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## About the U.S. Equipment & Software Investment Momentum Monitor

Business leaders require actionable forward-looking intelligence to make strategic decisions. Accordingly, the Equipment Leasing & Finance Foundation commissioned Keybridge LLC to develop a series of custom leading indicators for the equipment sector. Published monthly, the “U.S. Equipment & Software Investment Momentum Monitor” consists of indices for the 12 equipment and software investment verticals listed below. These indices are designed to identify turning points in their respective investment cycles with an approximate 6-month lead time.

The Momentum Monitor is based on Keybridge’s extensive research which shows that not all movements in economic data are reliable signals of future economic trends. Keybridge has operationalized its research by constructing indices, each comprised of 10–20 high-frequency indicators. These indicators undergo rigorous testing to determine the optimal thresholds at which their short-term fluctuations are economically meaningful. In simpler terms, the Momentum Monitor sifts out the “noise” in the data and identifies the dominant trends. As a result, each Momentum Monitor index is statistically optimized to signal turning points in the investment cycle without giving false readings of shifts in momentum.

The Momentum Monitor covers 12 equipment and software verticals as defined by the U.S. Department of Commerce, Bureau of Economic Analysis.

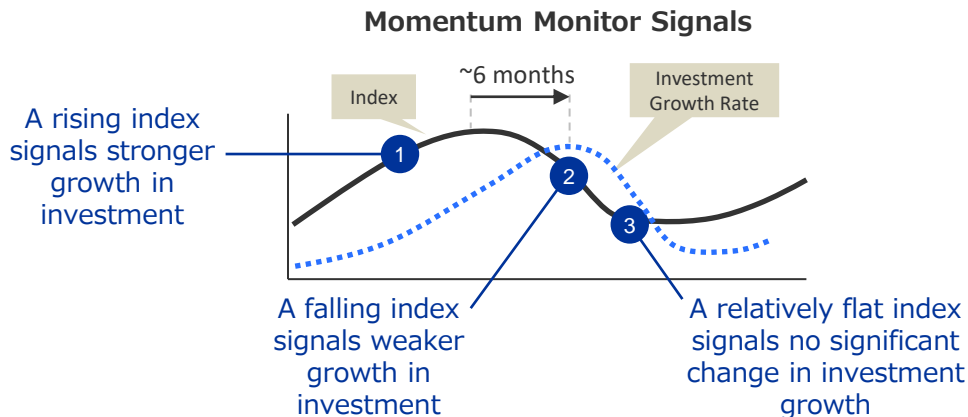
## U.S. Equipment & Software Investment Momentum Monitor – 12 Verticals

- |                                   |                       |
|-----------------------------------|-----------------------|
| 1) Agriculture Machinery          | 7) Aircraft           |
| 2) Construction Machinery         | 8) Ships and Boats    |
| 3) Materials Handling Equipment   | 9) Railroad Equipment |
| 4) All Other industrial Equipment | 10) Trucks            |
| 5) Medical Equipment              | 11) Computers         |
| 6) Mining & Oilfield Machinery    | 12) Software          |

## How to Read the Monitor

Each Momentum Monitor index provides a signal of the direction and magnitude of growth in equipment investment over the next six months. It is important to note that index values do not correspond to particular growth rates. Instead, the Momentum Monitor indices should be interpreted within the context of prior index readings and investment growth rates. For example, there are several simple rules to follow when examining the latest index values:

- 1) A rising index signals that growth in investment will accelerate from the current rate;
- 2) A falling index signals that growth in investment will decelerate from the current rate; and
- 3) No change in the index signals no meaningful change from the current growth rate.



To help the reader interpret the latest Momentum Monitor signals, a summary report for each equipment vertical follows a specific outline:

