

The Map of AI

Q2 2026 — the definitive edition

Thirty-one nodes printed and read. The floor cross-confirmed, the ceiling split, the credit instrumented — and the centre printed on August 26, and moved.



physical — years



financial — quarters



efficiency — weeks

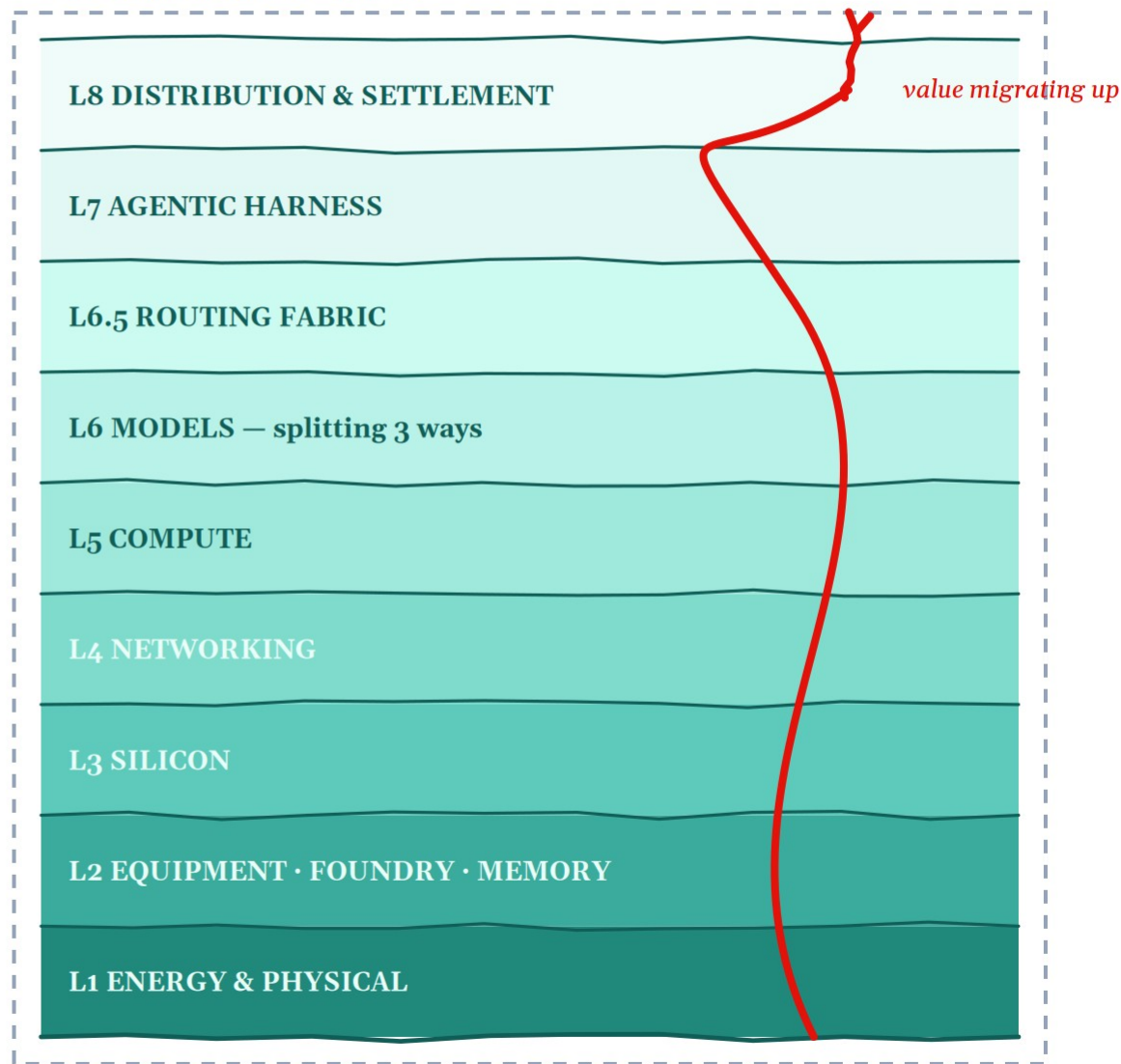
Nine layers. Four clocks. One buildout.

THE FULL SEASON READ

KEY TAKEAWAY

Thirty-one companies read as probes into one system: nine layers, four clocks, six doors, three joints.

THE GOVERNANCE FENCE



Contents

Seven acts and an annex — map, demand, floor, capital, monetization, software power, tests, verdict.

Seven acts and an annex. The argument runs in one line: map → demand → physical scarcity → capital → monetization → software power → structural tests → verdict.

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Each plate carries its act marker and a clock rail — physical, financial, efficiency, adoption. Two lit means a coupling, and couplings are where this cycle breaks.

ACT 0

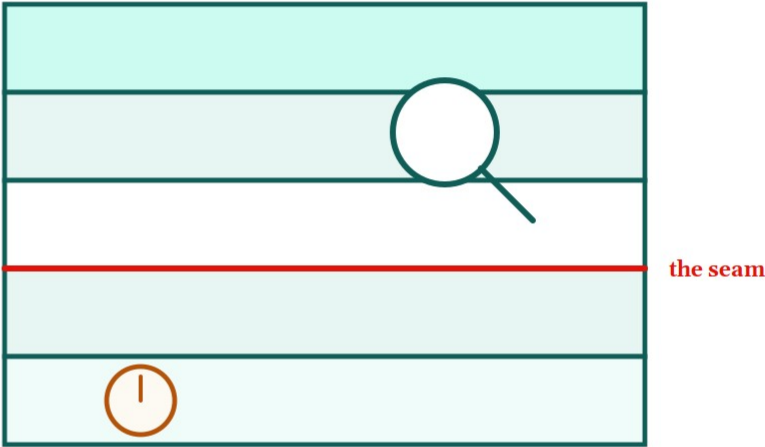
THE MAP

What the system is, how it is read, who is on it, and where the cycle stands.

This is the map. This is how we read it. These are the actors. This is where we are.

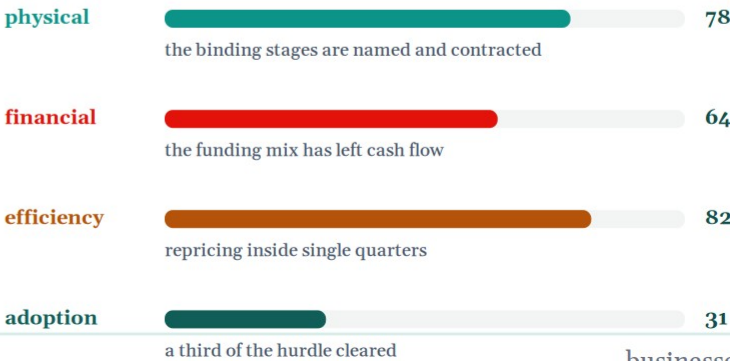
IN THIS ACT

- The instrument
- Four clocks — and how this deck is ordered
- How each clock is measured
- What this analysis considers
- Where the supercycle stands
- The thesis



nine strata · one seam · one junction

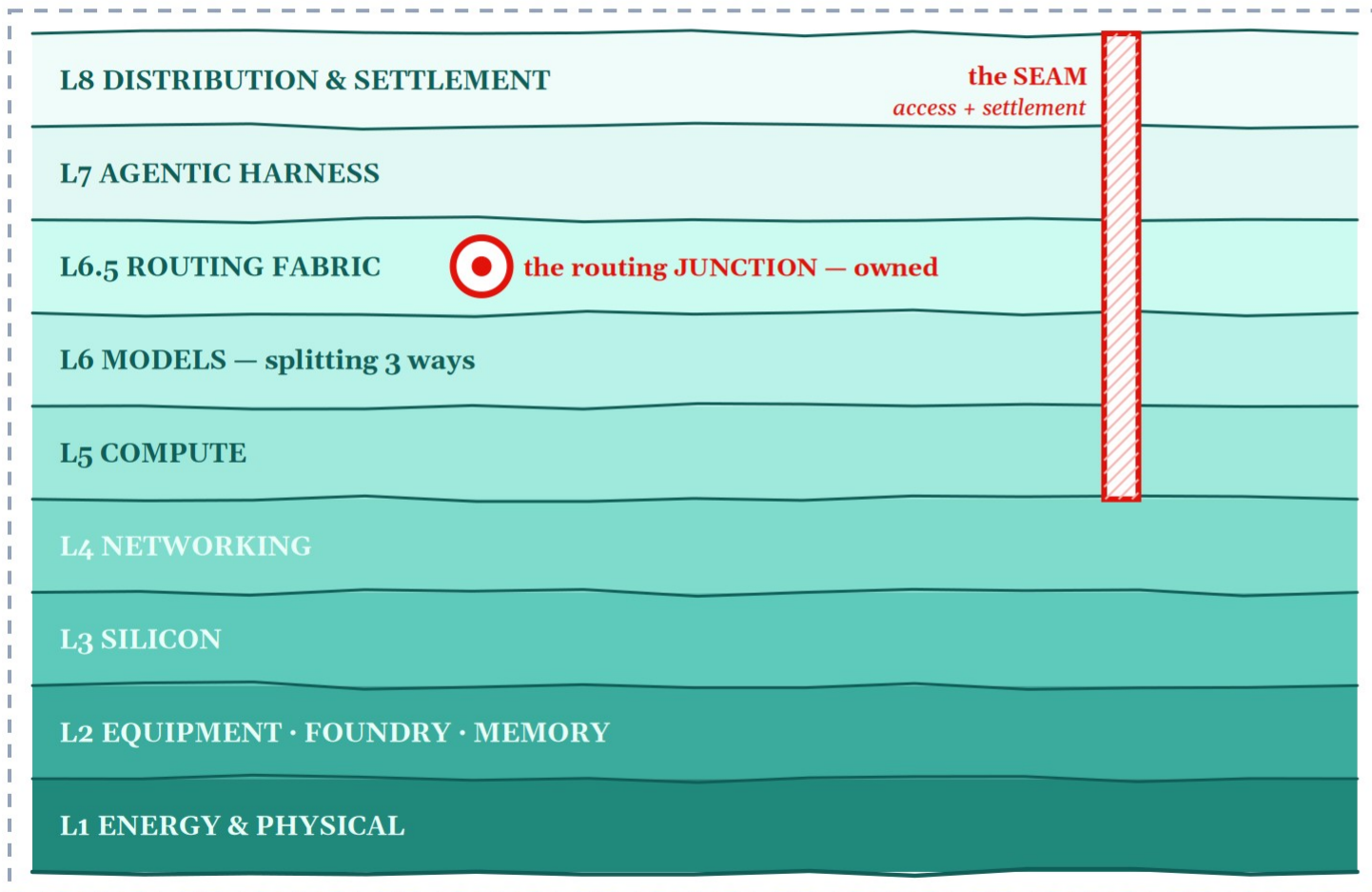
CLOCK READING — THIS ACT



THE INSTRUMENT · THE ARCHITECTURE

Strata, a seam, and a junction

THE FENCE (L9) — export controls, antitrust, the sovereign turn



Three reading rules

- 1 · Value migrates up — but it concentrates at junctions, rails and seams, not at models. Models get rented; the junction gets owned.
- 2 · The fence is not a layer. Governance surrounds the stack and cuts through every alliance, export line and data-residency choice.
- 3 · The credit map is not the layer map. Contagion runs vertically through financing joints — and it breaks bottom-up.

New this season: L6 splits three ways (closed frontier · open-weight cohort · enterprise co-designed) and the alliance replaces the firm as the unit of competition.

THE INSTRUMENT · THE READING METHOD

Four clocks — and how this deck is ordered

Every finding advances one of four clocks. The rail at the top-left of each plate says which — so you always know which clock is being read.



PHYSICAL

turns in years

concrete, wafers, megawatts — committed and slow to un-decide

the floor: fabs, memory, silicon, racks



FINANCIAL

turns in quarters

cash, credit, refinancing — where strain shows first

the builders, the chain, the centre, the joints



EFFICIENCY

turns in weeks

architecture and cost per token — the fastest hand on the board

the memory race, model anatomy, the open flank



ADOPTION

turns in months

what buyers actually deploy — the demand shape itself

the demand engine, the ceiling, the harness turn

THE ASYMMETRY THAT MAKES THE RISK

Supply turns in years; demand turns in quarters — and it turns in SHAPE, not just size. Every builder is betting today's demand shape survives its own build time. Shape can change fast; committed concrete cannot.

So the order of this deck follows the clocks: the physical floor first because it moves slowest and settles the demand question; then the financial clock through the builders, the chain and the centre; the efficiency clock inside the model layer; and the adoption clock wherever the buyer decides.

Watch for plates lit on two clocks at once — those are the couplings, and the couplings are where this cycle actually breaks.

Each clock is scored 0–100 from named observable series, so the same reading can be taken again next quarter.

THE INSTRUMENT · THE SCORING

How each clock is measured

A clock is only useful if it can be read the same way twice. Each one is scored 0–100 from named, observable series — and every act of this deck carries its own reading.



78/100

PHYSICAL**how binding the physical constraint is**

MEASURED FROM utilisation at the binding stage · lead times · contracted vs available capacity · price of the scarce input

THE SCALE 0 = capacity is free · 50 = tight in places · 100 = fully binding, allocation by contract



64/100

FINANCIAL**how much strain sits in the funding structure**

MEASURED FROM debt share of capex · off-balance-sheet share · spreads at issue · receivable and vendor-financing balances

THE SCALE 0 = self-funded from cash flow · 50 = mixed · 100 = external and levered throughout



82/100

EFFICIENCY**how fast cost per unit of capability is falling**

MEASURED FROM cost per million tokens at constant capability · active-parameter ratios · index score per dollar

THE SCALE 0 = static · 50 = steady decline · 100 = step-change repricing inside a quarter



31/100

ADOPTION**how far real deployment has actually got**

MEASURED FROM countable revenue against the hurdle · contracted agentic value · deployments per quarter · seats converted to actions

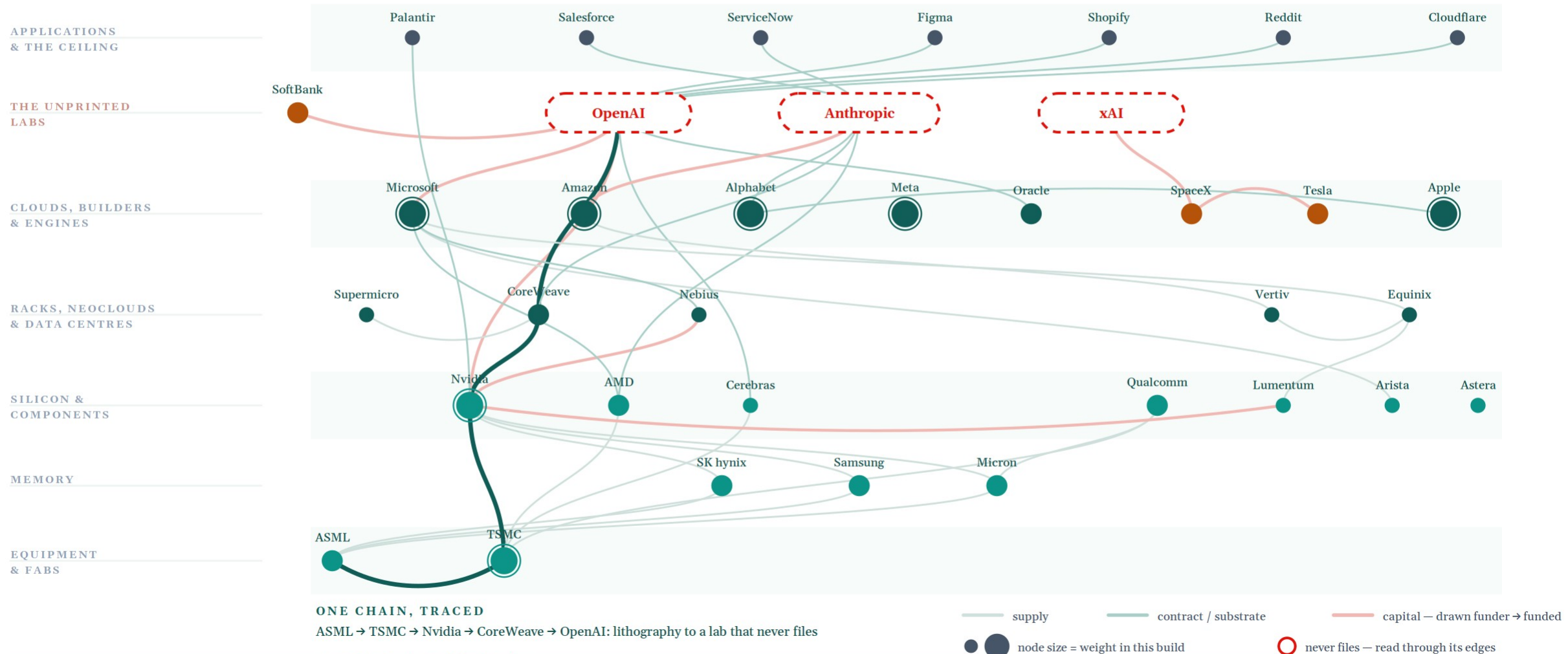
THE SCALE 0 = pilots only · 50 = production at scale · 100 = the hurdle cleared

Two lit clocks on one plate is a coupling — this season they sit where scarcity meets efficiency, and where financing meets adoption.

THE INSTRUMENT · THE FIELD

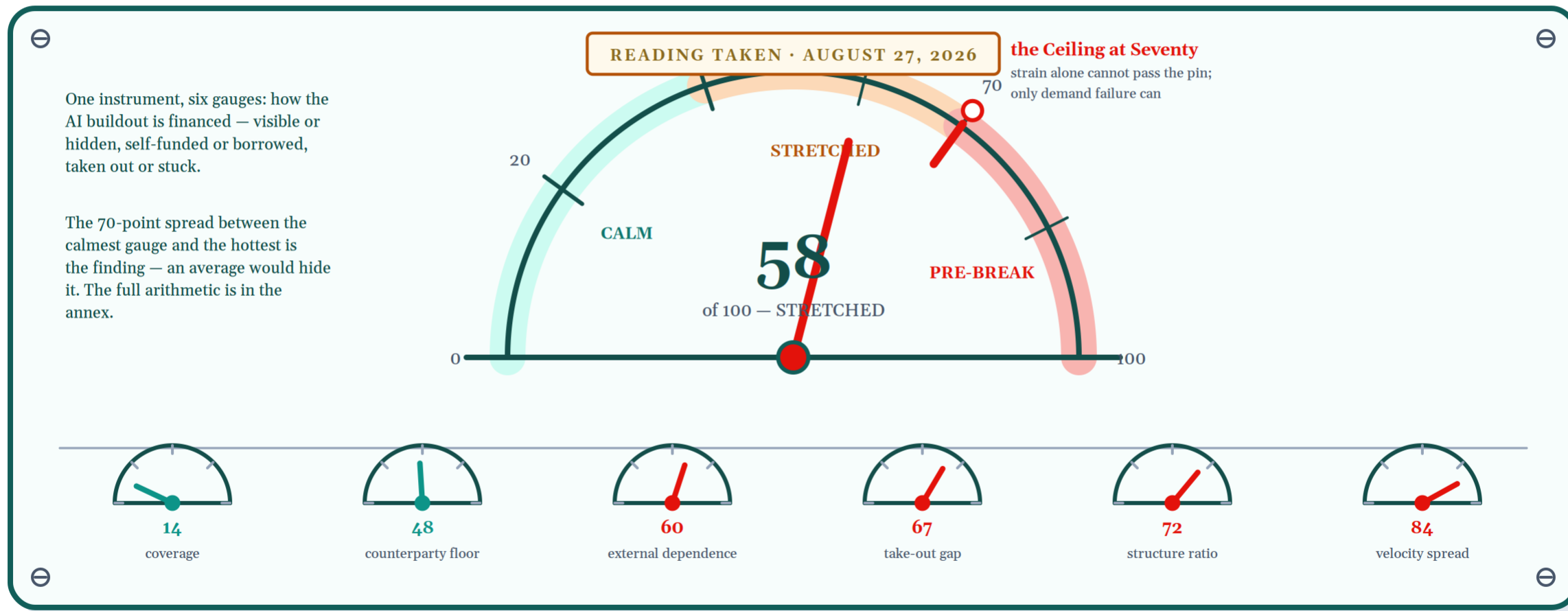
What this analysis considers

The map is a graph. Height is layer, node size is weight in this build, and every line is a tie disclosed this season — supply, contract, or capital.



