

We all worry about what could go wrong in the world, but...

Published on: 8 May, 2026 | Author: Investment Team

At Tacit, we are mindful of the uneasy disconnect between buoyant equity markets and a backdrop that, particularly in the UK, still feels defined by weak confidence, sticky inflation dynamics and persistent geopolitical shocks. The instinctive response to war and policy uncertainty is to de-risk. Yet markets have been more resilient than the news flow suggests. To understand why, it helps to look beyond the usual macroeconomic indicators and focus on a feature of this cycle that receives less attention: the growing role of a small group of mega-cap technology companies as an alternative source of economic momentum.

These firms combine scale, global reach and balance-sheet strength in a way that is increasingly relevant in the global economy. Their cash generation rivals that of mid-sized sovereigns, their net leverage is typically modest, and capital allocation decisions are made with a longer horizon than is often possible for governments operating within electoral cycles. In an environment where fiscal room is constrained and politics is noisy, corporate investment programmes (funded internally) can act as a form of private-sector stimulus.

In 2026, the strongest evidence of this “private growth engine” is visible in capital expenditure. The hyperscalers and the broader mega-cap complex are investing heavily in AI-related infrastructure: data centres, advanced chips, networking equipment and the associated power and cooling stack. Crucially, much of this spend is being financed from operating cash flow. That reduces dependence on external credit conditions and allows investment to continue even as other sectors pause or become more cautious, and has the following stimulatory effects:

1) Investment transmission. When large corporates fund multi-year buildouts, the macro effects are immediate. AI infrastructure spend feeds directly into GDP via fixed investment and indirectly through orders for suppliers across semiconductors, construction, electrical equipment, utilities and industrial automation. It also supports high-value employment and, given the physical nature of data-centre and grid investment, has meaningful regional and sectoral spillovers beyond software.

2) Profitability transmission. Unlike prior technology booms that depended on speculative funding, today’s leaders are already highly profitable. They can invest while still returning cash to shareholders, which helps underpin equity-market support even when the wider economy feels fragile. The combination of strong margins and visible reinvestment can sustain confidence: earnings remain robust, balance sheets remain resilient, and the market can “look through” cyclical weakness elsewhere.

3) Global spillovers. This is not only an American phenomenon. These companies source hardware, components and services globally, supporting export demand and investment across North America, Europe and Asia. The AI buildout links cloud platforms to semiconductor supply chains, specialist manufacturers, energy infrastructure and logistics. In aggregate, this helps explain how global activity can hold up despite geopolitical disruption and uneven domestic demand in parts of Europe.

The key vulnerability however remains concentration risk. The same mechanism that supports growth can become a point of fragility if the investment cycle disappoints. A relatively small group of firms is carrying a disproportionate share of investment-led momentum. If AI-related capex were to slow materially, headline economic growth would quickly lose a meaningful tailwind, because data-centre and chip spending is large, front-loaded and highly visible in the national

accounts.

We would frame the risks of an AI capex pause in four ways:

1. **A growth gap.** If investment is concentrated in a handful of balance sheets, GDP can look healthier than underlying household and non-tech business demand. When that concentrated spend slows, the investment contribution drops away even if consumption has not collapsed.
2. **Weaker supply-chain spillovers.** Slower buildouts reduce demand for semiconductors, construction, industrial equipment, utilities and freight. Countries and regions exposed to the hardware stack may feel the deceleration via exports, production and employment.
3. **Timing risk on productivity.** AI investment has an immediate accounting benefit through capex, but the productivity payoff may take longer to diffuse through the economy. If spending cools before those gains become evident, growth could soften without a mature offset.
4. **Financial conditions feedback.** Markets have priced continued expansion for many platform companies and their suppliers. A capex slowdown could compress valuations, tighten financial conditions and reduce risk appetite, amplifying the macro impact.

The broad point is that the global economy is now being influenced by a balance-sheet dynamic that sits outside traditional fiscal and monetary channels. Large corporates, with their cash flows and investment capacity on a scale comparable to Western mid-tier countries, can stabilise growth for a time, even as politics and geopolitics deteriorate.

For investors, that argues for two disciplines: first, recognise the macro importance of the AI investment cycle and monitor it as you would any major policy lever; second, avoid complacency around concentration. Resilience built on a narrow set of capital allocators can persist, until it doesn't, and portfolio construction needs to reflect both the support and the vulnerability that creates. The global economy is more complex than a few headlines can do justice to in our view.

Important Information: Any views, insights, or commentary are for general information only, do not constitute personal investment advice or research, and are intended for UK residents. They may not be appropriate in all jurisdictions. While sourced from information we believe to be reliable, we make no guarantee as to accuracy or completeness. Past performance is not a guide to future results, and the value of investments can go down as well as up.

Regulatory Disclaimer: Tacit Investment Management is the trading name of TIML Limited (No. 9228395), part of Tacit Holdings Limited (No. 10611211). Both companies are incorporated in England and Wales, with the registered office at 14 Hanover Square, London W1S 1HN. TIML Limited is authorised and regulated by the Financial Conduct Authority (FCA ref. 670184) and approves and issues this communication under Section 21 of the Financial Services and Markets Act 2000. Please note, tax and estate planning services are not regulated by the FCA.