### Materials Handling Equipment:

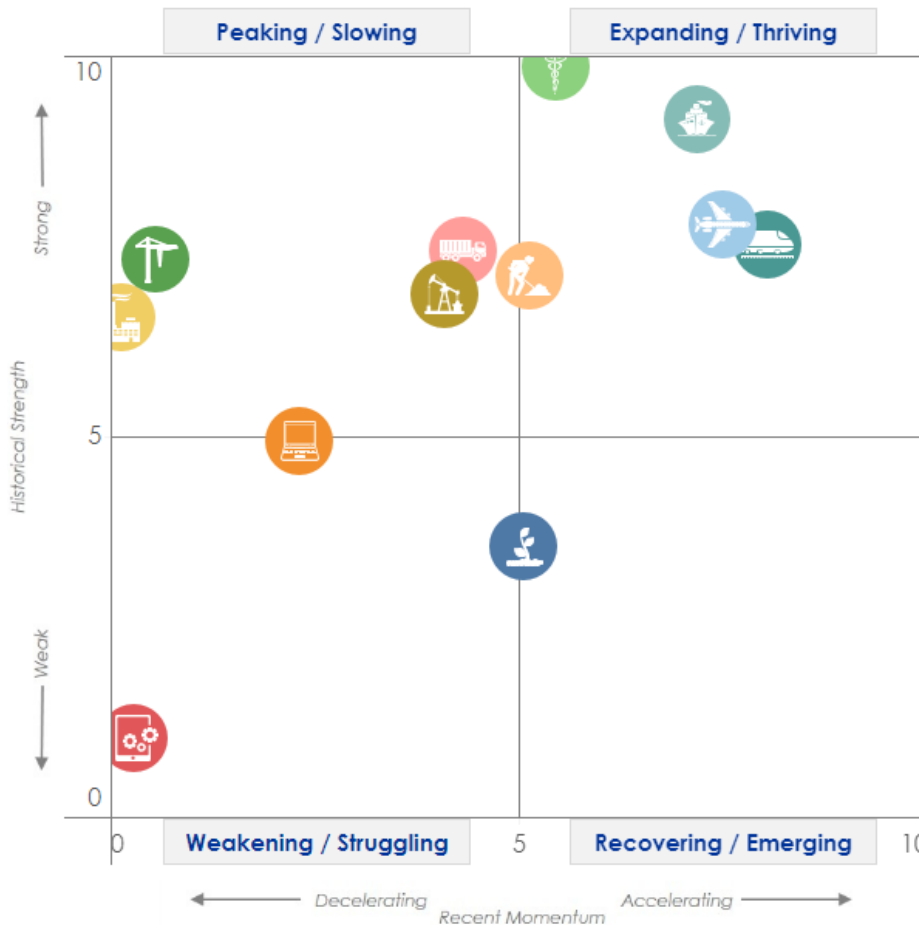
- 1 Investment in Materials Handling Machinery inched up at a 0.3% annualized rate in Q4 2014 and is up 7.3% year-over-year.
- 2 The Materials Handling Momentum Index slipped from 93.5 in February to 92.5 in March.
- 3 A 23% decline in the MNI-Chicago Business Barometer and a spike in Economic Policy Uncertainty offset gains in Machinery Sales, Manufacturing Sales, and the ISM Manufacturing Suppliers Deliveries Index.
- 4 The Index's recent trend continues to indicate that growth may moderate over the next six months.

- 1) The first sentence reports the latest growth rate for investment in a given vertical. This provides a context for interpreting the order of magnitude of growth over the next six months.
- 2) The second sentence explains the latest movement in the index, indicating whether momentum is accelerating or decelerating.
- 3) The report then describes the recent movements of one or more indicators to help to explain the index's latest reading.
- 4) Finally, the report ends with an interpretation of where investment growth is heading over the next six months based the index's recent movement and historical strength.

# U.S. Equipment & Software Investment Momentum Monitor

## September 2022

### Momentum Monitor Sector Matrix



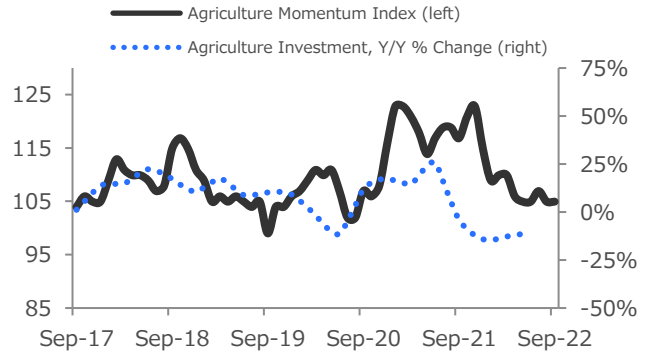
The matrix above summarizes the current values of each of the 12 Equipment & Software Investment Momentum Indices based on two factors: Recent Momentum (x-axis) and Historical Strength (y-axis):

- **"Recent Momentum"** represents the degree of an indicator's recent acceleration or deceleration in the past month relative to its average movement during the previous 3 months. Ratings closer to "0" represent an indicator that is rapidly decelerating, while ratings closer to "10" represent an indicator that is rapidly accelerating.
- **"Historical Strength"** represents the strength or weakness of an indicator in the past month relative to its typical level since 1999. Ratings closer to "0" represent an indicator that is weaker than average, while ratings closer to "10" represent an indicator that is stronger than average.

