Deutsche Bank
Research Institute

Capital allocation without Big Tech

June 15, 2026

The sharp sell-offs that have punctuated the AI-related stock market appreciation over the last few years have all come at times when investors have contemplated whether the AI business model is at a tipping point. This year's related IPOs have certainly entered into that realm.

The recent wobbles have also come as investors consider the financing methods of some the largest hyperscalers which have signalled they are ready to turn to equity issuance to invest in AI capacity.

Apart from testing the pecking order theory of financing, these developments also have implications for aggregate capital allocation of the S&P 500 given the size of tech firms. So, in this short note we disaggregate buybacks, debt issuance and capex of the S&P 500 to quantify the impact of tech firms.

Amongst our key takeaways is that while tech dominance in the stock market is growing, other S&P 500 corporates offer solid fundamentals which means the bulk of companies in the index do not look overpriced. That should keep the potential fallout from any further AI disenchantment more contained than many currently fear.

Authors

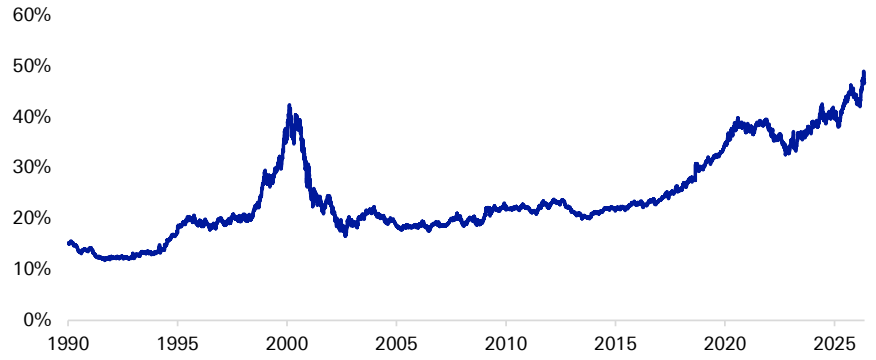
Luke Templeman
Research Analyst

Galina Pozdnyakova
Research Analyst

Deutsche Bank
Research Institute

Tech dominance is back but its ranks are changing

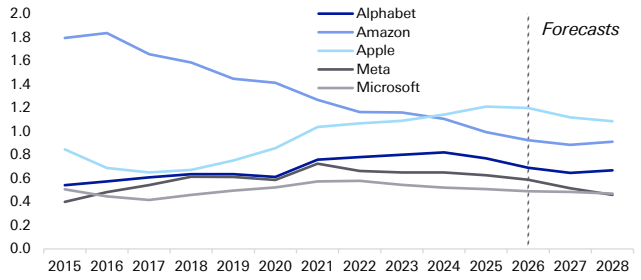
Figure 1: TMT companies market cap as % of S&P 500 total



Source : Bloomberg Finance LP, Deutsche Bank.

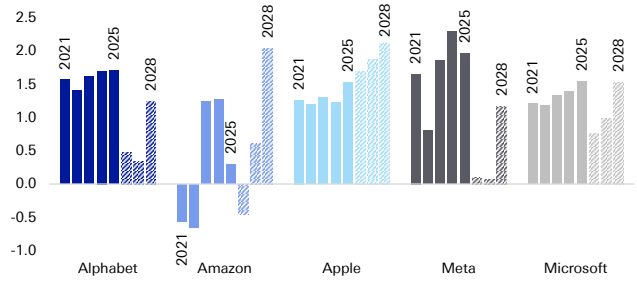
The run-up in the share of TMT companies' market cap relative to the S&P 500 total comes just as the biggest tech players that have propelled index fundamentals in recent years are expected to experience declines in free cash flow. That comes on top of slowing sales growth for some which will weigh on their asset efficiency, particularly given their capex plans.

Figure 2: Asset turnover of selected tech companies



Source : Bloomberg Finance LP, Deutsche Bank.

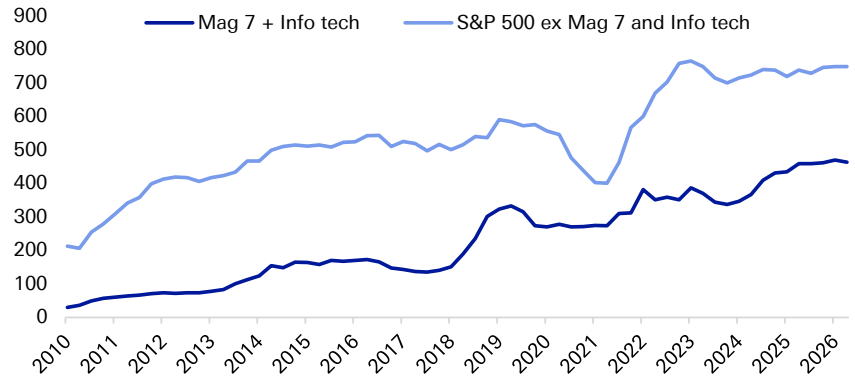
Figure 3: Free cash flow of selected tech companies, indexed to 2020 levels *