THE READING · WHERE THE CYCLE STANDS

Where the supercycle stands



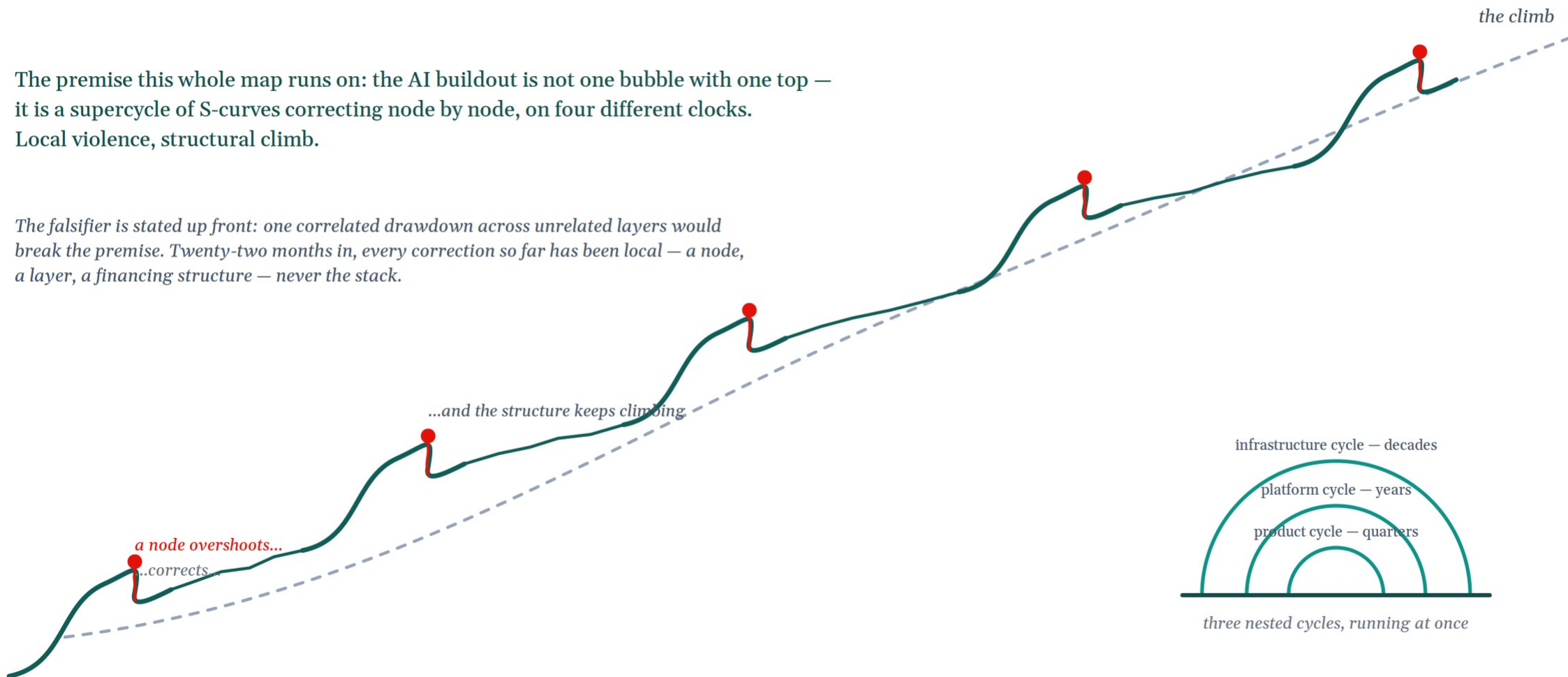
Stretched, not breaking: sound where measured in cash, fragile where measured in refinancing. The rest of this deck explains the needle.

THE THESIS

The AI Supercycle: many curves, one climb

The premise this whole map runs on: the AI buildout is not one bubble with one top — it is a supercycle of S-curves correcting node by node, on four different clocks. Local violence, structural climb.

The falsifier is stated up front: one correlated drawdown across unrelated layers would break the premise. Twenty-two months in, every correction so far has been local — a node, a layer, a financing structure — never the stack.



Read every print in this deck as one node's position on its own curve — not as a verdict on the cycle.

THE MAP OF AI · Q2 2026

ACT I

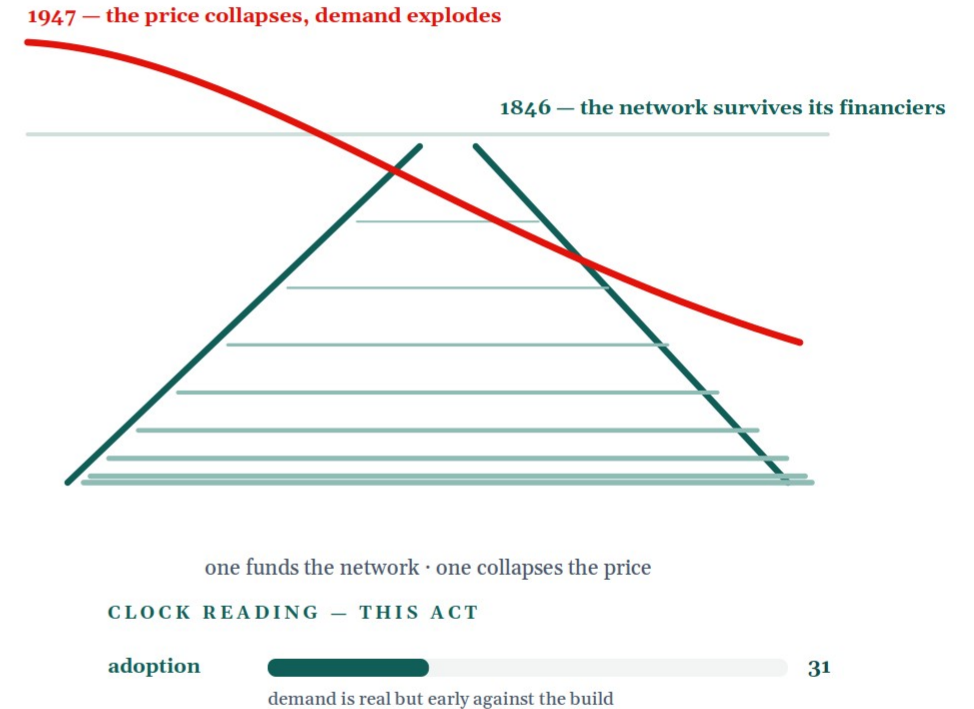
WHY THIS BUILD LOOKS STRANGE

Why an enormous build can be speculative in places and structurally rational overall.

Two historical lenses, one fence, and the shape of the demand underneath.

IN THIS ACT

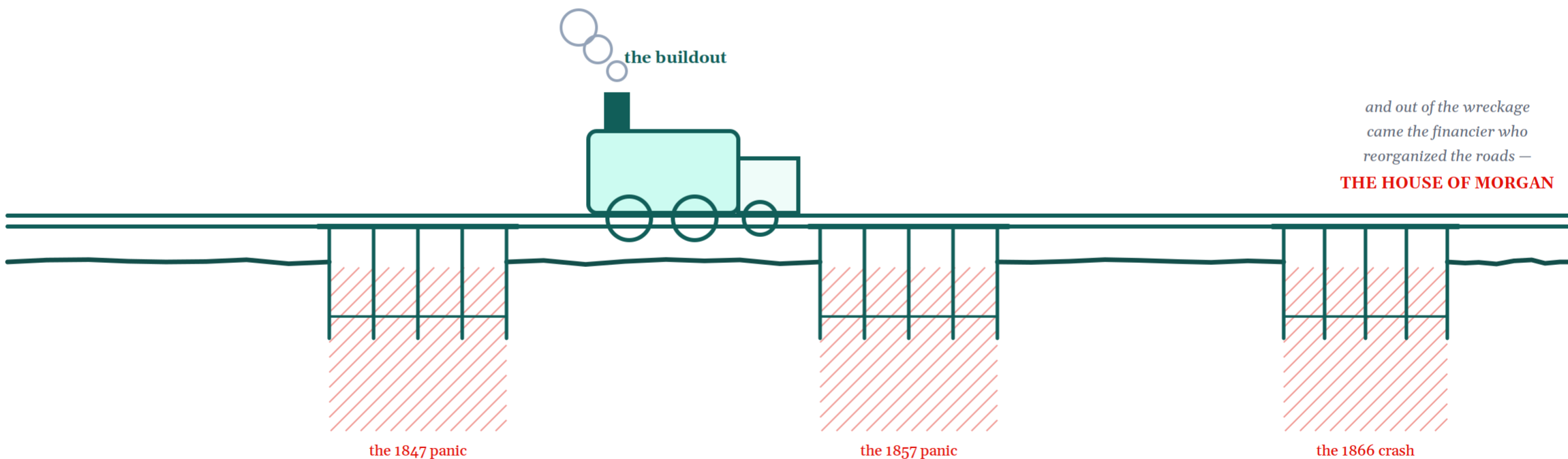
- 1846, not 1999
- 1947: the control experiment
- Two stacks, one fence, three buyers
- Why demand has this shape
- The demand behind the build



THE FIRST RHYME · 1846

1846: the railway mania is the right analogy

Britain, 1846: railway investment reached ~7% of GDP; more track was authorized in two years than the country would need in twenty; capital ran ahead of returns for a decade, and the panics along the way were real. And the rails stayed — repricing the cost of distance for a century. The rhyme for this buildout is the railroads of 1840–1900, not the dot-coms of 1999.



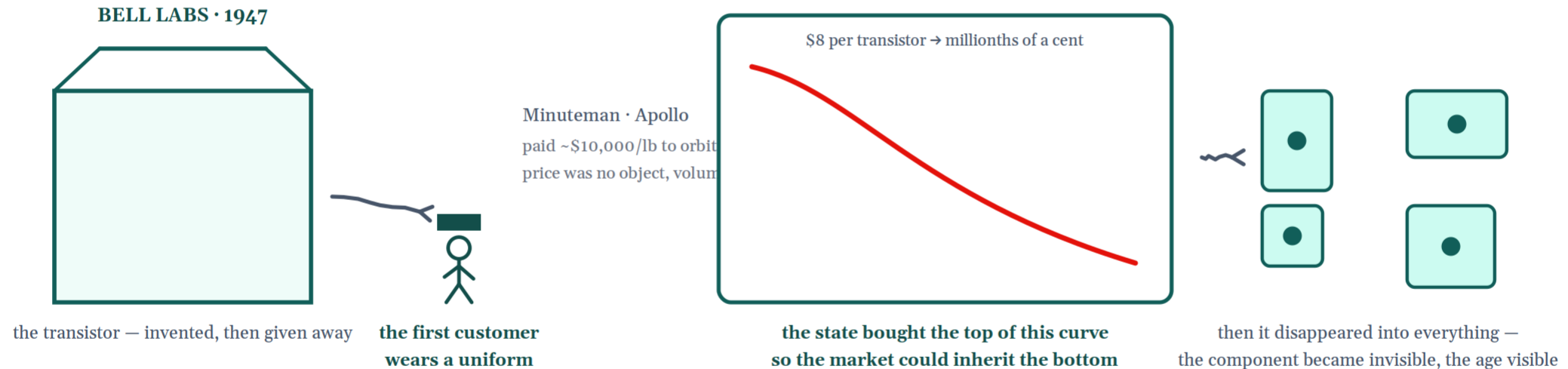
The mania funded the network; the panics transferred its ownership; the network repriced commerce. Hold all three at once.

The state once bought the transistor until it vanished into everything.
The experiment reruns now — with a private underwriter.

THE SECOND RHYME · 1947

1947: the control experiment

1846 explains the financing. The transistor explains the demand — the first silicon age ran this cycle once, with one variable different.



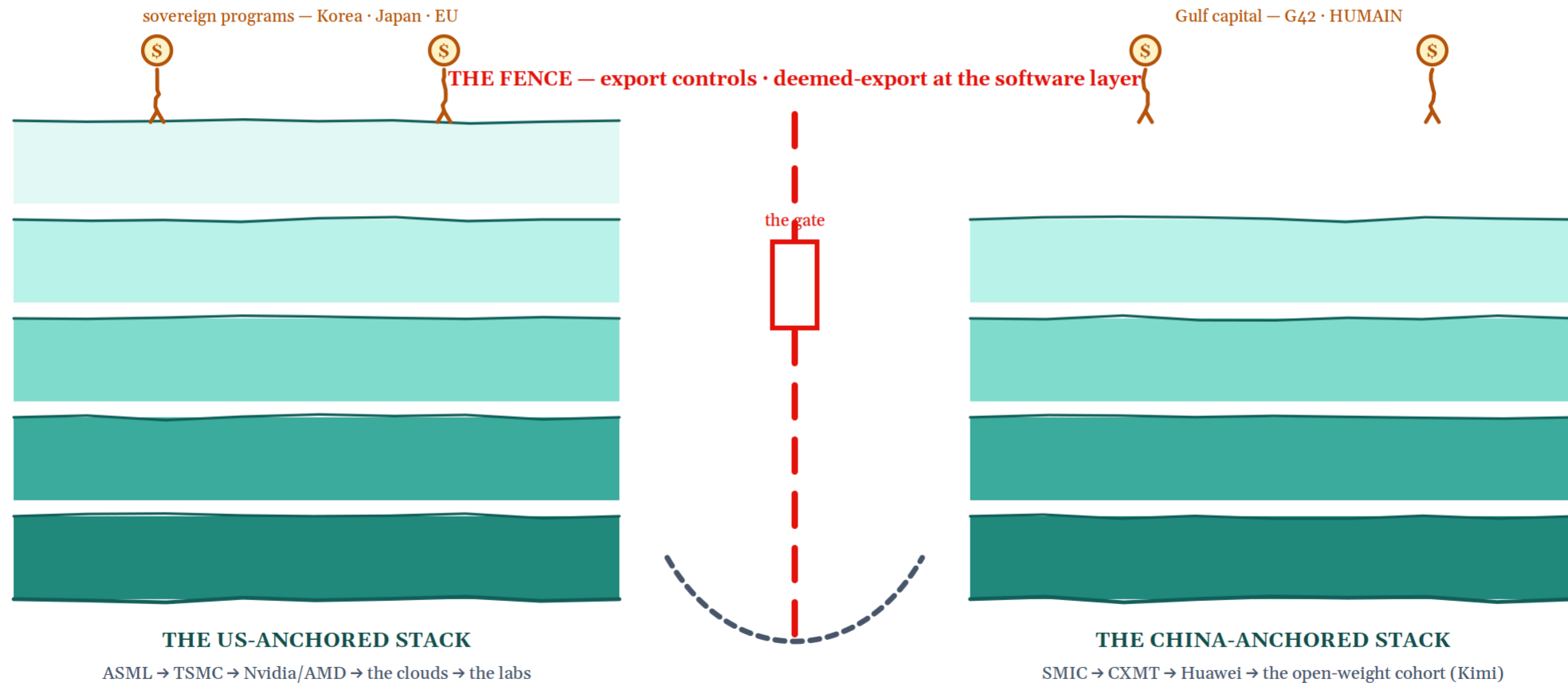
That is the discriminator between a mania and a supercycle: WHO UNDERWRITES DEMAND while the cost curve falls. In 1947 it was the state — price-insensitive, patient, buying the capability across its commercial winter.

This age is rerunning the experiment with the underwriter changed: private, and sitting at the centre of the map — which is why the bank matters.

THE CONFIGURATION · TWO STACKS, ONE FENCE

Two stacks, one fence, three buyers

Governance is the fence, not a layer: it surrounds the stack and cuts through every alliance and export line.

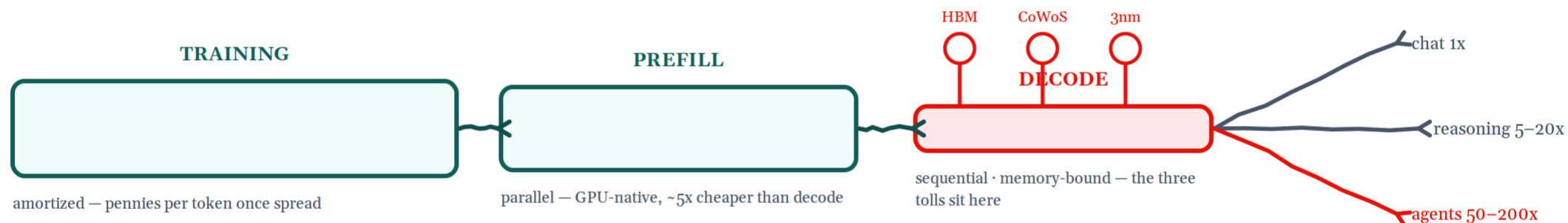


Three buyers now shape demand: the hyperscalers, the enterprises — and the state, whose demand is return-insensitive: it sets a floor, not a hurdle.

THE MECHANICS · WHY DEMAND HAS THIS SHAPE

Technology: why compute demand has this shape

Every AI dollar passes through three stages, and the economics invert at the last one: training is amortized, prefill is parallel — decode is sequential and memory-bound, which is why the binding constraints are memory, packaging and the leading edge, and why reasoning and agents multiply spend on exactly the narrowest chamber.



the reasoning tax — the same question, re-priced

And the efficiency clock cuts the cost per token while total spend RISES — cheaper models widen use faster than they cut price (the Kimi Paradox). Commoditization is the router's tailwind and the floor's order book.

