

# Industrial Weekly

## The Nuts and Bolts

### Industry Overview

### Corporate headlines

Boeing (BA) plans to hike production rates for its 737 Max airplanes above the current schedule of 31 planes per month, Reuters reported Thursday, citing the company's head of the commercial airplanes division, Stan Deal.

Ryanair (RYA) has entered talks with Boeing for an order of as many as 200 narrow-body aircraft, in negotiations that stand to last 6-12 months, CEO Michael O'Leary said.

3M (MMM) is negotiating the sale of its Russian assets to local company VMP, RBC reports, citing an unidentified person familiar with details.

On April 3, 2023, ABB (ABB) will launch its previously announced new share buyback program of up to \$1bn.

CNH Industrial (CNHI) agreed to buy Hemisphere GNSS for \$175 million.

### Market news

For the week ended Thursday 3/30, IG spreads were 6bps tighter and HY spreads were 36bps tighter. The 5yr Treasury and 10yr Treasury were 17bps and 10bps wider, respectively. The 30yr Treasury was unchanged. The S&P 500 was up 3.5% on the week and up 7.0% YTD.

#### Exhibit 3: Weekly Bond Movers 3/30/23

FTV 26s were 20bps tighter; R 27s were 18bps wider

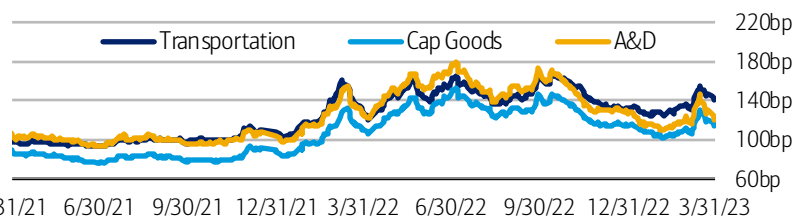
Leaders		Laggards	
Bond	Sprd Ch.	Bond	Sprd Ch.
FTV 3.150 06/15/26	(20)	R 4.300 06/15/27	+18
BWA 1.000 05/19/31	(16)	LHX 4.400 06/15/28	+14
CARR 2.493 02/15/27	(14)	UNP 5.375 06/01/33	+11
NSC 5.640 05/17/29	(12)	MGCN 4.150 10/01/25	+11
HII 3.483 12/01/27	(11)	HUBB 3.150 08/15/27	+10

Source: Bloomberg

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#### Exhibit 4: Sector Bond Spreads (as of 3/30/23)

Cap Goods trade through both Transportation & A&D by 8-28 bps.



Source: ICE Data Indices, LLC

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02 April 2023

High Grade Credit  
United States  
Aerospace/Defense, Autos, Capital  
Goods, Transportation

**Douglas Karson**  
Research Analyst  
BofAS  
+1 646 855 7405  
doug.karson@bofa.com

**Somaia Barakah**  
Research Analyst  
BofAS  
somaia.barakah@bofa.com

#### Exhibit 1: U.S. Mutual Fund Flows

Changes in mutual fund flows

\$ MN	Week	% Ch.	YTD	% Ch.
High Grade	(630)	+0.0%	+54,732	+1.5%
High Yield	(1,582)	(0.7%)	(13,900)	(4.2%)
Bank Loans	(433)	(0.6%)	(6,933)	(5.8%)
EM Debt	(868)	(0.2%)	(3,374)	(0.6%)
Money Markets	+61,486	+1.1%	+478,647	+9.0%
Equities	(8,631)	(0.1%)	(38,776)	(0.2%)

Source: BofA Global Research, EPFR Global. Note: Week Ended 3/29/23.

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#### Exhibit 2: Markets Monitor (as of 3/31/23)

Macro data and indices snapshots

Market	Value	Week Δ
ICE BofA IG Index (sprd)	150	(6)
ICE BofA IG Index (yield)	5.34	+14
ICE BofA HY Index (sprd)	489	(36)
ICE BofA HY Index (yield)	8.69	(12)
ICE BofA BBB Index (sprd)	183	(6)
ICE BofA BB Index (sprd)	331	(36)
ICE BofA CCC Index (yield)	15.26	(8)
CDX IG 5yr (sprd)	76	(9)
CDX HY 5yr (sprd)	463	(54)
5yr Treasury (yield)	3.58	+17
10yr Treasury (yield)	3.49	+10
30yr Treasury (yield)	3.64	+0
S&P 500 (index)	4,109	3.5%
Dow Jones (index)	33,274	3.2%
Gold (\$/oz)	1,969	-0.5%
Crude Oil (WTI \$/bbl)	75.67	9.3%

Source: BofA Global Research; ICE Data Indices, LLC

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Refer to important disclosures on page 3 to 5.

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Timestamp: 02 April 2023 01:54PM EDT

**Exhibit 5: Relative Value by Sector (\$ million, unless otherwise noted)**

Relative value for A&amp;D, Industrials &amp; Transportation sectors.

