds rated BBB/Baa or higher are considered investment grade, while bonds rated BB/Ba or lower are considered speculative as to the timely payment of interest and principal. Credit ratings reflect only those assigned by Nationally Recognized Statistical Rating Organizations (NRSRO) that have rated fund holdings. Split-rated bonds, if any, are reported in the higher rating category.

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