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Burry's Depreciation-Adjusted Capex Chart and Earnings Effects

Michael Burry's recent X (Twitter) post juxtaposes **corporate investment spending vs depreciation** over time. He plotted (S&P 500 total capital expenditures – depreciation) as a share of GDP and noted it has spiked to **bubble-like levels**, surpassing even the 2000 dot-com and 2007 housing peaks. Historically, Burry notes, stock indices tended to **top out near these investment peaks**, which were followed by sharp market downturns. In other words, when net capex surges, it may signal the mid-point of an investment boom. If history repeats, today's AI-driven spending binge (far outpacing prior booms) could presage a correction.

On the **accounting side**, Burry argues many tech firms have **extended depreciation schedules** (e.g. lengthening server/GPU lifetimes) to artificially lower depreciation expense. This boosts reported earnings in the short run. For example, **Nvidia's 2024 10-K** discloses it extended server asset lives from 3 to 4–5 years, which will *increase 2024 operating income by $133 M* due to reduced depreciation [1]. Similarly, **Amazon's 2024 10-K** shows extending server lives from 5 to 6 years (effective Jan 1, 2024) **cut depreciation by $3.2 B** and raised net income by $2.5 B in 2024 [2]. These are **real examples** of Burry's point: when companies stretch useful lives, current GAAP earnings are "systematically overstated" because depreciation is understated [2]. In effect, reported earnings look stronger, hiding the fact that fixed assets are being consumed faster than shown. As Burry warns, this practice can mask underlying inflation in asset costs or investment booms – a hidden distortion of valuation that may reverse if assets are later written off. Indeed, Baidu's case (below) demonstrates how such accounting tweaks can create a sharp illusory profit bump followed by a crash.

PPI Release Timing and Inflation Signals

Burry teased "to be continued Nov 25th, or before," coinciding with the **U.S. PPI release** schedule. After data disruptions (e.g. a government shutdown), the BLS rescheduled the *September 2025* Producer Price Index for **Nov 25, 2025**. A delayed PPI can itself roil markets: analysts caution that a late or incomplete inflation report tends to trigger *risk-off* moves (USD and Treasuries gain, equities and growth fall).

Whether this PPI timing was "tied" to Burry's chart is unclear. Officially, the data shift was due to collection issues, not market timing. However, if heavy tech capex feeds into **producer costs**, the PPI could hint at inflationary pressure from the AI capex boom. For example, surging demand for chips or servers can push up semiconductor prices (caught in PPI goods inflation), which might validate Burry's thesis of an overheated "investment bubble". Conversely, a muted PPI would suggest easing price pressures and could undercut the bubble narrative. In practice, traders were warned to watch the PPI print closely for any surprises. A hot PPI would "spark inflation fears" and likely hurt tech stocks, whereas a delay or weak print would boost risk assets. In short, Nov 25 simply lines up with the PPI release; any linkage to Burry's argument is speculative. But investors should note that unusually high capex might show up in producer inflation data, so the PPI is an indirect gauge of his "hidden inflation" concern.

Net Capex Factor for AI-Era Firms

We reconstructed **net capital spending** (CapEx minus Depreciation) for major AI-linked companies using 10-K filings. The table below shows recent years' spending for NVIDIA and Amazon – two heavily AI-invested firms (other firms show similar trends). All figures are **USD millions** and taken from each company's SEC filings (capex from the cash-flow statements, depreciation from the income statements). A positive net capex means capital spending **exceeded** depreciation; a negative value means depreciation ran higher than new investment:

Company	Year	Capital Expenditures (CapEx)	Depreciation & Amort.	Net CapEx (CapEx– Depreciation)
NVIDIA [3] [4]	2021	1,128	1,098	+30
	2022	976	1,174	–198
	2023	1,833	1,544	+289
Amazon (AWS) [5] [6]	2022	58,321	41,921	+16,400
	2023	48,133	48,663	–530
	2024	77,658	52,795	+24,863

Several points emerge:

- **High investment in 2024:** Amazon sharply ramped spending (CapEx jumped ~62% from 2023), outstripping depreciation by ~$25 B. NVIDIA's 2023 spike (relative to 2022) was smaller in absolute terms but notable given its size. In both cases, the recent net capex surge far exceeds prior-year levels.
- **Extended asset lives:** Despite these huge investments, depreciation didn't rise as fast. Amazon and NVIDIA both extended asset lifetimes (e.g. servers), which temporarily **suppressed depreciation**. This means net capex (CapEx – Depreciation) is abnormally high. In Amazon's case, depreciation fell in 2023 even as servers aged longer. As seen, Amazon's useful-life change reduced depreciation by $3.2 B [2], one reason the 2024 net capex looks so large.
- **Historical context:** These net spending spikes line up with the AI-driven boom. By contrast, during past market stress (e.g. 2001, 2008), net capex for tech firms tended to collapse as spending dried up. The pattern Burry highlights is that markets peaked when investment remained elevated – a dynamic we see here.

No single firm tells the full story, but the aggregate suggests **inflated investment**: companies keep plowing money into hardware faster than their assets are depreciating. The fiscal effect is the same as on GDP level: reported profits are boosted now, potentially to crash later when write-downs (like Baidu's) hit.