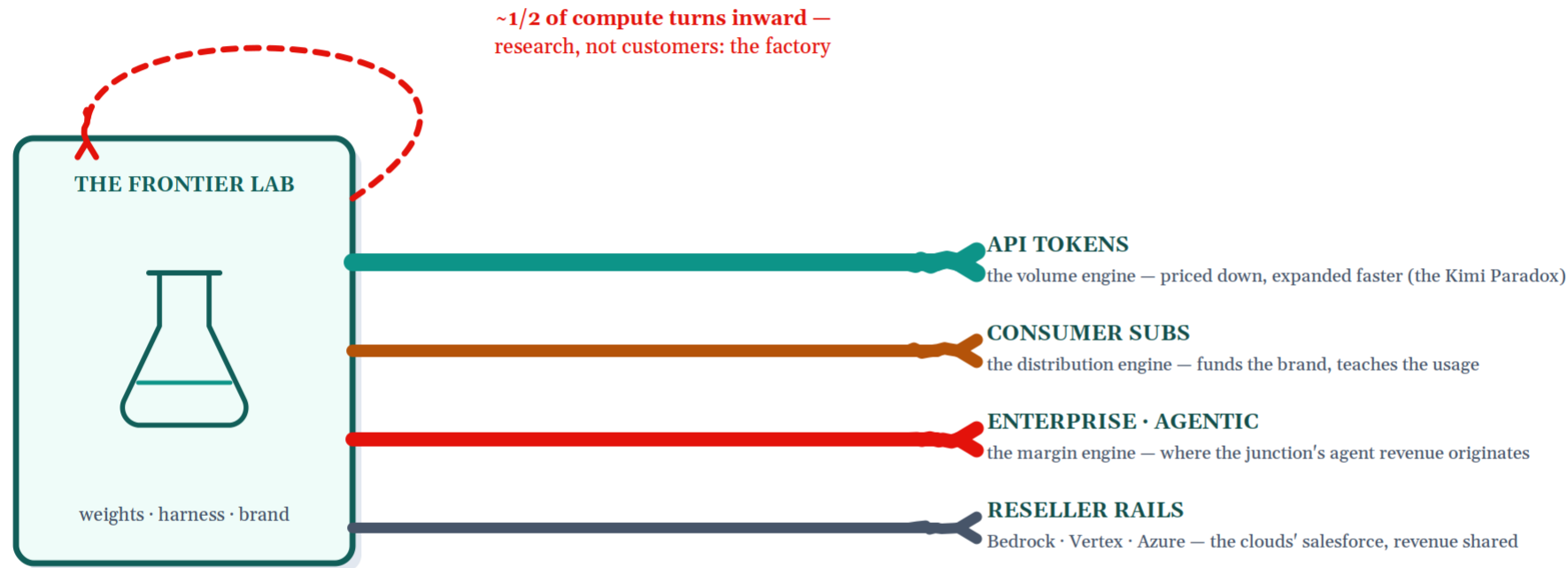
Hold this shape through every print that follows: the demand is real, and it concentrates where the physics is hardest.

Three closed labs, ~58% of AI revenue, four spigots — and half their compute now points inward, at research.

THE DEMAND · WHO IS BUYING

The demand behind the build

Before the supply story, meet the buyer: three closed labs, ~58% of countable AI revenue, four spigots — and half their compute pointed inward.



The race, dated

**Anthropic**

\$65B run-rate (gross)
adj. op income POSITIVE

**OpenAI**

\$40B (closer to net)
Frontier + \$4B Deploy Co

**Google**

inside Alphabet
owns cloud · silicon · reach

This is the demand the entire map is built against: the labs already take about a third of each year's new compute, heading toward half — and they fund the next model before they fund their investors. Gross margins run 50–55% against software's 77%, and the engine pays for its own successor anyway.

Hold this picture: every supply slide that follows — memory, silicon, builders, credit — exists to serve these four spigots.

THE MAP OF AI · Q2 2026

ACT II

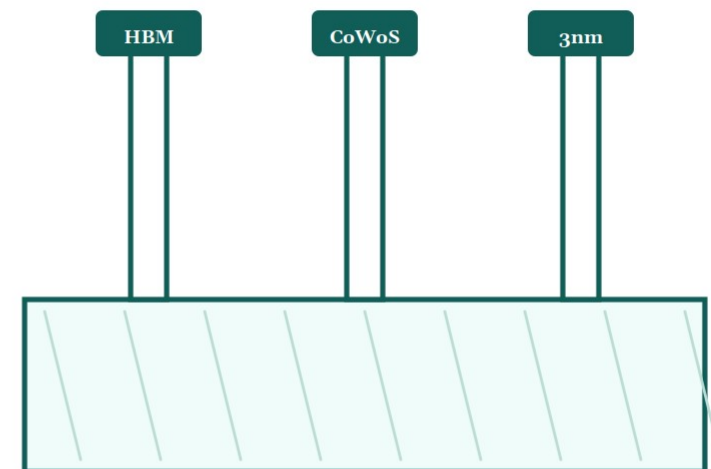
THE FLOOR

The physical bottleneck: wafers, memory, packaging and megawatts.

Scarcity is physical before it becomes financial.

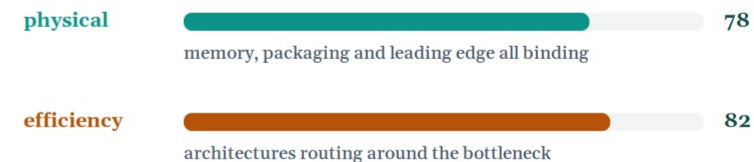
IN THIS ACT

- One road, three institutions
- The zero-sum wafer
- The memory race: DRAM vs SRAM
- Everyone is building their own chip



scarcity is physical before it is financial

CLOCK READING — THIS ACT

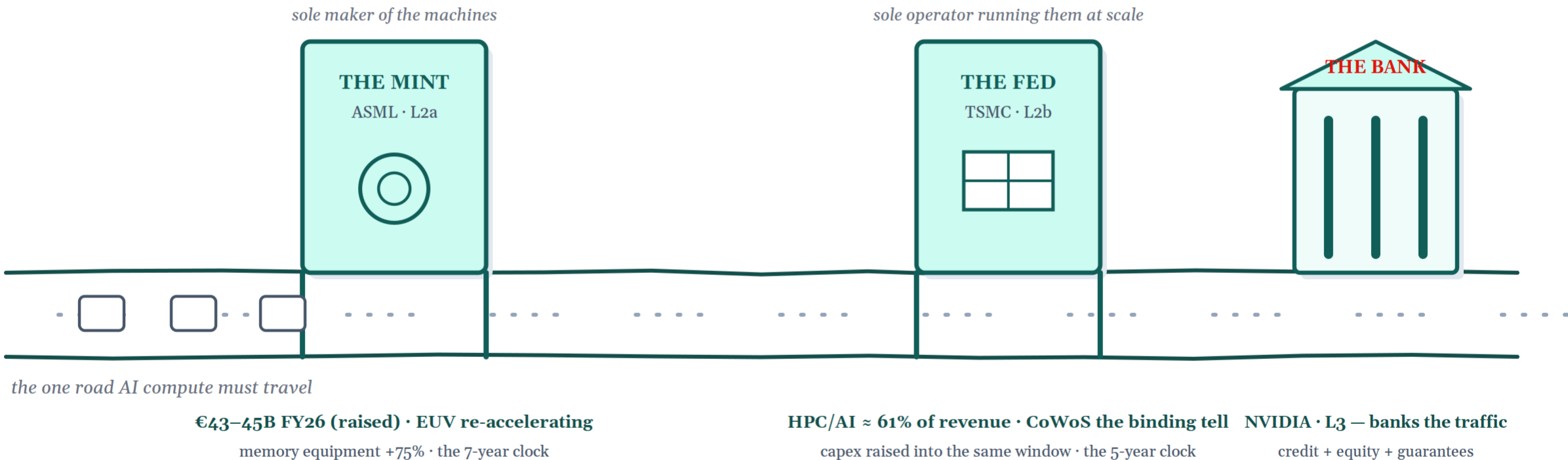


The two firms that must exist for AI to exist both raised into the same window — and a third now finances the buyers.

THE FLOOR · THE ROAD AND ITS INSTITUTIONS

One road, three institutions

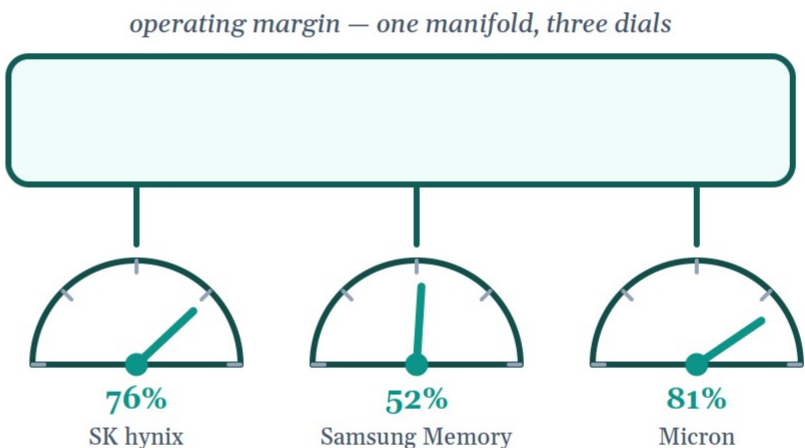
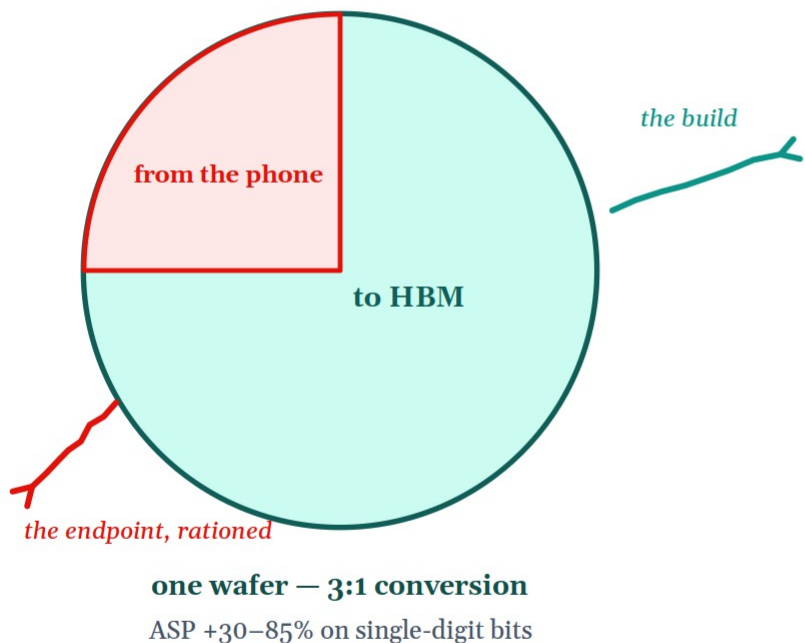
ASML mints the machines, TSMC allocates the wafers — and Nvidia, at the road's end, finances the traffic it supplies. Two monopolies on one demand curve kill the “demand is fake” thesis; the bank is where the credit story begins.



Memory is a toll booth on the build, and sixteen take-or-pay contracts turned that toll into the ceiling's credit risk.

THE FLOOR · THE ZERO-SUM WAFER

The zero-sum wafer, and the wire



THE MUTATION — market risk becomes counterparty risk

16 take-or-pay SCAs: ~\$100B minimum revenue, \$22B deposits, price floors to 2030 — the floor contractually wired to the debt-financing ceiling. Shape cannot be contracted.

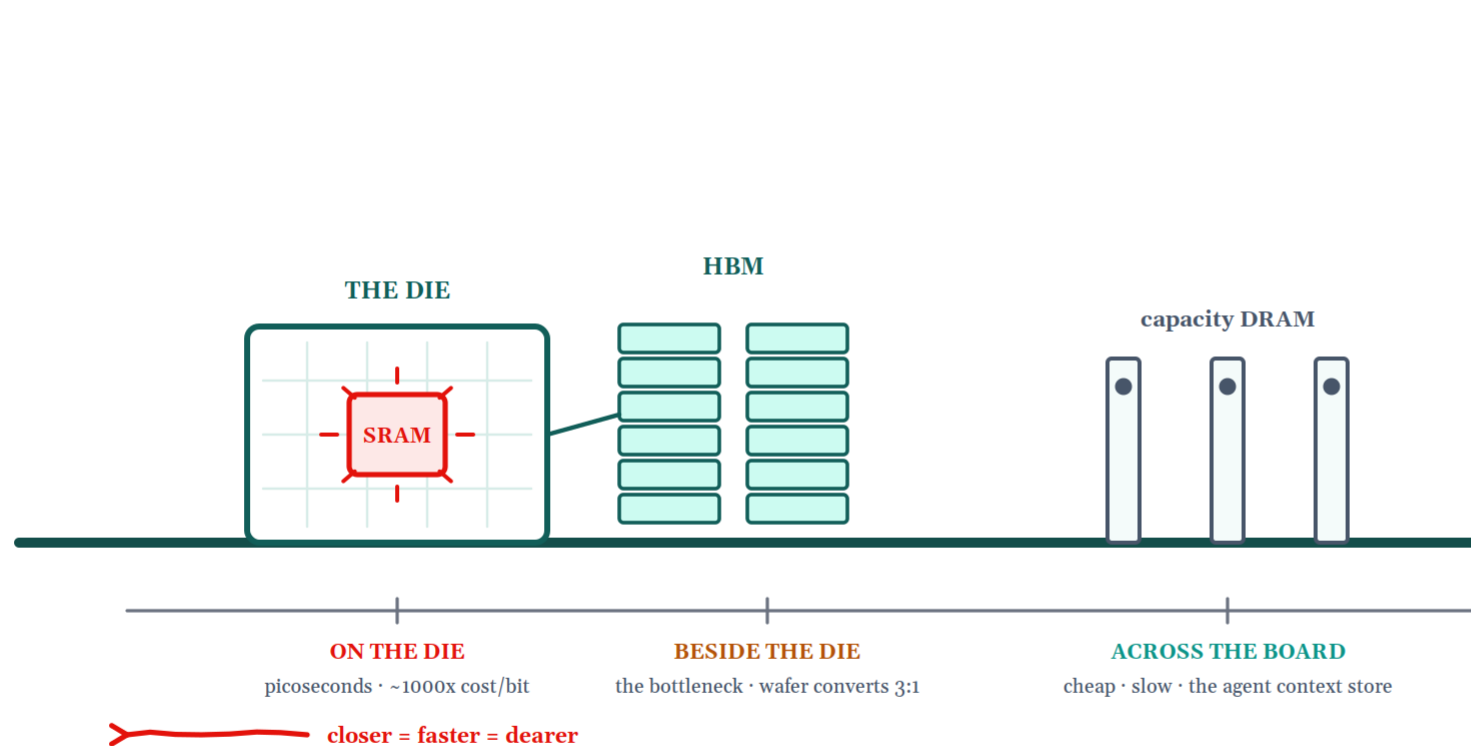


the wire — what KOSPI priced (–10.8% / –6.0%)

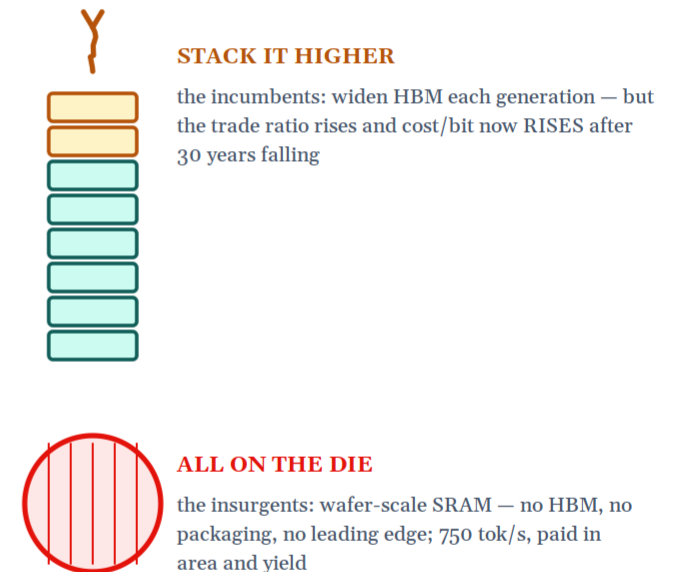
THE FLOOR · THE MEMORY RACE

The memory race: how close the data sits

Inference is memory-bound, so architectures compete on distance. Here is the board, drawn — and the two bets being placed on it.



The two bets



And a third demand is arriving: agents need a **CONTEXT** store, not just a weight store — pulling demand down the board into capacity DRAM and SSD. Cheaper models redistribute memory demand; they do not shrink it. Same tide, different beaches.

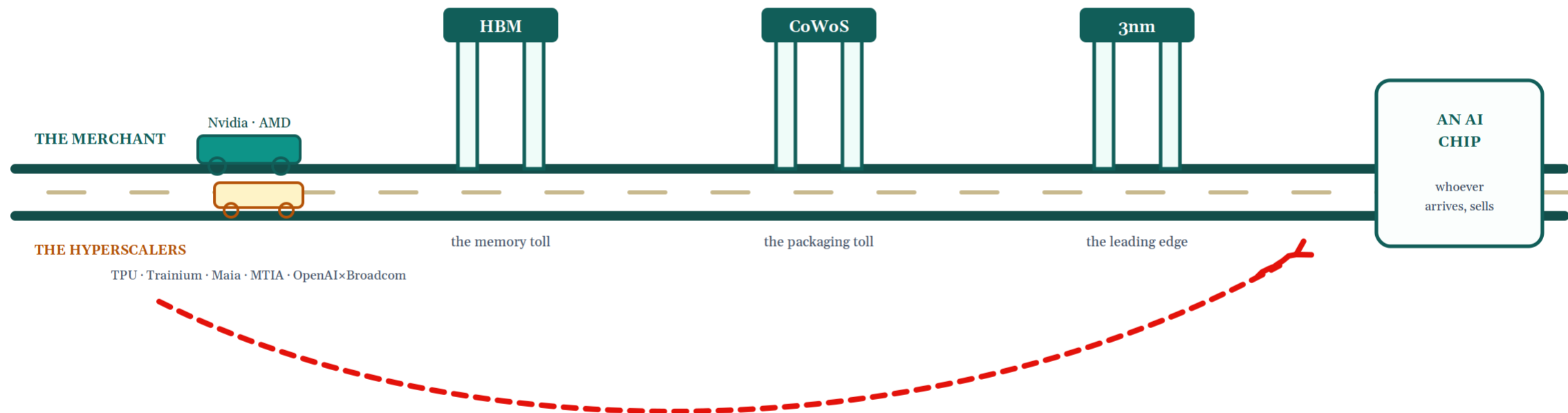
Three cohorts now design AI chips, and two of them are the buyers.
Custom silicon reroutes the spend; it does not remove it.

THE FLOOR · THREE ROADS TO A CHIP

Three roads to an AI chip

The floor has three toll gates. Two cohorts drive through them; one routes around — and that is why the incumbent now finances its customers.

Note on the hyperscaler lane: building your own chip does not skip the gates — TSMC, packaging and memory still collect. Custom silicon REROUTES the spend; it does not remove it. Demand subtraction wearing a supply costume.



THE BYPASS — wafer-scale SRAM: no HBM, no CoWoS, no 3nm

Cerebras · Groq — and Qualcomm's Dragonfly: \$0.3B → \$15B+ FY29

The bypass is why the centre changed behaviour: if the gates can be designed around, the incumbent's rational move is to finance its customers, not just sell to them. And the strongest open-market force at this layer: one anchor lab now runs on FIVE substrates — TPU, Trainium, CoreWeave, Nvidia, AMD.

