INSIDE THE Buy·Side®

INDUSTRIAL SENTIMENT SURVEY®

corbin

Q2'26

ISSUE: 45
July 16, 2026

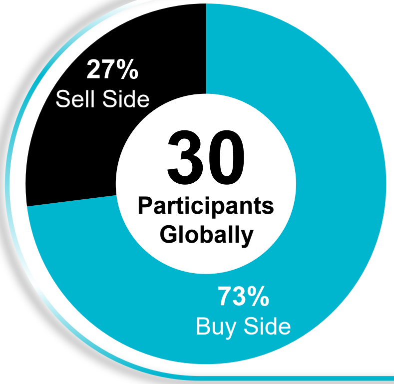
Inside the Buy-Side® Industrial Sentiment Survey®

Since 2007, we have surveyed institutional investors and analysts globally on the equity markets, world economy, and business climate. At the start of every earnings season, we publish our flagship *Inside The Buy-Side® Industrial Sentiment Survey®*, which captures real-time investor sentiment and trends.

At the nexus of institutional investors and public companies globally, our thought leadership and guidance, grounded in trusted data and best practice, support outperformance.

Survey Timeframe: June 12 – July 10, 2026

Survey Scope

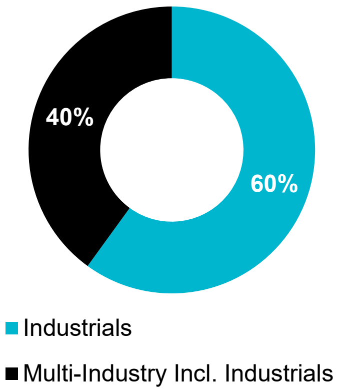


Equity Assets Under Management Total

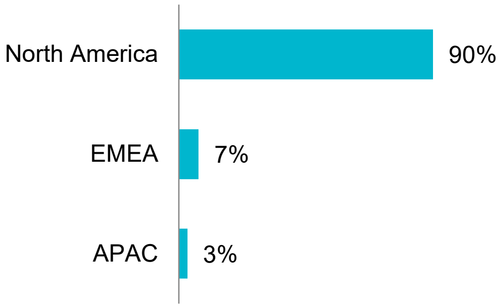
~$1.1 Trillion

With ~$102 Billion Invested in Industrials

BY TYPE

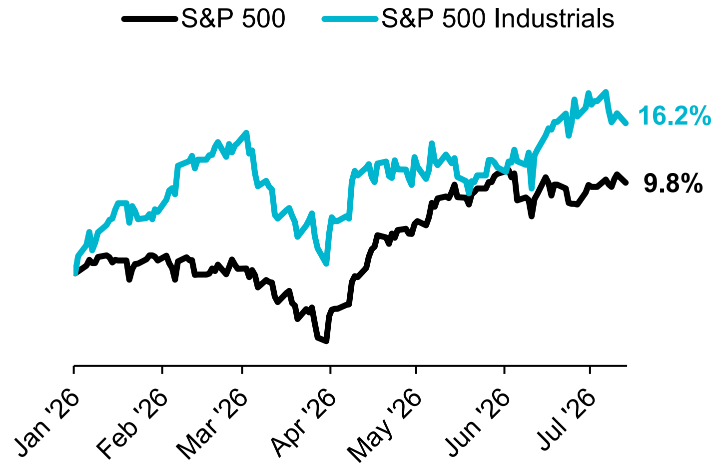


BY REGION



Market Performance[1]	YTD	Q2'26	Q2'25
DJIA	9.5%	12.9%	5.0%
NASDAQ	11.3%	21.4%	17.6%
S&P 500	9.8%	14.9%	10.6%
S&P 500 Industrials	16.2%	14.5%	12.6%
Russell 2000	20.0%	21.2%	8.1%

2026 PERFORMANCE: S&P 500 vs S&P 500 Industrials (Indexed)



[1] Source: FactSet; YTD as of 7/13/26 Market Close

Industrial Sector Sentiment Reaches 5-Year Survey High as Optimism Becomes Broad-based

Investor Sentiment Moves from Resilient to Upbeat, as Six Consecutive Favorable PMI Prints and Data Center Demand Drive Optimism; Expectations are High Heading into Q2 Earnings Season

- **84%** of investors characterize Industrial sentiment as *Neutral to Bullish* or *Bullish*, up 34 pts QoQ and the highest reading since Q4’21
  - Outright *Bullish* sentiment remains healthy at 23%, while no respondents are *Bearish*, the first time since Mar. 2024
  - After several ebbs and flows since the Q2’25 survey, in which we identified Industrial investor expectations for companies to capture a multi-year capex cycle aligned with secular trends, anticipated momentum is robust, underscoring Industrial stock outperformance relative to the overall S&P 500 this year
- **82%** describe executive tone as *Neutral to Bullish* or *Bullish*, up from **67%**, also the highest reading since Q4’21; channel checks largely confirm upbeat views
- **67%** of investors expect Q2’26 earnings to be *Better Than* the prior quarter and prior year, up QoQ
- All KPIs saw improvement from last quarter; **82%** of investors expect Q2’26 Revenue to *Improve* and nearly three-quarters report the same for EPS
  - Companies largely expected to *Maintain* or *Increase* full-year guides for both metrics
- While slightly improved, Operating Margins and FCF expectations are mixed, with more anticipating sequentially stable results

Growth Mode On as Order Rate Momentum is Seen as Broad-based and Beyond Just Data Centers; Concerns of Impacts from Iran War Do Little to Dampen Optimism

- Investors prioritize growth to margin focus at 2:1
- **75%** believe short-cycle orders will *Accelerate*, with one-quarter anticipating *Strong Acceleration*
  - Participants are most optimistic on data center-related products, with **78%** reporting upbeat views
- Over half do not expect the ongoing conflict and related energy shock to materially impact Industrial demand, while the remaining **43%** anticipate some evidence of disruption in Q2 prints
- More, **57%,** expect 2026 organic growth to exceed 2025 levels; no respondents foresee a YoY decline
- *Cost / Inflation* registers as the leading concern, with *Growth / Demand* and *Valuation* rounding out the top three
- Amid higher inflation and cost actions, **38%** of participants are seeing evidence of pre-buying *Currently*, with only 13% expecting this activity *In the Future*

Investors Reassert Preference for Reinvestment and *Disciplined* Growth Capex, Including Inorganic Growth of the Bolt-on Variety; Amid a Rising Tide, Sub-Sector Optimism Grows

- Reinvestment remains the leading capital allocation priority with **64%** in favor
  - *Debt Paydown* follows at **54%**, while *Dividend Growth* and *M&A* are tied for third at **27%** each
- **86%** expect Industrial Capex to *Increase* over the next six months, including 14% anticipating a *Significant Increase*
  - **78%** support increased growth investment if margins *Remain Stable* or experience only a *Small Negative Impact*, underscoring the importance of discipline; feedback is more nuanced and company-specific as it relates to data center investment impact on margins
- Bolt-on acquisitions recovers to **72%** favorability, including **43%** *Highly in Favor,* logging the third-highest percentage of support in history
- **Aerospace & Defense** and **Industrial Equipment & Components** register universal Bullishness as all sub-sectors but **Resi Construction** and **Automotive** see improving sentiment