Credit Metrics (LTM 9/30/22)													
Issuer	Mdy's / S&P / F	Outlook	Coupon	Maturity	STW	G- Sprd	5yr CDS	Revenue	Adj. EBITDA	Debt/ EBITDA	EBITDA/ Int. Exp	FCF	TEV/ 2023E EBITDA
Aerospace & Defense													
BAE Systems (BA) (E)*	Baa2/BBB+/BBB+	P/S/S	3.850%	12/15/2025	48	71	45	21,856	2,858	1.8x	11.6x	1,835	10.8x
Boeing (BA) <sup>1</sup>	Baa2/BBB-/BBB-	S/N/S	2.950%	2/1/2030	150	143	119	61,421	5,010	11.1x	2.0x	(347)	32.6x
General Dynamics (GD)	A3/A-/WD	S/S/#	2.250%	6/1/2031	77	73	55	43,236	5,995	1.9x	16.1x	4,587	13.7x
Honeywell (HON)	A2/A/A	S/S/S	1.950%	6/1/2030	80	74	32	34,937	8,272	2.1x	23.6x	4,765	14.3x
L3Harris Technologies (LHX)	Baa2/BBB/BBB+	N/N/N	2.900%	12/15/2029	132	136	55	16,834	3,113	2.5x	11.4x	1,886	14.1x
Lockheed Martin (LMT)	A3/A-/A-	S/S/S	1.850%	6/15/2030	81	75	37	64,722	8,456	1.6x	13.1x	8,558	14.5x
Northrop Grumman (NOC)	Baa1/BBB+/BBB+	S/S/S	3.250%	1/15/2028	72	70	33	35,208	4,462	2.6x	8.6x	556	15.6x
Precision Castparts (PCP)	Aa2/NR	S/#	3.250%	6/15/2025	30	40	NA	N/A	N/A	N/A	N/A	N/A	N/A
Raytheon Technologies (RTX)	Baa1/A-	S/N	2.250%	7/1/2030	105	99	55	66,025	12,056	2.9x	9.1x	3,270	14.6x
Textron (TXT) <sup>2</sup>	Baa2/BBB	S/S	2.450%	3/15/2031	128	124	126	12,503	1,466	2.2x	13.8x	1,057	9.2x
<sup>1</sup> Boeing financials exclude Boeing Capital. <sup>2</sup> Textron financials exclude Textron Financial.    *Reports Semi-Annually													
Industrials													
ABB (ABBN)	A3/A-/WD	S/S/#	3.800%	4/3/2028	52	52	86	29,189	5,206	1.5x	50.1x	783	13.6x
Aptiv (APTIV)	Baa2/BBB/BBB	S/S/S	4.350%	3/15/2029	136	138	NA	16,983	1,977	3.2x	10.2x	150	13.4x
AutoNation (AN)	Baa3/BBB-/BBB-	S/S/S	2.400%	8/1/2031	246	243	247	26,870	2,263	1.6x	15.2x	1,221	5.9x
BorgWarner (BWA)	Baa1/BBB/BBB+	S/S/S	2.650%	7/1/2027	123	115	69	15,348	2,155	1.9x	32.2x	538	6.0x
Caterpillar (CAT)	A2/A/A	S/S/S	2.600%	4/9/2030	83	78	44	53,800	8,739	1.1x	19.9x	5,439	10.1x
Cat Financial (CAT) <sup>1</sup>	A2/A/A	S/S/S	1.700%	1/8/2027	54	41	48	53,800	8,739	1.1x	19.9x	5,439	10.1x
Cummins (CMI)	A2/A+	S/S	1.500%	9/1/2030	89	83	55	26,154	3,399	2.3x	24.6x	1,052	8.6x
Mercedes-Benz (MBG) (E) <sup>2</sup>	A2/A-/A-u	S/P/P	3.450%	1/6/2027	115	102	73	134,896	26,010	4.7x	69.7x	15,975	2.7x
Deere (DE)	A2/A	P/S	3.100%	4/15/2030	86	79	46	49,391	10,130	0.9x	26.0x	5,108	10.3x
John Deere Capital (DE) <sup>1</sup>	A2/A	P/S	2.450%	1/9/2030	87	79	55	49,391	10,130	0.9x	26.0x	5,108	10.3x
Eaton (ETN)	Baa1/A-/WD	S/S/#	7.650%	11/15/2029	130	133	55	20,166	3,746	2.4x	28.4x	1,590	16.7x
Ford (F) <sup>2,3</sup>	Ba2/BB+/BB+	S/P/P	7.450%	7/16/2031	297	293	351	142,639	10,951	1.9x	7.9x	4,900	2.7x
Ford Credit (F) <sup>1,2,3</sup>	Ba2/BB+/BB+	S/P/P	4.000%	11/13/2030	290	284	368	142,639	10,951	1.9x	7.9x	4,900	2.7x
