



# Lower Margins to drive Lower Capex

## Macro backdrop and margin pressure point to a fall in capex

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### Capex at risk as the profit cycle turns down

US CEO Confidence is at the lowest level since the GFC and points to a fall in US capex. Profit margins are another strong lead indicator for capex – the ISM New Orders suggests US EBIT margins could fall by c.250bps over coming quarters.

### The structural story - capex to be a theme for the next cycle?

We see clear downside risk to capex over the next year. But looking into the next economic cycle, once past a recession, we might see capex as an investable theme driven by re-onshoring, energy security and the cost of the energy transition.

### Sectors & stocks - who is most exposed?

Relative performance of stocks with high capex is close to a decade high and they tend to underperform in recessions. We screen for US & European expensive stocks with high capex where we would be cautious and cheaper low capex stocks.

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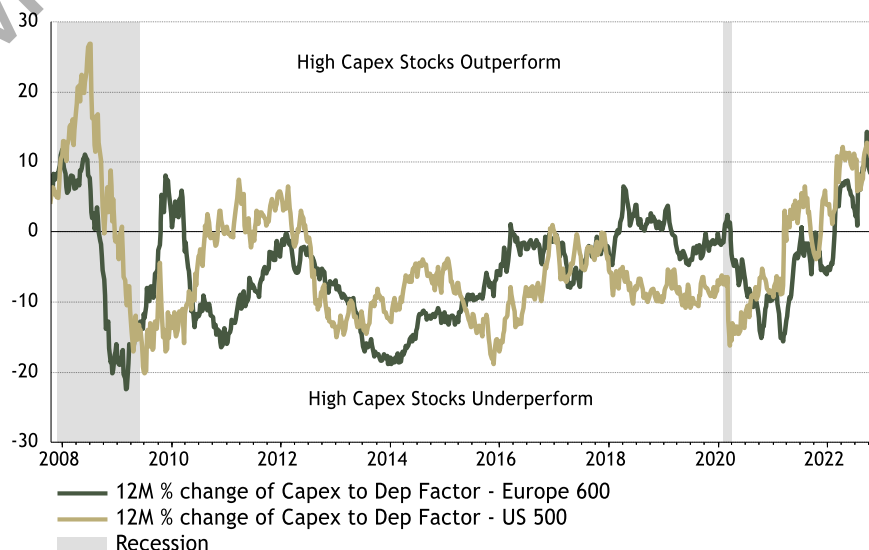
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[Rising Recession Risks Point to Max Underweight Equities](#), 22<sup>nd</sup> September 2022

### Key Chart: High Capex Stocks tend to Underperform in Recessions...



Source: ASR Ltd. / Refinitiv Datastream