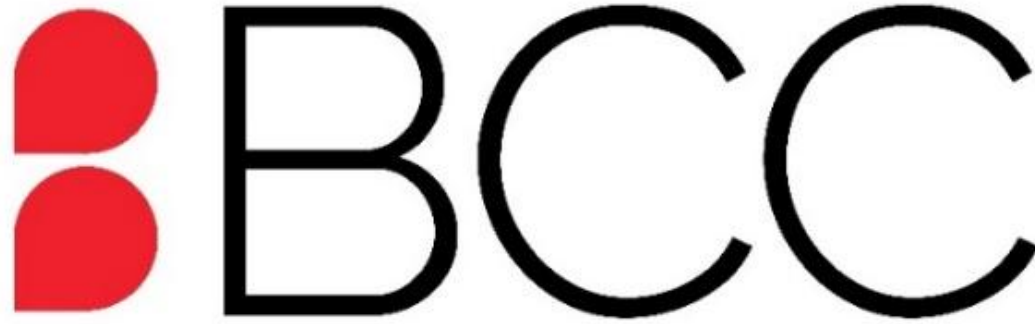




Bilateral Assistance
& Capacity Building
for Central Banks

BCC 14th Annual Conference

Jim Siracusa

A selection of potential Black Swans

- Progressively higher levels of Public Debt
- The AI Revolution or the next BIG bubble

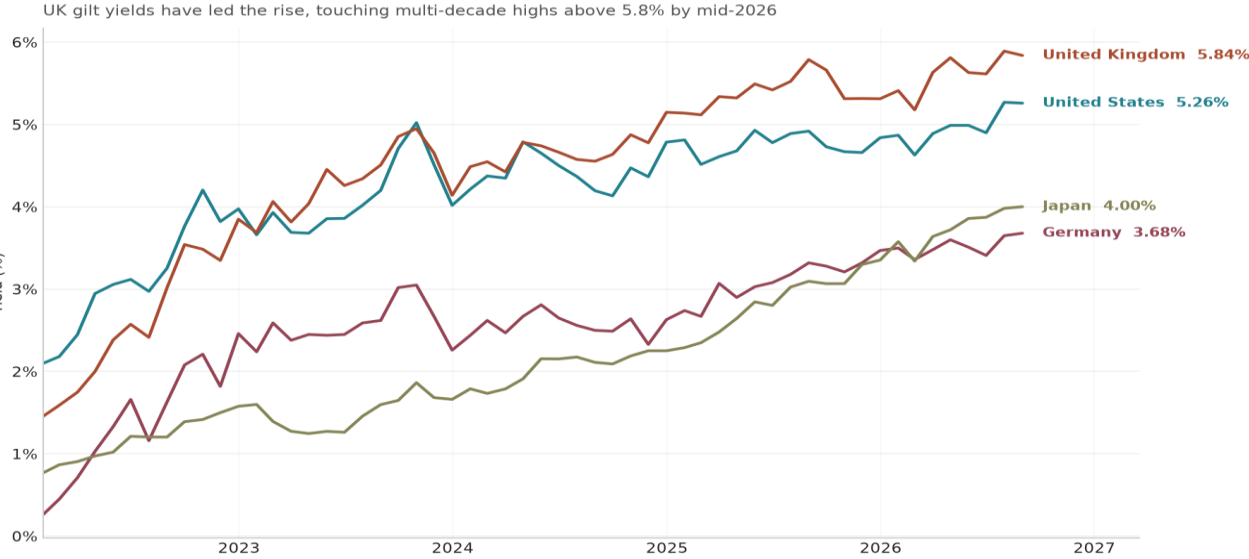
Levels of Public Debt-do they matter?