General Electric (GE) <sup>2</sup>	Baa1/BBB+/BBB	N/S/S	4.418%	11/15/2035	126	117	90	77,607	8,770	3.7x	5.2x	4,293	8.9x
General Motors (GM) <sup>2,3</sup>	Baa2/BBB/BBB-	S/S/P	5.000%	4/9/2027	166	156	210	134,491	17,140	1.1x	22.3x	12,416	3.6x
GM Financial (GM) <sup>1,2</sup>	Baa2/BBB/BBB-	S/S/P	2.350%	1/8/2031	216	211	384	134,491	17,140	1.1x	22.3x	12,416	3.6x
Hubbell (HUBB)	Baa1/BBB+/A-	S/S/S	2.300%	3/15/2031	133	129	NA	4,439	773	1.9x	15.1x	510	15.3x
Illinois Tool Works (ITW)	A2/A+	P/S	2.650%	11/15/2026	31	38	55	15,640	4,053	1.9x	20.7x	1,975	18.3x
Johnson Controls (JCI)	Baa2/BBB+/WD	P/S/#	1.750%	9/15/2030	108	102	82	25,299	3,605	2.5x	16.9x	1,398	15.2x
Lear Corp (LEA)	Baa2/BBB-	S/P	3.500%	5/30/2030	208	201	NA	20,400	1,369	1.9x	14.2x	29	6.7x
Magna (MGA)	A3/A-	S/S	2.450%	6/15/2030	144	137	NA	37,382	3,273	1.0x	38.1x	352	5.9x
Paccar (PCAR) <sup>2</sup>	WR/A+	S/S	2.000%	2/4/2027	61	50	NA	25,875	2,950	0.0x	NM	2,243	7.2x
Pentair (PNR)	WR/BBB-	#/S	4.500%	7/1/2029	180	183	NA	4,108	880	2.8x	25.0x	260	13.1x
Republic Services (RSG)	Baa2/BBB+/BBB+	S/S/S	1.450%	2/15/2031	106	101	55	12,932	3,749	3.1x	10.3x	1,695	12.8x
Roper Technologies (ROP)	Baa2/BBB+	S/S	1.750%	2/15/2031	133	128	NA	5,387	2,155	3.2x	11.1x	1,202	21.9x
Waste Management (WM)	Baa1/A-/BBB+	P/S/S	1.500%	3/15/2031	107	103	52	19,441	5,342	2.6x	15.2x	1,979	13.8x
<sup>1</sup> Parent company credit metrics are used for captive industrial finance companies. <sup>2</sup> Caterpillar, Deere, Ford, Mercedes, GE, GM, Paccar financials exclude financial businesses. <sup>3</sup> FCF = Automotive operating cash flow													
Transportation													
Burlington Northern (BN)	A3/AA-	S/S	3.250%	6/15/2027	52	44	55	25,583	11,454	2.0x	11.2x	3,389	Private
Canadian National (CNR) (CAD)	A2/A	N/N	2.750%	3/1/2026	42	41	55	16,318	8,155	1.9x	15.7x	3,737	13.6x
Canadian Pacific (CP) (CAD)	Baa2/BBB+	S/S	2.050%	3/5/2030	107	100	55	8,392	4,863	4.2x	8.0x	1,587	17.1x
CSX (CSX)	Baa1/BBB+	S/S	2.400%	2/15/2030	99	92	38	14,550	7,397	2.4x	10.2x	3,527	10.6x
GATX (GATX)	Baa2/BBB	S/S	1.900%	6/1/2031	176	172	192	1,271	785	8.1x	3.8x	(605)	11.9x
Kansas City Southern (KSU)	Baa2/BBB */BBB	S/#/S	2.875%	11/15/2029	110	113	NA	3,254	1,648	2.3x	10.5x	318	NA
Norfolk Southern (NSC)	Baa1/BBB+	S/S	2.550%	11/1/2029	97	101	47	12,360	5,967	2.5x	10.5x	2,639	10.5x
Penske Truck Leasing	Baa2/BBB/BBB+	S/P/S	3.350%	11/1/2029	175	178	NA	Private					
Ryder (R)	Baa2/BBB/BBB+	S/P/S	2.850%	3/1/2027	137	126	131	11,523	2,893	2.2x	13.3x	1,110	3.8x
Southwest (LUV)	Baa1/BBB/BBB+	S/S/S	5.125%	6/15/2027	152	144	125	22,693	2,904	3.0x	7.4x	709	4.6x
Union Pacific (UNP)	A3/A-	S/S	2.400%	2/5/2030	91	84	36	24,428	12,178	2.7x	9.9x	5,918	12.6x

Source: Company Filings, Bloomberg



# Disclosures

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