THE MAP OF AI · Q2 2026

ACT III

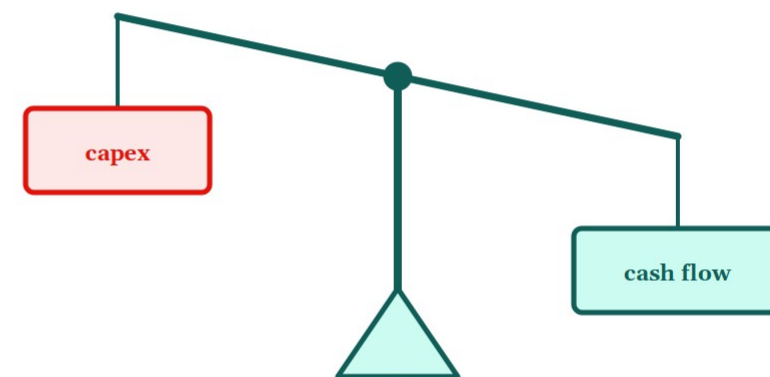
WHO PAYS FOR THE BUILD

Who can absorb the capex, who cannot, who skipped it — and how identical infrastructure produces different outcomes.

Hyperscalers fund → two houses opt out → suppliers receive → intermediaries lever → the supplier finances → the hurdle rises.

IN THIS ACT

- Who pays for the build?
- One build, eight verdicts
- Alphabet and the cage
- Microsoft above the waterline
- Meta: the cistern
- Amazon: the split ledger
- Two houses beside the build
- The SpaceX flywheel
- Follow one dollar of capex
- Same build, opposite sign
- The centre printed, and moved
- The beat raises the hurdle



same build · eight different balance sheets

CLOCK READING — THIS ACT

financial  **64**
debt share of capex 9% to 32% in eight quarters

There are only five places the money can come from, and this quarter it moved down the list toward the fragile ones.

THE ABSORBERS · THE FIVE SOURCES

Who pays for the build?

Roughly \$750B a year has to come from somewhere. There are only five places, and they are not equally safe — read down: each source is more fragile than the one above.

THE BILL — ~\$750B / year

SAFEST

1	OWN CASH FLOW the operating business pays for it out of what it already earns	Alphabet · Microsoft · Meta · Amazon BREAKS IF nothing — this is the build funding itself	
2	THE CAPITAL MARKETS bonds, private credit and off-balance-sheet vehicles	off-balance-sheet vehicles · \$24.9B raised at the centre BREAKS IF spreads widen or the vehicle has to be consolidated	
3	THE CUSTOMER, IN ADVANCE contracted demand pays before the asset earns — backlog, contracted future revenue, take-or-pay	neocloud backlog · 16 memory contracts, ~\$100B minimum BREAKS IF one anchor customer fails to take delivery	
4	THE SUPPLIER the vendor funds its own buyers — equity, receivables, guarantees	\$1 of own plant : \$6 into buyers' equity : \$8 into their receivables BREAKS IF the buyer cannot pay, and the sale was never really a sale	
5	EVERYONE ELSE the bill leaves the site as prices — memory into phones, PCs, cars, power bills	>\$1.50 of EPS at one handset maker · Sept-1 price hikes BREAKS IF it does not break — it just arrives, and it is political	

MOST FRAGILE

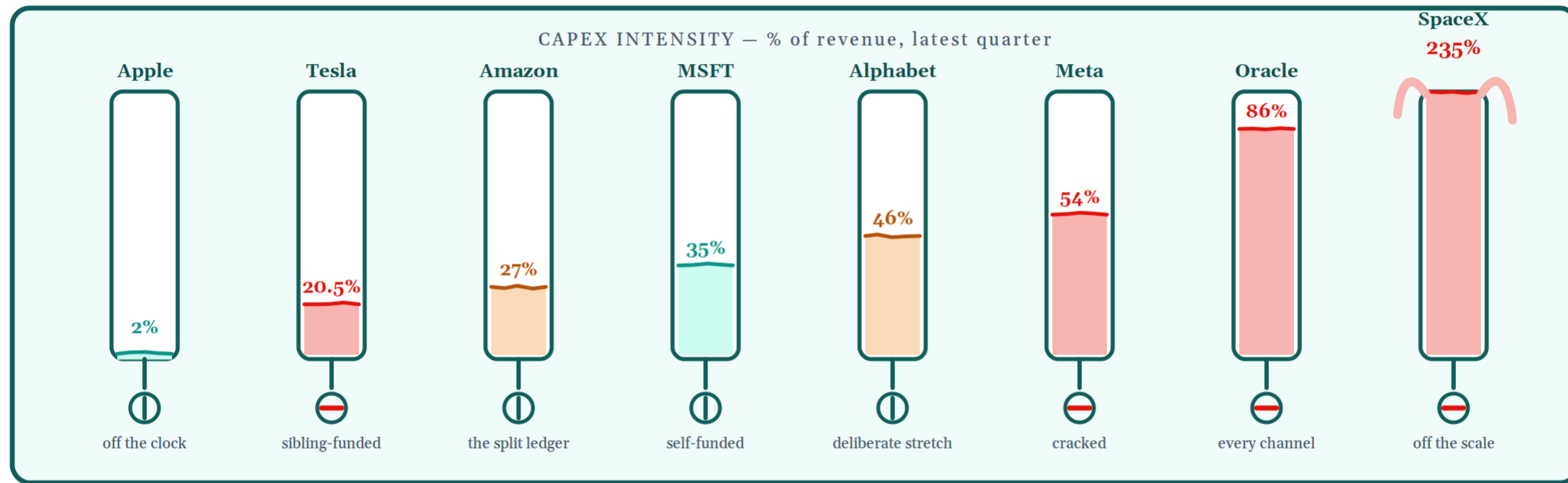
The finding: the money moved DOWN this list. A year ago most came from the top two rows; this quarter the bottom three did visible work.

All eight builders on one gauge: fluid is capex intensity, the valve is the cash verdict, and one glass overflows.

THE ABSORBERS · ONE BUILD, EIGHT VERDICTS

One build, eight verdicts

Capex as a share of revenue is the fluid level; the drain valve is the FCF verdict. One company does not fit the instrument.



All eight builders on one instrument: Apple off the clock at 2% · Tesla funding 20.5% from a 1.4% margin · Amazon at 27% with the strongest operating engine and first-negative FCF · Microsoft self-funded at 35% · Alphabet stretching at 46% on purpose · Meta cracked at 54% · Oracle at 86% through every channel at once · and SpaceX at 235% — \$18.4B of capex on \$7.8B of revenue, 86% of it AI — the glass the manifold cannot hold. The strain never disappears; it migrates: to finance leases, to \$716B of not-commenced leases, to the marks, to the sibling.

THE ABSORBERS · BUILDER NODE

Alphabet: the Absorber — and the cage it built

Cloud +82%

margin 20.7 to 35.6%

\$514B

backlog — the demand floor

FCF −\$5.9B

deliberate, three-source capital

\$920M/mo

rented Nvidia GPUs (reported) to
bridge-train its own frontier

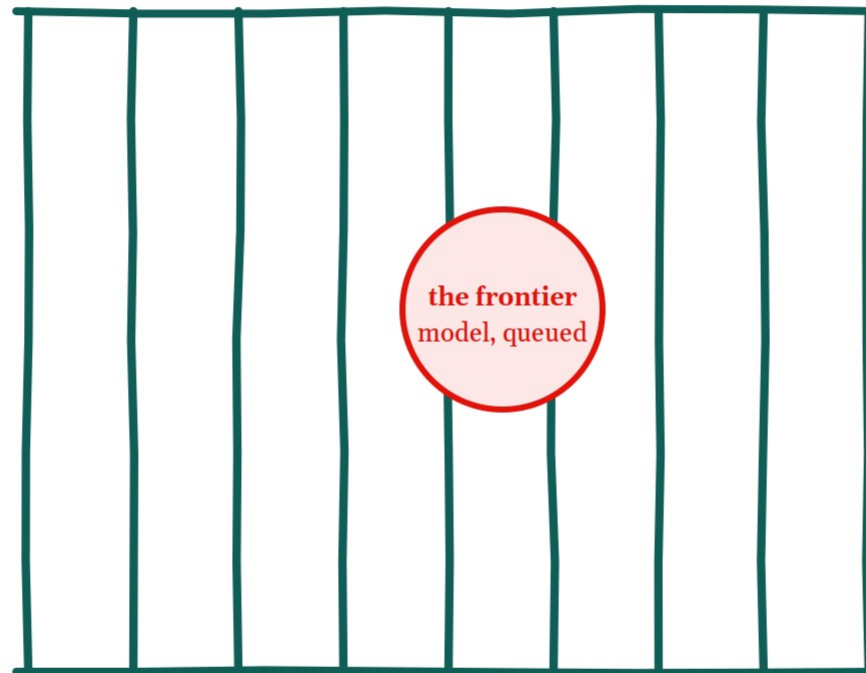


Dean · Ghemawat · Vinyals · Le — out to Discovery Loop

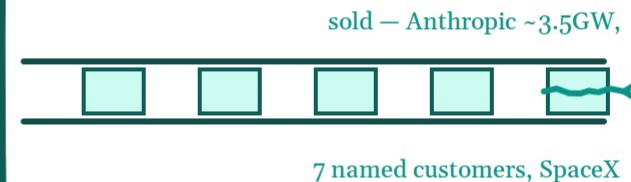
exits cite compute, not salary



THE INFERENCE CAGE — bars made of TPUs



researchers queue for the TPUs sold to Anthropic



The v8 split — separate training and inference chips — is the admission, read backward. The same quarter the market applauded TPU-as-merchant, the people who built the TPU walked out citing access to it.

The only builder still funding the whole build from its own cash, with the strain parked in leases that have not started yet.

THE ABSORBERS · BUILDER NODE

Microsoft: absorbed above the waterline

capex ~63% of cash from operations · FCF +\$67B

buybacks UP \$22B · \$0 new bonds

Azure +43% · RPO \$678B (+84%)

SELF-FUNDED

\$196.6B

leases signed, not commenced

Where the strain went

1 · The commitment line — ~\$17B of finance-lease PP&E off the capex line; other long-term liabilities +\$20B; RPO compounding ~5x revenue.

2 · The investment book — reported net income flattered by OpenAI + Anthropic marks; the +18% operating line is the repeatable read.

the waterline — what the capex chart shows

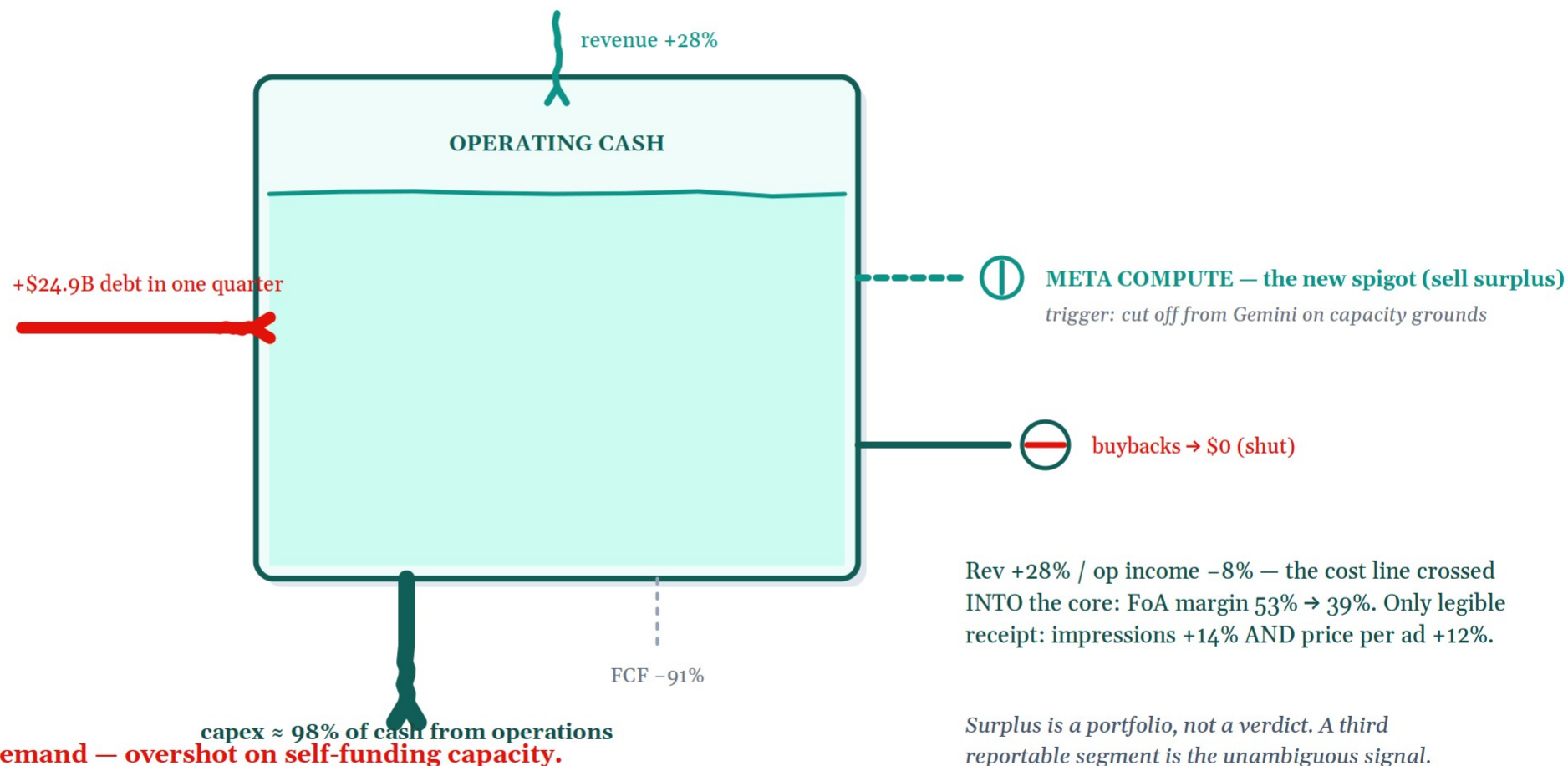
Collapse condition, named and dated: the quarter capex crosses cash from operations — or the first new bond. FY27 guide ~\$255–260B is the bigger test.

the strain didn't disappear — it migrated below the line

The point where self-funding broke: capex ate the cash flow, buybacks stopped, and debt arrived in a single quarter.

THE ABSORBERS · BUILDER NODE

Meta: the cistern and the shut valve



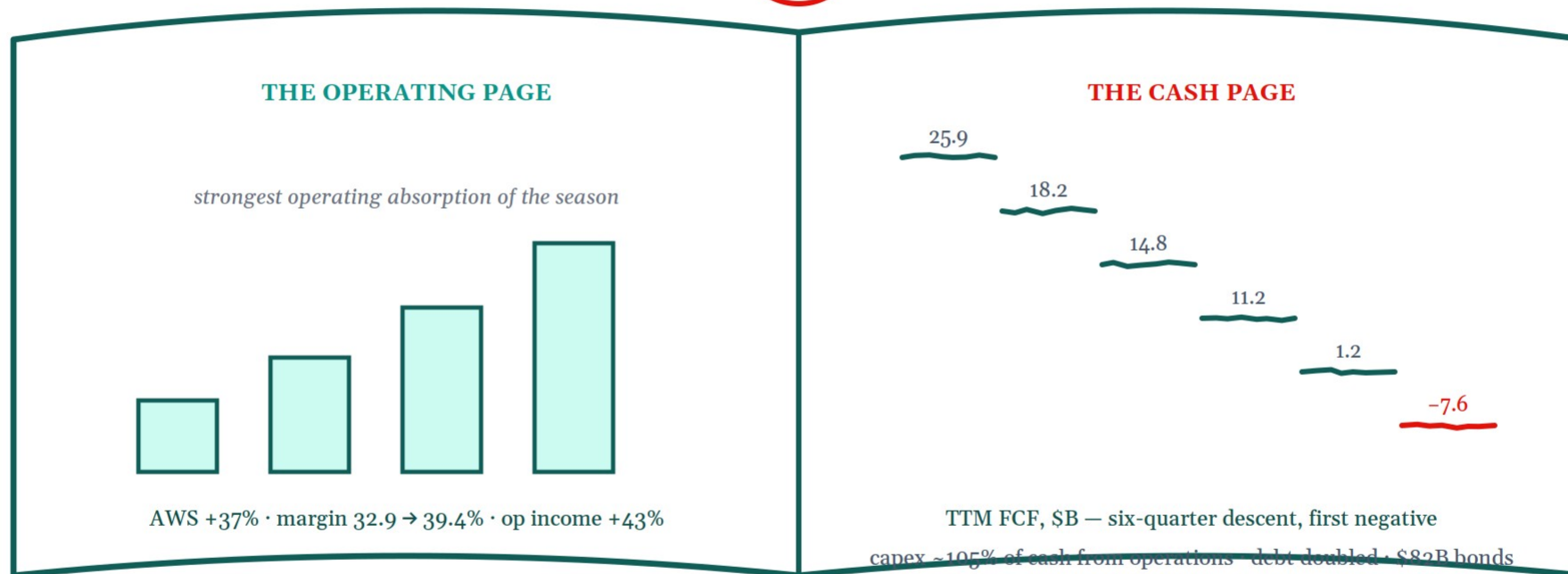
One company, two ledgers, opposite answers — the strongest operating engine of the season and its first cash deficit in years.

THE ABSORBERS · BUILDER NODE

Amazon: the split ledger

the mark
~2/3 of NI

\$95B Anthropic revaluation — strip it, EPS lands at consensus

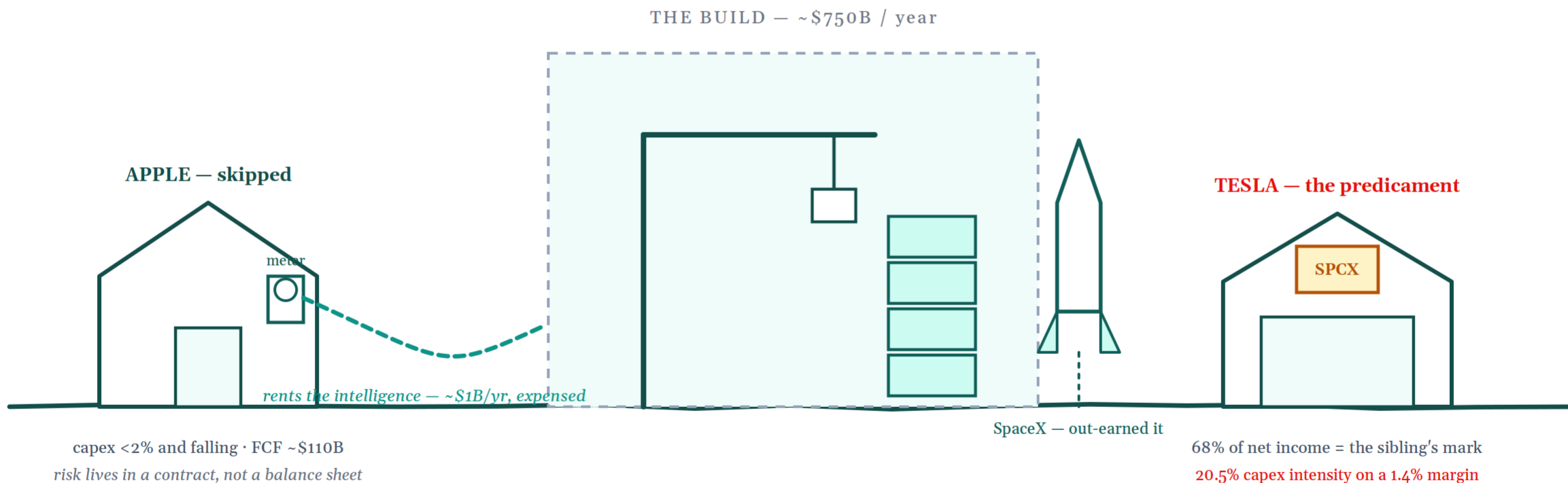


Operating absorption ≠ cash absorption: two tests, opposite answers, one company. Both MSFT-named collapse conditions triggered at once — from strength. A placement decision, not distress.

