

June 2021

# U.S. Equipment & Software Investment Momentum Monitor



CONTACT INFORMATION:

**Kelli Nienaber, Executive Director**

Equipment Leasing & Finance Foundation  
knienaber@elfaonline.org  
www.leasefoundation.org

**Jeff Jensen, Senior Director**

Keybridge LLC  
jjensen@keybridgedc.com  
www.keybridgedc.com

## 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.

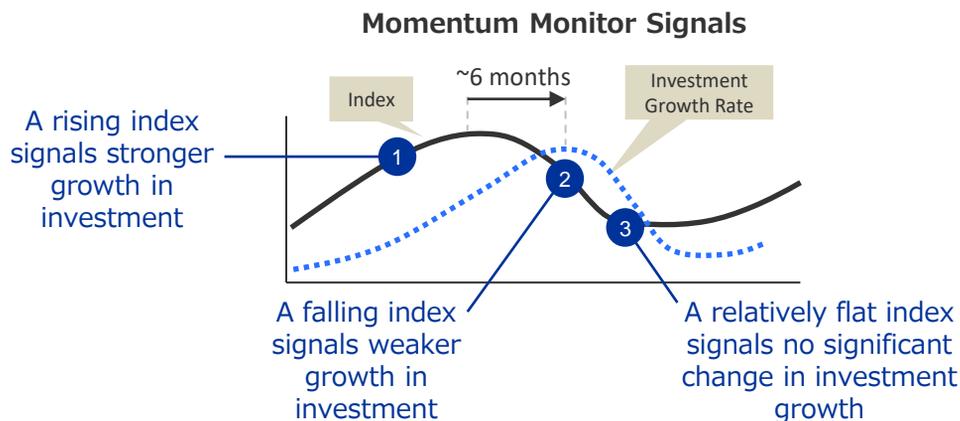
## U.S. Equipment & Software Investment Momentum Monitor – 12 Verticals

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

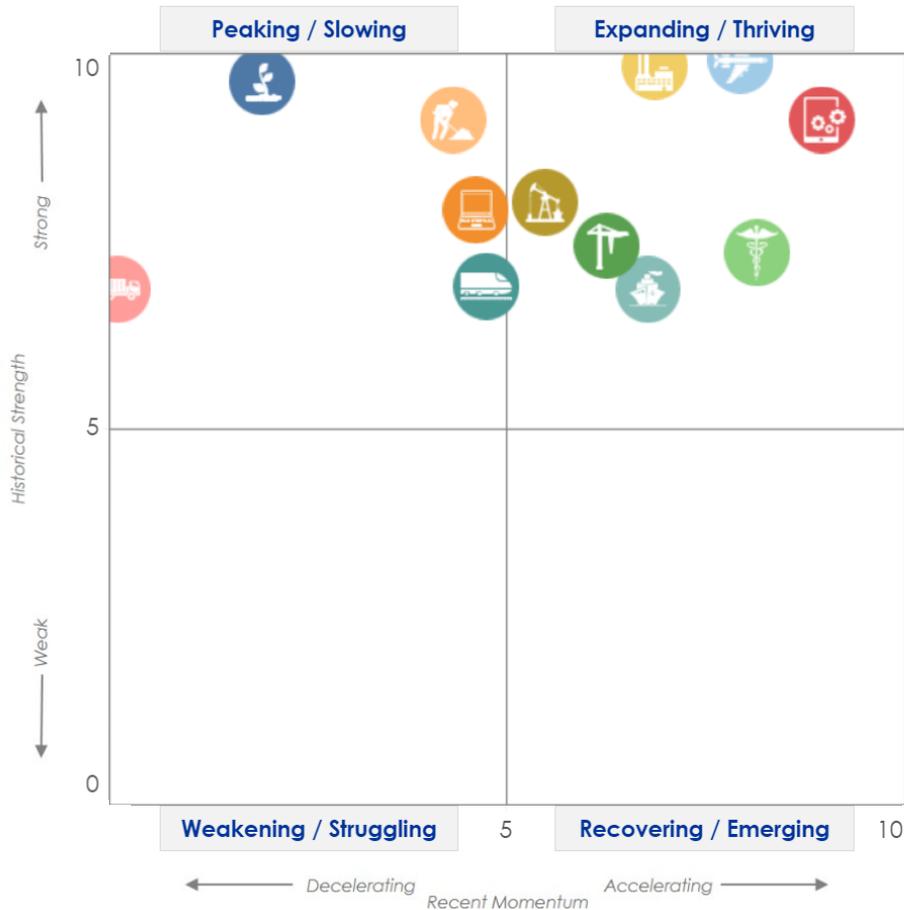
- 1 Investment in Materials Handling Machinery inched up at a 0.3% annualized rate in Q4 2014 and is up 7.3% year-over-year.
- 2 The Materials Handling Momentum Index slipped from 93.5 in February to 92.5 in March.
- 3 A 23% decline in the MNI-Chicago Business Barometer and a spike in Economic Policy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