The matrix is comprised of four quadrants according to each vertical's recent momentum and historical strength readings. If a vertical is located in the top-left quadrant, its momentum reading is higher than average, but positive movement has slowed (and perhaps reversed) in recent months — suggesting that investment levels may fall over the next two quarters. Verticals located in the bottom-right quadrant, however, have momentum readings that are below average, but recent movement shows promise — suggesting that investment levels may rise over the next two quarters. This makes them potentially attractive targets for new short-term leasing and finance opportunities.

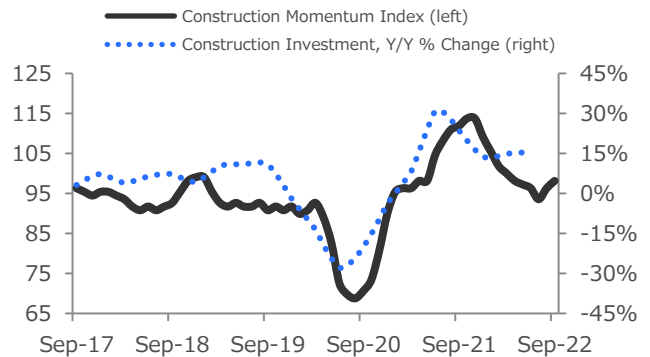
**Agriculture Machinery:**

Investment in Agricultural Machinery rose 11% (annualized) in Q2 2022 but was down 10% from one year ago. The Agriculture Momentum Index was flat at 105.0 from August (revised) to September. Agricultural Machinery Industrial Production increased 0.7% in July while the Federal Funds Rate rose by 75 basis points in the same month. Overall, the Index's position and recent movement suggest that agriculture machinery investment growth is likely to remain muted over the next six months.



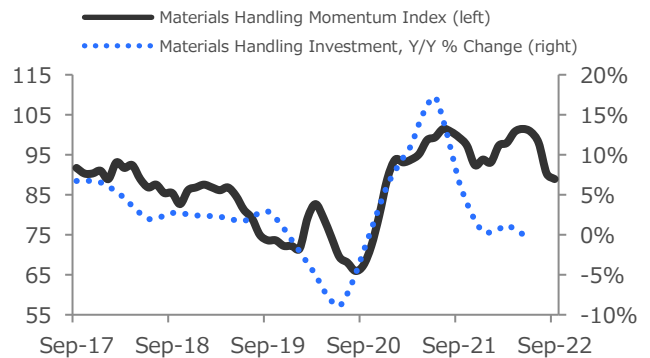
**Construction Machinery:**

Investment in Construction Machinery jumped 19% (annualized) in Q2 2022 and was 16% above its year-ago level. The Construction Momentum Index rose from 96.3 in August to 98.2 in September. Construction Prices for Single-Family Homes inched up 0.4% while Housing Starts in the Western U.S. fell 4.0% in July. Overall, the Index's position suggests that construction machinery investment growth is unlikely to improve over the coming two quarters.



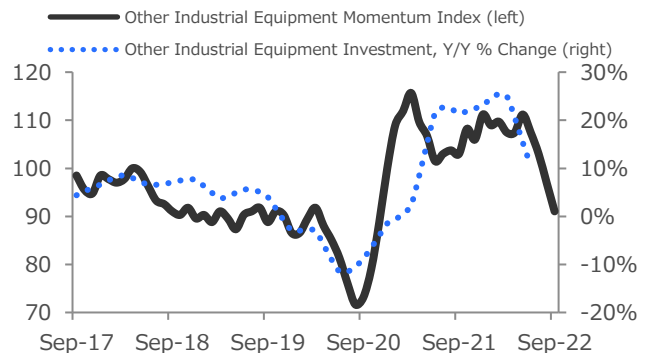
**Materials Handling Equipment:**

Investment in Materials Handling Equipment rose 0.8% (annualized) in Q2 2022 but was 0.4% below year-ago levels. The Materials Handling Momentum Index eased from 90.3 in August (revised) to 88.9 in September. The NFIB Small Business Capex Sub-Index was flat and Consumption Spending on Non-Durable Goods fell 1.0% in July. Overall, the Index's recent movement and position suggest that materials handling equipment investment growth is likely to remain soft over the next two quarters.