Two companies beside the build: one rents intelligence through a meter, the other funds hyperscaler capex on an industrial margin.

THE ABSORBERS · THE CONTROL GROUP

Two houses beside the build



Opting out cleanly is a strategy; the market paid ~\$5T for it. Building a fraction while the real build happens next door — and booking the neighbour's appreciation as earnings — is a predicament. The financial clock reached SpaceX in its first public quarter (−8% on the capex line).

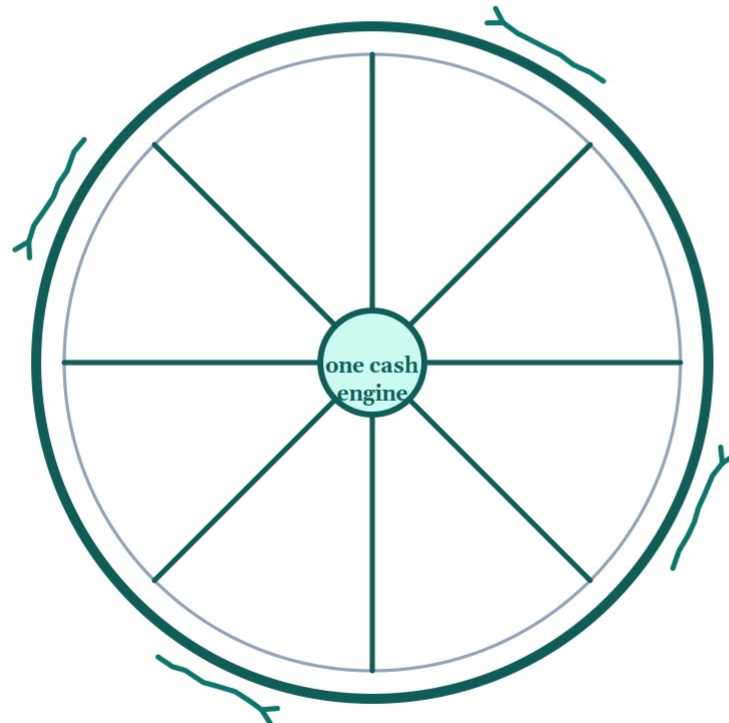
The shape winners converge on: cash funds compute, compute trains the model, the model powers an agent, usage feeds back.

THE ABSORBERS · THE NEW SHAPE

The SpaceX flywheel

LAUNCH — the profit engine

EBITDA out-earned Tesla; +191%; the sibling engine funds the program

**THE HARNESS RIM**

Grok bot in the feed + Cursor-class co-adapted harnesses

COLOSSUS — the compute

Nvidia-exclusive + Terafab: the Designless Fab; capex -8% lessor, already paid

GROK — the fourth pole

the frontier model inside the flywheel

Why this sits in the builders section:

SpaceX runs hyperscaler capex intensity on an industrial cash engine, vertically fused from launch cash to frontier model to agentic endpoint — the first builder whose distribution IS an agent.

The co-adaptation principle: the harness and the model train each other. Grok bot in the feed and Cursor-class coding harnesses are the new L7 species — harnesses that improve the model that powers them.

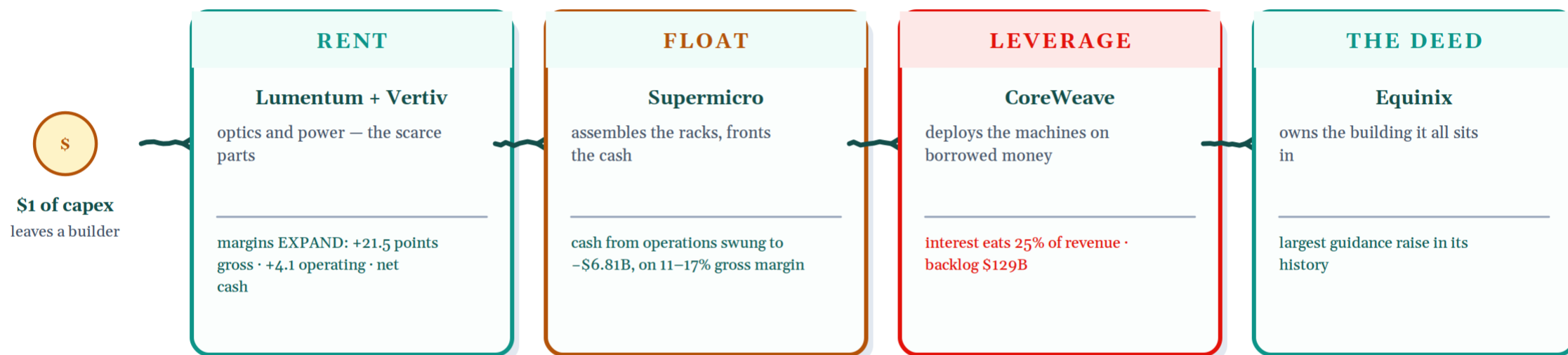
THE EXHAUST FLYWHEEL — usage flows back as training signal

The flywheel is the point: every other builder assembles this loop from parts it rents — this one owns every station on the rim.

THE FINANCING CHAIN · FOLLOW ONE DOLLAR

Follow one dollar of capex

Between the builder's budget and a running datacenter, four companies touch the dollar — and each is paid a different way.



The rule the chain teaches: the closer you stand to a genuinely scarce input, the fatter your margin and the cleaner your balance sheet. The closer to assembly, the more cash you front. The closer to deployment, the more you borrow. And the landlord keeps the collateral.

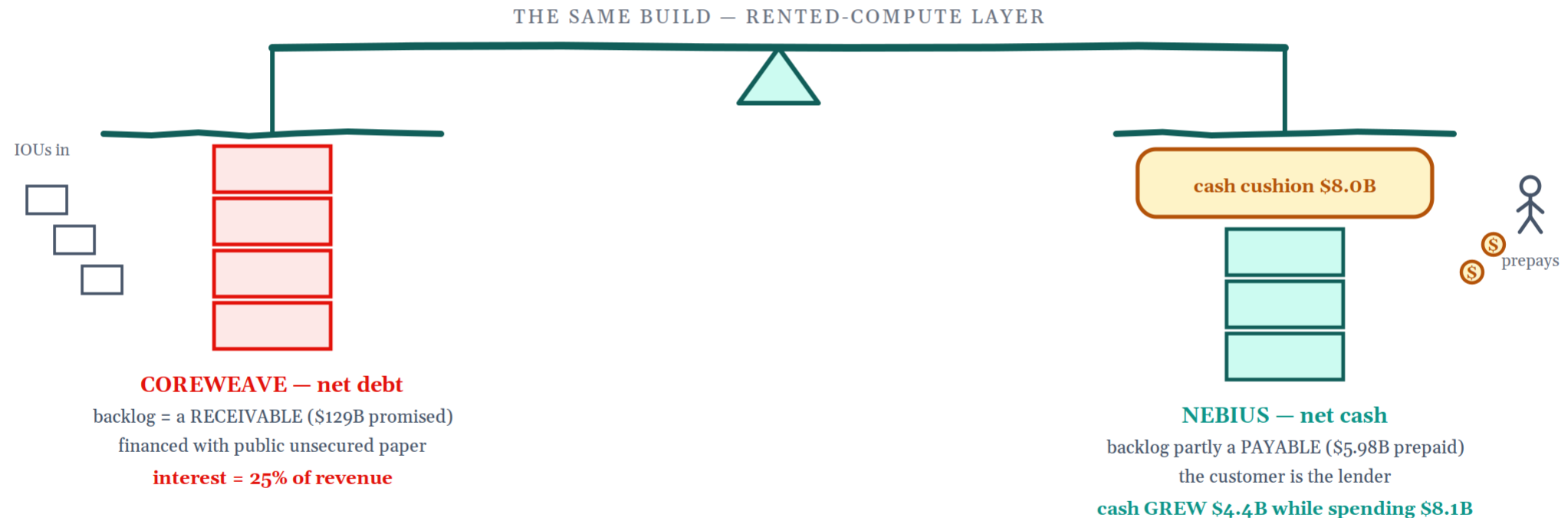
Rent is competed away when capacity catches up; the deed is not — which is why the same boom pays these four so differently.

Two neoclouds, same build, opposite balance sheets. One borrows against a promise; the other already collected the money.

THE FINANCING CHAIN · THE CONTROLLED EXPERIMENT

Same build, opposite balance-sheet sign

Two neoclouds printed a day apart. One borrows against contracted demand; the other has already collected it. The financing joint is not where every neocloud's risk sits — Nebius's lives in the depreciation wall, concentration, and a \$6B service obligation priced at signing.

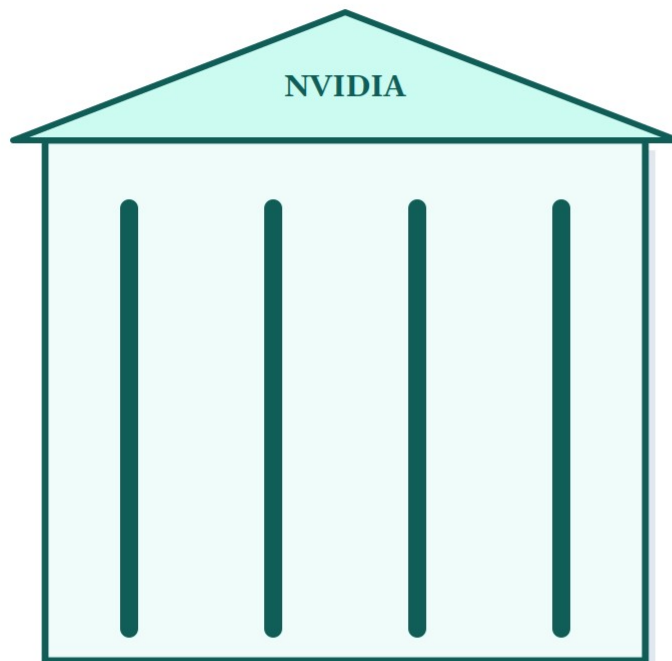


Same public-market pull, opposite leverage outcome — the Joint-1 question, answered as a controlled experiment.

The centre of the map is now a bank: four financing channels leave this balance sheet without touching the revenue line.

THE FINANCING CHAIN · THE CENTRE

The House of Morgan



revenue \$96.2B +106% · op income \$63.7B

the operating engine is real — and it is not the story

■ own capex \$2.7B

□ equity \$15.8B

□ receivables +\$22.3B — drawn to scale

1 · CUSTOMER CREDIT

receivables +\$22.3B in one quarter · collection days 45→60

THE SYNDICATE — >\$500B

Apollo · BlackRock · Blackstone · Brookfield · GS · KKR



2 · EQUITY IN THE BUYERS

\$42.4B H1 = 61% of FCF · book to \$93.9B

the wrapper moved OFF Nvidia's curve a month after CDS punished it for carrying it — transfer or Recourse Round-Trip hangs on unpublished terms

3 · POWER GUARANTEES

the Pike wrap — done in this release

4 · BOND-FUNDED RETURNS

\$24.9B raised; returns exceeded operating cash

and one dollar in six of H1 earnings is a mark on companies whose value depends on buying the chips — earnings quality joined credit quality

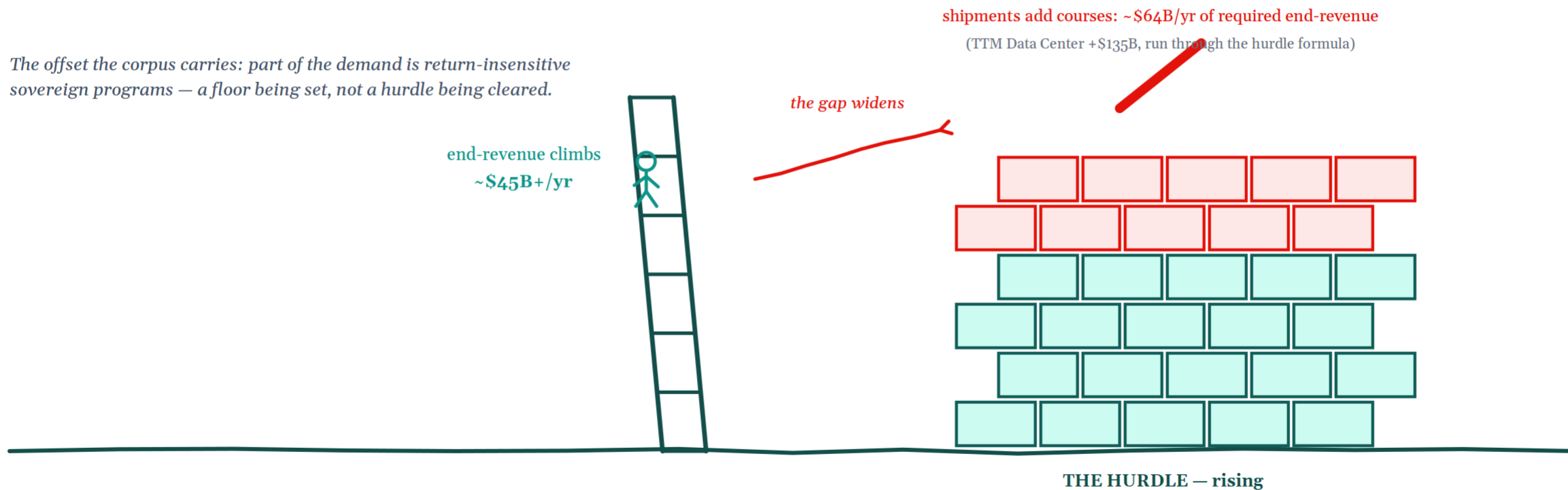
\$1 : \$6 : \$8 — for every dollar of its own plant, six into the buyers' equity, eight into their receivables. Morgan didn't sell locomotives.

THE FINANCING CHAIN · THE REFLEXIVE CONSEQUENCE

The beat raises the hurdle

Nvidia's Data Center revenue alone now annualizes at \$356B. Every incremental chip is capital that must earn a return — so a record quarter at the silicon layer is, mechanically, evidence AGAINST the monetization case, not for it.

The offset the corpus carries: part of the demand is return-insensitive sovereign programs — a floor being set, not a hurdle being cleared.



Countable AI revenue: ~\$185B against a hurdle the beat keeps raising past \$600B.

THE MAP OF AI · Q2 2026

ACT IV

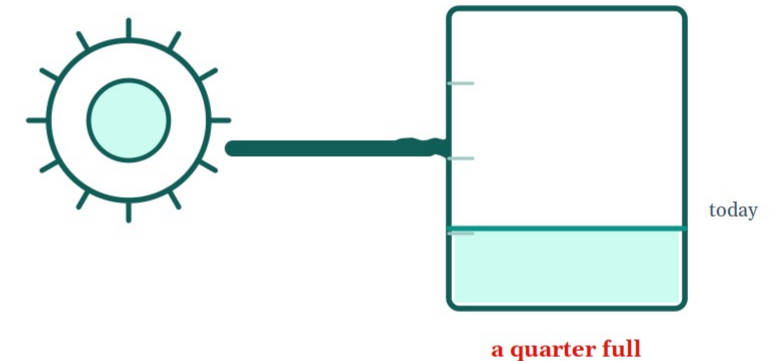
THE CAPITAL MACHINE

How capex becomes a revenue hurdle, credit exposure and eventually a macro variable.

Revenue requirement → conversion engine → failure points → macro transmission.

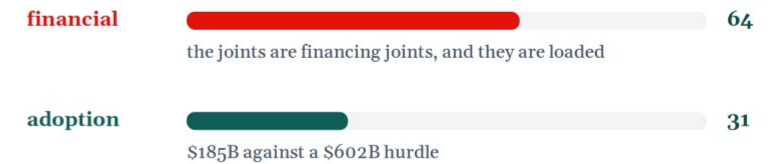
IN THIS ACT

- Where the \$602B hurdle comes from
- Revenue per megawatt
- Where it would actually break
- The bright streetlight
- AI is now a macro variable



capex → revenue → leverage → the macro

CLOCK READING — THIS ACT

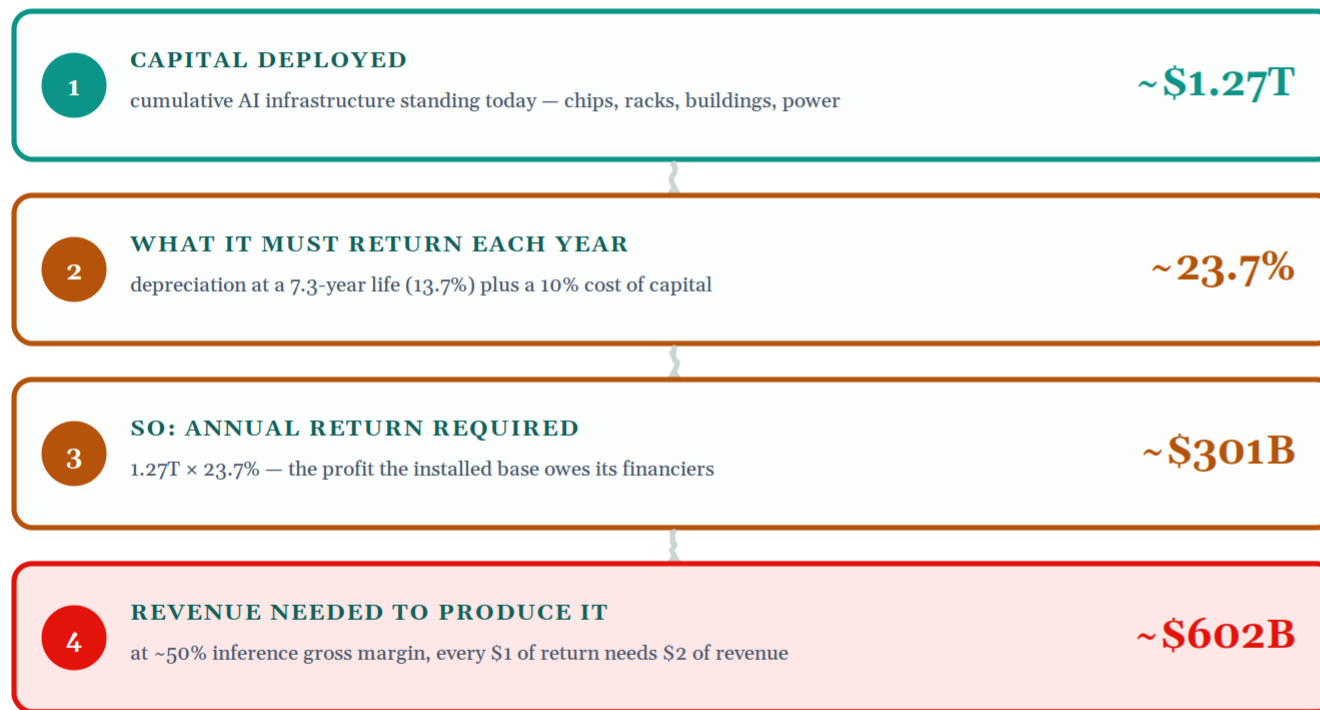


$\$1.27\text{T deployed} \times 23.7\% \text{ required return} \div 50\% \text{ margin} = \text{a } \$602\text{B revenue hurdle. About a third is cleared.}$

THE CAPITAL MACHINE · THE REVENUE REQUIREMENT

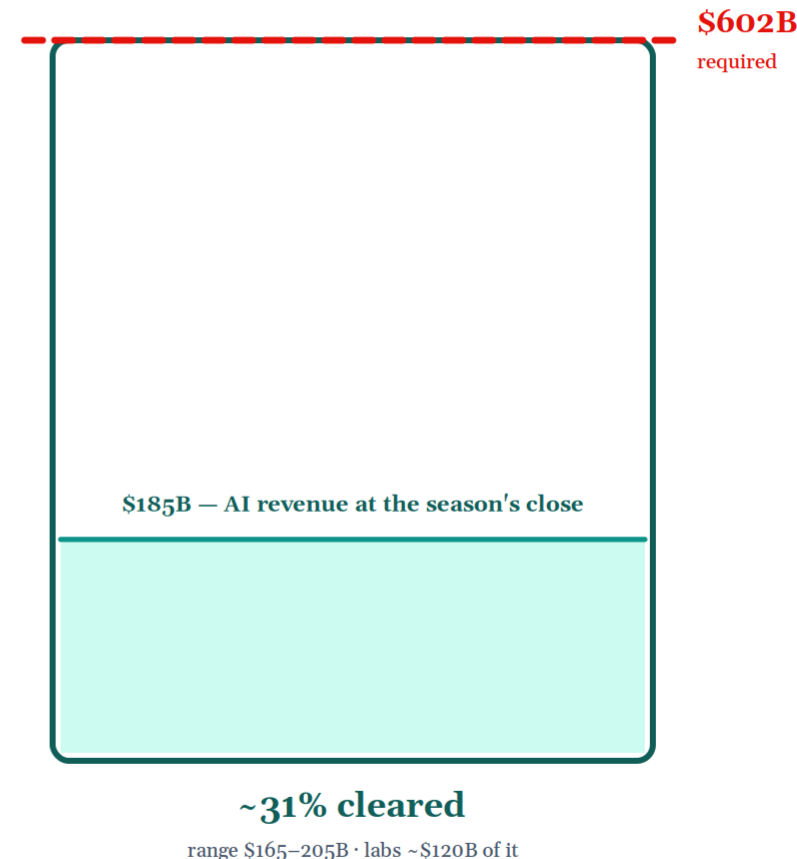
Where the \$602B hurdle comes from

The number everything in this act is measured against is not an estimate. It is arithmetic on capital already in the ground — four steps, each one checkable.



