

Industrial Weekly

The Nuts and Bolts

Industry Overview

Boeing May Be in Talks to Buy Spirit AeroSystems

Boeing (BA) may be in talks to buy its former subsidiary Spirit AeroSystems (SPR), the Wall Street Journal reported on 3/1. Spirit has hired bankers to explore strategic options and has had preliminary discussions with Boeing, the Journal reported.

Dover Sets Accelerated Buyback Program

On 2/29, Dover (DOV) established an accelerated share repurchase program to repurchase \$500mn of its common stock. Dover intends to fund the accelerated share repurchases with commercial paper.

Moody's Upgraded BAE Systems to Baa1

Moody's upgraded the long-term issuer rating of BAE Systems (BALN) to Baa1 from Baa2. The outlook has been changed to stable from positive. Rating actions reflect: The strong medium to long term growth prospects for the company's program portfolio, notwithstanding supply chain pressures continuing into 2025. The expectation that the company will maintain a balanced financial policy and strengthen credit ratios again following the largely debt-financed acquisition of Ball Aerospace.

Market news

For the week ended 2/29, IG and HY spreads were 8bps and 7bps wider, respectively. The 5yr treasury, 10yr treasury, and 30yr treasury yields were all 8bps, 9bps, and 9bps wider, respectively. The S&P 500 was +0.2% on the week and +6.8% YTD.

Exhibit 3: Weekly Bond Movers 2/29/24

RSG 35s were 3bps tighter; GM 38s were 12bps wider

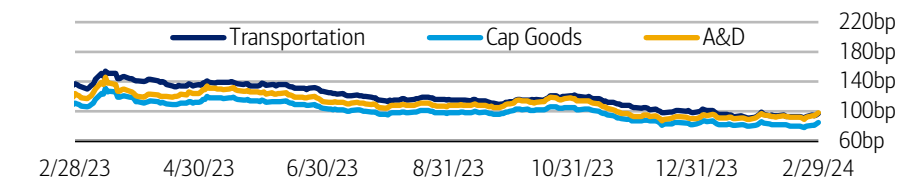
Leaders			Laggards		
Bond		Sprd Ch.	Bond		Sprd Ch.
RSG 7.400 09/15/35		(3)	GM 5.150 04/01/38		+ 12
KSU 3.125 06/01/26		(2)	JBHT 3.875 03/01/26		+ 11
JCI 0.375 09/15/27		(2)	ROP 1.750 02/15/31		+ 11
APTV 1.600 09/15/28		(0.3)	DE 5.375 10/16/29		+ 10
FTV 4.300 06/15/46		+0.2	NSC 5.640 05/17/29		+ 10

Source: Bloomberg

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Exhibit 4: Weekly Bond Movers 2/29/24

Cap Goods trade through both Transportation & A&D by 12-13bps



Source: Bloomberg

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01 March 2024

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

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Exhibit 1: U.S. Mutual Fund Flows

Changes in mutual fund flows

\$ MN	Week	% Ch.	YTD	% Ch.
High Grade	+2,968	+0.1%	+56,368	+1.4%
High Yield	(891)	(0.3%)	+4,581	+1.3%
Bank Loans	+611	+0.7%	+1,841	+1.5%
EM Debt	(420)	(0.1%)	(3,510)	(0.5%)
Money Markets	+53,971	+0.8%	+150,753	+2.3%
Equities	+7,657	+0.1%	+8,571	+0.0%

Source: BofA Global Research, EPFR Global. Note: Week Ended 2/28/24.

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Exhibit 2: Markets Monitor (as of 2/29/24)

Macro data and indices snapshots

Market	Value	Week Δ
ICE BofA IG Index (sprd)	102	+8
ICE BofA IG Index (yield)	5.46	+1
ICE BofA HY Index (sprd)	347	+7
ICE BofA HY Index (yield)	7.90	+3
ICE BofA BBB Index (sprd)	127	+9
ICE BofA BB Index (sprd)	224	+13
ICE BofA CCC Index (yield)	13.09	(27)
CDX IG 5yr (sprd)	52	+1
CDX HY 5yr (sprd)	340	+3
5yr Treasury (yield)	4.25	(8)
10yr Treasury (yield)	4.25	(9)
30yr Treasury (yield)	4.37	(9)
S&P 500 (index)	5,096	0.2%
Dow Jones (index)	38,996	-0.2%
Gold (\$/oz)	2,053	1.4%
Crude Oil (WTI \$/bbl)	79.46	1.1%

Source: BofA Global Research; ICE Data Indices, LLC
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Exhibit 5: Relative Value by Sector (\$ million, unless otherwise noted)