- Large and persistent fiscal deficits limit Sovereigns' ability to act countercyclically to offset economic shocks
- Concurrently, persistent inflation reduces the reach of monetary policy to effectively intervene in time of stress.
- Not only rising debt GDP levels are a concern—
 - increasing levels of price-sensitive investors (for example-- hedge funds, leveraged ETF's and other NBFIs) could amplify volatility by magnifying price gyrations.
 - greater proportional issuance of short-term securities increasing rollover risks. (UST issuance in short dates has increased to 22% from circa 15% in 2019)
- All these act to enliven concerns of the revival of the sovereign–bank nexus—so called doom loop.

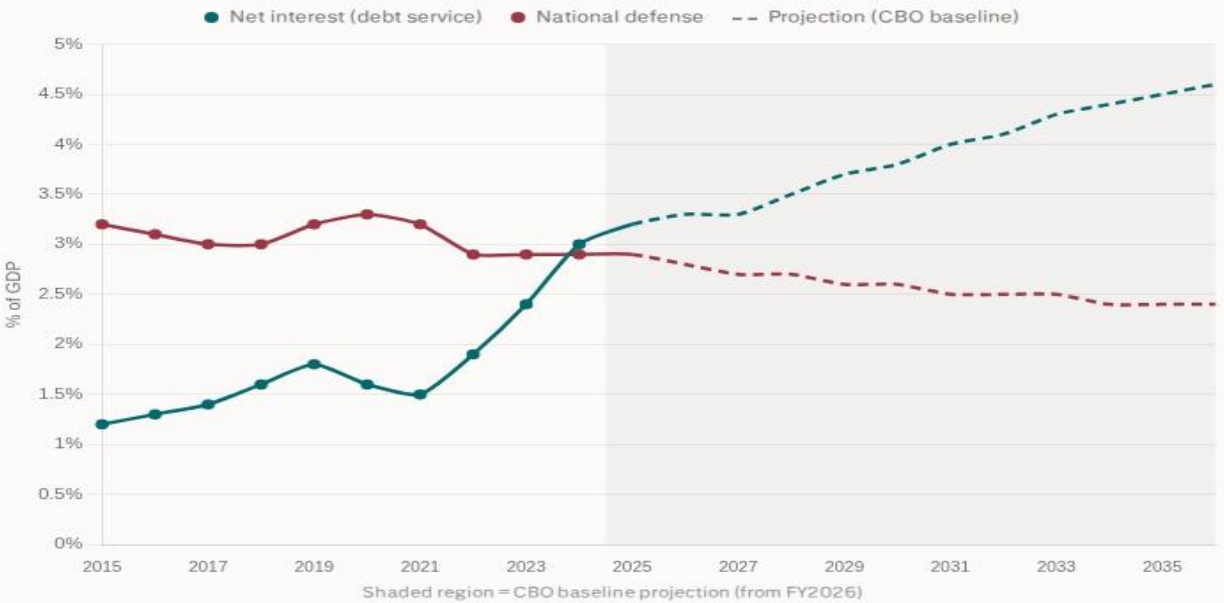
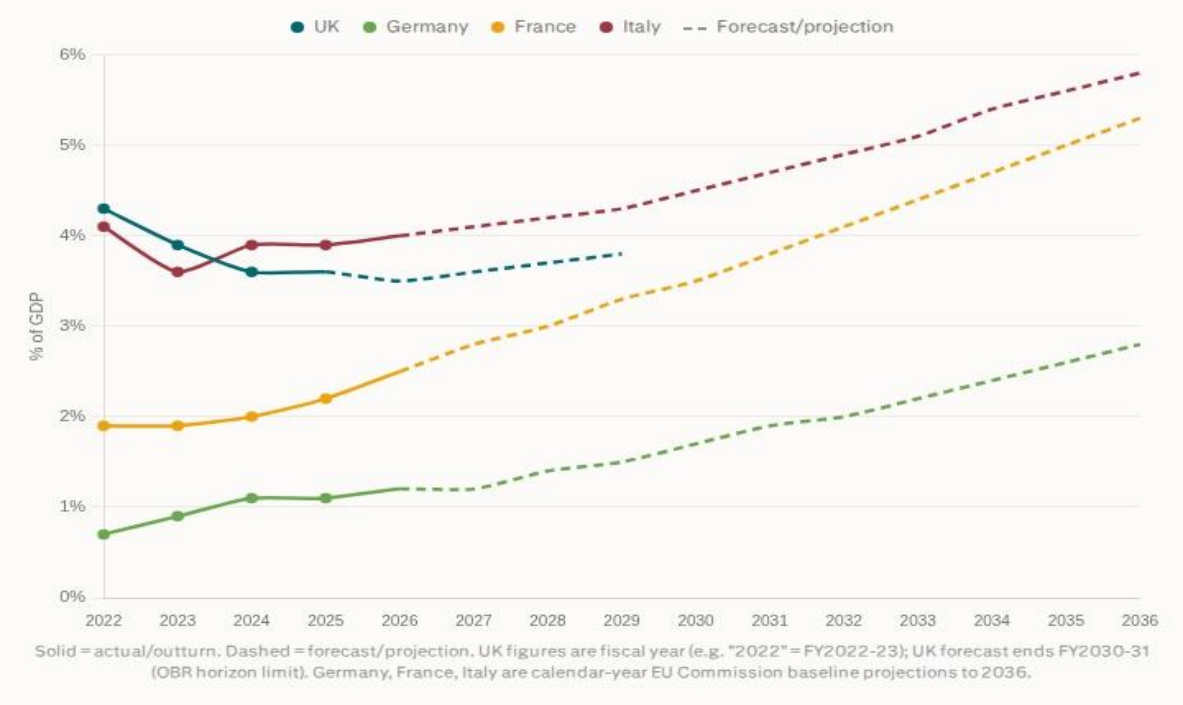
Leading Government Debt-to-GDP projections