Three independent methods — top-down on capex, bottom-up per megawatt, and street estimates — land within ~10% of each other.

From \$185B, clearing this hurdle in three years needs ~48%/yr — and that assumes the hurdle stands still. At 10% base growth it is ~63%.



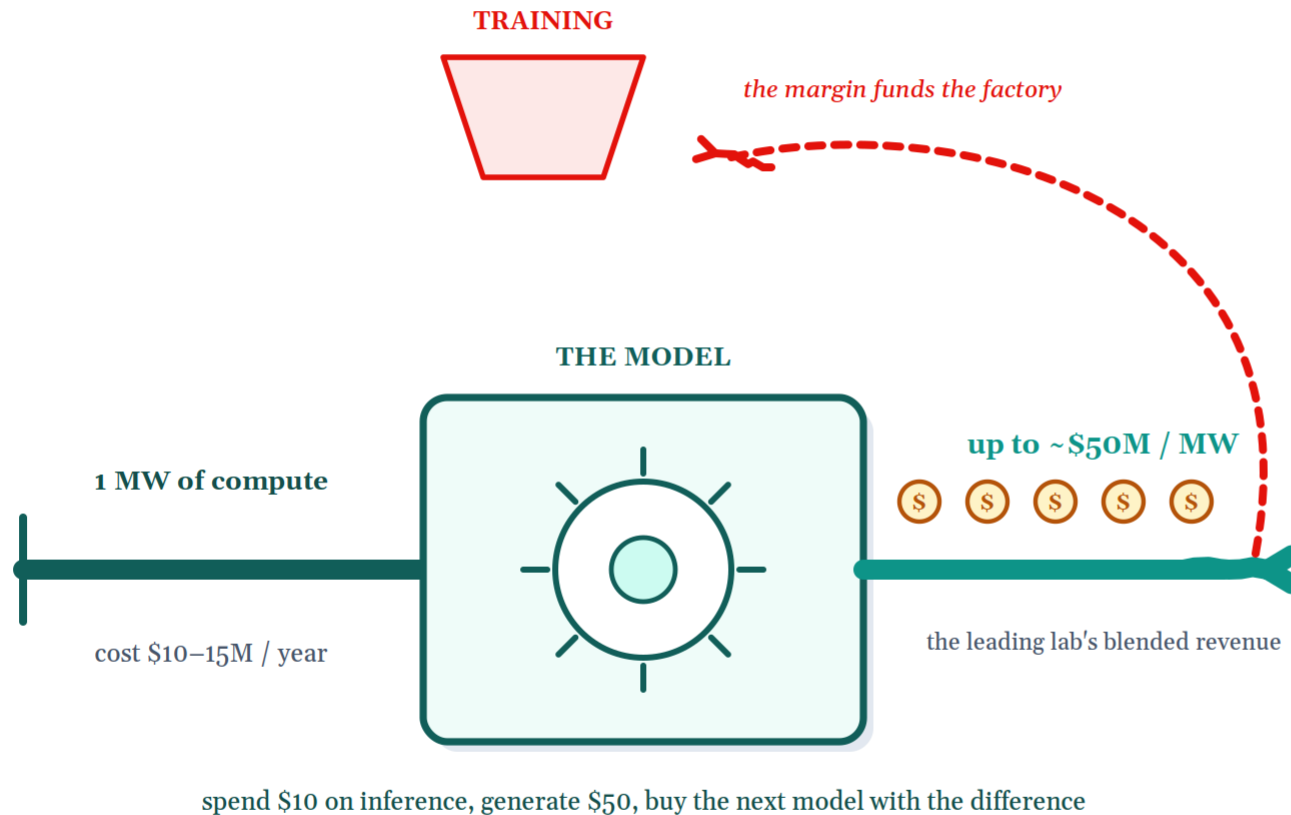
Counting rule: each end-customer dollar once, at the tier where it transacted — no stacking labs on top of the clouds that host them.

A lab buys a megawatt and resells it as thinking. The spread turned positive, and the margin now funds the next model.

THE CAPITAL MACHINE · THE CONVERSION ENGINE

Revenue per megawatt: the lab engine

The tank fills because the labs became engines: a megawatt in, five megawatts' worth of revenue out — and the margin buys the next engine.



The margin turn

2024	gross margin -94%
2025	gross margin 40–50%
2026	first operating profit

Gross margin now 50–55% against a 77% software average — a structurally worse software business, profitable anyway; the gap to the ~5% operating margin is training, bought on purpose.

The repricing



At the base price anyone with open weights and a rack can profit — so the labs must outbid, and sellers with balance sheets collect the spread.

Labs now take about a third of each year's new compute, heading toward half — the return side is no longer venture-funded.

Stress runs upward through three joints where one company's promise is another's funding — one was tested and held.

THE CAPITAL MACHINE · WHERE IT WOULD BREAK

Where it would actually break

Everyone watches for a crack in the layers. The stress does not run sideways between layers — it runs upward through three places where one company's promise is another company's funding.

A JOINT: where one company's promise becomes another company's collateral

JOINT 1

the lab and its landlord



A lab signs a long lease for compute. The neocloud borrows against that signature to build the site.

TESTED — AND IT HELD

refinanced in August: the borrowing moved from private secured loans to public unsecured bonds — dearer, but it cleared

JOINT 2

power and compute, stapled together



One contract now covers both the megawatts and the machines. Miss either side and the whole agreement defaults.

FORMING — UNTESTED

new this season; nobody has yet had to fail one side of a stapled contract and find out what the other side does

JOINT 3

the memory floor against the ceiling above it



Memory makers sold multi-year take-or-pay contracts — the buyer pays whether or not it takes delivery.

QUIET UNTIL 2027

the first real test arrives when those orders come up for revision, not before

AND THE JACK UNDER THE FOOTING

One large loan is secured against shares in a private lab. If the value assigned to those shares falls, the borrower must post cash immediately — while the value itself is only updated occasionally. So the collateral can be stale on the way down, and the call arrives all at once.

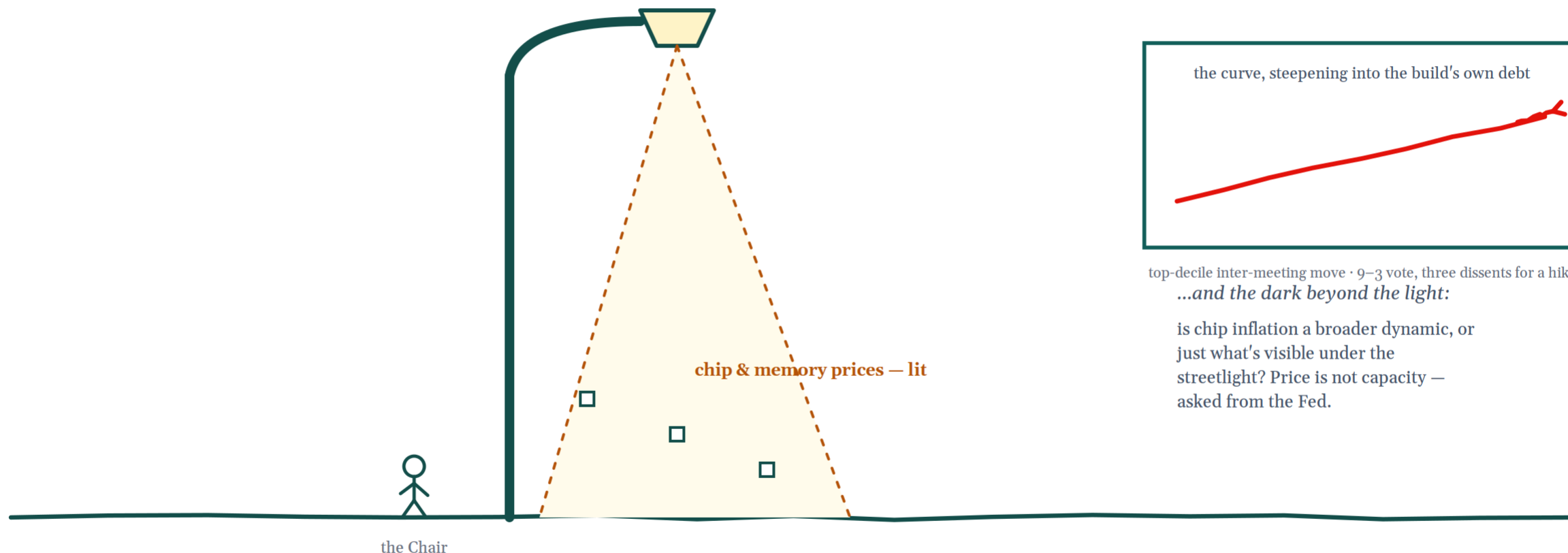
the equity is debt;
the collateral is an estimate

So contagion travels upward, not sideways — the weakest tenant first, the structure above it second. Joint 1 was tested this quarter and refinanced rather than cracked.

The central bank named the buildout as an inflation source — which raises the question of how big the build actually is.

THE CAPITAL MACHINE · MACRO TRANSMISSION

The bright streetlight



The Chair placed the AI buildout in the same shock category as war and tariffs — capex named as an inflation source. But a streetlight only proves what it lights. The open question is one of SIZE: how big does a capex cycle have to be before it stops being a sector story and becomes a macro variable?

Big enough: the build moves national investment, the bond market and the policy rate — and the loop closes on itself.

THE CAPITAL MACHINE · THE LOOP CLOSES

Big enough to move the street

The lit patch was chip and memory prices. Step back and measure the whole street — the build is now large enough to move national investment, the bond market and the policy rate itself.

WHAT THE MEASUREMENTS SAY

~20%

four-quarter growth in AI-related investment

the Chair's own figure — one sector moving a national statistic

top decile

the inter-meeting curve move, on a 9–3 vote

the bond market repricing around the build's own issuance

9% → 32%

the debt share of capex, in eight quarters

allocation became obligation — the mix left the top of the fragility list

FINANCING COSTS MORE

the build pays its own inflation

THE BUILD BIDS

for chips, memory, power and labour

THE LOOP

closed this quarter

PRICES RISE

across the whole economy

RATES STAY HIGH

the central bank holds for longer

THE ANSWER TO THE STREETLIGHT

The build is no longer a sector story the macro contains. It is one of the things the macro is made of.

What it changes for everything after

- **The discount rate is endogenous**
the build helps set the rate at which the build gets discounted
- **Fragility row 2 gets dearer**
capital-markets funding reprices exactly when the most capital needs it
- **The policy risk is real**
a capex cycle that moves consumer prices attracts political attention, not just analyst attention

ACT V

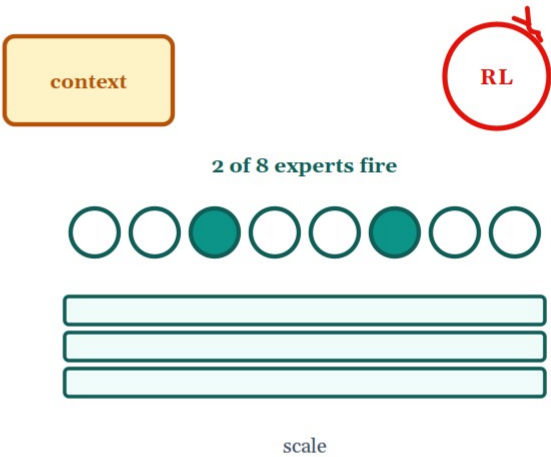
THE MODEL LAYER

Start at the unit itself: what makes a model strong, how an enterprise obtains one, and what it is packaged with.

Anatomy is unit economics — and everything above the model cascades from it.

IN THIS ACT

- Anatomy of a frontier model
- The model layer splits three ways
- The challengers, named
- The harness turn
- The alliance is the unit of competition



anatomy is unit economics — everything above cascades from it

CLOCK READING — THIS ACT

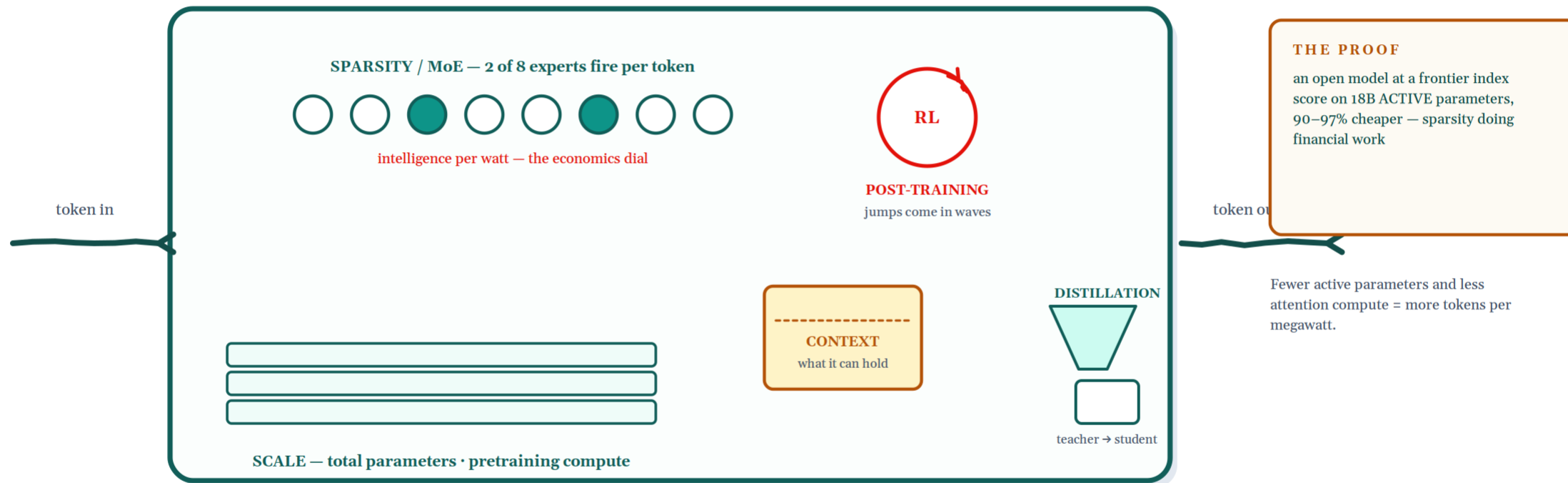


Five dials make a model strong, and sparsity is the one that changes the economics — anatomy is unit economics.

THE MODEL LAYER · THE UNIT ITSELF

Anatomy of a frontier model

Everything above this slide is built on the thing in this drawing. Five organs decide what a model can do — and one of them, sparsity, decides what it costs to run.



Why anatomy sits on a financial map: every organ above changes how many dollars one megawatt of inference can earn. Anatomy IS unit economics — and the efficiency race below chases a frontier that climbs in waves and resets quarterly.

So the cascade for the rest of this act: what you can build decides how you obtain it, who else can build one, and what it gets packaged with.

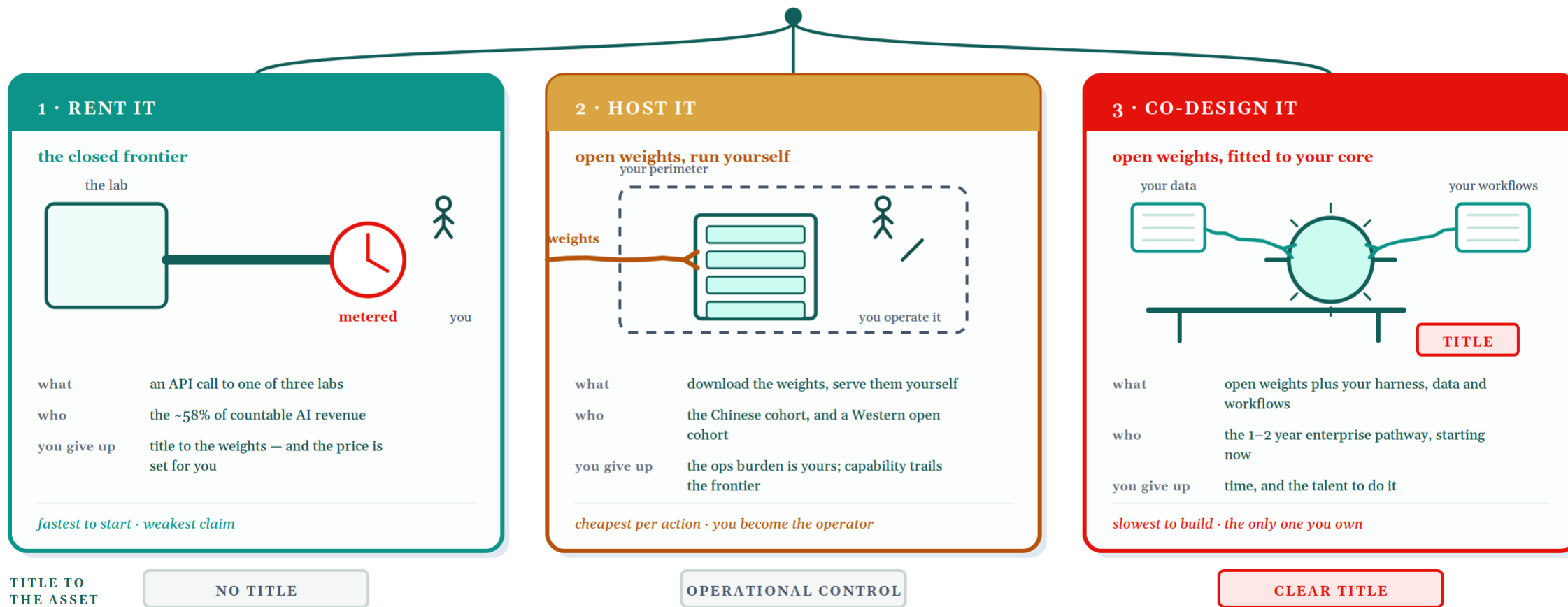
An enterprise can rent a model, host open weights, or co-design one at its core — only the third gives it title.