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

									Credit Metrics (LTM 6/30/23)					
Issuer	Mdy's / S&P / F	Outlook	Coupon	Maturity	STW	G-Sprd	Syr CDS	Revenue	Adj. EBITDA	Debt/ EBITDA	EBITDA/ Int. Exp	FCF	TEV/ 2023E EBITDA	
Aerospace & Defense														
BAE Systems (BA) (E)*	Baa1/BBB+/BBB+	S/S/S	3.850%	12/15/2025	65	61	34	22,516	3,204	2.1x	10.7x	2,977	10.9x	
Boeing (BA) ¹	Baa2/BBB-/BBB-	S/S/P	2.950%	2/1/2030	119	119	77	73,608	4,258	12.3x	1.7x	7,830	27.9x	
General Dynamics (GD)	A3/A-/WD	P/P/#	2.250%	6/1/2031	62	60	39	40,859	6,004	1.6x	17.1x	3,023	14.4x	
Honeywell (HON)	A2/A/A	P/S/S	1.950%	6/1/2030	59	59	25	36,147	9,234	2.3x	15.4x	4,174	13.9x	
L3Harris Technologies (LHX)	Baa2/BBB/BBB+	N/N/N	2.900%	12/15/2029	96	96	39	17,988	3,006	3.2x	8.4x	1,446	13.8x	
Lockheed Martin (LMT)	A2/A-/A-	S/S/S	1.850%	6/15/2030	65	67	24	67,393	7,909	1.8x	10.2x	6,004	12.9x	
Northrop Grumman (NOC)	Baa1/BBB+/BBB+	S/S/S	3.250%	1/15/2028	75	67	39	37,881	5,292	2.2x	10.2x	2,262	14.3x	
RTX (RTX)	Baa1/BBB+	N/N	2.250%	7/1/2030	86	85	39	70,573	12,502	3.0x	0.1x	2,846	12.6x	
Textron (TXT) ²	Baa2/BBB	S/S	2.450%	3/15/2031	105	103	39	13,162	1,450	2.2x	14.6x	954	9.9x	
1 Boeing financials exclude Boeing Capital. 2 Textron financials exclude Textron Financial. *Reports Semi-Annually														
Industrials														
ABB (ABBN)	A3/A-/WD	S/S/#	3.800%	4/3/2028	26	20	68	31,252	5,476	1.5x	33.8x	1,800	14.8x	
Aptiv (APTIV)	Baa2/BBB/BBB	S/S/S	4.350%	3/15/2029	87	88	NA	19,272	2,698	2.5x	10.2x	1,015	8.6x	
AutoNation (AN)	Baa3/BBB-/BBB-	S/S/S	2.400%	8/1/2031	167	166	175	26,652	1,971	2.1x	8.5x	896	7.0x	
BorgWarner (BWA)	Baa1/BBB/BBB+	S/S/S	2.650%	7/1/2027	74	77	175	16,868	2,668	1.6x	50.3x	593	4.9x	
Caterpillar (CAT)	A2/A/A+	S/S/S	2.600%	4/9/2030	45	45	33	61,793	11,492	0.8x	23.8x	8,343	11.2x	
Cat Financial (CAT) ¹	A2/A/A+	S/S/S	1.700%	1/8/2027	36	34	39	61,793	11,492	0.8x	23.8x	8,343	11.2x	
Cummins (CMI)	A2/A	S/S	1.500%	9/1/2030	74	74	39	32,194	4,654	1.7x	13.9x	1,098	8.7x	
Mercedes-Benz (MBG) (€) ²	A2/A/Au	S/S/S	3.450%	1/6/2027	48	46	49	154,476	26,462	4.4x	89.4x	12,798	2.4x	
Deere (DE)	A1/A	S/S	3.100%	4/15/2030	61	61	39	56,404	13,346	0.7x	17.0x	9,282	10.1x	
John Deere Capital (DE) ¹	(P)A1/A	S/S	2.450%	1/9/2030	60	60	39	56,404	13,346	0.7x	17.0x	9,282	10.1x	
Eaton (ETN)	A3/A-/WD	S/S/#	7.650%	11/15/2029	58	58	39	22,046	4,344	2.1x	25.1x	2,706	22.2x	
Ford (F) ^{2,3}	Ba1/BBB-/BBB-	S/S/S	7.450%	7/16/2031	187	185	154	160,462	15,359	1.3x	12.3x	1,300	2.9x	
Ford Credit (F) ^{1,2,3}	Ba1/BBB-/BBB-	S/S/S	4.000%	11/13/2030	182	181	175	160,462	15,359	1.3x	12.3x	1,300	2.9x	
