



## 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.

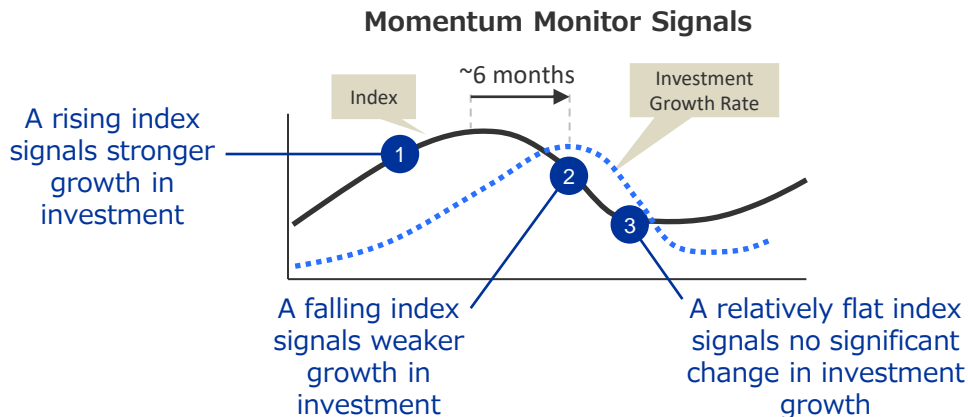
## U.S. Equipment & Software Investment Momentum Monitor – 12 Verticals

- |                                   |                       |
|-----------------------------------|-----------------------|
| 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:

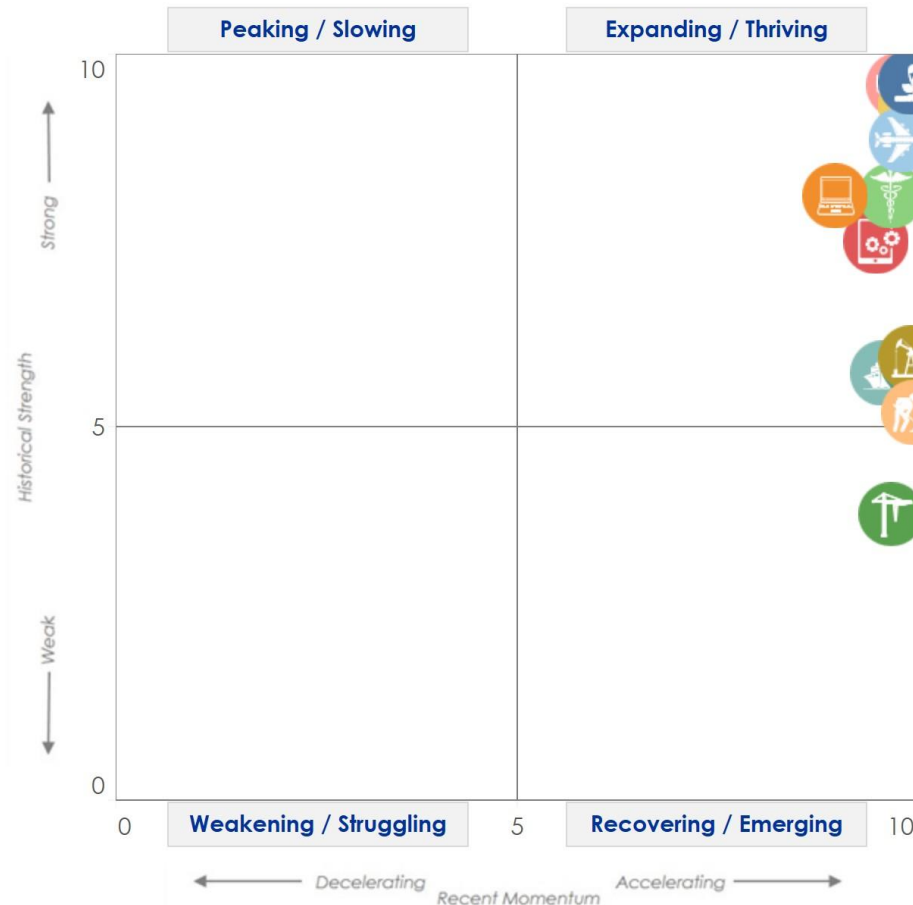
- 1 Investment in Materials Handling Machinery inched up at a 0.3% annualized rate in Q4 2014 and is up 7.3% year-over-year.
- 2 The Materials Handling Momentum Index slipped from 93.5 in February to 92.5 in March.
- 3 A 23% decline in the MNI-Chicago Business Barometer and a spike in Economic Policy 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