## June 2021

### Momentum Monitor Sector Matrix



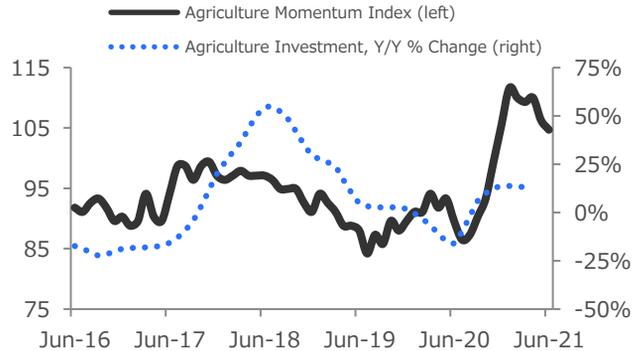
The matrix above summarizes the current values of each of the 12 Equipment & Software Investment Momentum Indices based on two factors: Recent Momentum (x-axis) and Historical Strength (y-axis):

- **"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.

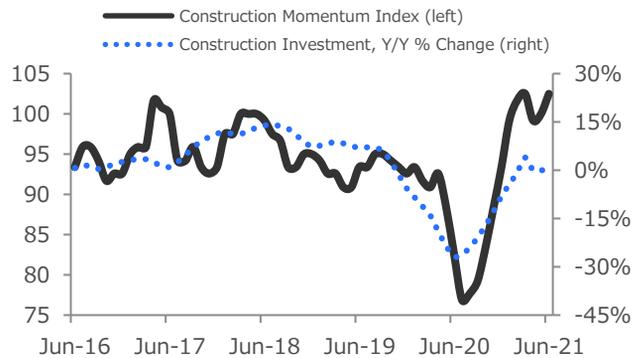
**Agriculture Machinery:**

Investment in Agricultural Machinery decreased 22% (annualized) in Q1 2021 but is up 13% from one year ago. The Agriculture Momentum Index decreased from 106.3 (revised) in May to 104.7 in June. Unmanufactured Tobacco Exports fell by 49.0% in March, while the Dollar-Renminbi Exchange Rate increased by 1.7% in May. Overall, the Index's position and recent movement suggests that agriculture machinery investment growth may slow somewhat over the next one to two quarters.



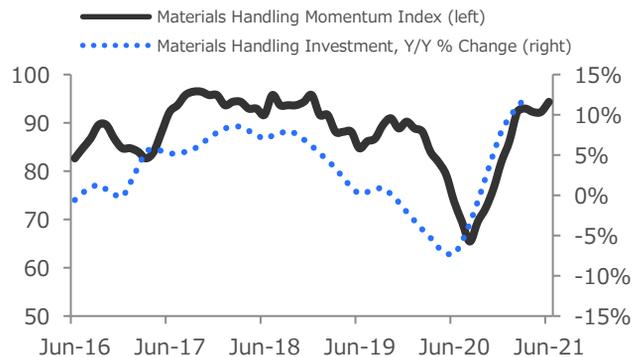
**Construction Machinery:**

Investment in Construction Machinery expanded 33% (annualized) in Q1 2021 and is 3.9% above its year-ago level. The Construction Momentum Index increased from 100.0 (revised) in May to 102.5 in June. The Consumer Confidence Present Situation Index jumped 9.4% in May and the Commercial Property Price Index rose by 4.4% in May. Overall, the healthy position of the Index suggests that construction machinery investment growth should strengthen over the next two quarters.



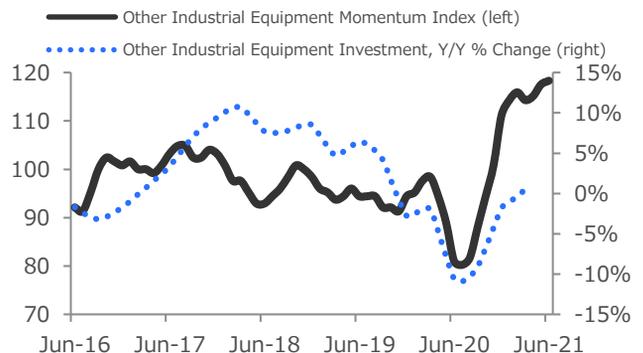
**Materials Handling Equipment:**

Investment in Materials Handling Equipment grew at a 1.2% annualized rate in Q1 2021 and is up 12% year-over-year. The Materials Handling Momentum Index grew from 92.2 (revised) in May to 94.3 in June. Shipments of Materials Handling Equipment grew by 7.9% in March and Export Prices of Materials Handling Equipment ticked up by 1.1% in April. Overall, the Index's position suggests that materials handling equipment investment growth should remain elevated over the next six months.