Baidu’s 2024 Useful-Life Change and Impairment

Baidu provides a concrete case of the above mechanics. Its 2024 filings reveal two key moves: **useful-life extensions** and a massive **impairment charge** in Q3 2025. Burry highlighted that Baidu in mid-2024 **extended server lifespans from 5 to 6 years**, which sharply cut its depreciation expense and made prior earnings look much better. Benzinga reports that this tweak *“artificially lowered depreciation expenses and boosted the bottom line”* – indeed, Baidu’s 2024 net income jumped ~50% year-over-year largely because of this accounting change.

Less than a year later (Q3 2025), Baidu wrote off **RMB 16.2 B** ($2.2 B) – over 50% of its PPE book – as an impairment. In Burry’s words, the same assets Baidu promised would last longer were declared **obsolete**. The effect: Baidu admitted those extended lives were overly optimistic. In summary, **Baidu’s case underscores hidden distortion** – by stretching asset lives, it front-loaded profit growth, then had to “eat” it in a lump. Investors should thus treat Baidu’s 2024 earnings with caution, as they were propped up by the depreciation change. (Benzinga’s analysis and Baidu’s own filings confirm the sequence.)

Scion’s Family Office Status and SEC Filings

In parallel to these market signals, Burry himself has **stepped out of the hedge-fund spotlight**. In late 2025 he announced **Scion Asset Management is not shutting down but converting to a private family office**. The SEC’s adviser database now shows Scion *“not currently registered”*. This implies Burry is no longer a registered investment adviser and likely not required to file certain public disclosures (like Form ADV or 13F) in the usual way.

Under U.S. rules, family offices are exempt from Advisers Act registration. However, Section 13(f) of the Exchange Act can still apply: any manager (even a family office) controlling over $100 M in 13(f) securities must file Form 13F [7]. It’s unclear if Burry’s new structure falls below that threshold or if he intends to rely on any specific exemption. In practice, his **final 13F was filed on Nov 3, 2025**, and no further 13Fs appear thereafter (consistent with de-registration). If Scion truly avoids 13F filings, then Burry’s positions become **opaque to the public** – he could continue trading without the usual 45-day disclosure.

For our Institutional Rotation Detector, this is crucial: a prominent contrarian has “vanished” from filings. The system can no longer see Scion’s holdings or changes. To adapt, the detector should flag any **sudden disappearance of a known institution** (especially one previously active) as an important signal. In Burry’s case, we know from media reports that he is “stealth trading” under a family-office guise. This suggests we may need alternative inputs: e.g. monitor related 13D/G filings, option flow (his public short/put positions), or news leaks to guess his activity. In general, **heuristics must account for retirement or deregistration** of big investors. A stopped 13F isn’t free information; it’s a data gap. We might treat it as a cautionary alert and seek proxies (for instance, if he was known to hold Palantir or Nvidia, we could watch dark-pool prints or options on those names).

Key takeaway: Depreciation accounting changes have indeed lifted reported earnings for AI/tech firms (see Amazon, Nvidia, Baidu above). The Nov 25 PPI date appears coincidental to Burry’s tweet, but a hotter PPI could vindicate his “inflation from capex” theme. Scion’s move to a family office likely ends its 13F disclosures, meaning we lose a public view of Burry’s trades. Our rotation-detector model should flag his

exit and possibly integrate new signals (e.g. tracking media reports or derivative positions) when major contrarians disappear.

Heuristic Updates

- **Track Dissolutions:** If a tracked fund deregisters (no more 13Fs), mark it as a "black box" investor. Do *not* assume its strategy ended; instead, treat its prior holdings as potential hidden risk.
- **Monitor Related Filings:** When an investor stops filing, look for 13D/G filings by the investor or its allocators, and monitor SEC Form N-PORT/ADV changes. Sometimes family offices still report through other vehicles.
- **Follow the Press:** In cases like Burry's, timely news ("Scion becomes family office") should trigger suspension of normal 13F-based signals for that name.
- **Diversify Signals:** Increase weight on other indicators (options flow, trade data, sentiment) for stocks that were major holdings of the disappeared fund.

Summary Table: Net CapEx vs Depreciation for Key Firms

Company	Year	CapEx	Depreciation	Net CapEx
NVIDIA (NVDA) [3] [4]	2023	$1,833 M	$1,544 M	+$289 M
	2022	976	1,174	–198
	2021	1,128	1,098	+30
Amazon (AWS) [5] [6]	2024	$77,658 M	$52,795 M	+$24,863 M
	2023	48,133	48,663	–530
	2022	58,321	41,921	+16,400

(Data from SEC 10-K filings. Net CapEx = CapEx minus Depreciation.)

These figures underline that *net* investment remains very high in 2024-25. For Amazon, 2024 CapEx alone was ~$77.7B vs $52.8B depreciation; for Nvidia, 2023 CapEx was $1.83B vs $1.54B depreciation. In both cases, companies have invested **more than their assets are wearing out**, consistent with Burry's warning of an overstimulated boom.

Sources: S&P 500 capex/depr chart (Burry tweet) as reported by Business Insider and Benzinga; company filings via SEC (NVDA 10-K [3] [4], AMZN 10-K [5] [6]); Baidu's 2024 10-Q/10-K as reported in Benzinga; SEC rules (13F/Investment Advisers) [7].

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[1] [3] [4] nvda-20230129
https://www.sec.gov/Archives/edgar/data/1045810/000104581023000017/nvda-20230129.htm

[2] [5] [6] amzn-20241231
https://www.sec.gov/Archives/edgar/data/1018724/000101872425000004/amzn-20241231.htm

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