

# Industrial Weekly

## The Nuts and Bolts

### Industry Overview

### RTX names Phil Jasper as president of Raytheon unit

RTX Corp. (RTX) has appointed Phil Jasper as President of its subsidiary Raytheon. Jasper will succeed Wesley D. Kremer, who plans to retire from the company at the end of 1Q24. Jasper will report to RTX's President and COO Christopher T. Calio and lead the business in missile defense, air-to-air missiles, fire control radars, and electro-optical/infra-red systems.

### Lockheed secures \$1.15bn Navy contract modification

Lockheed Martin (LMT) was awarded a potential five-year, \$1.15 billion contract modification from the U.S. Navy to assist military customers activate F-35 sites and meet hardware requirements.

### Delta named most on-time airline in US 6<sup>th</sup> year running

Delta Air Lines (DAL) had the best on-time performance among carriers in North America in 2023, according to an aviation analytics firm Cirium. About 85% of the company's flights arrived on-time during the year.

### Market news

For the week ended 1/4, IG spreads were 4bp wider and HY spreads were 28bps wider. The 5yr treasury, 10yr treasury, and 30yr treasury yields were 17bps, 19bps, and 19bps wider, respectively. The S&P 500 was -2.0% on the week and -1.19% YTD.

#### Exhibit 3: Weekly Bond Movers 1/4/24

RSG 35s were 3bps tighter; GM 38s were 16bps wider

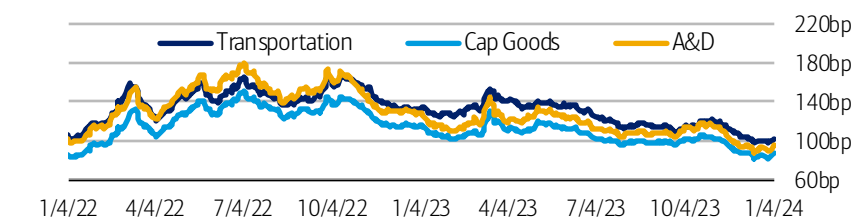
Leaders		Laggards	
Bond	Sprd Ch.	Bond	Sprd Ch.
RSG 7.400 09/15/35	(3)	GM 5.150 04/01/38	+16
FTV 4.300 06/15/46	(2)	GD 3.625 04/01/30	+14
UNP 5.375 06/01/33	(0)	NSC 5.640 05/17/29	+13
ABBNVX 3.800 04/03/28	+0	RTX 2.150 05/18/30	+11
CAT 6.050 08/15/36	+2	PCAR 1.800 02/06/25	+11

Source: Bloomberg

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#### Exhibit 4: Weekly Bond Movers 1/04/24

Cap Goods trade through both Transportation & A&D by 8-15bps



Source: Bloomberg

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05 January 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	+5,034	+0.2%	+5,034	+0.1%
High Yield	(904)	(0.4%)	(904)	(0.3%)
Bank Loans	(43)	(0.1%)	(43)	(0.0%)
EM Debt	+89	+0.0%	+89	+0.0%
Money Markets	+64,094	+1.0%	+64,094	+1.0%
Equities	+4,460	+0.0%	+4,460	+0.0%

Source: BofA Global Research, EPFR Global. Note:

Week Ended 1/3/24.

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#### Exhibit 2: Markets Monitor (as of 1/4/24)

Macro data and indices snapshots

Market	Value	Week Δ
ICE BofA IG Index (sprd)	111	+4
ICE BofA IG Index (yield)	5.30	+17
ICE BofA HY Index (sprd)	388	+28
ICE BofA HY Index (yield)	8.04	+40
ICE BofA BBB Index (sprd)	136	+4
ICE BofA BB Index (sprd)	252	+20
ICE BofA CCC Index (yield)	13.60	+74
CDX IG 5yr (sprd)	0	(56)
CDX HY 5yr (sprd)	0	(354)
5yr Treasury (yield)	4.02	+17
10yr Treasury (yield)	4.04	+19
30yr Treasury (yield)	4.20	+19
S&P 500 (index)	4,689	-2.0%
Dow Jones (index)	37,440	-0.7%
Gold (\$/oz)	2,029	-1.7%
Crude Oil (WTI \$/bbl)	72.71	1.3%

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&amp;D, Industrials &amp; Transportation sectors.