## January 2021

### Momentum Monitor Sector Matrix



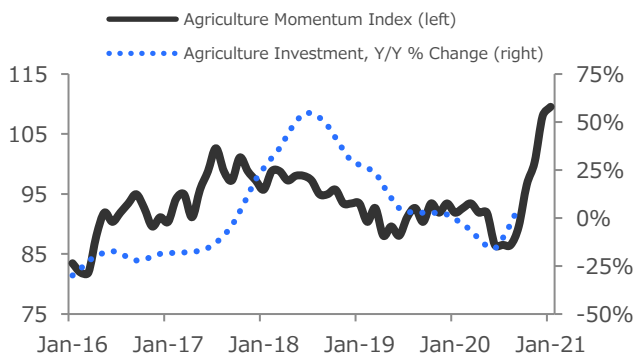
The matrix above summarizes the current values of each of the 12 Equipment & Software Investment Momentum Indices based on two factors: Recent Momentum (x-axis) and Historical Strength (y-axis):

- **"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.

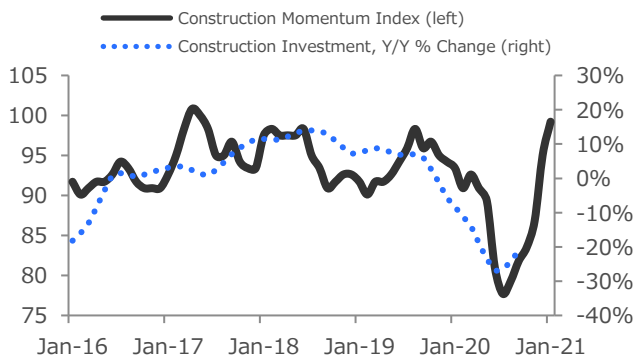
**Agriculture Machinery:**

Investment in Agricultural Machinery surged 166% (annualized) in Q3 2020 and is up 6.2% from one year ago. The Agriculture Momentum Index increased from 108.0 (revised) in December to 109.5 in January, the highest level since 2012. In November Export Prices of Other Agricultural Foods increased 1.8% and Exports of Soybeans and Other Oil Seeds rose 3.4%. Overall, the Index's recent movement and elevated position point in accelerating agriculture machinery investment growth over the next three to six months.



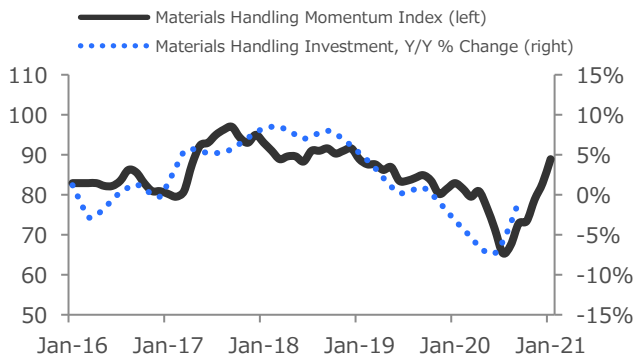
**Construction Machinery:**

Investment in Construction Machinery expanded 33% (annualized) in Q3 2020 but was down 21% year-over-year. The Construction Momentum Index rose from 95.0 (revised) in December to 99.2 in January. Shipments of Construction Machinery increased 3.4% and the Index of Single-Family Homes Under Construction rose to its highest level ever in November. Overall, the Index's current position suggests that growth in construction machinery investment will rebound over the next two quarters.



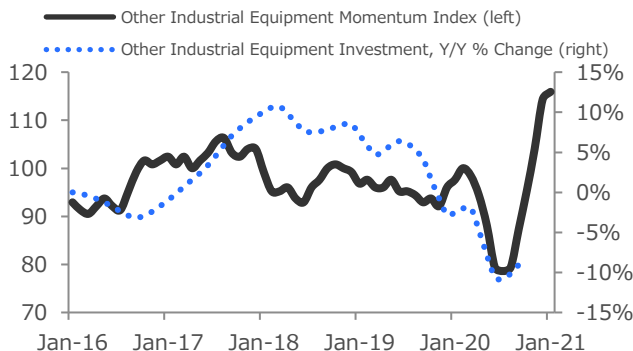
**Materials Handling Equipment:**

Investment in Materials Handling Equipment grew at a 41% annualized rate in Q3 2020 but was 0.7% below its year-ago level. The Materials Handling Momentum Index jumped from 82.9 (revised) in December to 88.9 in January, the highest level in two years. In November, Private Warehouse Construction Spending increased 0.2% and Materials Handling Equipment Exports surged 18.0%. Overall, the Index suggests that materials handling equipment investment growth will return to positive territory over the six months.