From Green Shoots to Grove, Industrial Sector Optimism Abounds

VISUAL REPRESENTATION OF SURVEY COMMENTARY: UNDERLYING SENTIMENT

■ Positive ■ Neutral ■ Negative

Q2’25

Q3’25

Q4’25

Q1’26

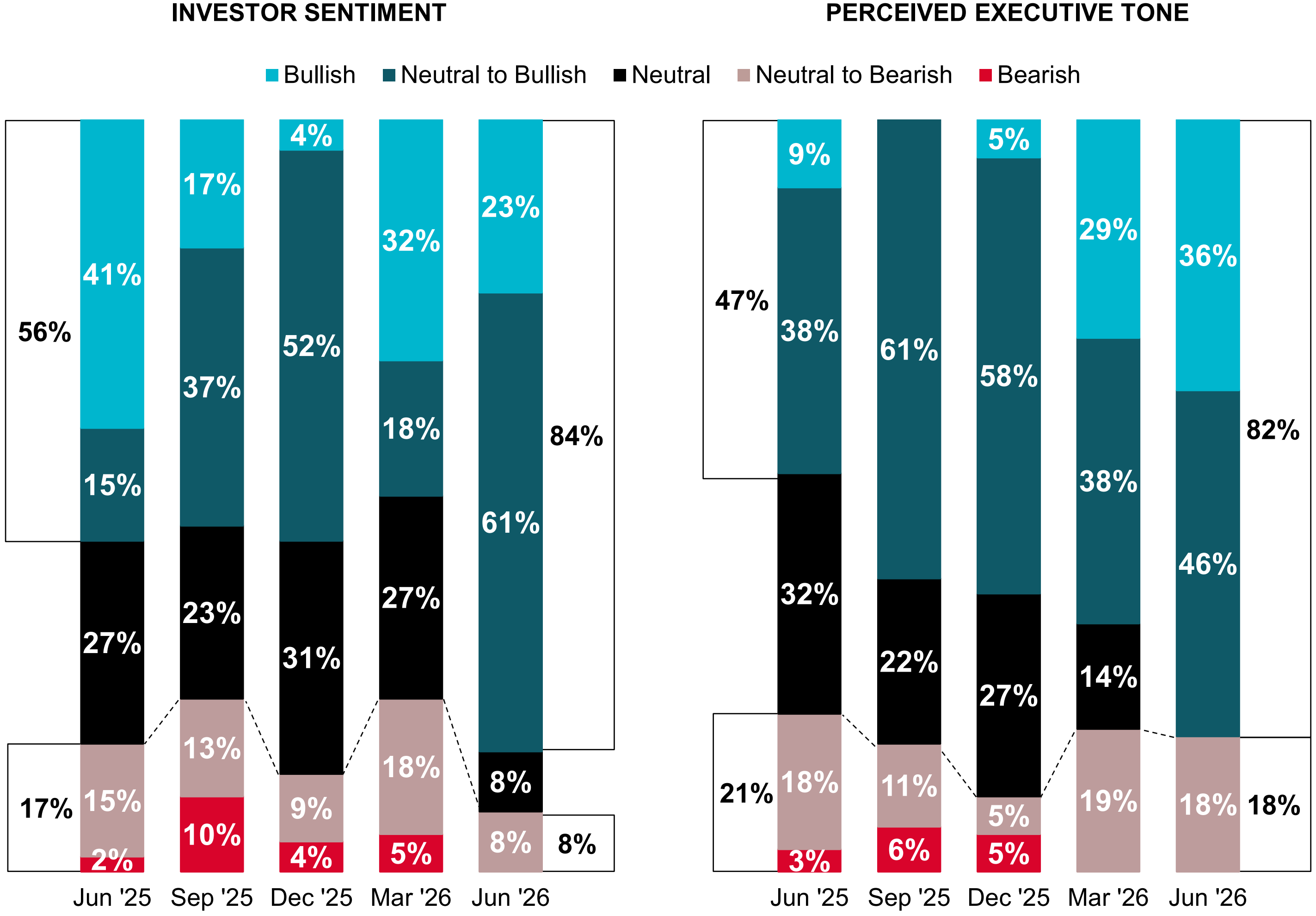
Q2’26

Quarterly Ranking (1-30)

Top Mentions	Q/Q
Demand	↑ 11
Costs	↑ 3
Growth	↓ 1
Aerospace	↑ 6
Energy	↑ 8

PMI Prints, Data Center Demand Buoy Investor Optimism Following Last Quarter's Sentiment Barbell

Investor sentiment and perceived executive tone climb to >80%, the highest levels seen since late 2021, with nary an outright *Bear* in sight



Bullish / Neutral to Bullish

"Industrials have been a pretty positive place to be. Sentiment has been pretty favorable in a lot of industrials." **Buy Side, N. America, Industrials**

"I am very bullish because of the impact that data center demand is having across machinery types." **Buy Side, N. America, Industrials**

"PMI has been negative for essentially the last three years. We've been underspending and underinvesting in capex because there were too many uncertainties. However, we are now starting to see the green shoots." **Buy Side, N. America, Industrials**

"The ISM Indicator was down for about three years prior to this year and has been expanding for the last five months. I believe that will continue for a while." **Buy Side, N. America, Industrials**

"Accelerating industrial activity, decent weather." **Sell Side, N. America, Industrials**

"Global growth is taking off." **Sell Side, Europe, Industrials**

"ISM PMI 54 and 5 months >50, 1Q sales results at FAST/GWW and others, surveys indicating accelerating short-cycle business." **Sell Side, N. America, Industrials**

Neutral

"Supply chains remain efficient despite the uncertainties of war." ***Buy Side, Europe, Generalist***

"Steel import tariffs are not helping capital investment." **Sell Side, N. America, Industrials**

Neutral to Bearish

"Energy costs can quickly change, and the industries that depend on energy costs are used to this phenomenon." **Buy Side, N. America, Generalist**

"Low growth and demand are the established expectations in my space." **Sell Side, N. America, Industrials**

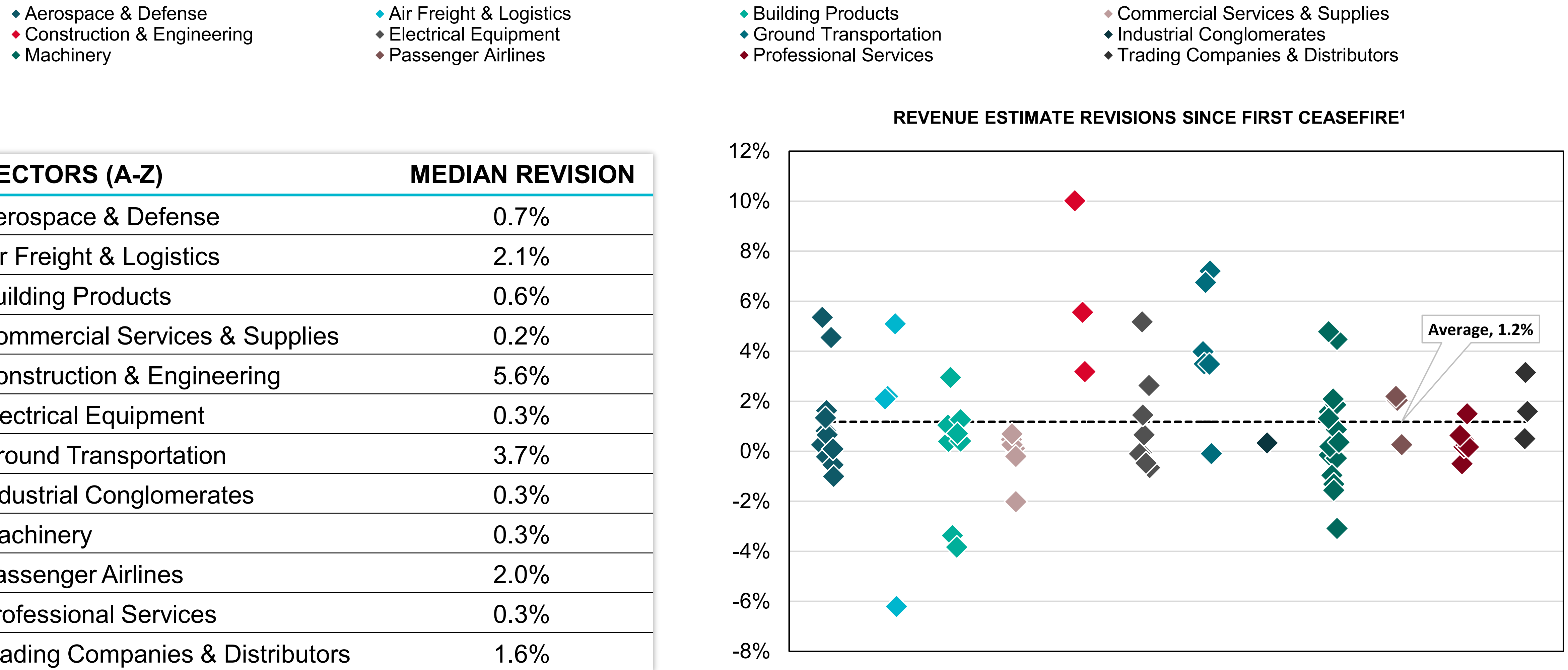
ESTIMATE SPOTLIGHT

Revenue Expectations Cruising Higher as We Head into Q2…

Every Industrial group has posted a positive median revision, with the strongest gains concentrated in Construction, Ground Transportation, and Freight & Logistics

