

UPSIDE PODCAST — #Episode 111

The credit market is pricing Oracle like junk debt

Equity markets are near record highs, which is why we should be paying attention. Almost nobody in tech watches credit default swaps.

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WHAT A CDS ACTUALLY IS

It's insurance on someone else's debt

If you're holding \$10m of a company's debt, you can buy a contract that pays out if they default. The price of that contract moves daily as the market changes its mind about how risky the company is, and you can trade it.



WHY IT'S A USEFUL SIGNAL

It's traded, so it gets priced every single day

Earnings tell you about a quarter that's already finished, and ratings agencies take their time. CDS spreads give you a live read on what sophisticated lenders think about a company's ability to pay what it owes.

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244 basis points to insure Oracle's debt

That's \$244,000 a year to cover \$10m. For a company that spent decades as one of the most dependable cash generators in enterprise software, that's a huge place to be trading.

The Oracle logo, consisting of the word "ORACLE" in a bold, blue, sans-serif typeface.

SPACEX

SpaceX is at 194 basis points and rising

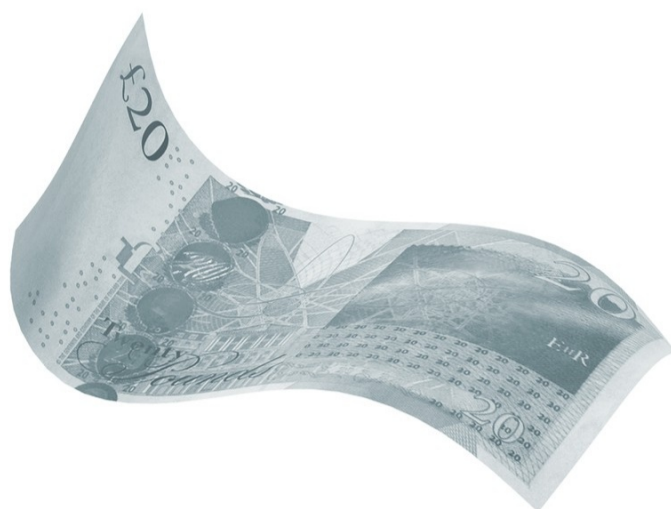
They're raising \$40bn to buy chips, \$30bn in bonds and \$10bn in bank loans. Going public helped, because a listed company with daily pricing and proper disclosure makes a much more comfortable borrower. The spread has kept widening regardless.



WHAT IT TELLS YOU

The AI build-out has shifted from equity to debt

While companies were funding CapEx out of free cash flow, credit barely mattered. Now that the build-out runs on borrowed money, lenders have a say in how far it goes.



CLOSER

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