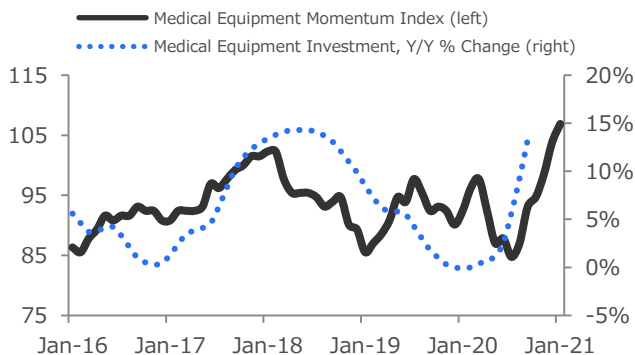
**Other Industrial Equipment:**

Investment in All Other Industrial Equipment grew 6.8% (annualized) in Q3 2020 but was 9.0% below year-ago levels. The Other Industrial Equipment Momentum Index rose from 114.3 (revised) in December to 115.9 in January, the highest level since mid-2011. In December, Manufacturing Employment edged up 0.3% and the Terex Market Cap jumped 12.6%. Overall, the Index points to a strong rebound in other industrial equipment investment growth over the next 1-2 quarters.



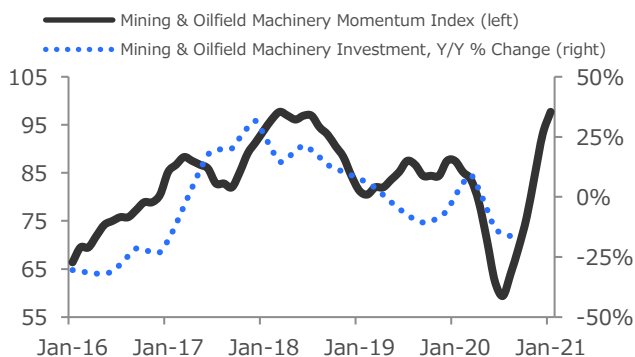
**Medical Equipment:**

Investment in Medical Equipment rose 43% (annualized) in Q3 2020 and was up 13% year-over-year. The Medical Equipment Momentum Index improved from 103.8 (revised) in December to 106.9 in January. In November, Consumer Prices for Physician’s Services edged up 0.1%, while Medical Equipment and Supplies Industrial Production grew 1.6%. Overall, the Index points to continued strong growth in medical equipment investment over the next six months.



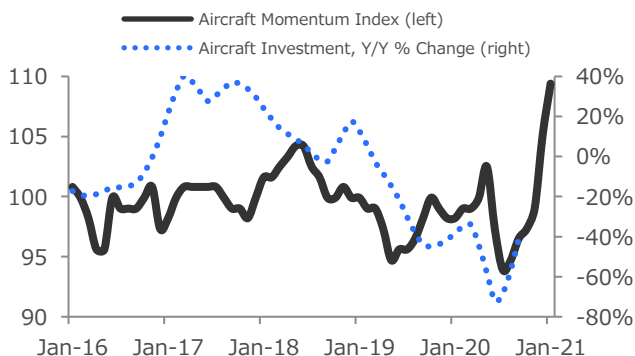
**Mining & Oilfield Machinery:**

Investment in Mining & Oilfield Machinery dropped 37% (annualized) in Q3 2020 and is down 18% compared to a year ago. The Mining & Oilfield Machinery Momentum Index rose from 93.0 (revised) in December to 97.7 in January, the highest reading since early 2018. Brent crude prices rose 9.4% in December, while Motor Gasoline Production fell by 2.5% in November. Overall, the Index points to improving investment growth in mining & oilfield equipment over the next six months, though year/year growth may remain negative during the first half of the year.



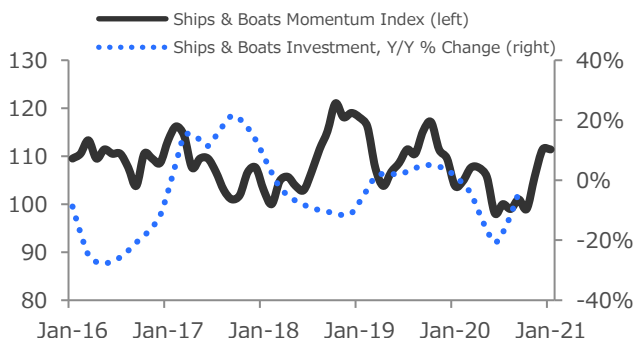
**Aircraft:**

Investment in Aircraft surged 506% (annualized) in Q3 2020 but was 41% below year-ago levels. The Aircraft Momentum Index increased from 105.1 in December to 109.4 in January. In December, the Market Cap of Southwest Airlines edged up by 0.6%. Meanwhile, Industrial Production for Defense and Space Goods rose 0.8% in November. Sharp increases in the Index suggest that aircraft investment growth should improve in the next three to six months, though year/year growth will likely remain negative until the second half of 2021.



