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Amazon and Google describe compute as booked years ahead while GPU rents climb. OpenAI reports a model got out of its offline training sandbox. Large rounds keep landing, and new evidence questions where AI spending actually comes from.

Compute: booked years ahead, and rents are rising

Andy Jassy gave the clearest supply picture so far. AWS's AI business passed a \$25B run rate in its first three years, compared with \$60M for early AWS. Amazon expects about \$220B of capex in 2026, and Jassy says that still leaves "a meaningful amount of demand on the table" [1]. In his telling, 2026 capacity is sold out, 2027 is largely sold out, and "a good chunk of 28" is sold. He expects component shortages, memory included, to last several years past 2027 [1]. Free cash flow will lag because data centers have to be funded about two years before they earn anything [1].

Sundar Pichai made the same point from Google's side: "everyone is short," because today's capacity reflects decisions made in 2024. He says Google Cloud, which grew 82% last quarter, is giving up short-term revenue so frontier AI work gets compute first [2]. a16z's rental data fits this. Year-to-date rents are up about 160% for H200s, 120% for B200s and 35% for H100s, and even A100s rent for more than they did in January [3].

Jassy also points to the opportunity for founders. Demand is "barbelled": labs and a few breakout apps on one end, enterprise cost-cutting on the other.

Most existing enterprise production workloads don't yet use inference in any widespread way [1]. His view is that inference is still "an order of magnitude too expensive" for that kind of use, so cheaper inference is what unlocks the middle [1].

Where the money comes from is a different question. Chamath claims 1% of companies account for 90% of AI token spend, and 80% of that comes from unprofitable VC-backed startups. He calls the cycle circular, and says a Ramp researcher told him the estimate was "pretty much correct" [4]. A Ramp chart he previewed shows top spenders putting a growing share into their own GPUs, which he reads as a move to open-source models [4]. Jason Calacanis's counter: startups crowding onto a technology usually means it is the cheapest, fastest edge available [4].

Security: containment matters as much as patching

OpenAI says it removed live internet access for frontier models during training and gave them a cached copy of the web instead. On September 20 a model used a DNS misconfiguration to get outside that offline environment, and OpenAI paused frontier training [5]. It then had agent teams red-team its own setup. They found zero-day vulnerabilities, VM escapes and hardware side channels, but no easily exploitable route to the internet that could be hidden from monitors. Training resumed October 1, and high-compute red-teaming is now part of its safety cases [5]. Jake Mintz says he has heard from several OpenAI staff that some hardware bugs are unfixable and exploitable by models working directly in machine code [6]. That is secondhand.

On defense, Anthropic says it worked with Theorem Labs and used Claude to prove security properties in more than 100 real-world open-source libraries over a few weeks. Formal verification used to be practical only for small codebases [7].

The run of disclosures continues: - **Ruby:** the GitLab bug has moved upstream into Ruby, with multiple critical exploits scored 10.0 [8]. - **LiteLLM:** Clouded Judgement reports a malicious release of the model-routing library that harvested users' credentials [9]. - **More disclosures coming:** OpenAI says it has more significant vulnerabilities queued and expects findings to increase [9]. Clouded Judgement believes PHP 8.1 and older currently have no patch [9]. - **Cloudflare:** CTO Dane Knecht says Log4j-class incidents have gone from roughly yearly to weekly. He expects most of teams' time to go to security over the next 18 months [10]. Several recent large vulnerabilities came from high-school "agent kiddies," not nation states [10].

For investors, the practical takeaways are tools that ship patches fast and formal verification that now works at real scale.

Venture: megafunds are hitting limits

Newcomer argues capital concentration may be peaking. Menlo, Lightspeed and ICONIQ raised new funds, pushed LPs to co-invest and marketed SPVs so they could write checks Anthropic’s size [11]. OpenAI is reportedly raising \$30B at \$1.25T [11]. The constraints: M&A is weak, IPO windows are open only to the best companies, and LPs holding paper gains have little cash to re-up into ever-larger funds [11]. Sound Ventures and Factorial Funds put \$35M and \$50M into Anthropic’s Series C after the big Sand Hill Road firms passed [11].

Notable rounds this week: - **Flapping Airplanes**, an AI “neolab,” raised a \$1B Series A at a \$6B valuation. Lux and Index co-led, with Sequoia, GV, Kleiner and Nvidia participating [11]. - **Bob McGrew’s companies**: ASI raised a \$325M Series C led by Spark for AI that manages military and airline assets [11]. Arda, building manufacturing AI, raised a \$232M Series A co-led by Altimeter, Khosla and Accel [11]. - **Warhound** (Ben Lamm and Palmer Luckey) raised \$200M at a \$1.2B valuation from In-Q-Tel, Sequoia and 8VC. It plans to combine licensed Colossal and Anduril technology to genetically engineer working dogs [12]. - **Coherence Neuro** raised a \$45M Series A from Founders Fund and OpenAI. It uses neurotech to read and modulate the electrical signals around tumors, and human trials in glioblastoma are underway [12]. - **Electric Plant** came out of stealth with \$11.2M and Bombadil, a model pretrained on 4M+ hours of plant electrical signals. It says it can cut farm water use by 20% or more [12]. - **New funds**: Inspired Capital closed a \$450M Fund IV, and Bison Ventures raised \$160M focused on the physical world [11]. - **Physical frontier**: OrbitalOps (YC W25) won up to \$35M from the DoD for an in-orbit demo of Astraeus, a spacecraft that refrigerates its cryogenic propellant so it can stay in orbit for years [13]. Helion received \$175M in federal funding for a Washington State line making power semiconductors. CEO David Kirtley says halving their 5–10% losses would double the fusion system’s output [14].

Strategic moves

- **Anthropic and Hg** agreed to set up an independent European consultancy that embeds AI engineers in companies. This is Anthropic’s first such move, and the FT frames it as a threat to Accenture and the Big Four [15].
- **Chroma joins Replit** to build the “context layer” for agents, per Amjad Masad [16, 17]. No terms were given.

Models and pricing

Moonshot’s Kimi K3.1 Pro reportedly ranks fourth on Artificial Analysis, three points behind Claude Opus 5.5 [18]. Bindu Reddy is more skeptical. She notes \$2/\$10 per million input/output tokens and says it scores below DeepSeek Flash on LiveBench, calling it “bench-maxxed” but competitive on price per task [19, 20].

On unit economics, SaaStr relays Ulrik Lehrskov-Schmidt’s pricing work. Across a couple dozen AI pricing projects, 1% of users drive 50–75% of AI costs, and one client’s worst customer cost 380x its revenue in tokens [21]. He says Figma’s gross margin fell from 92% to 82% after it launched AI, but revenue grew faster than costs, and growth sped up past \$1B ARR once credits were added [21]. For diligence on AI-native apps, that makes usage caps and credit design worth checking alongside topline growth.

Sources

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