								Credit Metrics (LTM 6/30/23)					
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	69	67	35	22,516	3,204	2.1x	10.7x	2,977	11.4x
Boeing (BA) <sup>1</sup>	Baa2/BBB-/BBB-	S/S/P	2.950%	2/1/2030	108	107	70	73,608	4,258	12.3x	1.7x	7,830	221.0x
General Dynamics (GD)	A3/A-/WD	P/P/#	2.250%	6/1/2031	52	52	44	40,859	6,004	1.6x	17.1x	3,023	15.5x
Honeywell (HON)	A2/A/A	P/S/S	1.950%	6/1/2030	41	40	28	36,147	9,234	2.3x	15.4x	4,174	15.2x
L3Harris Technologies (LHX)	Baa2/BBB/BBB+	N/N/N	2.900%	12/15/2029	93	92	44	17,988	3,006	3.2x	8.4x	1,446	15.2x
Lockheed Martin (LMT)	A2/A/A-	S/S/S	1.850%	6/15/2030	54	53	28	67,393	7,909	1.8x	10.2x	6,004	13.4x
Northrop Grumman (NOC)	Baa1/BBB+/BBB+	S/S/S	3.250%	1/15/2028	62	54	44	37,881	5,292	2.2x	10.2x	2,262	15.8x
Precision Castparts (PCP)	Aa2/NR	S/#	3.250%	6/15/2025	42	18	NA	N/A	N/A	N/A	N/A	N/A	N/A
RTX (RTX)	Baa1/BBB+	N/N	2.250%	7/1/2030	87	86	44	70,573	12,502	3.0x	0.1x	2,846	13.7x
Textron (TXT) <sup>2</sup>	Baa2/BBB	S/S	2.450%	3/15/2031	111	111	44	13,162	1,450	2.2x	14.6x	954	9.7x
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	27	20	78	31,252	5,476	1.5x	33.8x	1,800	14.2x
Aptiv (APTIV)	Baa2/BBB/BBB	S/S/S	4.350%	3/15/2029	94	94	NA	19,272	2,698	2.5x	10.2x	1,015	10.6x
AutoNation (AN)	Baa3/BBB-/BBB-	S/S/S	2.400%	8/1/2031	159	158	188	26,652	1,971	2.1x	8.5x	896	5.7x
BorgWarner (BWA)	Baa1/BBB/BBB+	S/S/S	2.650%	7/1/2027	97	101	188	16,868	2,668	1.6x	50.3x	593	5.7x
Caterpillar (CAT)	A2/A/A+	S/S/S	2.600%	4/9/2030	44	43	38	61,793	11,492	0.8x	23.8x	8,343	10.1x
Cat Financial (CAT) <sup>1</sup>	A2/A/A+	S/S/S	1.700%	1/8/2027	38	39	44	61,793	11,492	0.8x	23.8x	8,343	10.1x
Cummins (CMI)	A2/A+ *-	S/#	1.500%	9/1/2030	51	49	44	32,194	4,654	1.7x	13.9x	1,098	7.8x
Mercedes-Benz (MBG) (E) <sup>2</sup>	A2/A/Au	S/S/S	3.450%	1/6/2027	60	61	59	154,476	26,462	4.4x	89.4x	12,798	1.7x
Deere (DE)	A2/A	P/S	3.100%	4/15/2030	50	49	44	56,404	13,346	0.7x	17.0x	9,282	10.3x
John Deere Capital (DE) <sup>1</sup>	A2/A	P/S	2.450%	1/9/2030	48	47	44	56,404	13,346	0.7x	17.0x	9,282	10.3x
Eaton (ETN)	A3/A-/WD	S/S/#	7.650%	11/15/2029	66	65	44	22,046	4,344	2.1x	25.1x	2,706	20.9x
Ford (F) <sup>2,3</sup>	Ba1/BBB-/BBB-	S/S/S	7.450%	7/16/2031	218	217	217	160,462	15,359	1.3x	12.3x	1,300	2.8x
Ford Credit (F) <sup>1,2,3</sup>	Ba1/BBB-/BBB-	S/S/S	4.000%	11/13/2030	209	208	188	160,462	15,359	1.3x	12.3x	1,300	2.8x