THE MODEL LAYER · THREE WAYS TO GET ONE

Three ways to get a model

Underneath the junction sits a choice every enterprise now has to make explicitly. It used to have one answer. This season it has three — and they end in different titles to the asset.

WHERE AN ENTERPRISE GETS ITS INTELLIGENCE



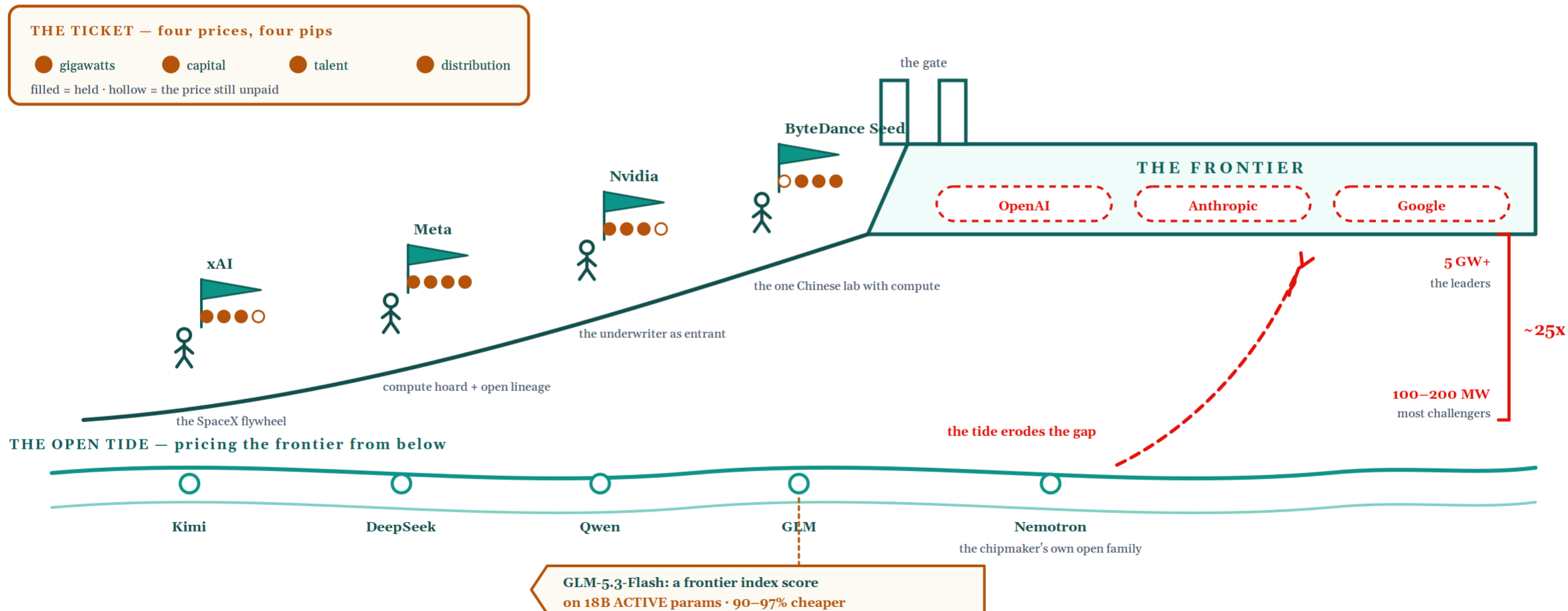
What decides the path: how sensitive the data is · cost per action at volume · how far behind the frontier you can sit · whether you can operate inference.

The flank has names; four entrants hold a frontier ticket. The compute gap is the moat, and efficiency erodes it.

THE MODEL LAYER · THE CHALLENGERS

The challengers: the gate and the tide

Above: the frontier plateau, who is already on it, and four entrants climbing with different tickets in hand. Below: the open tide rising against it.



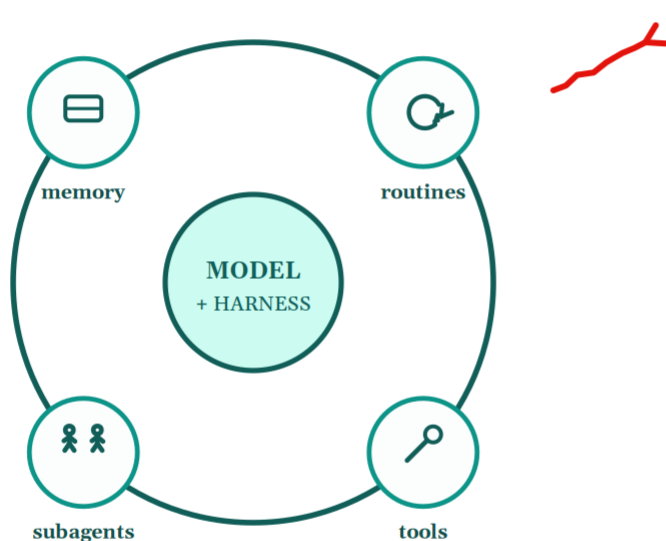
The gap is the moat; the tide is the erosion. Read challengers by what they DO with adequate compute, not by their fabs.

The unit is now model plus harness. Whoever owns the usage loop owns the exhaust — the unbuyable input.

THE MODEL LAYER · WHAT IT IS PACKAGED WITH

The harness turn: where the race moves next

The competitive unit is no longer the model. It is the model PLUS the harness — the agent, its tools, its subagents, and the workflows it keeps.



usage exhaust returns
as training signal

The evidence, this quarter

- **Grok Bot after the Cursor merge**
one prompt spins up subagents that search mail, feeds and archives, then saves the whole hunt as a standing routine — the harness IS the product
- **Codex and the coding agents**
the lab's fastest-growing revenue lines are harnesses, not raw tokens
- **The enterprise junction**
the \$1.5B of agent-layer ARR is harness revenue — models rented underneath, swappable
- **The concession**
the biggest app incumbent chose to live UNDER the agents rather than compete with them

the Exhaust Flywheel: the harness improves the model that powers it

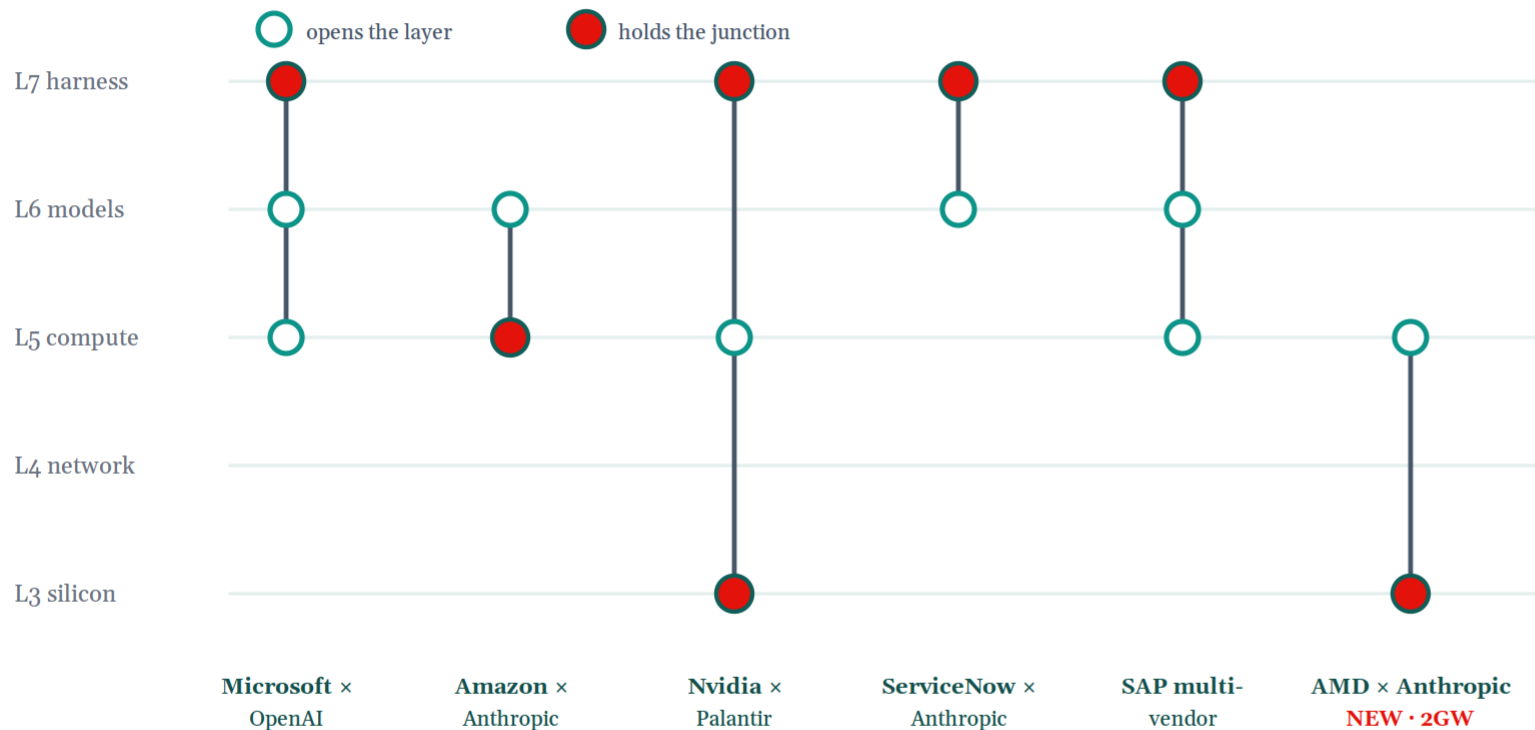
Why it decides the next season: harnesses are where co-adaptation happens — the model learns the user's work, the work reshapes the model. Whoever owns that loop owns the exhaust, and the exhaust is the one input money cannot buy.

Alliances, not firms, enter the enterprise. Read each by the layer it opens, the layer it holds, and who signed — and who did not.

THE MODEL LAYER · THE UNIT OF COMPETITION

The alliance is the unit of competition

Read on the coordinate system: for each alliance, which layers it *OPENS* to enter the enterprise (open circle) — and which junction it *HOLDS* (filled red).



THE SIGNATURE LISTS

Open-weights letter + OSAA: ~40 members. The ABSENT four — OpenAI, Google, Anthropic, Meta — define the closed-frontier core by omission.

Absence is a position, until it ends: AMD joined at scale in August.

THE THIRD SPECIES — CO-DESIGN

Customers join as co-designers: Kirkland & Ellis, Centrus, USDA, Parts Town — plus the deployment arms racing to wire them: OpenAI Frontier, its \$4B+ Deployment Company, Northslope, Anthropic's Ode.

The reading rules: every alliance opens the layers below someone's junction and holds its own — partner today, rival at renewal. The hand that wires the harness chooses the landlord. And alliance formation LEADS revenue by quarters.

THE MAP OF AI · Q2 2026

ACT VI

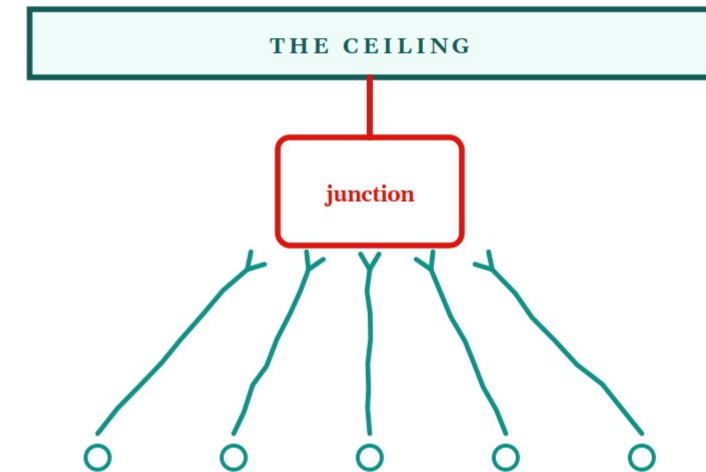
THE CEILING

Where the money actually lands on top of the model, and how software itself reprices.

The rents land at the junction — and the seat becomes the completed action.

IN THIS ACT

- The ceiling finally has a number
- Above the model, everything is being rebuilt
- From SaaS to AGaaS
- The incumbent moves — and prices it



CLOCK READING — THIS ACT

adoption



31

the \$1.5B agent line, on a build in the hundreds

Agentforce ARR reached \$1.5B (+240%) — but the definition was broadened the same quarter, and it landed on the harness, not the model.

THE CEILING · WHERE THE MONEY LANDS

The ceiling finally has a number

For three years the top of the stack was a promise. This quarter it printed a figure — and both where it landed and how it is defined matter more than its size.

\$1.5B

Agentforce annual recurring revenue

up over 240% year on year

Salesforce Q2 FY27, quarter ended 31 July 2026

WHERE THE NUMBER COMES FROM — AND WHAT TO WATCH IN IT

- The source** Salesforce's own Q2 FY27 release, 26 August 2026 — the largest seat-seller in enterprise software
- What it counts** recurring revenue for the agent layer: Agentforce, and — effective THIS quarter — its AI offerings, Slackbot and Headless 360
- The catch** the definition was broadened in the same quarter the growth was reported, so 240% is NOT like-for-like. Last quarter, on the old definition, it was \$1.2B
- Corroboration** Agentforce and Data 360 together reach ~\$3.9B ARR, up over 210% Y/Y
- What it excludes** model API spend, consumer subscriptions and the private labs — those are counted at the model layer, not here

The unit it is billed in



Agentic Work Units

3.2 billion in the quarter · +97% quarter on quarter · 7.0 billion delivered to date

And read where it landed

THE HARNESS

the company's own word for it: a trusted enterprise harness, opening its data, workflows, logic, actions and governance to every agent, model and interface

the money stops here



models: rented underneath, interchangeable, priced down every quarter

So the reading is threefold

- **It is a HARNESS number** paid for orchestration, governance and audit — not for intelligence itself
- **It is METERED** billed by work units delivered, not by seats filled
- **It is still the FIRST rung** \$1.5B against a build measured in hundreds of billions

The ceiling is real, thin — and newly defined: it lands on the layer that ROUTES models, and its metric moved the same quarter it grew.

WHAT CHANGED THIS QUARTER

Above the model, every surface — commerce, records, the web, the toolchain — has to be rebuilt for agents.

THE CEILING · THE SOFTWARE REBUILD

Above the model, everything is being rebuilt

The physical bottleneck is wafers, memory and megawatts. The software bottleneck is that every layer above the model has to be built again for agents.

COMMERCE

checkout was built for a human with a cursor

agentic checkout · settlement rails · machine-readable catalogues

Shopify’s per-transaction rail; storefronts exposing feeds to agents

ENTERPRISE SOFTWARE

records were built for humans to type into

agent-writable systems of record · governance · audit trails

the CRM conceding the interface; the workflow layer sold as an agent surface

THE WEB

pages were built for eyes and ad impressions

crawl permission · per-request pricing · identity for machines

the property line: pay-per-crawl and machine payment rails

THE TOOLCHAIN

software was written by people in editors

agent harnesses · subagents · memory · standing routines

coding agents as the fastest-growing revenue line in the stack

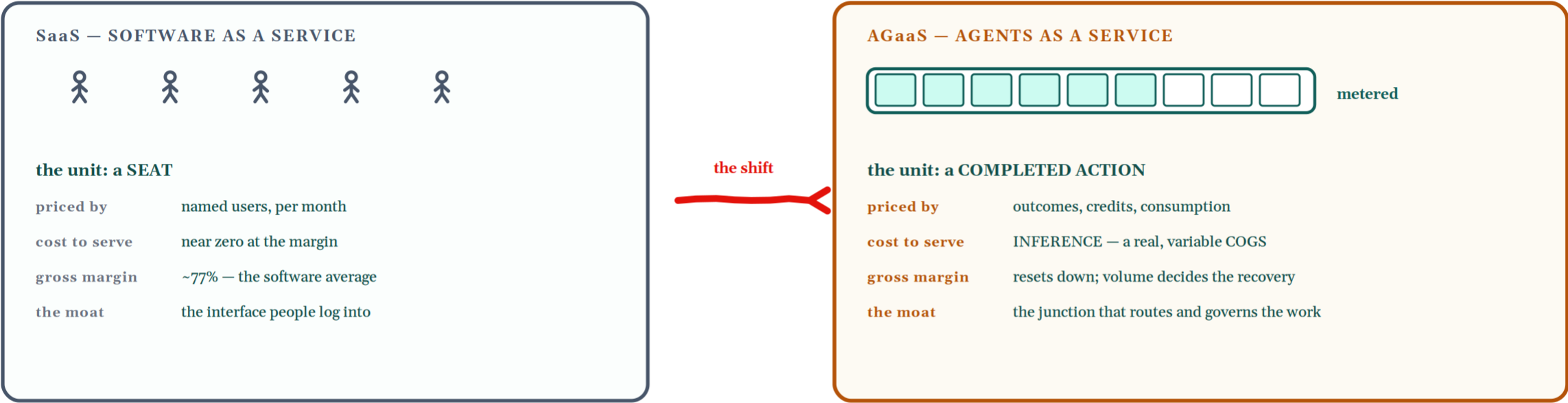
This is why the ceiling is worth more than one billion dollars eventually and less than the build today: the demand is real, but the surfaces that carry it have to be rewritten first — and rewriting takes quarters, not weeks.

Software is repricing from the seat to the completed action — which raises what the switch costs whoever goes first.

THE CEILING · THE BUSINESS-MODEL SHIFT

From SaaS to AGaaS

The ceiling is not just monetizing — it is changing what it sells. Software priced by the seat is becoming software priced by the action it completes.