- At the end of 2025, US Debt-to-GDP was 123%. Under current policies, this is projected to increase to 142% in 2031
- In the Euro area, debt-to-GDP is set to rise from 88% at the end of 2025 to 90% by the end of 2031
- Emerging and developing markets are projected to rise from 74% at the end of 2025 to 86 % of GDP at the end of 2031.
- Rising debt service costs will consume rising proportions of national GDPs. In 2024, the cost of servicing US debt surpassed Defense spending.
- Bond markets have pushed up the cost of borrowing in all major credit and government markets.

30-Year Government Bond Yields: US, UK, Germany, Japan (2022-Present)



Sources: US 30-Year Treasury Yield Index (^TYX), monthly close. Germany: Deutsche Bundesbank, daily yield of the current 30-year federal bond. United Kingdom: Bank of England, nominal government liability spot curve (30-year point). Japan: Ministry of Finance, JGB yields (30-year). Series resampled to month-end; latest point is mid-August 2026.

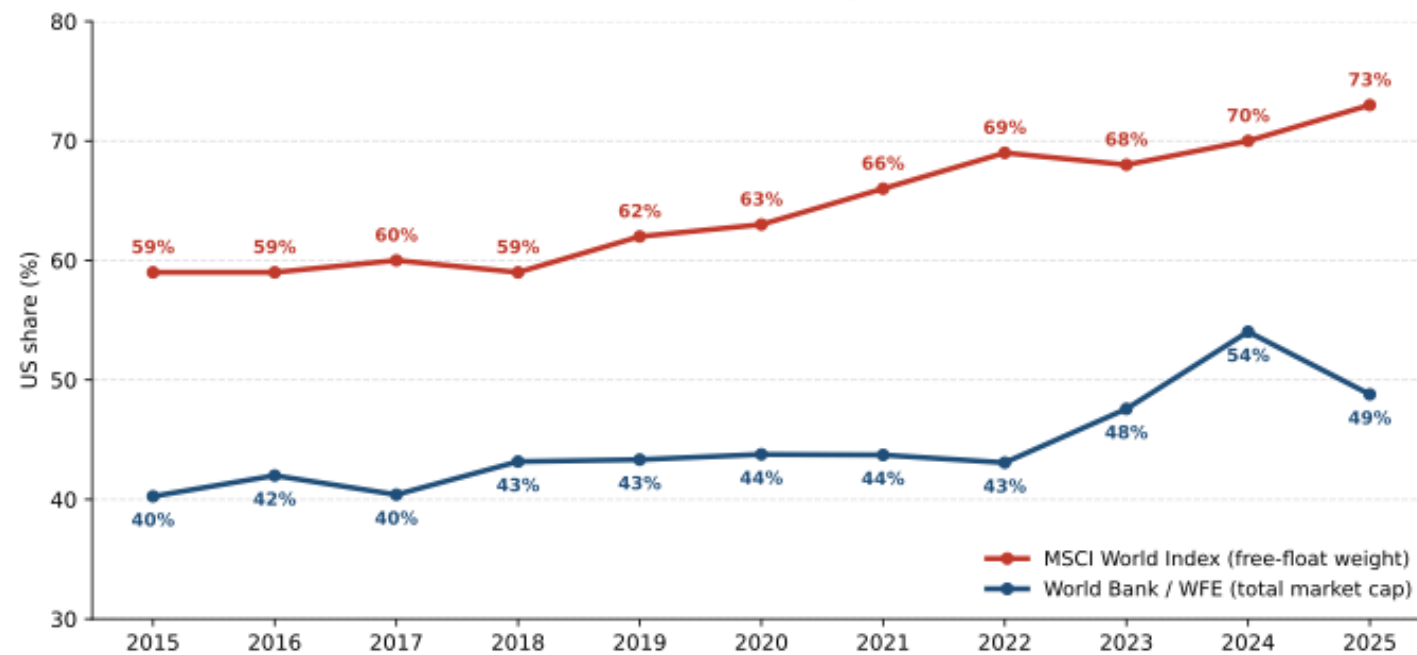


• Sources for US data US OMB and CBO

AI-The Revolution or the next Big Bubble?