SECTORS (A-Z)	MEDIAN REVISION
Aerospace & Defense	0.7%
Air Freight & Logistics	2.1%
Building Products	0.6%
Commercial Services & Supplies	0.2%
Construction & Engineering	5.6%
Electrical Equipment	0.3%
Ground Transportation	3.7%
Industrial Conglomerates	0.3%
Machinery	0.3%
Passenger Airlines	2.0%
Professional Services	0.3%
Trading Companies & Distributors	1.6%

REVENUE ESTIMATE REVISIONS SINCE FIRST CEASEFIRE[1]



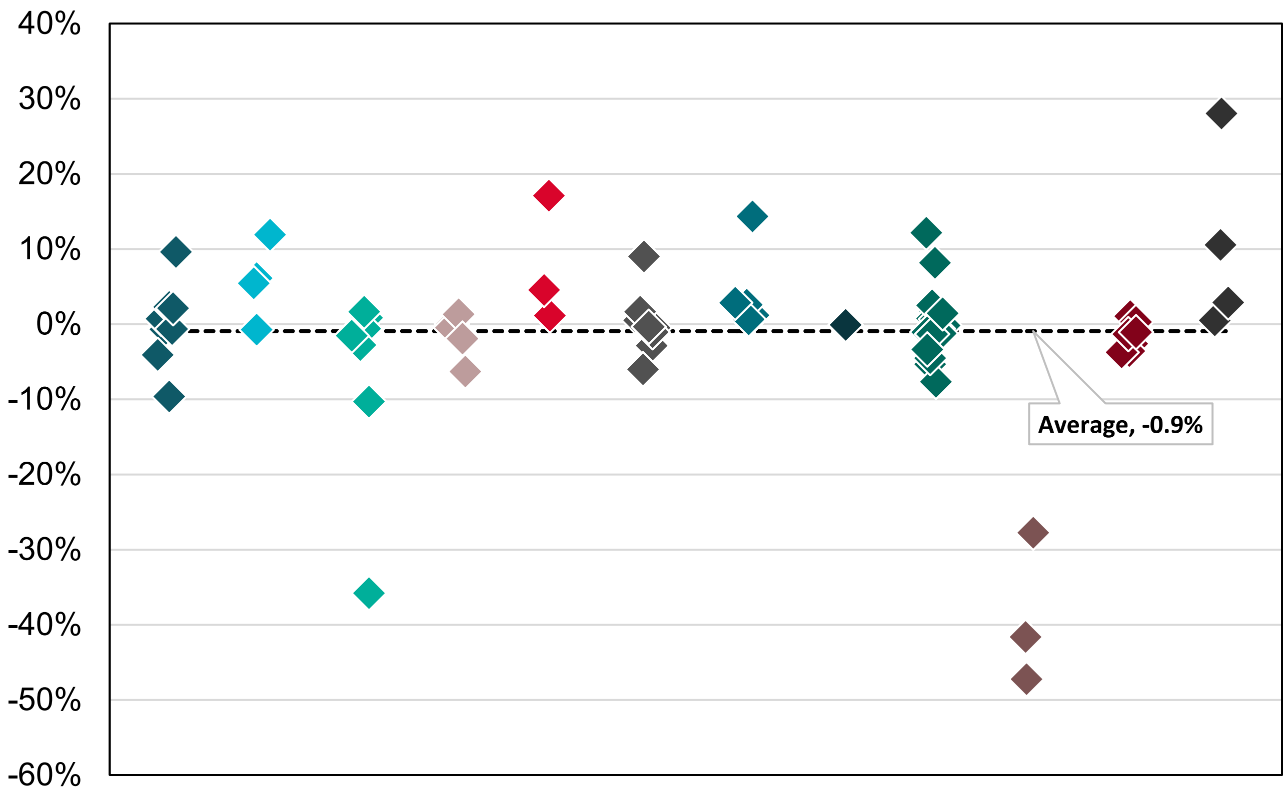
…but EPS Ran into Turbulence

Sector EPS expectations get weighed down by Airlines, pockets of strength seen across Freight & Logistics, and Construction

- Aerospace & Defense
- Construction & Engineering
- Machinery
- Air Freight & Logistics
- Electrical Equipment
- Passenger Airlines
- Building Products
- Ground Transportation
- Professional Services
- Commercial Services & Supplies
- Industrial Conglomerates
- Trading Companies & Distributors

SECTORS (A-Z)	MEDIAN REVISION
Aerospace & Defense	0.5%
Air Freight & Logistics	5.8%
Building Products	-1.3%
Commercial Services & Supplies	-1.2%
Construction & Engineering	4.6%
Electrical Equipment	-0.4%
Ground Transportation	2.3%
Industrial Conglomerates	-0.1%
Machinery	-0.6%
Passenger Airlines	-41.6%
Professional Services	-1.3%
Trading Companies & Distributors	1.0%

EPS ESTIMATE REVISIONS SINCE FIRST CEASEFIRE[1]

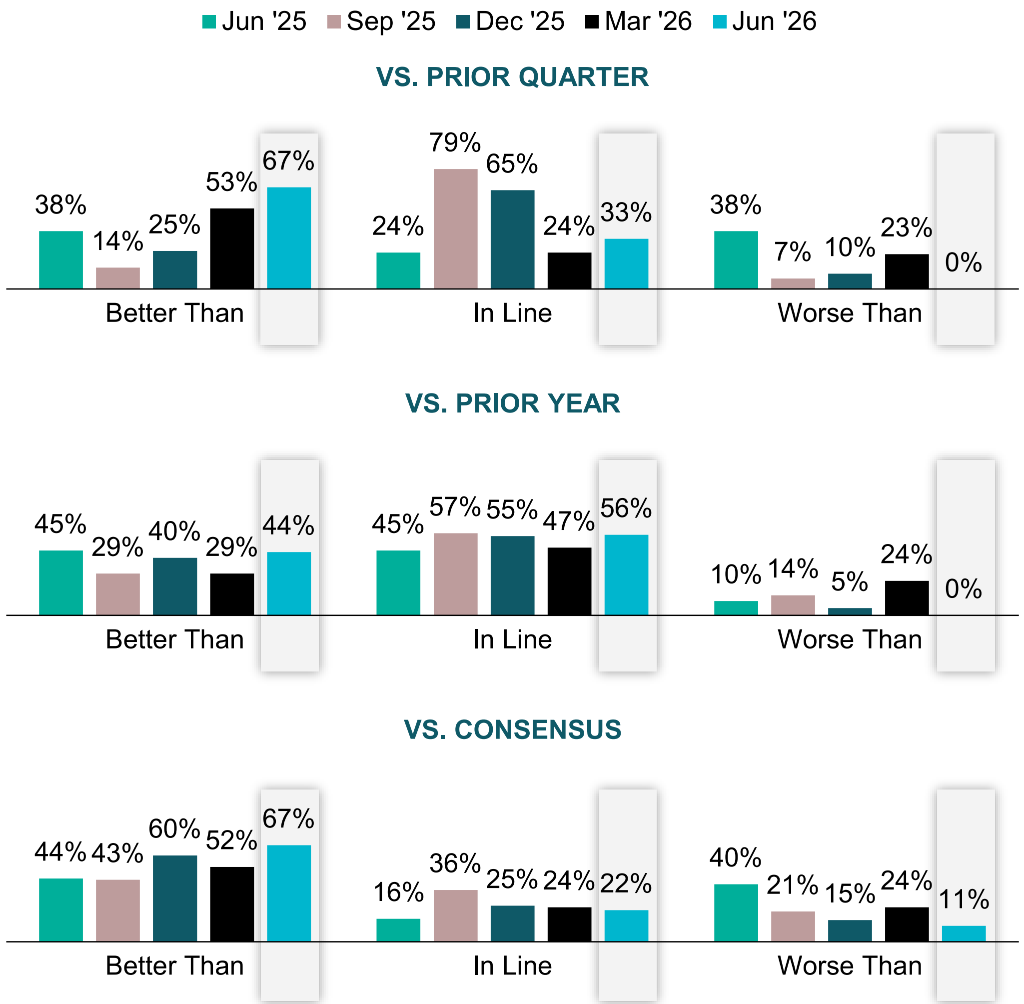


Source: FactSet; data reflects changes to Q2'26 estimates from 4/1/26 (prior to announcement of ceasefire) to 6/30/2026

Consensus Beats Expected with Sequential Momentum Accelerating

No investors expect earnings to come in lower QoQ or YoY, and only 11% expect Q2’26 prints to be *Worse Than* consensus, suggesting an already high bar

Q2’26 EARNINGS EXPECTATIONS



Better Than

"AI is really driving industrial production." **Buy Side, N. America, Generalist**

