

August 21, 2026

This week, the size of the US debt rose above \$40 trillion. Paying that off at \$1 million a day would take over 109,000 years—20 times longer than all of recorded history. Our expanding national debt, interest payments on which surpass national defense and Medicare spending, <https://budget.house.gov/press-release/interest-costs-surpass-national-defense-and-medicare-spending> (May 16, 2024), affects financial markets.

Three forces now compete for the same pool of capital: record government borrowing, an unprecedented corporate investment cycle in artificial intelligence, and a rising cost of capital that will separate strong balance sheets from weak ones. Each bears on how individual investors may want to position their portfolios.

BlackRock CEO Larry Fink, now serving as interim co-chair of the World Economic Forum*, has repeatedly warned about ballooning U.S. national debt, see, e.g., https://www.youtube.com/watch?v=vg7Fhrh_bkk (May 10, 2025). Total U.S. public federal debt was approximately 122.6% of our gross domestic product (GDP) at the end of this year's First Quarter, <https://fred.stlouisfed.org/series/GFDEGDQ188S>. And that figure included only the first of now nearly six months of Middle East conflict costs; independent estimates put the war's cost in the range of \$1–2 billion per day, <https://www.hks.harvard.edu/faculty-research/policy-topics/international-relations-security/why-war-iran-so-expensive>.

So what is an investor to do?

Despite the Middle East conflicts, higher oil prices, and ongoing questions surrounding potential payoffs from massive artificial intelligence (“AI”) investment, the S&P 500 entered August near all-time highs. Prospects for rising equity prices remain strong, based on a resilient economy and solid corporate fundamentals. Bond prices may be more likely to continue falling.

This week, long-dated Treasury bond prices fell—which pushed yields higher—with the 10-year Treasury bond closing Thursday at 4.70% yield despite the U.S. Treasury Department's announced plan to “buy back” more of our national debt, <https://www.wsj.com/livecoverage/stock-market-today-dow-sp-500-nasdaq-08-20->

[2026](#) (gift link) (“Stock Market Today: Bessent Signals Treasury Buybacks Could Exceed \$4 Billion; Dow slumps 600 points as bond yields rise with Brent crude prices”). Next week, new Fed Chair Kevin Warsh will address the August 27–29 Economic Policy Symposium at Jackson Hole. Markets will be listening.

The AI investment cycle remains a dominant theme for both stocks and bonds. On the equity side, as major technology companies reported second quarter earnings, those companies that demonstrated strong revenue growth, cash flow generation, and evidence of AI monetization were rewarded.

Private capital has moved to fund that buildout directly. Blackstone—one of the world’s largest private-credit lenders, <https://www.cnbc.com/2026/03/03/blackstone-private-credit-fund.html>—announced in May a joint venture with Google to launch a new TPU cloud infrastructure company, <https://www.blackstone.com/news/press/blackstone-announces-joint-venture-with-google-to-create-new-tpu-cloud/>. The next month, it teamed up with Broadcom and Apollo to create a platform aimed at accelerating global AI deployments measured in gigawatts, <https://investors.broadcom.com/news-releases/news-release-details/broadcom-apollo-and-blackstone-establish-landmark-strategic>. Those commitments run to data centers, specialized chips, and frontier AI laboratories, <https://www.blackstone.com/news/press/broadcom-apollo-and-blackstone-establish-landmark-strategic-platform-to-accelerate-more-than-20-gigawatts-of-global-ai-deployments/>.

That corporate debt wave competes directly with record U.S. government borrowing. Heavy supply and rising duration risk together are driving bond yields higher rather than lower, putting downward pressure on bond prices and increasing borrowing costs across markets.

Although the inflation picture remains muddled, resilient economic growth, compelling earnings, and AI-driven innovation support a positive outlook for ongoing capital appreciation across the AI value chain—though not for every participant. On the credit side, cash flow from credit investments seems likely to continue to rise, alongside rising default risks for some borrowers. As BlackRock put it last week:

“While aggregate macroeconomic resilience remains supportive, a higher cost of capital

and intense competition for funds mean corporate outcomes will diverge sharply. Companies with high cash flows will thrive, while weaker firms face severe balance-sheet stress, driving the need for strict asset selectivity.” <https://www.blackrock.com/us/individual/insights/blackrock-investment-institute/weekly-commentary>

Nothing in present or anticipated market conditions is inherently good or bad. Rising equity prices can mean unrealized gains that make tactical adjustment expensive in taxable accounts—or, on a reversal, a harvesting opportunity for one investor and a dollar-cost-averaging opportunity for another. Falling bond prices can mean rising cash flow in an actively managed portfolio, or mounting pressure on a leveraged borrower. Which strategy is best for present and anticipated circumstances depends on questions no market commentary can answer: the taxable nature of the account, the purpose of the investment(s), and the timeframe over which capital preservation, income, and/or capital appreciation is needed.

With volatility tied to geopolitics and uncertainty around returns on AI investment likely to persist, diversification across asset classes, geography, and business sectors remains as important as ever. What that diversification should look like, however, depends entirely on individual circumstances. A personalized investment strategy has never been more important.

As always, please reach out to us with questions.

Thank you for your continued trust.

Warmest Regards,

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* The World Economic Forum since 1971 has met annually in Davos to connect leaders across sectors, regions, ideologies, and generations, https://en.wikipedia.org/wiki/World_Economic_Forum. The Forum is an independent not-for-profit organization, headquartered in Geneva, with offices in New York

and San Francisco, Beijing, and Tokyo, <https://www.weforum.org/about/world-economic-forum/>.