ROBO Index 3rd QTR 2026 Commentary

As of September 30, 2026

The ROBO Global Robotics & Automation Index declined 5.23% during the third quarter of 2026, compared with a 1.34% gain for the VettaFi Full World Index. ROBO remained ahead year to date, returning 17.07% through September versus 12.96% for the benchmark. Four of the eleven subsectors finished higher. Manufacturing & Industrial Automation fell 13.3% and Actuation declined 11.1%, making them the largest detractors, while Healthcare (+8.6%) made the largest positive contribution, followed by Business Process Automation (+15.7%) and Logistics Automation (+4.6%). Sensing (+1.7%) also finished higher. Autonomous Systems (-18.4%) had the weakest subsector return. Currency added approximately 0.6 percentage points.

The pullback followed a first-half gain of approximately 23.5%, while earnings expectations continued to improve. Among companies with available second-quarter results, 63 reported year-over-year sales growth and 56 reported EPS growth. At September-end, weighted consensus estimates called for EPS growth of approximately 29% in fiscal 2026 and 32% in fiscal 2027. Over the preceding 90 days, weighted fiscal 2027 sales and EPS estimates had each increased approximately 4.4%. FactSet's September-end portfolio snapshot put ROBO at approximately 2.0x next-twelve-month EV/sales and 25.7x next-twelve-month earnings. Our reading is that the quarter reflected a reassessment of valuations and the timing of growth, alongside company-specific demand and execution issues. Higher financing costs and uncertainty over U.S. market access also complicated the backdrop.

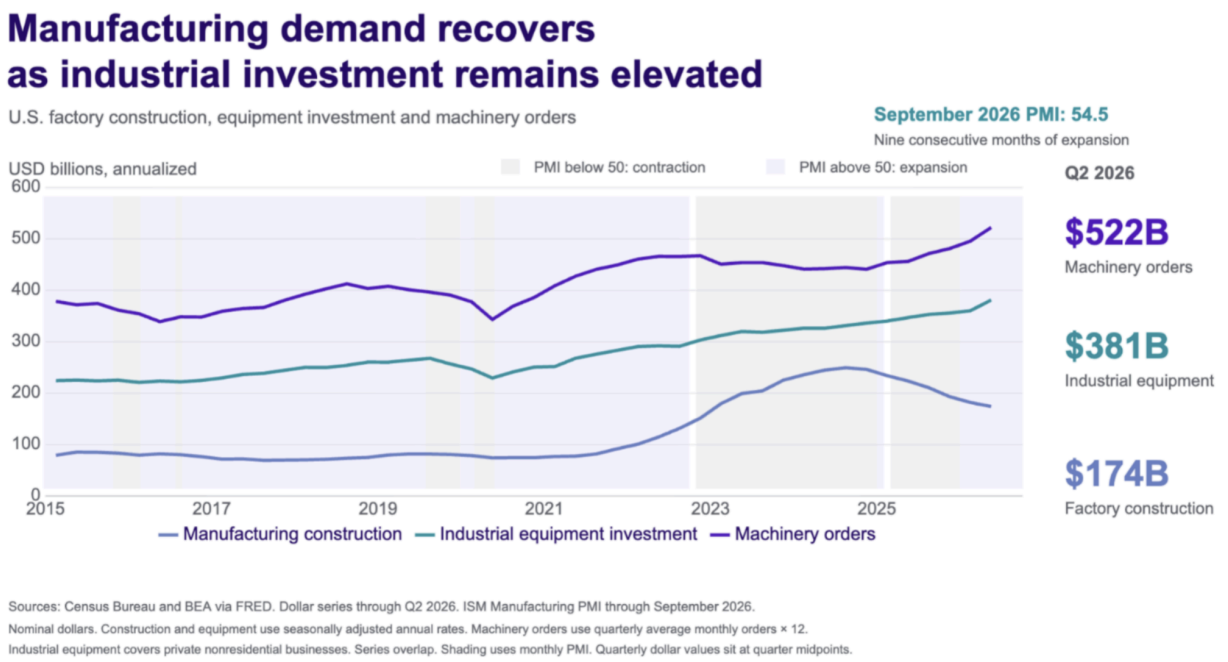
An improving industrial backdrop with more work ahead

The latest International Federation of Robotics report recorded approximately 603,000 industrial robot installations in 2025, up 11%, taking the global operating base above five million. China accounted for approximately 59% of installations, while U.S. deployments rose 12% to 38,400, moving ahead of Japan into second place as Japanese installations fell 19%. These figures cover industrial robots alone. Medical robotics, service robots and emerging autonomous applications expand the opportunity beyond that total, while the existing industrial fleet creates demand for upgrades, maintenance, inspection and connectivity.

China's scale also warrants a distinction between where robots are installed and who supplies them. Chinese manufacturers increased their domestic installations by 15%, yet their share of that market fell to 55% from 57% as the overall market grew faster. Foreign suppliers consequently gained share in the world's largest industrial robotics market. This points to a global supply chain, with opportunities for component makers and automation suppliers serving customers across regions.