"Economy sneaky strong." **Buy Side, N. America, Generalist**

"Accelerating industrial activity, decent weather." **Sell Side, N. America, Industrials**

"Peace talks and improving sentiment." **Buy Side, Europe, Generalist**

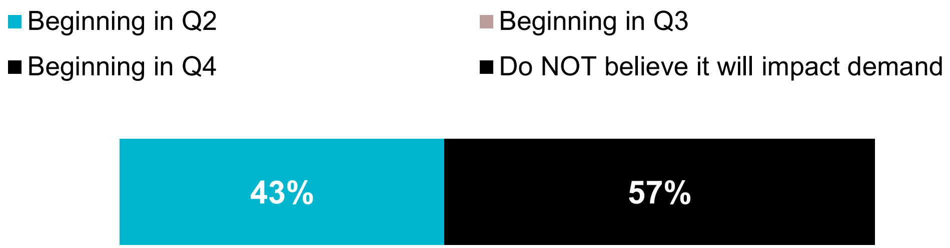
In Line

"Energy costs, inflation." **Buy Side, N. America, Generalist**

"It's mixed by company - some pockets have tighter S/D, but no broad bullish drivers." **Sell Side, N. America, Industrials**

"Steady (flat) demand from the housing market despite high mortgage rates, stressed consumers." **Sell Side, N. America, Industrials**

EXPECTATION: TIMING OF DEMAND IMPACT AMID RISING COSTS

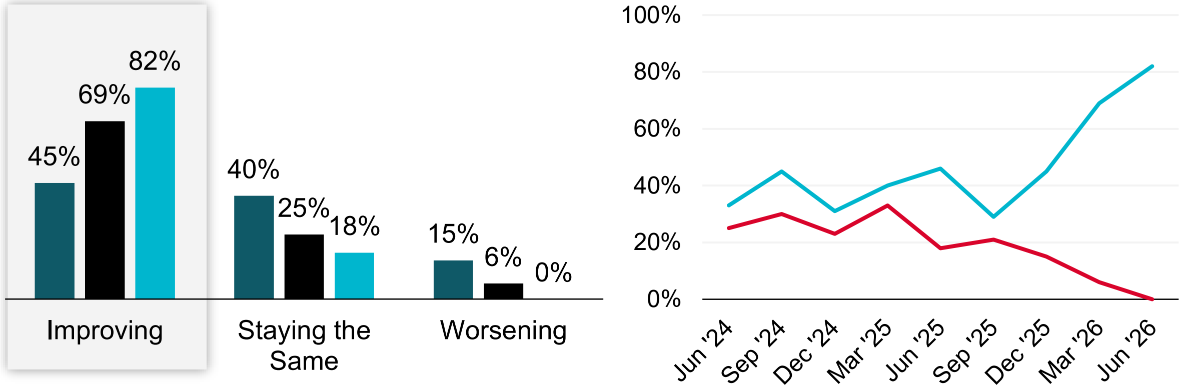


Lofty Expectations for Revenue and EPS, with More Mixed Views on Margins and FCF amid Continued Headwinds

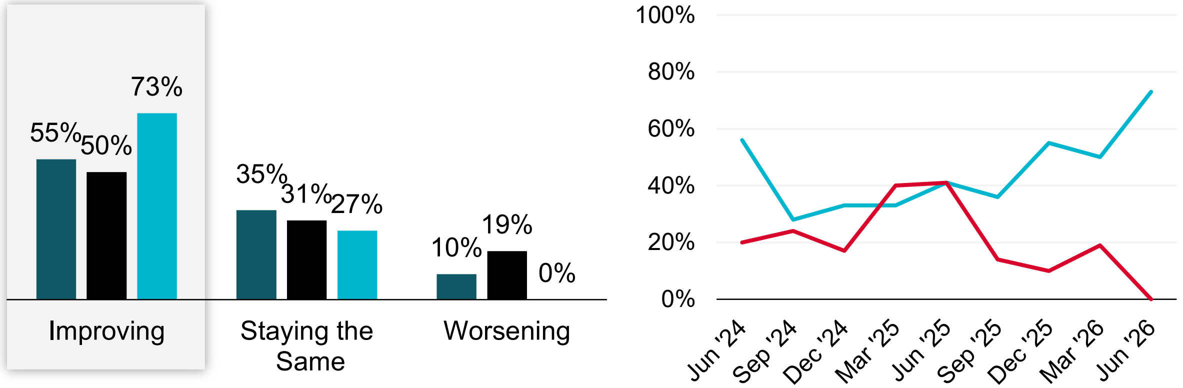
Expectations are for revenue and EPS guides to *Maintain* or *Raise,* while margins and FCF guides are largely not expected to move