General Electric (GE) <sup>2</sup>	Baa1/BBB+/BBB	S/S/S	4.418%	11/15/2035	88	82	51	72,057	9,383	2.3x	7.0x	2,848	8.9x
General Motors (GM) <sup>2,3</sup>	Baa2/BBB/BBB	S/S/S	5.000%	4/9/2027	111	113	162	156,437	20,408	0.8x	120.8x	14,568	2.8x
GM Financial (GM) <sup>1,2</sup>	Baa2/BBB/BBB	S/S/S	2.350%	1/8/2031	155	155	195	156,437	20,408	0.8x	120.8x	14,568	2.8x
Hubbell (HUBB)	Baa1/BBB+/A-	S/S/S	2.300%	3/15/2031	111	111	NA	5,187	1,064	1.4x	24.9x	647	15.3x
Illinois Tool Works (ITW)	A1/A+	S/S	2.650%	11/15/2026	6	27	44	16,075	4,351	1.9x	18.4x	2,587	19.1x
Johnson Controls (JCI)	Baa2/BBB+/WD	P/S/#	1.750%	9/15/2030	86	84	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	156	155	NA	22,457	1,667	1.7x	14.9x	449	6.2x
Magna (MGA)	A3/A-	S/S	2.450%	6/15/2030	87	85	86	40,491	3,258	1.8x	36.6x	(279)	6.0x
Paccar (PCAR) <sup>2</sup>	WR/A+	S/S	2.000%	2/4/2027	46	47	NA	30,913	4,802	0.0x	9.5x	3,025	7.1x
Pentair (PNR)	WR/BBB-	#/S	4.500%	7/1/2029	133	133	NA	4,169	958	2.2x	8.6x	448	14.5x
Republic Services (RSG)	Baa1/BBB+/A-	S/S/S	1.450%	2/15/2031	72	71	44	14,436	4,172	2.9x	8.9x	1,872	14.6x
Roper Technologies (ROP)	Baa2/BBB+	S/S	2.000%	6/30/2030	88	87	NA	5,535	2,299	2.9x	13.7x	1,056	25.1x
Waste Management (WM)	Baa1/A-/A-	P/S/S	1.500%	3/15/2031	65	65	44	20,021	5,597	2.7x	12.6x	1,506	15.0x
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/A/A-	S/S	3.250%	6/15/2027	38	43	44	25,127	10,427	2.3x	10.1x	4,319	Private
Canadian National (CNR) (CAD)	A2/A-	S/S	2.750%	3/1/2026	37	41	44	17,425	8,889	1.9x	14.1x	4,424	15.2x
Canadian Pacific (CP) (CAD)	Baa2/BBB+	S/S	2.050%	3/5/2030	87	86	44	13,735	6,732	3.5x	8.5x	3,013	18.6x
CSX (CSX)	A3/BBB+	S/S	2.400%	2/15/2030	68	67	28	15,030	7,550	2.4x	9.5x	3,235	12.1x
GATX (GATX)	Baa2/BBB	S/S	1.900%	6/1/2031	128	128	44	1,326	879	7.7x	3.8x	(868)	12.2x
Norfolk Southern (NSC)	Baa1/BBB+	S/S	2.550%	11/1/2029	70	69	27	12,732	5,424	2.8x	7.8x	1,998	12.6x
Penske Truck Leasing	Baa2/BBB/BBB+	S/S/S	3.350%	11/1/2029	152	151	NA				Private		
Ryder (R)	Baa2/BBB+/BBB+	S/S/P	2.850%	3/1/2027	94	96	83	11,959	2,958	2.2x	11.5x	382	4.5x
Southwest (LUV)	Baa1/BBB/BBB+	S/S/S	5.125%	6/15/2027	97	101	107	25,135	1,955	4.1x	6.9x	(1,463)	6.2x
Union Pacific (UNP)	A3/A-	S/S	2.400%	2/5/2030	58	57	26	24,765	11,824	2.8x	8.9x	5,471	15.9x

Source: Company Filings, Bloomberg

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