Chinese robotics holdings declined sharply during the quarter, including Han's Laser (-46.1%), Estun Automation (-23.5%) and Inovance (-20.8%).

Robot supplier Fanuc (-15.7%) reported stronger factory-automation orders across several Asian markets, supported by semiconductor and AI-server investment alongside automotive and other demand. Component shortages extended delivery times, however, and management cautioned that some customers were ordering earlier to secure equipment.



U.S. manufacturing conditions remain constructive and trending positive. Through the second quarter, nominal industrial equipment investment and machinery orders continued to rise, while factory construction spending fell further below its 2024 peak.

The Federal Reserve's September rate increase raised the hurdle for financed capital spending, while full expensing of eligible equipment improved its after-tax economics. Reshoring and stronger manufacturing demand continued to support investment, particularly where automation can increase capacity, reduce waste or address labor shortages. Bipartisan Senate permitting legislation introduced in September also proposed faster federal reviews for energy and infrastructure projects, offering potential further support for industrial expansion if enacted.

U.S. market access presented another source of uncertainty following the FCC's late-July restrictions on foreign-produced advanced robotic devices. Conditional approvals granted to selected products by September showed that the exemption process was operating, making product eligibility and manufacturing plans important to assessing the eventual impact.

Physical AI investment reaches across the value chain

Physical AI, the application of AI to machines operating in the physical world, is extending the capabilities of established industrial platforms. On September 30, Fanuc and Hitachi announced a partnership to test AI-enabled tasks such as parts picking and production changeovers in Hitachi factories, targeting customer deployment from fiscal 2027. The opportunity extends beyond new robot designs to making existing platforms more adaptable.

Acquisition activity also targeted broader technical capabilities and potential markets. In August, machine-vision specialist Cognex (-16.2%) reported record quarterly revenue, up 17%, and an 80% increase in adjusted EPS. Its subsequent agreement to acquire RealSense for approximately $500 million, expected to close in the fourth quarter, would add 3D depth perception and broaden its addressable market from product inspection into mobile robots and other autonomous applications.

Microchip Technology (-14.4%) completed its acquisition of Hailo in September, adding AI acceleration and vision processing to its embedded semiconductor portfolio for applications ranging from smart cameras to autonomous machines. Qualcomm (0.0%) also agreed to acquire PickNik Robotics, whose motion-planning software would help developers build robotic manipulation applications on its computing platforms.

Corporate spending on AI infrastructure continues to create a clear tailwind across the Computing & AI subsector. Infineon (-27.6%) reported record quarterly revenue in August and identified power supplies for AI data centers as its leading growth driver. Following its August agreement, Infineon completed its acquisition of C2i Semiconductors on October 5, adding software-defined power-management capabilities to help AI servers respond to rapidly changing power demands.

Growth beyond factory automation

Healthcare's positive contribution was concentrated in Illumina (+55.7%), whose gain more than offset declines elsewhere in the subsector. The sequencing company's second-quarter reported revenue grew 9.5%, and it raised its full-year revenue and adjusted earnings outlook, supported by clinical demand and adoption of its NovaSeq X platform.

Business Process Automation advanced. PTC (+23.5%) raised its annual outlook in July, while management highlighted customer interest in modernizing engineering and product data to support AI applications. Octave (+15.9%), the industrial software business spun off from Hexagon in May, and Autodesk (+7.5%) also rose.

In Logistics Automation, warehouse investment showed signs of recovery. AutoStore (+29.4%), whose systems automate the storage and retrieval of goods, reported second-quarter revenue growth of 43% and order growth of 45% in August. Zebra Technologies (+41.8%) reported a 9.2% increase in organic sales as demand improved across its frontline-worker and asset-tracking businesses. Their gains more than offset declines at Daifuku (-16.4%) and GXO Logistics (-12.3%), underscoring the uneven recovery within the subsector.

In Autonomous Systems, technical demonstrations and pilots marked progress toward wider commercial deployment. Joby Aviation (-32.2%) announced a roughly 3,200-mile autonomous flight across the United States using a converted Cessna Caravan with an onboard safety pilot and remote supervision, a demonstration separate from its electric air-taxi certification program. Joby also agreed to acquire Resonant Sciences for approximately $500 million, a deal that would add sensing and mission-systems capabilities to its defense business. UBTECH (-27.7%) announced humanoid testing with Hitachi in manufacturing. Repeat deployments and recurring revenue will be important measures of commercial progress.

We remain constructive on the robotics and automation outlook. Manufacturing demand strengthened, equipment investment remained elevated, and earnings expectations continued to improve despite the quarter's share-price declines. Reshoring and favorable tax treatment support capital spending, while advances in physical AI and acquisitions broaden the applications automation suppliers can serve. Together, these developments support continued growth across industrial automation, logistics, healthcare and the technologies that enable them.

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