General Electric (GE) ²	Baa1/BBB+/BBB+	P/S/S	4.418%	11/15/2035	89	85	42	72,057	9,383	2.3x	7.0x	2,848	8.9x	
General Motors (GM) ^{2,3}	Baa2/BBB/BBB	S/S/S	5.000%	4/9/2027	56	57	119	156,437	20,408	0.8x	120.8x	14,568	3.0x	
GM Financial (GM) ^{1,2}	Baa2/BBB/BBB	S/S/S	2.350%	1/8/2031	139	137	161	156,437	20,408	0.8x	120.8x	14,568	3.0x	
Hubbell (HUBB)	Baa1/BBB+/A-	S/S/S	2.300%	3/15/2031	97	96	NA	5,187	1,064	1.4x	24.9x	647	17.1x	
Illinois Tool Works (ITW)	A1/A+	S/S	2.650%	11/15/2026	-1	17	39	16,075	4,351	1.9x	18.4x	2,587	18.5x	
Johnson Controls (JCI)	Baa2/BBB+/WD	P/S/#	1.750%	9/15/2030	83	82	82	26,612	4,807	2.0x	17.3x	1,482	15.2x	
Lear Corp (LEA)	Baa2/BBB	S/S	3.500%	5/30/2030	128	128	NA	22,457	1,667	1.7x	14.9x	449	5.5x	
Magna (MGA)	A3/A-	S/S	2.450%	6/15/2030	80	79	83	40,491	3,258	1.8x	36.6x	(279)	5.3x	
Paccar (PCAR) ²	WR/A+	S/S	2.000%	2/4/2027	36	35	NA	30,913	4,802	0.0x	9.5x	3,025	9.2x	
Pentair (PNR)	WR/BBB-	#/S	4.500%	7/1/2029	98	99	NA	4,169	958	2.2x	8.6x	448	14.7x	
Republic Services (RSG)	Baa1/BBB+/A-	S/S/S	1.450%	2/15/2031	87	85	39	14,436	4,172	2.9x	8.9x	1,872	14.4x	
Roper Technologies (ROP)	Baa2/BBB+	S/S	2.000%	6/30/2030	91	91	NA	5,535	2,299	2.9x	13.7x	1,056	23.4x	
Waste Management (WM)	A3/A-/A-	S/S/S	1.500%	3/15/2031	78	76	39	20,021	5,597	2.7x	12.6x	1,506	15.4x	
1 Parent company credit metrics are used for captive industrial finance companies. 2 Caterpillar, Deere, Ford, Mercedes, GE, GM, Paccar financials exclude financial businesses. 3 FCF = Automotive operating cash flow														
Transportation														
Burlington Northern (BNI)	A3/AA-	P/S	3.250%	6/15/2027	32	35	39	25,127	10,427	2.3x	10.1x	4,319	Private	
Canadian National (CNR) (CAD)	A2/A-	S/S	2.750%	3/1/2026	22	25	39	17,425	8,889	1.9x	14.1x	4,424	14.5x	
Canadian Pacific (CP) (CAD)	Baa2/BBB+	S/S	2.050%	3/5/2030	88	88	39	13,735	6,732	3.5x	8.5x	3,013	17.6x	
CSX (CSX)	A3/BBB+	S/S	2.400%	2/15/2030	71	71	21	15,030	7,550	2.4x	9.5x	3,235	12.4x	
GATX (GATX)	Baa2/BBB	S/S	1.900%	6/1/2031	124	122	39	1,326	879	7.7x	3.8x	(868)	11.5x	
Norfolk Southern (NSC)	Baa1/BBB+	S/S	2.550%	11/1/2029	76	76	21	12,732	5,424	2.8x	7.8x	1,998	13.1x	
Penske Truck Leasing	Baa2/BBB/BBB+	S/S/S	3.350%	11/1/2029	136	136	NA	Private						
Ryder (R)	Baa2/BBB+/BBB+	S/S/P	2.850%	3/1/2027	75	75	72	11,959	2,958	2.2x	11.5x	382	4.5x	
Southwest (LUV)	Baa1/BBB/BBB+	S/S/S	5.125%	6/15/2027	77	80	73	25,135	1,955	4.1x	6.9x	(1,463)	6.7x	
Union Pacific (UNP)	A3/A-	S/S	2.400%	2/5/2030	67	67	22	24,765	11,824	2.8x	8.9x	5,471	15.3x	

Source: Company Filings, Bloomberg



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