Q2'26 SEQ. PERFORMANCE EXPECTATIONS

REVENUE

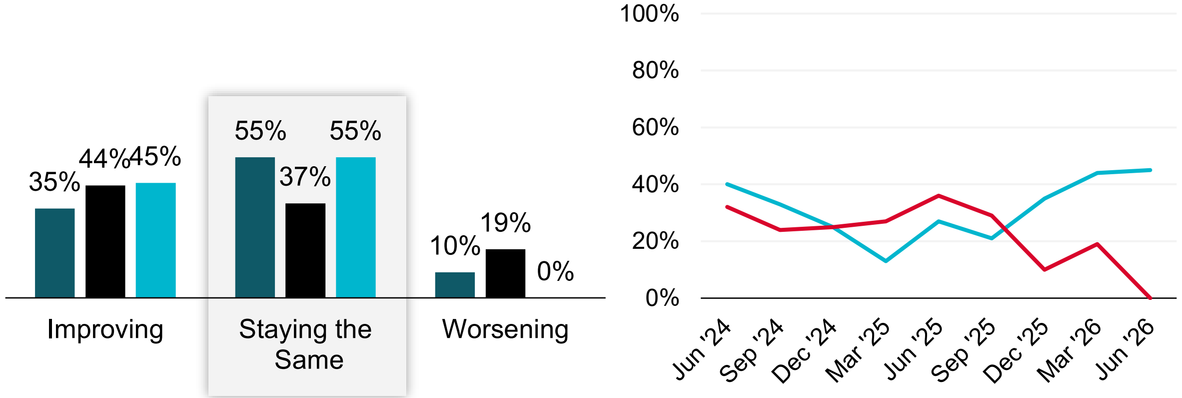


EPS

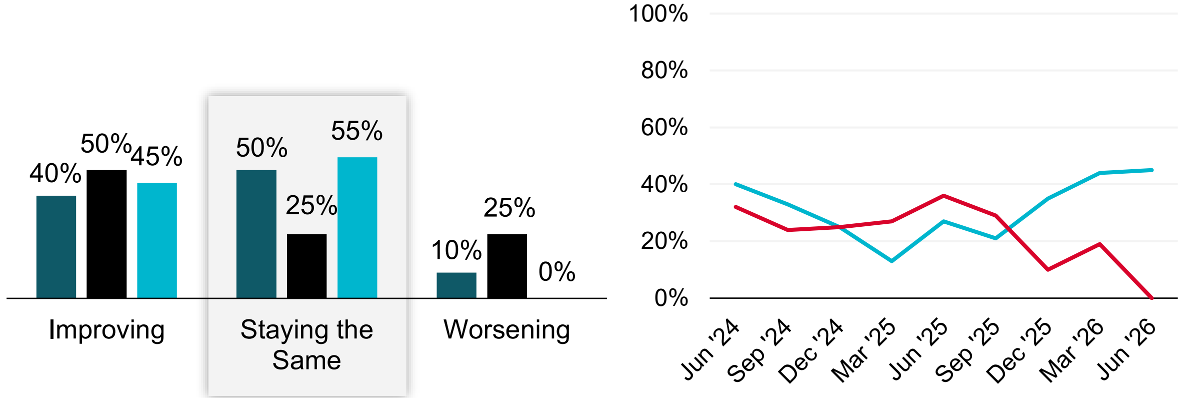


Dec '25 Mar '26 Jun '26 Improving Worsening

OPERATING MARGINS



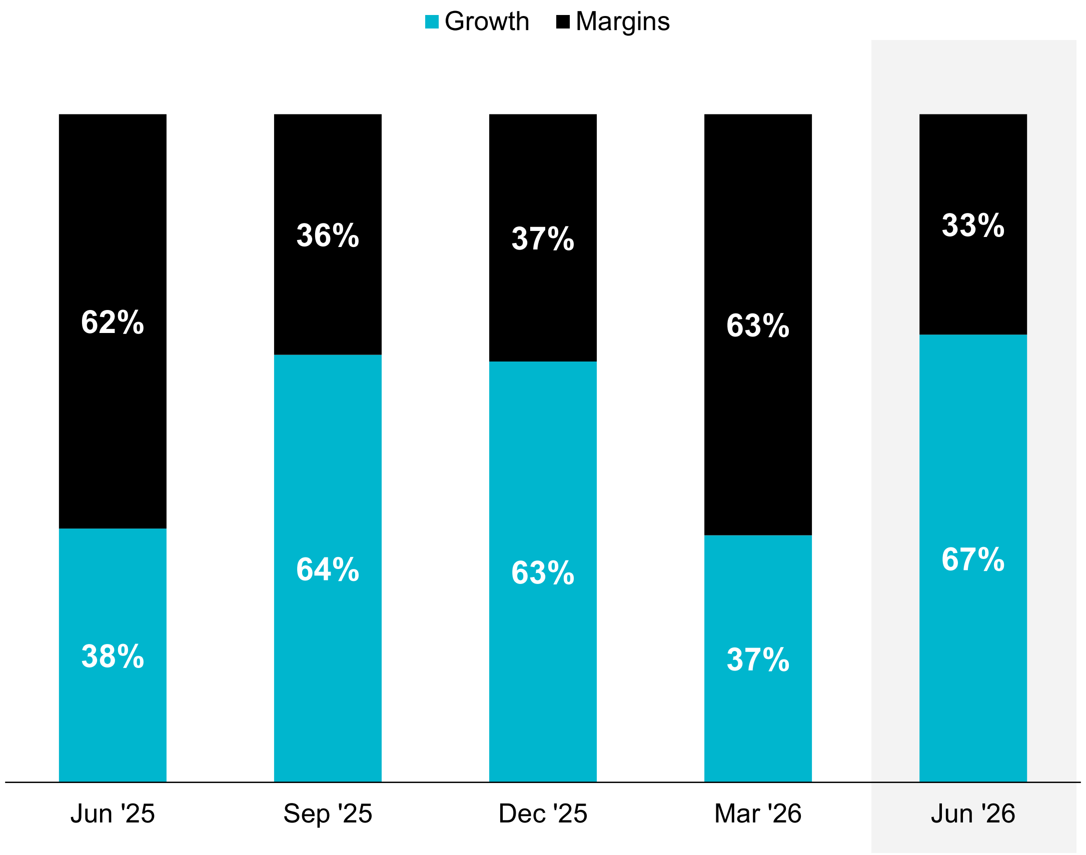
FCF



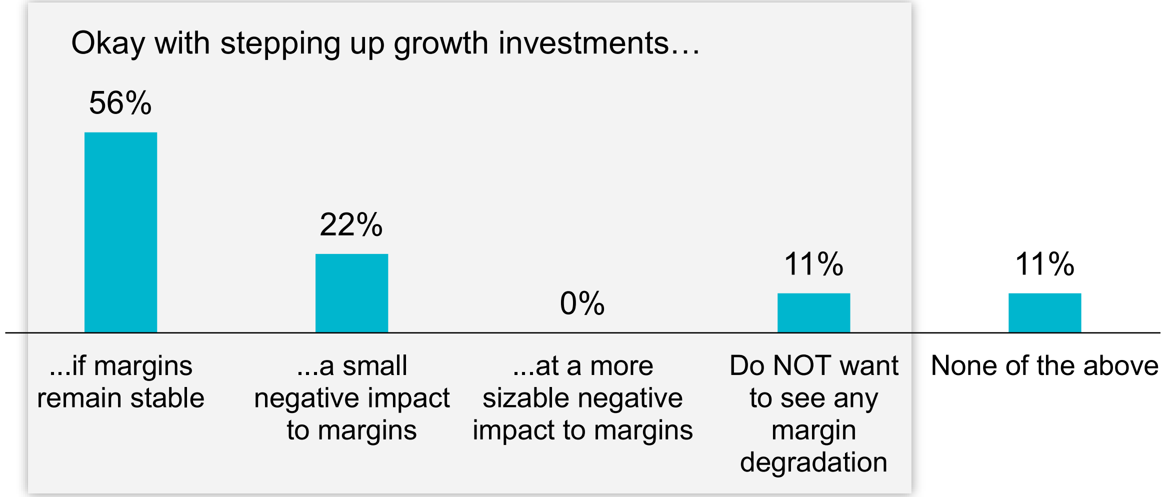
Investors Pivot Back to Growth Focus 2:1 as They Give Management License to Invest But Not at Any Cost

78% support increased growth investment if margins *Remain Stable* or experience only a *Small Negative Impact,* underscoring the importance of discipline*;* feedback more nuanced and company-specific as it relates to data center investment impact on margins

KPI PRIORITIZATION AT THIS POINT IN THE CYCLE



INVESTOR VIEWS ON HIGHER STRATEGIC GROWTH INVESTMENTS AT THIS TIME



I am okay with stepping up growth investments if margins remain stable

"Continually expand margins for the core business, so you maintain above-industry growth because of your R&D investment while continuing to expand your profitability on the core business." **Buy Side, N. America, Industrials**

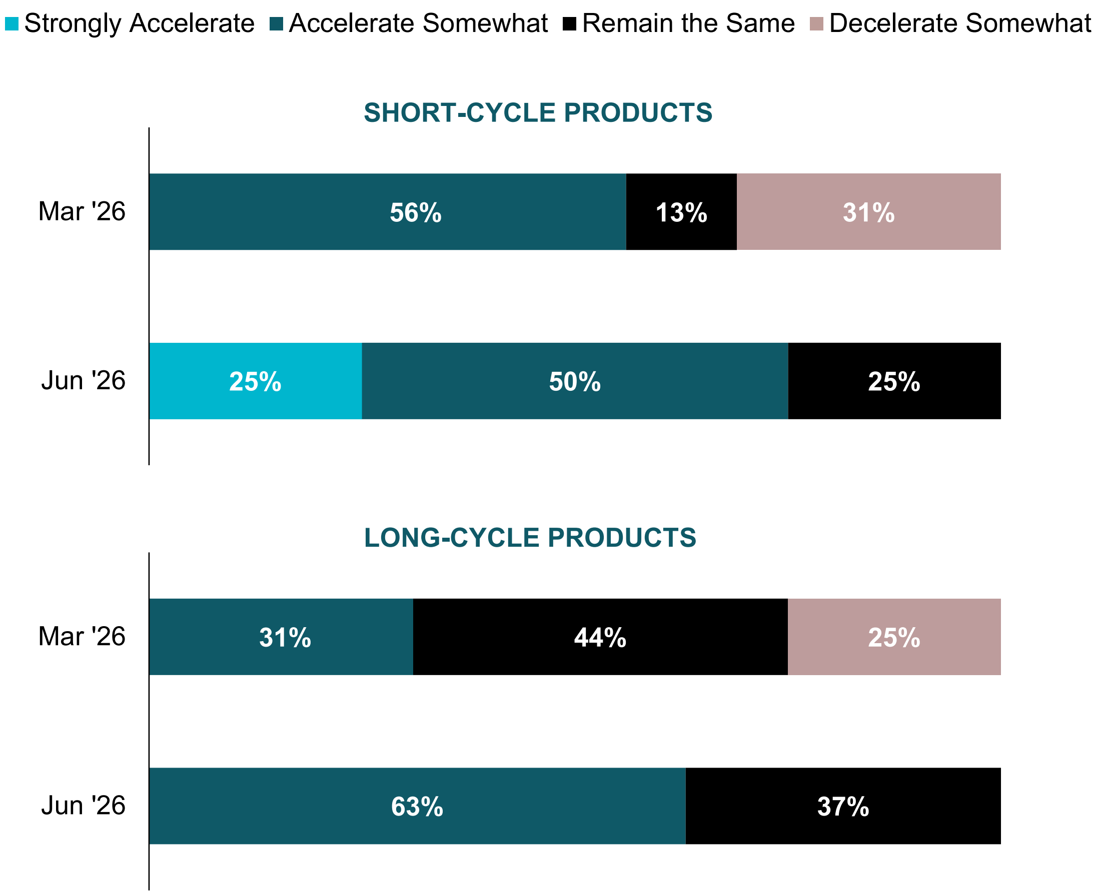
None of the above

"It is on a company-specific basis. I have one company that did see a decent amount of margin compression last year because they are stepping up capacity associated with a substantial ramp to service data center demand, so in that case, knowing that the demand will be there once the capacity is live, I was comfortable waiting around until margins recovered. In industries that are servicing end markets that might have more uncertainty or less clarity around demand, I am less willing to look through short-term margin headwinds." **Sell Side, N. America, Industrials**