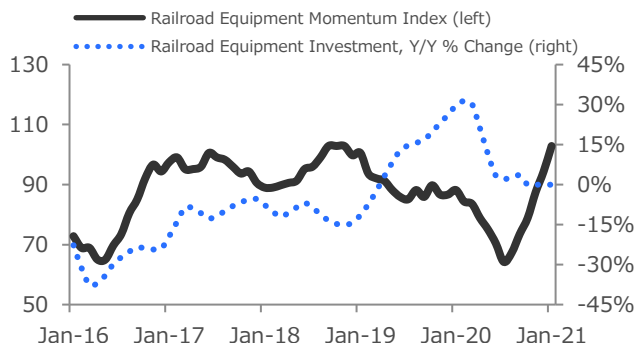
**Ships & Boats:**

Investment in Ships & Boats rose at an annualized rate of 203% in Q3 2020 but was down 3.9% year-over-year. The Ships & Boats Momentum Index was unchanged at 111.4 (revised) from December to January. Grain & Oil Seed Milling Shipments increased by 0.7% in November, while the Emerging Market Economies Currency Index eased 1.3% in December. Overall, the Index points to modest positive growth in ships & boats investment over the next three to six months.



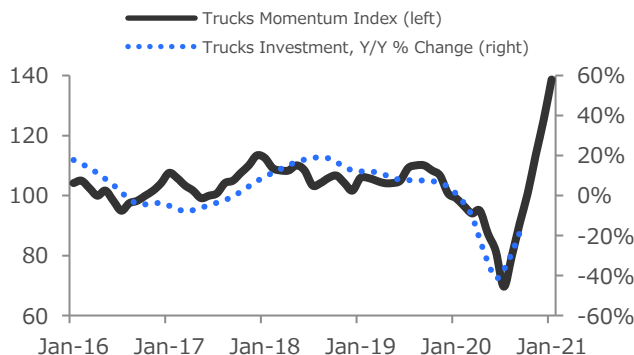
**Railroad Equipment:**

Investment in Railroad Equipment improved 2.7% (annualized) in Q3 2020 and was up 3.5% year-over-year. The Railroad Equipment Momentum Index jumped from 94.4 in December to 102.9 in January. In December, Crude Oil and Petroleum Product Exports surged 29% and the U.S. Oil Rig Count grew 8.5%. Overall, the Index points to faster growth in railroad equipment investment over the next two quarters.



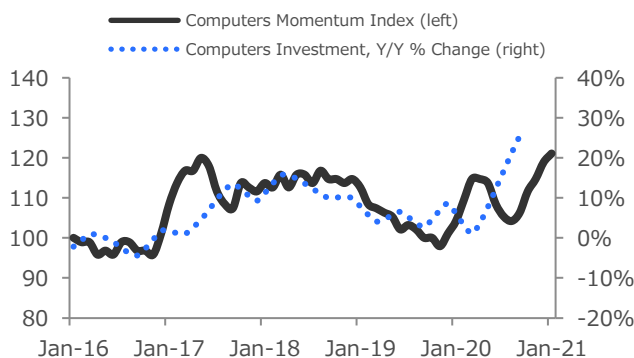
**Trucks:**

Investment in Trucks surged 303% (annualized) in Q3 2020 but was down 18% from year-ago levels. The Trucks Momentum Index surged from 125.2 (revised) in December to 138.7 in January, the highest level in over a decade. In November, Shipments of Heavy Duty Trucks rose 5.2% and Industrial Production for Motor Vehicles and Parts increased 5.3%. Overall, the Index points to a strong rebound in trucks investment growth over the next six months.



**Computers:**

Investment in Computers jumped 42% (annualized) in Q3 2020 and was up 26% year-over-year. The Computers Momentum Index jumped from 118.9 (revised) in December to 121.1 in January, the highest level since 2010. Sales of Computers & Computer Peripheral Equipment & Software increased 3.3% in November, while the ISM Manufacturing PMI increased 5.6% in December. Overall, the Index suggests that computers investment growth will remain strong over the next six months.



**Software:**

Investment in Software rose 9.8% (annualized) in Q3 2020 and grew 5.2% from a year prior. The Software Momentum Index edged up from 100.7 (revised) in December to 100.8 in January. Prices for Computer Software & Accessories jumped 4.6% in November, while the M1 Money Supply fell 0.3 percentage point in December. The Index suggests that software investment growth will remain solidly positive over the next two quarters.