THE TRANSITION IS ALREADY VISIBLE ON PUBLIC TAPES

A workflow incumbent

an agent layer sold across roughly 30M seats — the harness itself as the product

A design tool

AI credits added to the bill: inference arriving as a visible, variable cost line

A commerce platform

paid per settled transaction rather than per user — the rail, not the seat

A data platform

contracts written against outcomes delivered, not licences deployed

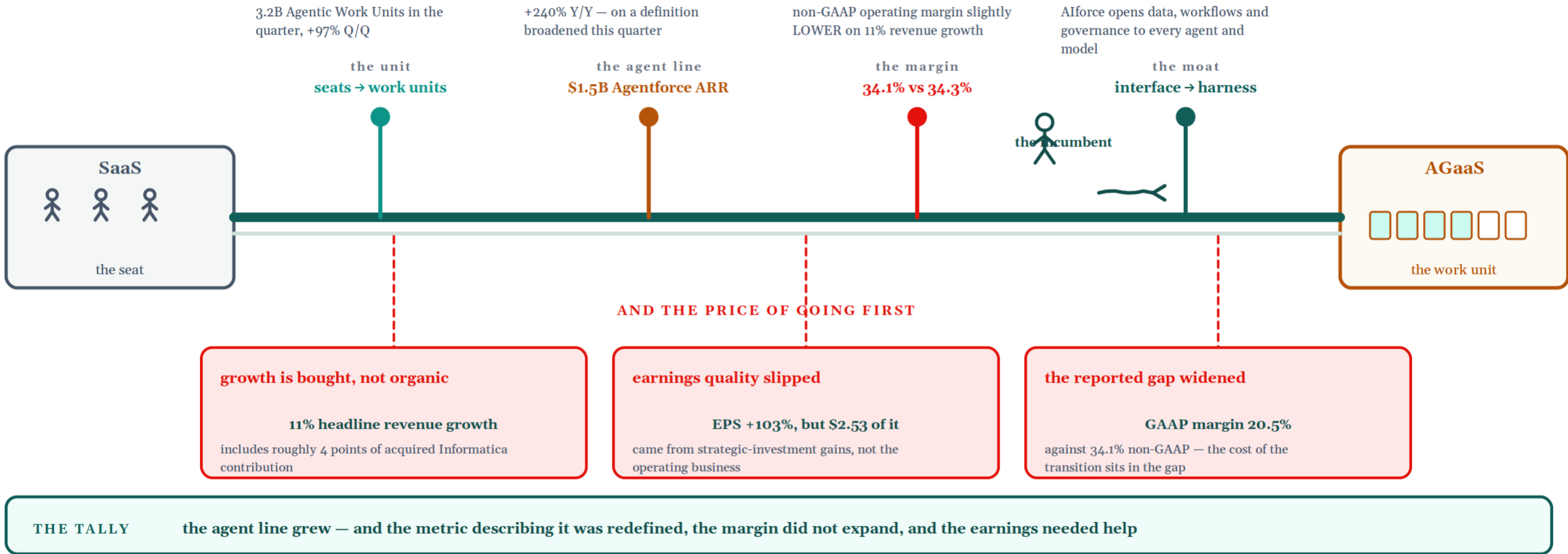
Which raises the question this act has to answer honestly: the model is better for whoever ends up owning the junction — but what does the switch actually COST the incumbent that goes first, and can it survive the crossing?

The agent line grew to \$1.5B — but on a redefined metric, with flat margin and earnings helped by investment gains.

THE CEILING · THE INCUMBENT IN TRANSITION

What the crossing costs

The same four dimensions, filled in from one company's Q2 FY27 disclosure — the cleanest public read on what the crossing costs.



It can cross — but not free: the first mover books the cost of AGaaS before the revenue, and moved anyway, to avoid being routed around.

THE MAP OF AI · Q2 2026

ACT VII

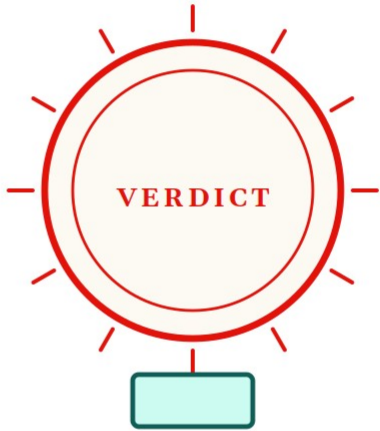
THE VERDICT

What the evidence proves now, and what to watch over the next twelve months.

Every layer crossed, every exception tested.

IN THIS ACT

- The verdict, act by act
- The compression



the house in the middle of the map is a bank

CLOCK READING — THIS ACT



Seven acts, seven answers — and the named conditions that would overturn each one.

THE VERDICT · WHAT IS SETTLED

The verdict, act by act

Every act of this deck asked one question. Here are the seven answers in plain terms, the evidence each rests on, and what would overturn it.

ACT 0	Where does the cycle stand? 58 of 100 on the acid test, against 70 for a healthy build — financing strain alone cannot break it	STRAINED, STILL FUNDING ITSELF
ACT I	Is a build this large rational? the 1846 and 1947 rhymes both hold; the difference is that this underwriter is private, and sits inside the map	YES — AND PRIVATE MONEY IS PAYING
ACT II	Is the floor real? memory, packaging and leading-edge nodes are all binding; the bill leaves the site in the price of anything with a chip in it	YES — AND IT RAISES PRICES FOR EVERYONE
ACT III	Who pays for the build? the debt share of capex went from 9% to 32% in eight quarters, and the supplier began financing its own buyers	LESS FROM CASH FLOW, MORE FROM DEBT
ACT IV	Does the capital convert? \$185B of countable revenue against a \$602B hurdle that compounds with each quarter of new capital	31% OF THE WAY, AND THE TARGET IS RISING
ACT V	What happens to the models? an open model matched a frontier index score on 18B active parameters at 90–97% lower cost	GETTING CHEAPER FASTER THAN THEY GET BETTER
ACT VI	Where do the rents land? the \$1.5B agent line was booked by the layer that routes models; the models under it are rented and interchangeable	ON THE ROUTING LAYER, NOT THE MODEL

WHAT WOULD OVERTURN THESE

- An anchor customer walks away**
the contracted backlog stops being demand, and row three of the funding list empties
- The supplier's receivables stop converting**
vendor financing becomes a write-down, not a sale
- Spreads widen at a refinancing date**
the credit joints get tested for real rather than in theory
- Agents start calling models directly**
the agent line moves off the routing layer and the ceiling thesis fails
- Capability stalls for two quarters**
every argument here assumes the frontier keeps moving

THE NEXT THREE PRINTS

Oracle in mid-September: the largest off-balance-sheet author files its own numbers. Then Broadcom, and Micron's FQ4 on the memory joint.

Two things to carry into next season: open weights arriving inside the enterprise as co-designed models, and the harness — not the model — becoming the thing that gets bought.

The whole season in six lines — and the last one changed: the house in the middle of the map is a bank.

THE VERDICT · THE COMPRESSION

The compression

The whole season in six lines.

The floor is real.

monopoly rent below, tightness rent beside it

The ladder has a top rung.

the supplier climbed onto it

The ceiling monetizes — unevenly.

models get rented; junctions get owned

The bill has six doors.

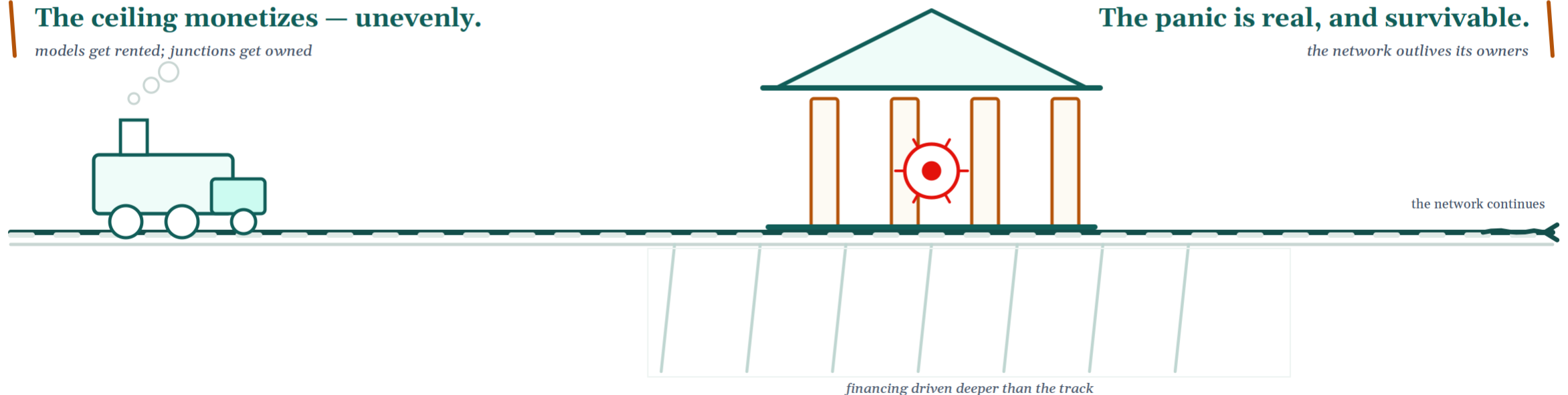
the sixth is revenue going negative

No bubble to pop.

nodes, clocks, curves and joints

The panic is real, and survivable.

the network outlives its owners



The house in the middle of the map is a bank.

It is no longer just selling the locomotives. It is financing the railway.

ANNEX

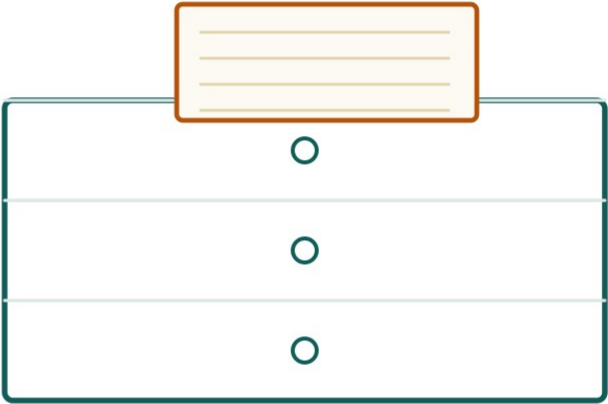
AUDIT TRAIL

Assumptions, methodology, sources and verification.

How to audit every claim in this deck.

IN THIS ACT

- The assumption register
- How the composite is built
- Methodology
- Sources



every claim, with its assumption named

ANNEX · THE ASSUMPTION REGISTER

The assumption register, hung in plain sight

STRUCTURAL

The supercycle premise and the layer grid are chosen lenses, not findings. Falsifier: one correlated cross-layer drawdown.

NUMERICAL

\$1.27T deployed · 7.3-yr life · 10% CoC · 50% inference GM (moves the hurdle ~\$250B). Lab figures dated: Anthropic \$65B (late Jul, gross basis) · OpenAI \$40B (Aug).

FORWARD BETS

Backlog converts (part is vendor-equity-funded). Demand shape survives build time. 2027 guidance is the adjustment mechanism. Deployed tier commoditizes.

INTERPRETIVE

Price is a lens, not the object · strip the marks · FCF over cash from operations · count each dollar once · leading over lagging · the tongs list is binding.

COVERAGE

31 in-quarter nodes read; Astera printed but unrun; L1 read at Vertiv. The centre printed Aug 26. Oracle/Broadcom/Micron are Q3 hand-offs.

Stated so the report can be wrong in public, specifically — rather than right vaguely.

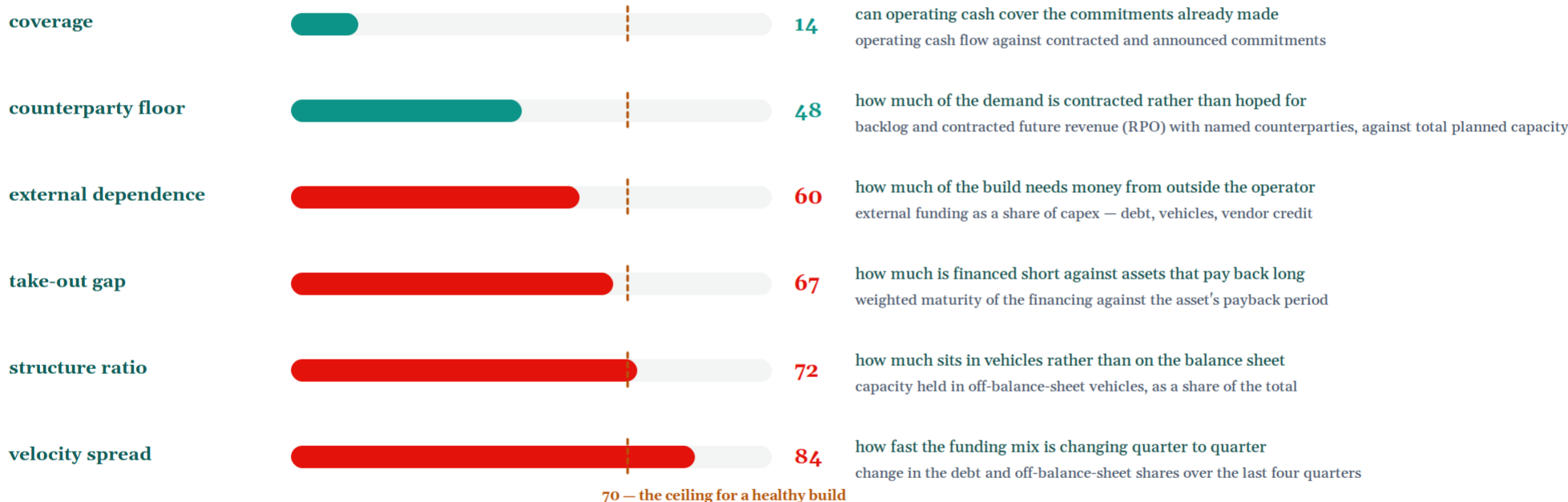
Every gauge reading, its definition, its input series, and the arithmetic behind the 58.

ANNEX · THE ACID TEST, COMPUTED

How the composite is built

The reading on the instrument is an average of six gauges, each scored 0–100 on how the buildout is financed. Every input and the arithmetic are set out here so the reading can be taken again next quarter.

THE SIX GAUGES — READING, DEFINITION, INPUT



THE ARITHMETIC

$$14 + 48 + 60 + 67 + 72 + 84 = 345$$

$$345 \div 6 = 57.5 \rightarrow 58 / 100$$

Equal weights: no gauge governs more of the structure than another.

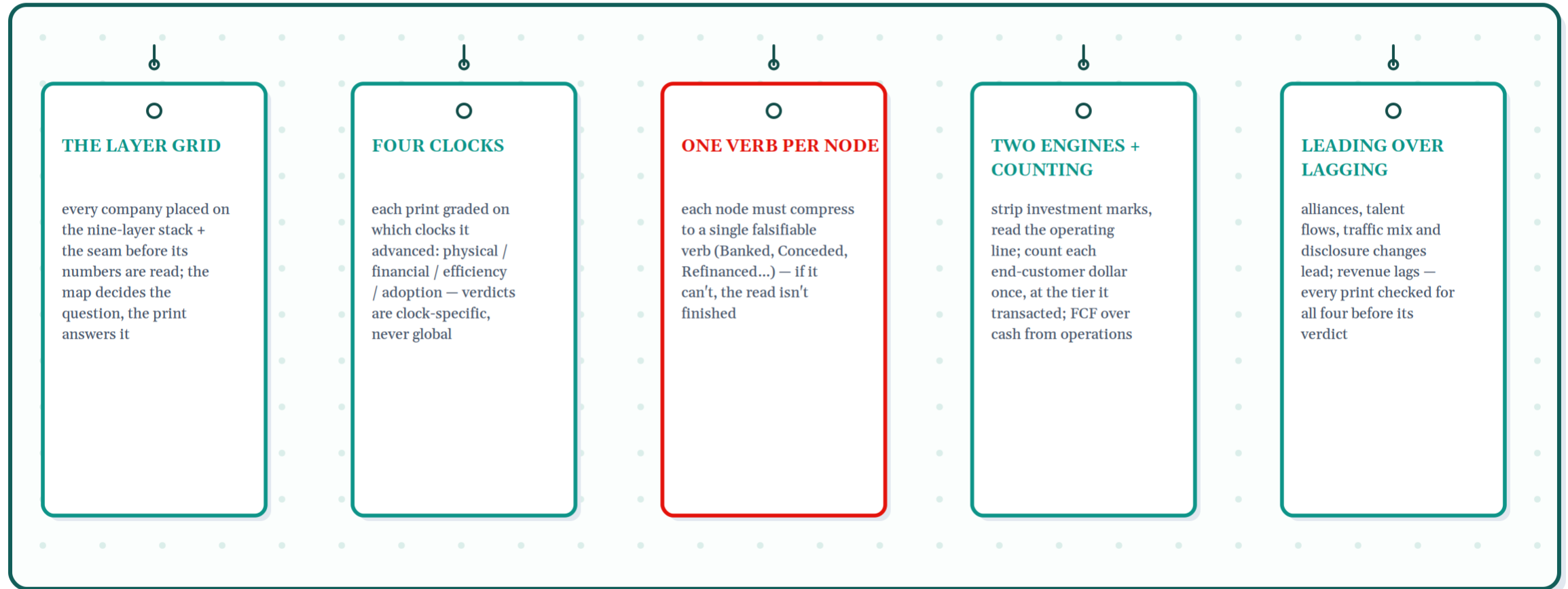
HOW TO CHALLENGE IT

Two honest objections. Weight the cash gauges more heavily and the reading falls toward 54; weight the structural gauges more heavily and it rises past 60. The composite is a summary — the 70-point spread between coverage at 14 and velocity at 84 is the actual finding.

The five instruments every company was read with, and the disciplines that keep them honest.

ANNEX · METHODOLOGY

Methodology — how every node was read



Plus the standing discipline: assumptions stated with falsifiers · pre-loaded hypotheses kept and marked when the print broke them (Cerebras) · composites labeled as composites · price treated as a lens, never the analytical object.

Where every number came from, how it was verified, and what this analysis does not claim.

ANNEX · SOURCES

Sources and verification

PRIMARY — the prints

Company earnings releases, investor decks, 10-Q/8-K and F-1 filings for all 31 in-quarter nodes, read at publication: ASML · TSMC · SK hynix · Samsung · Micron · Qualcomm · Alphabet · Microsoft · Meta · Amazon · Apple · SpaceX/Tesla · ServiceNow · Palantir · Shopify · Figma · Cloudflare · Reddit · SoftBank · CoreWeave · Nebius · Cerebras · Supermicro · Lumentum · Nvidia · Salesforce · Arista · AMD · Vertiv · Equinix.

Earnings-call transcripts and management commentary where quoted; the FOMC July press conference for the macro overlay.

VERIFICATION

Every figure was taken from the primary document at the time of that node's reading; market reactions cross-checked against the tape and reported as ranges where outlets differed (e.g. CoreWeave +8–14% after hours).

Derived arithmetic (the \$602B hurdle, the \$64B-vs-\$45B mechanism, capex-intensity and coverage ratios) computed from stated inputs, with the inputs and their sensitivity disclosed on the assumption plate.

Private-company figures are dated at source: Anthropic \$65B run-rate (end of July, per its investor update) · OpenAI \$40B (August) — Anthropic reports on a gross basis through cloud resellers, so the two are not strictly comparable.

Per-megawatt economics and compute-share figures: SemiAnalysis on the Dwarkesh Podcast (Aug 2026); lab margin history: The Information / Meritech Capital.

THE CORPUS

Frameworks cited are from The Business Engineer's published AI Supercycle series: The Fed and the Mint · The Token Economy · The Wrapper Trade · The Depth Stack · The Harness Is a Router · The Open-Weight Alliance · The Layer Underneath · the Q2 print series. Where a framework does real work in the argument, the piece that argues it is the citation.

Disclosure: forward statements are theses, not forecasts; composites are labeled; positions on the named securities are not disclosed here and nothing in this deck is investment advice.