CapEx Signals Remain Constructive

The business equipment subcomponent of the Fed's monthly industrial production report has taken on added importance in recent years due to its strong correlation with real capital expenditures in the GDP accounts, a category that has become increasingly driven by the rapid AI buildout. While July's 0.8% m/m growth rate, if sustained through August and September, would represent a modest deceleration from recent quarters, shipments of nondefense capital goods, another key CapEx proxy, continue to accelerate notably. ***We remain optimistic on Q3 capex, forecasting a 10% QoQar gain***.

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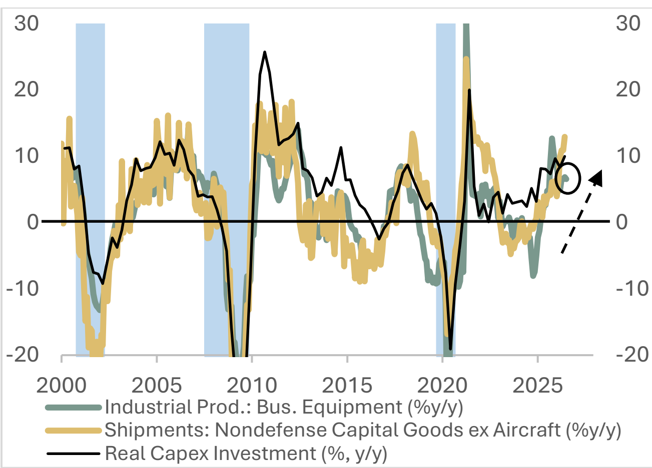

Source: Federal Reserve, Census, BEA, Haver, SMBC Nikko

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