*Source : Bloomberg Finance LP, Deutsche Bank. * Note: shaded areas are forecasts.*

The cash drain from AI capex is a concern for investors in part because tech companies have offered strong payouts in recent years amidst record cash generation, including during covid when the aggregate for rest of the index declined.

Figure 4: Total payouts ($bn, LTM) *



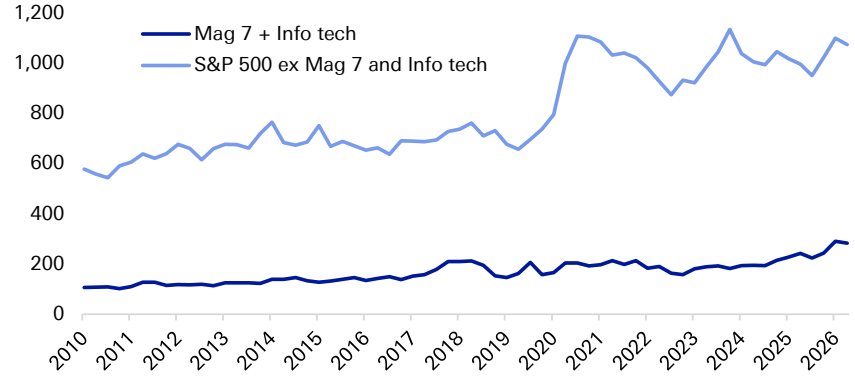
*Source : Bloomberg Finance LP, Deutsche Bank. * Note: excluding financials, real estate and utilities.*

When we now look at large non-tech American corporates, there are strong signs of resilience. This leads us to expect them to increase their investing and payout activities in the coming few years. That would be a pleasant contrast to the first half of this decade which was beset by various shocks and uncertainty amidst a changing geopolitical and economic backdrop.

Capital allocation trends of non-tech corporates look solid

Compared with the trend in payouts, the relative size of aggregate tech companies' actual cash pile is much smaller. While this reflects the differences in cash needs of business models and profitability, aggregate cash coffers are up by c 8% p.a. since 2019, outpacing inflation.

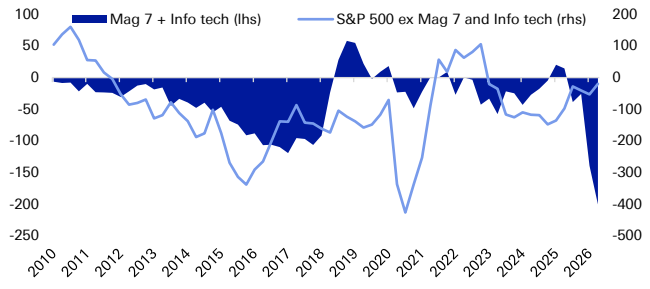
Figure 5: Cash & cash equivalents balances ($bn) *



*Source : Bloomberg Finance LP, Deutsche Bank. * Note: excluding financials, real estate and utilities.*

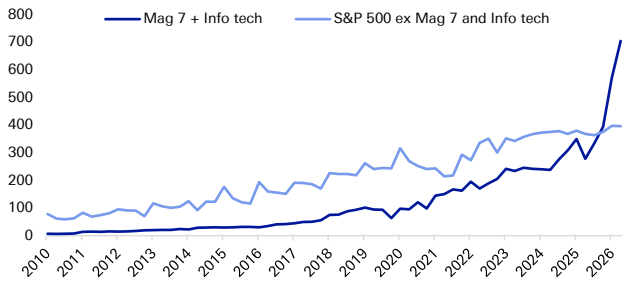
Part of the reason for the increase in cash in non-tech companies is a turn towards relatively conservative capital allocation. Unlike tech companies, the rest of the S&P 500 corporates have been in cash-preservation mode, which is reflected in almost no new net borrowing in the last 12 months as well as a relatively slower increase in capex (+876% for tech and +62% for non-tech since 2019).