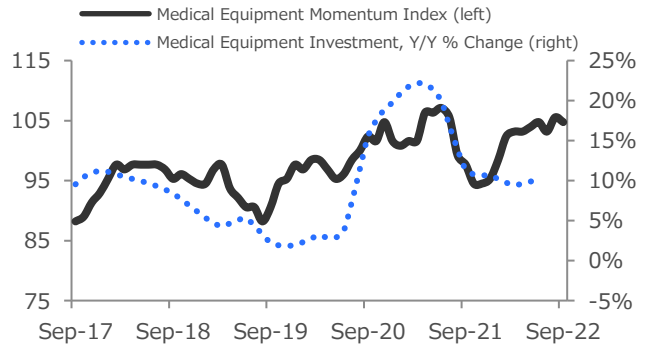
**Other Industrial Equipment:**

Investment in All Other Industrial Equipment declined 8.6% (annualized) in Q2 2022 but was up 11% Y/Y. The Other Industrial Equipment Momentum Index dropped sharply from 97.0 in August (revised) to 91.0 in September. The Unemployment Rate rose to 3.7% in August and Energy Consumption eased 0.5% in May. Overall, the Index's position and recent movement suggest that other industrial equipment investment growth may continue to slow over the coming six months.



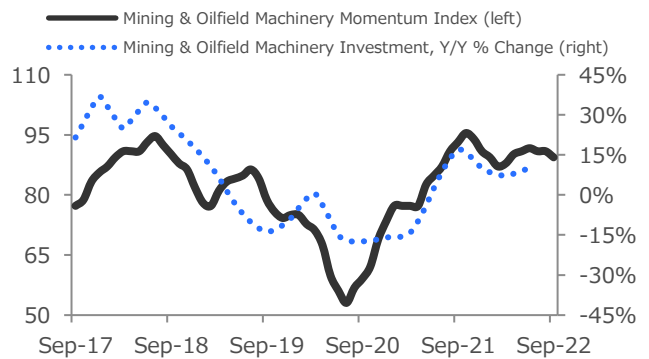
**Medical Equipment:**

Investment in Medical Equipment increased 5.7% (annualized) in Q2 2022 and was up 10% year-over-year. The Medical Equipment Momentum Index slipped from 105.5 in August to 104.7 in September. Health Care Consumption Spending rose 0.1% while the Dental Services Price Index inched down 0.2% in July. Overall, the Index's position suggests that medical equipment investment growth could accelerate over the next six months.



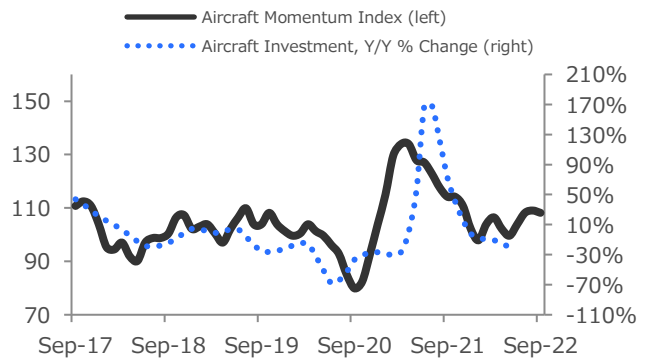
**Mining & Oilfield Machinery:**

Investment in Mining & Oilfield Machinery rose 23% (annualized) in Q2 2022 and was 10% above year-ago levels. The Mining & Oilfield Machinery Momentum Index dipped from 90.9 in August to 89.4 in September. In July, the Brent Spot Price fell 13.4% while Natural Gas Capacity Utilization rose 0.2%. The current position and recent movement of the Index suggest that mining & oilfield machinery investment growth will likely remain strong over the coming two quarters.



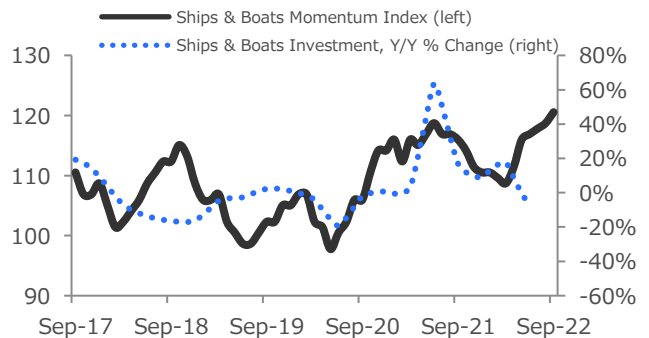
**Aircraft:**

Investment in Aircraft increased at a 30% (annualized) rate in Q2 2022 but was 22% below year-ago levels. The Aircraft Momentum Index edged down from 109.0 in August (revised) to 108.2 in September. Total Traffic Departures rose 27% in June, while New Orders for Defense and Aircraft Parts plummeted 50% in July. Overall, the Index's position and recent movement suggest that aircraft investment growth is unlikely to rebound over the coming two quarters.