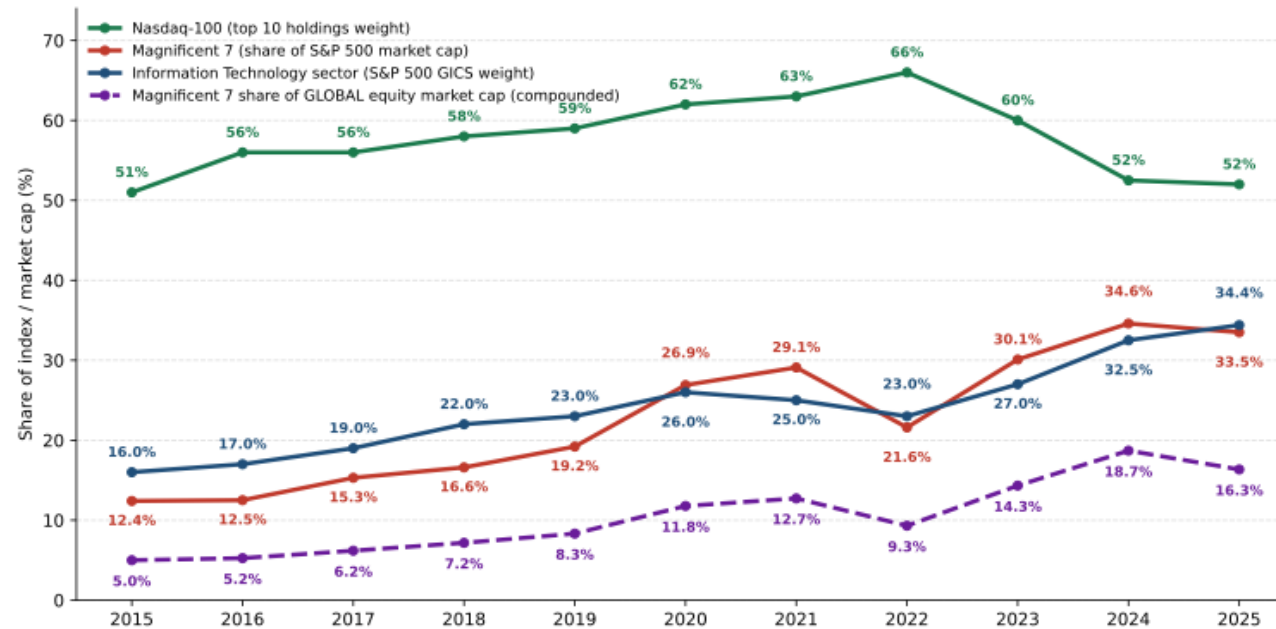
- US markets represent an increasingly higher percentage of global equity capitalization
- Likewise, within the US equity markets, there is a growing concentration in the Tech sector, largely driven by AI related investment
- Opacity risks are raised as circular financing dealing where counterparties, i.e., AI developers, chip makers and large tech firms simultaneously act as customers, investors and financiers.
- Therefore, AI investment returns have become a major focus—can returns live up to or perhaps exceed expectations? If not, what will happen to valuations?
- Given opacity and concentration risks, there are implications for the wider economy and equity markets' capitalisations
- While investment returns remain positive for the overall sector, the largest contributors to those returns have materially changed in 2026