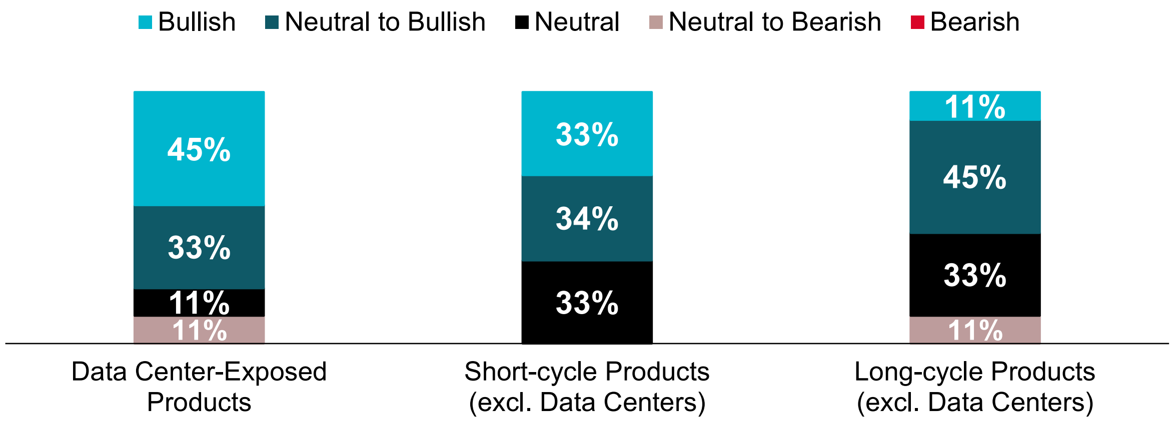
AI Remains the Industrial Growth Engine, but Optimism Extends Beyond Data Centers

No investors expect short- or long-cycle order rates to *Decelerate* over the next six months, though conviction remains strongest in data-center-linked markets

INDUSTRIAL ORDER RATE EXPECTATIONS OVER THE NEXT SIX MONTHS



PRODUCT-SPECIFIC SENTIMENT: AI VS. NON-AI



Data Center-Exposed Products

"I am very bullish on power generation equipment, but the downstream impact of all the U.S. construction activity is driving huge growth in machinery services for new builds. Caterpillar, the biggest OEM in this sector, is more than doubling capacity, with a 2.5x to 3.0x increase in production by 2030. That is an example of how significant demand growth is. It is unusual versus history for this industry to have growth of this magnitude. I have very high opinions on the fundamentals." **Buy Side, N. America, Industrials**

Short-cycle Products (excl. Data Centers)

"Eventually will slow down." **Buy Side, N. America, Generalist**

"With the more cyclical parts, if you sold equipment that went into factories or that went into construction equipment, it was not good. That has flipped starting the beginning of this year." **Buy Side, N. America, Generalist**

Long-cycle Products (excl. Data Centers)

"Steel import tariffs are not helping capital investment." **Sell Side, N. America, Industrials**

Top Concerns from Around the Globe

Macro and fundamental risks regain prominence as rising costs, slowing demand, valuation, and consumer health all register meaningful increases

	Unaided	(QoQ Change)	
1	61%	(↑ 18 pts)	Inflation
2	54%	(↑ 35 pts)	Growth / Demand
3	31%	(↑ 26 pts)	Valuation
4	25%	(↑ 16 pts)	Consumer Health
5	25%	(↓ 51pts)	Geopolitics / War
6	14%	(↑ 10 pts)	Supply Chain

Commentary

"Inflation, economy, Black Swan event." **Buy Side, N. America, Generalist**

"Higher inflation, world war, overregulation (tax war)." **Buy Side, Europe, Generalist**

"Rising interest rates and inflation, continued geopolitical problems, economic growth slowdown." **Buy Side, N. America, Multi**

"Consumer, discretionary, 10-yr rates / 30-yr fixed mortgage." **Sell Side, N. America, Industrials**

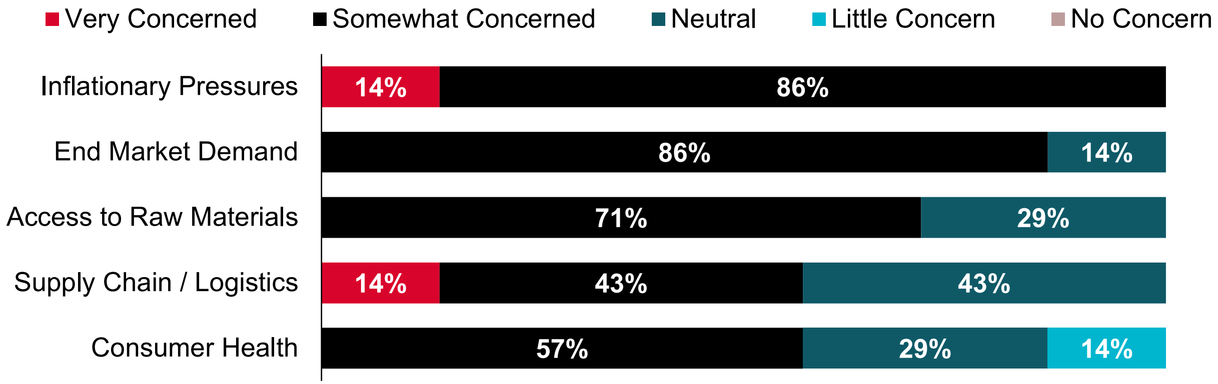
"Higher input costs, weak end demand, debt management." **Sell Side, N. America, Industrials**

"Inflationary pressures, new IPO of trillion-dollar companies' impact on market, valuations of high tech." **Sell Side, N. America, Multi**

"Rising nationalism and fascism, war, inflation." **Sell Side, N. America, Consumer Discretionary**

"AI fears, hawkish central banks, geopolitical risk back on the table." **Sell Side, Europe, Generalist**

CONCERNS OF MACRO IMPACT FROM PROLONGED IRAN WAR



82% **Input Costs / Inflation**
(↑ 12 pts)

44% **Growth / Demand**
(↓ 29 pts)

35% **Margins**
(↑ 18 pts)

25% **Capex**
(↑ 17 pts)

24% **Energy / Oil**
(↑ 24 pts) **NEW**

22% **AI**
(↓ 7 pts)

Topics of Interest for Upcoming Earnings Calls

82% cite Input Costs / Inflation as the priority, while interest in Margins and Capex rises sharply

N. American Views

"Demand – what does the next year look like? Workers – hard to find/demanding higher pay, credit." **Buy Side, Generalist**

"Revenue growth, margins, input costs." **Buy Side, Generalist**

"Growth, margins, capex." **Buy Side, Generalist**

"Having additional clarity around manufacturing and automation with more examples and use cases would be helpful." **Buy Side, Generalist**

"How big a capacity expansion companies plan to do." **Buy Side, Generalist**

"More clarification on capital allocation would be appreciated." **Buy Side, Generalist**

"What are you seeing with demand and price increases?" **Buy Side, Generalist**

"AI datacenters, oil/diesel/freight, reshoring, reindustrialization of U.S." **Sell Side, Industrials**