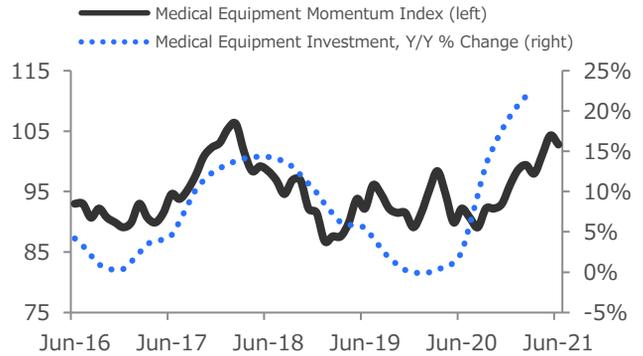
**Other Industrial Equipment:**

Investment in All Other Industrial Equipment rose 8.3% (annualized) in Q1 2021 and is roughly unchanged at 0.6% above year-ago levels. The Other Industrial Equipment Momentum Index ticked up from 117.5 in May (revised) to 118.3 in June, to the highest level in a decade. Capacity Utilization for Electrical Equipment Manufacturing increased by 1.4% in April and the Terex Market Cap jumped by 11.4% in May. Overall, the Index's position suggests that other industrial equipment investment growth should strengthen over the next two quarters.



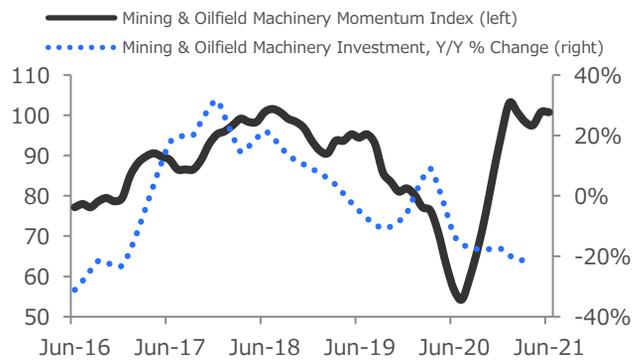
**Medical Equipment:**

Investment in Medical Equipment rose 12% (annualized) in Q1 2021 and is up 23% year-over-year. The Medical Equipment Momentum Index ticked down from 104.3 (revised) in May to 102.8 in June. In April, Industrial Production for Medical Equipment ticked up by 0.2%, while Consumer Spending on Professional Medical Services increased by 0.1%. Overall, the position of the Index suggests it will remain robust over the next 3-6 months.



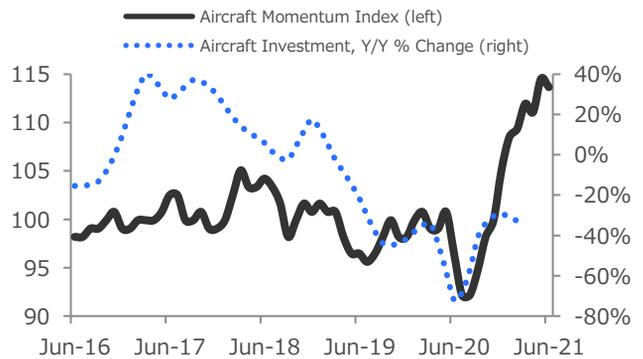
**Mining & Oilfield Machinery:**

Investment in Mining & Oilfield Machinery increased 18% (annualized) in Q1 2021 but is 21% below year-ago levels. The Mining & Oilfield Machinery Momentum Index stayed constant at 100.8 (revised). Motor Gasoline Production increased by 5.1% in April, while the S&P 500 Steel Index grew by 15.7% in May. Overall, the Index's position suggests that mining & oilfield equipment investment growth should improve over the next two quarters, though year-over-year growth rates may remain negative in the short term.



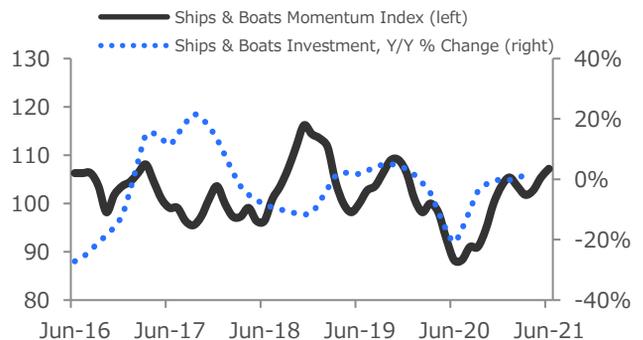
**Aircraft:**

Investment in Aircraft declined 3.9% (annualized) in Q1 2021 and is 31% below year-ago levels. The Aircraft Momentum Index eased from 114.5 (revised) in May to 113.7 in June, the second-highest level in eleven years. Shipments of Non-Defense Aircraft & Parts surged by 37.1% in April, while the S&P 500 Volatility Index fell by 9.9% in May. The Index's position and recent movement suggest that Aircraft investment growth should bounce back over the next three to six months.