- Debt financing sources are diversifying rapidly from bank finance to include public bonds and private credit.
- Credit markets and spreads will increasingly be influenced by growing public debt issuance. With over \$200 Billion to date in 2026 and projections for over \$500 billion in 2027.

US share of global equity markets, 2015-2025 two different methodologies compared



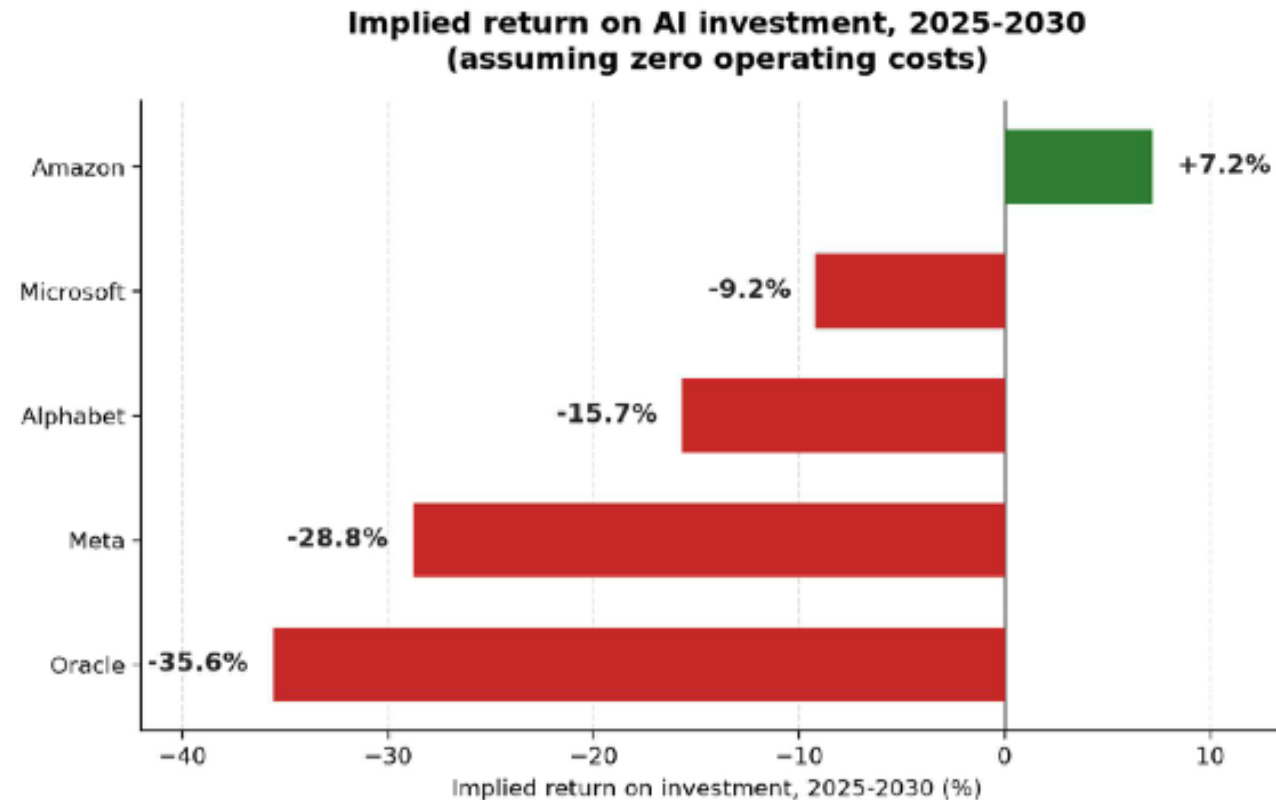
Sources: World Bank World Development Indicators (CM.MKT.LCAPCD, World Federation of Exchanges data, total market cap of listed domestic companies), <https://data.worldbank.org/indicator/CM.MKT.LCAPCD>; and MSCI Institute, "U.S. weight in the MSCI World Index" (free-float-adjusted weight within 23 developed markets), <https://www.msci-institute.com/charts/u-s-weight-in-the-msci-world-index/> (2015-2024 estimated from published chart). The two series differ because MSCI weights by free-float market cap available to investors, not total market cap.