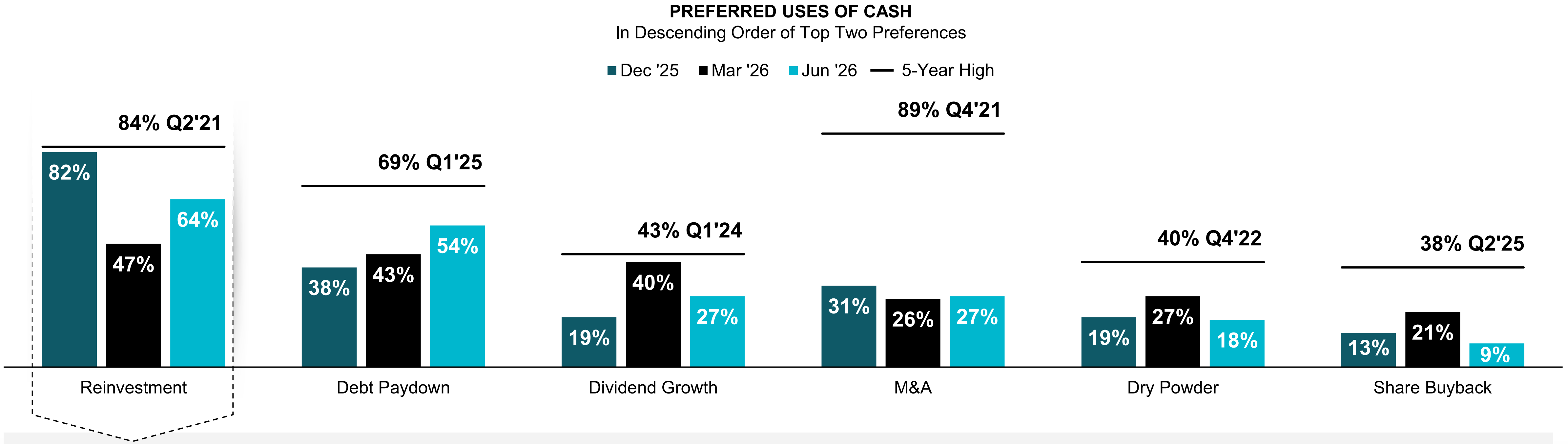
"Price increase implementation, demand in end markets, energy & input cost & freight cost trends." **Sell Side, Industrials**

European Views

"Implementing AI, cost pass-through, margin increase." **Buy Side, Generalist**

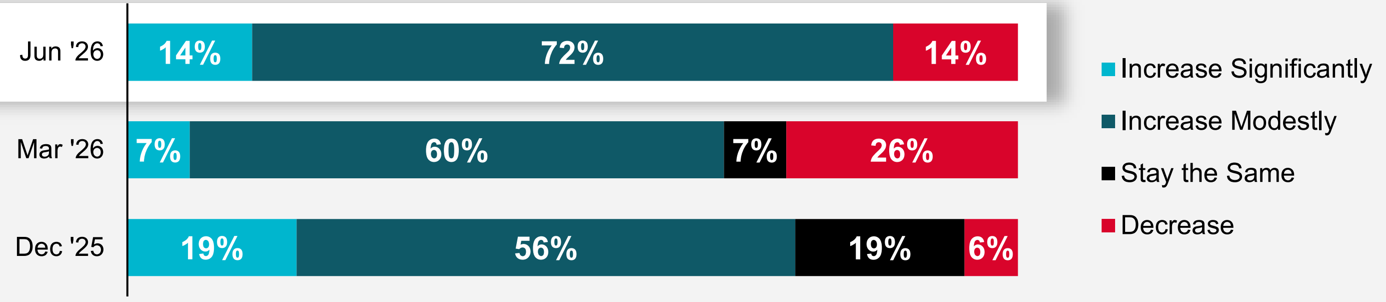
"Peace in the Middle East, stable global conditions, signs of a global capex recovery." **Sell Side, Industrials**

Investors Back Growth Spending but Still Retain a Strong Preference for Balance Sheet Discipline; Additional Growth Investments Expected, with AI and Automation the Top Focus Areas



EXPECTATIONS FOR GROWTH CAPEX ACROSS INDUSTRIALS OVER THE NEXT SIX MONTHS

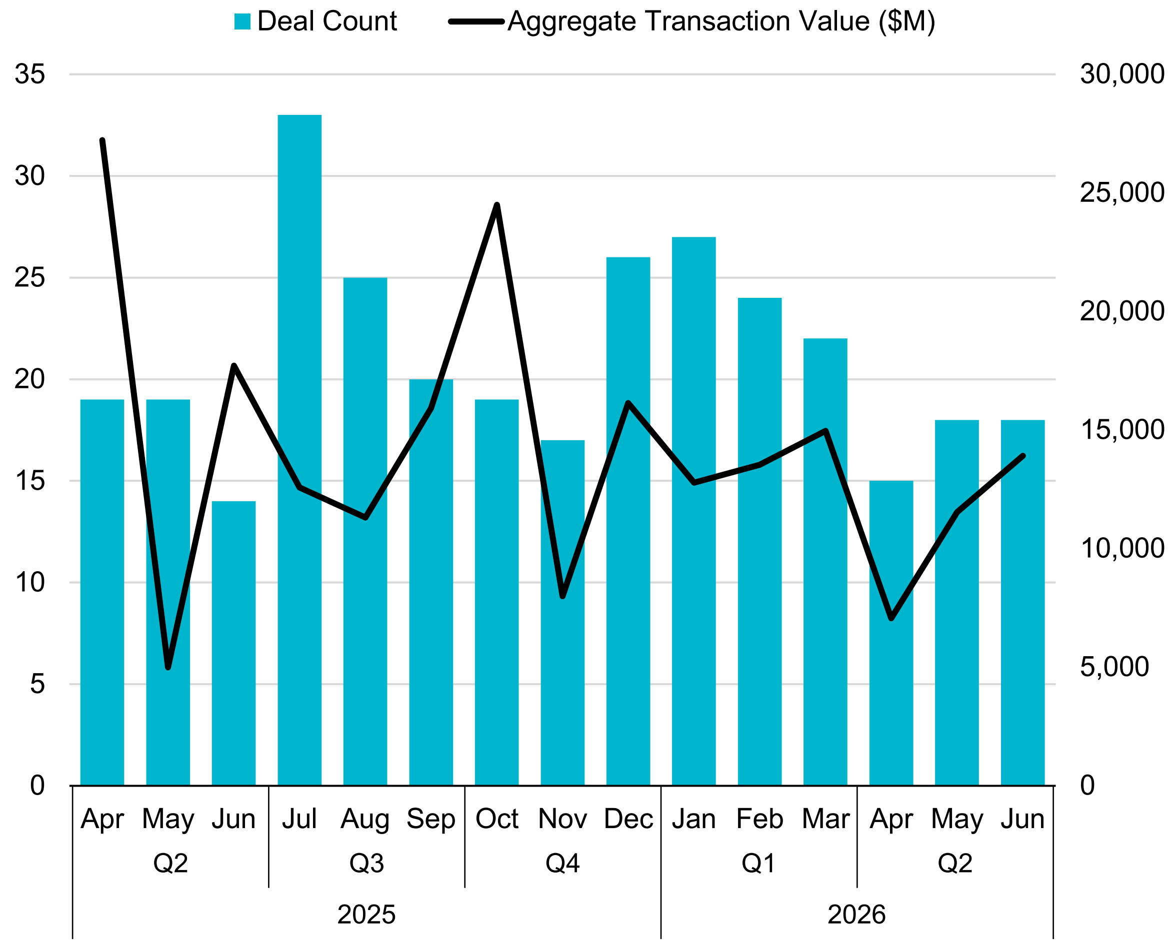
86% expect Capex to *Increase Modestly or Significantly,* up 19 pts increase QoQ



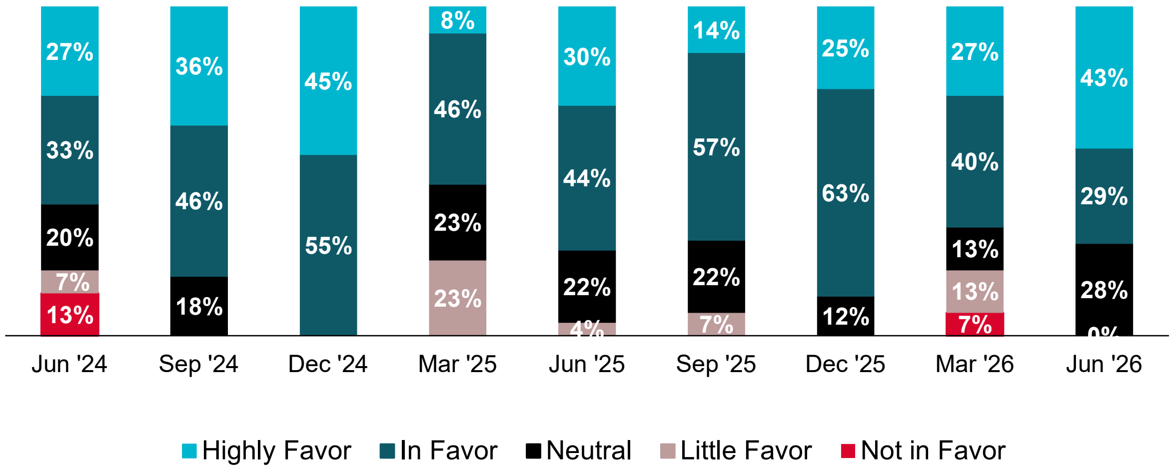
M&A Appetite Improves for Both Bolt-ons and Transformational Deals