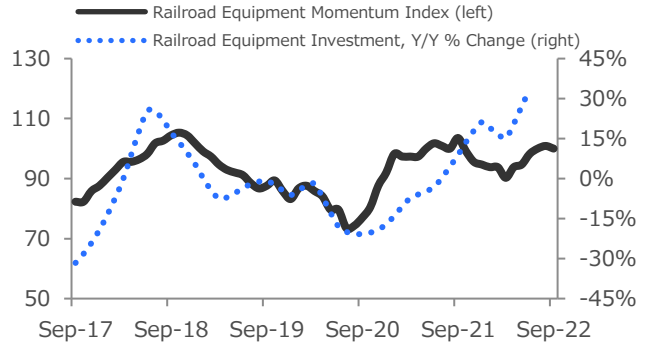
**Ships & Boats:**

Investment in Ships & Boats fell at an annualized rate of 8.9% in Q2 2022 and was 7.7% below its year-ago level. The Ships & Boats Momentum Index increased from 118.8 in August (revised) to 120.6 in September. Industrial Production rose 0.6% in July and Consumer Confidence rose 8.3% in August. Overall, the Index's position and recent movement suggests that ships & boats investment growth could accelerate over the coming six months.



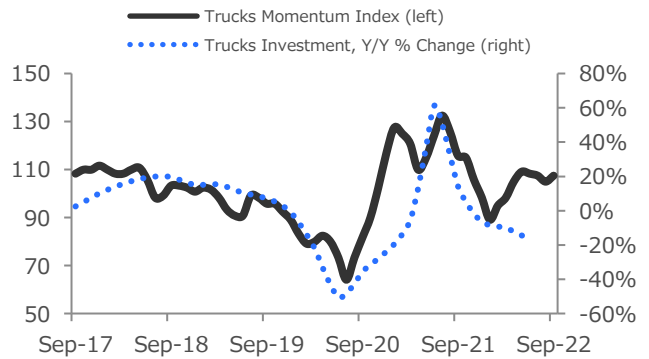
**Railroad Equipment:**

Investment in Railroad Equipment increased 48% (annualized) in Q2 2022 and was up 34% year-over-year. The Railroad Equipment Momentum Index inched down from 100.9 in August to 100.0 in September. In August, Rail Carloads of Petroleum Products fell 1.6% and Total Originated Intermodal Rail Units rose 2.9%. Overall, the current position and recent movement of the Index suggest that railroad equipment investment growth may start to level out but will likely remain strong over the coming six months.



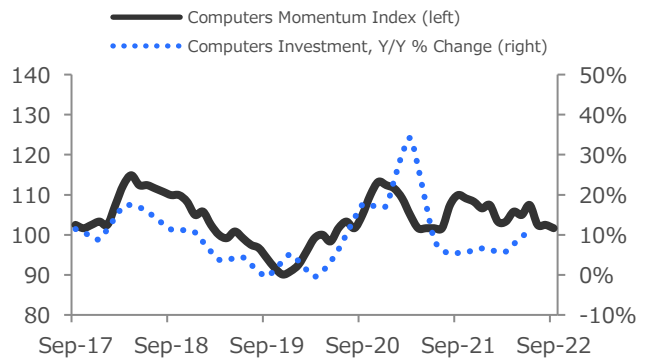
**Trucks:**

Investment in Trucks ticked up 3.0% (annualized) in Q2 2022 but was down 16% from year-ago levels. The Trucks Momentum Index rose from 105.0 in August to 107.5 in September. Shipments of Heavy-Duty Trucks rose 2.6% and Motor Vehicles and Parts Industrial Production increased 6.6% in July. Overall, the position and recent movement of the Index indicate that trucks investment growth may improve in the coming two quarters.



**Computers:**

Investment in Computers dropped 23% (annualized) in Q2 2022 but was up 11% year-over-year. The Computers Momentum Index eased from 102.5 in August to 101.7 in September. The Nasdaq Computer Index dropped 6.1% in August and Capacity Utilization for Computer Manufacturing fell 1.1% in July. Overall, the Index's position and recent movement suggest that computers investment growth will likely continue to sidewind over the coming six months.



**Software:**

Investment in Software rose 6.9% (annualized) in Q2 2022 and was up 10% from a year prior. The Software Momentum Index dipped from 86.4 in August (revised) to 85.3 in September. The ISM Non-Manufacturing Supplier Deliveries Index fell 6.6% in July and IBM's share price dropped 1.8% in August. Overall, the Index's position and recent movement suggest that software investment growth will continue to decelerate over the coming two quarters.

