Amazon and Intel Tank the AI Trade. The 1 Factor Linking Big Tech's Underwhelming Earnings.

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Big Tech earnings are on track to be more of a horror movie than a crowd pleaser. Technology stocks across the stock market were sinking as investors eyed shrinking cash flows across the sector's largest companies.

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Amazon ↓ AMZN -2.39%.com was the latest victim. The online retailer-and-cloud computing provider disclosed that its free cash flow was negative $42.4 billion for the 12 months to the end of September. That's a huge reversal from the $14.8 billion in cash it generated in the same period a year earlier.

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There's no mystery about what's responsible for this particular massacre of previously healthy cash-flow balances—spending on artificial intelligence. But previously those concerns had largely been offset by the hugely profitable core businesses of the big companies investing in AI. As *Barron's* has noted, those are now suffering their own missteps, which means investors are putting big cash outlays under harsher scrutiny.

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Neocloud company CoreWeave ↓ CRWV -11.70% —which has acted as a proxy for the riskiness of the AI trade due to its debt load—dropped 10%. Shares of peer Nebius Group declined 9.8%. Investors might be questioning how much more borrowing the market can bear, after Microsoft issued $25 billion in debt on Thursday.

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"Investors took a moment to examine whether the recent pace of tech valuations still made sense, given all of the spending on AI development that is hitting cash flows," said Paul Stanley, managing director at wealth management firm Arca. "This is not the first tech and AI correction, and it won't be the last. We are still in the very early stages of AI development, and pullbacks are par for the course."