Support strengthens for both deal types QoQ, but bolt-ons retain a substantial advantage over transformational deals, which receives less downbeat but still mixed views

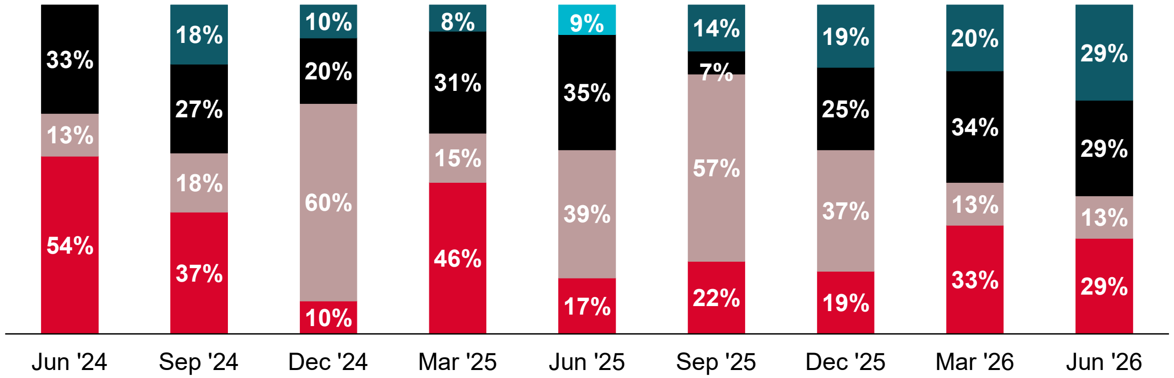
NORTH AMERICA INDUSTRIAL M&A ACTIVITY[1]



BOLT-ON ACQUISITIONS



LARGE / TRANSFORMATIONAL ACQUISITIONS



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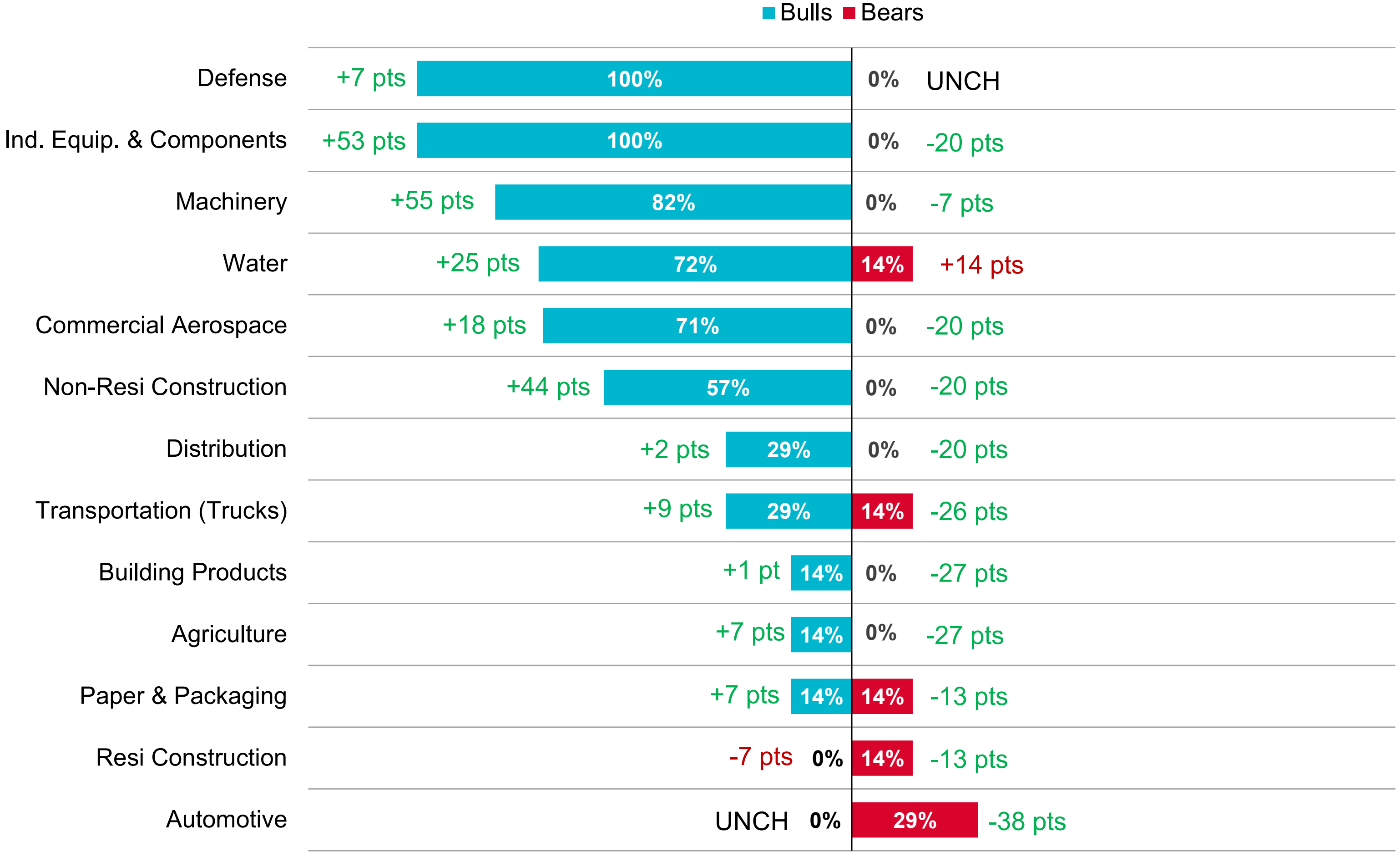
[1] Source: FactSet, includes completed M&A transactions valued above $1M; excludes Honeywell and FedEx spinoffs

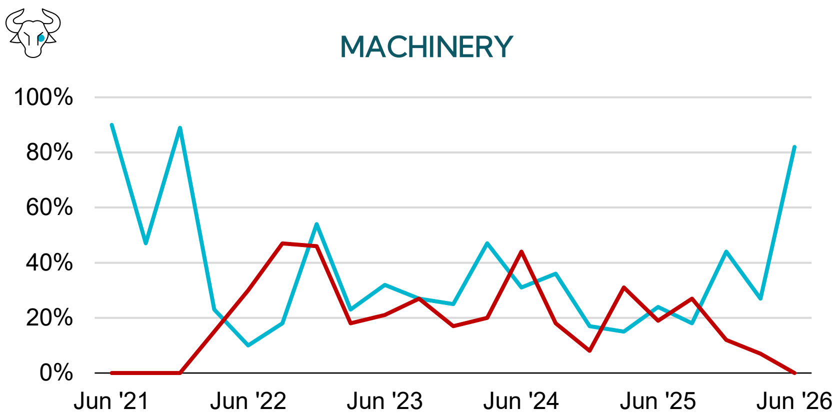
Industrial Sector Optimism Abounds, Led by Defense, Equipment, and Machinery; Auto and Resi Still Generally Out-of-favor, Albeit Less So QoQ

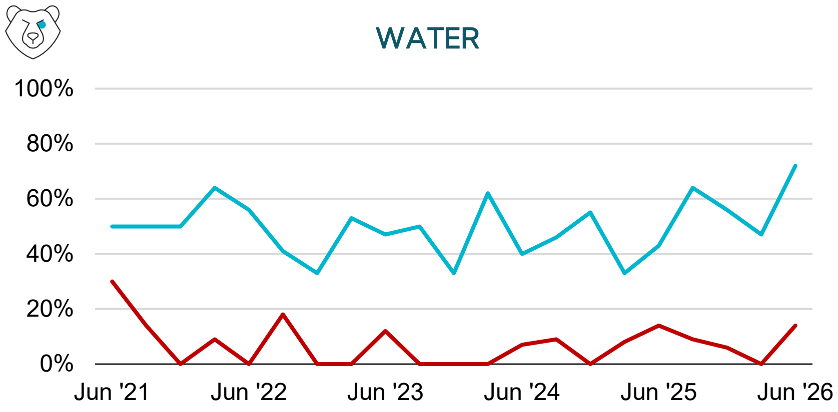
Six industries earn majority-bullish readings, led by unanimous support for Defense and Ind. Equip. & Components

BULLS VS BEARS



LARGEST BULL and BEAR SENTIMENT GAINERS





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