AI Concentration Risk Tech sector, "Magnificent 7", Nasdaq-100, and compounded global exposure, 2015-2025



Sources: Information Technology sector weight - [einvestingforbeginners.com](https://einvestingforbeginners.com/historical-sp-500-industry-weights-20-years/) (2015-2023), https://www.fidelity.com/bin-public/600_Fidelity_Com_English/documents/learning-center/Quarterly-Sector-and-Investment-Research-Update-Q1-2025.pdf and Q1-2026 edition, Magnificent 7 share - Visual Capitalist/Defiance ETFs (2015-2024), <https://www.visualcapitalist.com/sp500-charted-magnificent-7-market-cap-as-a-share-of-the-sp-500/>; History of Market (2025), <https://historyofmarket.com/mag7/mag7-concentration/>, Nasdaq-100 top-10 weight - Motley Fool Community tabulation (2015-2023), <https://discussion.fool.com/t/extreme-concentration-in-nasdaq93846>; muguplus.com snapshot (2024), <https://www.muguplus.com/top-companies/nasdaq100-vs-sp500-top-50-companies-by-weight-2024-12/>; Nasdaq, Inc. official 2025 Reconstitution and Performance Highlights, <https://www.nasdaq.com/2025-Nasdaq-100-Annual-Reconstitution>, Compounded global exposure = (US share of global market cap, World Bank WDI CM MKTLCAPCD, <https://data.worldbank.org/indicator/CM.MKTLCAPCD>) * (Magnificent 7 share of S&P 500), Magnificent 7 = Apple, Microsoft, Alphabet, Amazon, Meta, Nvidia, Tesla - spans multiple GICS sectors and is not directly comparable to the single-sector IT line; Nasdaq-100 top-10 is a different universe and not always Mag7-only.

Investment returns under the microscope



Source: Joachim Klement / Panmure Liberum, published in the Financial Times,
"The impossible maths of the AI boom" (20 May 2026). Recreated from reported figures — not the original FT graphic.