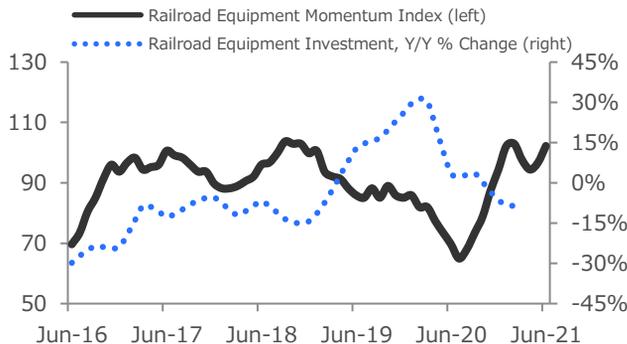
**Ships & Boats:**

Investment in Ships & Boats fell at an annualized rate of 5.4% in Q1 2021 but is 1.9% above its year-ago level. The Ships & Boats Momentum Index improved from 105.4 (revised) in May to 107.2 in June. New Orders of Ships and Boats increased by 1.7% in March, while the University of Michigan Consumer Sentiment Index fell by 6.1% in May. Overall, the Index continues to point to modest growth in ships & boats investment over the next one to two quarters.



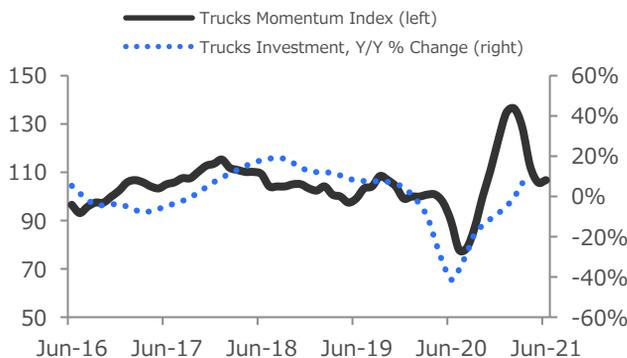
**Railroad Equipment:**

Investment in Railroad Equipment surged 47% (annualized) in Q1 2021 but is down 6.9% year-over-year. The Railroad Equipment Momentum Index grew from 96.7 (revised) in May to 102.2 in June. Industrial Production of Energy increased by 1.4% in April and Rail Transportation Employment edged up by 0.6% in May. Overall, the Index's position and recent movement suggest that railroad equipment investment growth has likely bottomed out and should improve over the next six months.



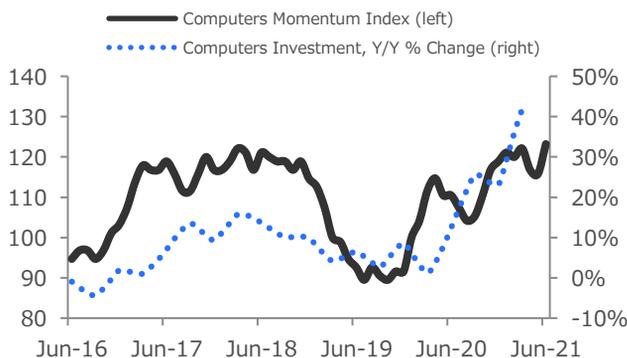
**Trucks:**

Investment in Trucks grew 10% (annualized) in Q1 2021 and is up 6.7% from year-ago levels. The Trucks Momentum Index ticked up from 105.9 (revised) in May to 106.8 in June. Shipments of Heavy Duty Trucks increased by 3.2% in March, while Motor Vehicles and Parts Industrial Production fell by 4.5% in April. Overall, the Index's recent movement points to a potential slowdown in trucks investment growth over the next 1-2 quarters, though annual growth may remain positive during this period.



**Computers:**

Investment in Computers surged 44% (annualized) in Q1 2021 and is up 42% year-over-year. The Computers Momentum Index jumped from 115.8 (revised) in May to 123.2 in June. In April, Computer Export Prices increased by 1.9% and Computers & Electronic Products Industrial Production grew by 5.8%. Overall, the Index suggests that computers investment growth should remain robust in the near term.



**Software:**

Investment in Software rose 31% (annualized) in Q1 2021 and is up 11% from a year prior. The Software Momentum Index rose from 104.7 (revised) in May to 107.7 in June. In April, NFIB Small Business Survey Capital Expenditure Sub-Index surged by 35.0%, while Shipments of Computers jumped 6.0%. Overall, the Index suggests that software investment growth should remain strong over the next six months.