Figure 6: Cash spent on net debt (negative - more borrowing) *



*Source : Bloomberg Finance LP, Deutsche Bank. * Note: excluding financials, real estate and utilities.*

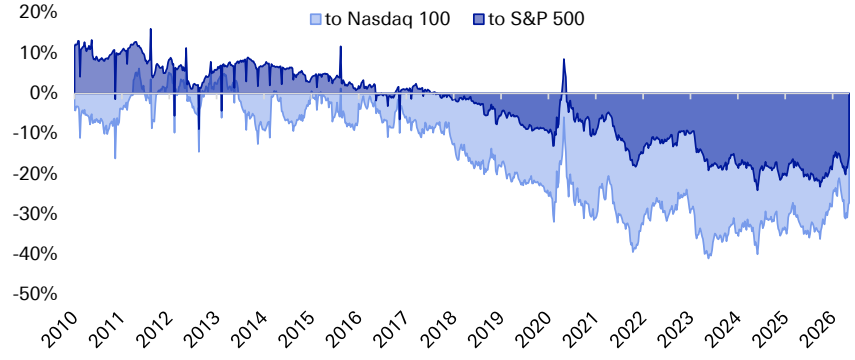
Figure 7: Reported capex, LTM $bn *



*Source : Bloomberg Finance LP, Deutsche Bank. * Note: excluding financials, real estate and utilities.*

We believe this cash preservation is likely to change. Big M&A deals are already one of the signs that companies are looking to decrease their cash piles. This may help make non-tech corporates more attractive to investors and acquirors and, as the chart below shows, the equal-weighted S&P 500 continues to trade at c.15% discount to the market-cap index, and at 27% to the Nasdaq 100 (on a forward P/E basis). And while the non-tech firms are expected to have only 13.2% EPS growth in 2026 (23.7% for tech), that is ahead of Europe (11.2%) and Japan (10.5%).

Figure 8: Equal-weighted S&P 500, premium (+) / discount (-) to...



Source : Bloomberg Finance LP, Deutsche Bank.

Appendix 1

This material has been prepared by the Deutsche Bank Research Institute and is provided to you for general information purposes only. The Institute leverages the views, opinions, and research from Deutsche Bank Research, economists, strategists, and research analysts. Accordingly, you should assume that content in this document is based on or was previously published and provided to Deutsche Bank clients who may have already traded on the basis of it.

Any views or estimates expressed in this material reflect the current views of the author(s) and may differ from the views and estimates of Deutsche Bank AG, its affiliates, other Deutsche Bank personnel, and other materials published by Deutsche Bank. The content in this material is valid as of the date shown on the first page and may change without notice. Deutsche Bank has no obligation to provide any updates or changes to the information herein.

This material should not be used as a basis for trading securities or other financial products and should not be considered to be a recommendation or individual investment advice for any particular person. It does not constitute an offer, solicitation, or an invitation by or on behalf of Deutsche Bank to any person to buy or sell any security or financial instrument. Nothing in this material constitutes investment, legal, accounting or tax advice. Deutsche Bank engages in securities transactions, including on a proprietary basis, and may do so in a manner inconsistent with the views or information expressed in this material.

While information in this material has been obtained from sources believed to be reliable, neither Deutsche Bank AG nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this material and therefore any liability is expressly disclaimed. This material is provided without any obligation, whether contractual or otherwise. Information regarding past transactions or performance is not indicative of future results.

In the U.S. this report is approved and/or distributed by Deutsche Bank Securities Inc., a member of FINRA. In Germany this information is approved and/or communicated by Deutsche Bank AG Frankfurt, licensed to carry on banking business and to provide financial services under the supervision of the European Central Bank (ECB) and the German Federal Financial Supervisory Authority (BaFin). In the United Kingdom this information is approved and/or communicated by Deutsche Bank AG, London Branch, a member of the London Stock Exchange, authorized by UK's Prudential Regulation Authority (PRA) and subject to limited regulation by the UK's Financial Conduct Authority (FCA) (under number 150018) and by the PRA. This information is distributed in Hong Kong by Deutsche Bank AG, Hong Kong Branch, in Korea by Deutsche Securities Korea Co. and in Singapore by Deutsche Bank AG, Singapore Branch. In Japan this information is approved and/or distributed by Deutsche Securities Limited, Tokyo Branch. In Australia, retail clients should obtain a copy of a Product Disclosure Statement (PDS) relating to any financial product referred to in this report and consider the PDS before making any decision about whether to acquire the product.

By accessing this material, you agree that its content may not be reproduced, distributed or published by any person for any purpose, in whole or part, without Deutsche Bank's prior written consent. You also agree that you shall not scrape, extract, download, upload, sell or offer for sale any of the content in this material, and you agree not to use, or cause to be used, any computerized or other manual or automated program or mechanism, tool, or process, including any scraper or spider robot, to access, extract, download, scrape, data mine, display, transmit, or publish, any of the content in this material.