

# Industrial Weekly

## The Nuts and Bolts

### Industry Overview

### 3M reports 4Q results, softer 2024 guidance

3M (MMM) reported fourth quarter and full-year 2023 results this week. Adj. net sales were \$7.7bn and adj. EPS was \$2.42 (est. \$2.31). 3M guided to 1Q24 adj. EPS of \$2.00-\$2.15, below Bloomberg estimates of \$2.21. The stock fell 11% on the news.

### RTX reports 4Q results, 2024 guidance above estimates

RTX Corp (RTX) reported fourth quarter and full-year 2023 earnings this week. 4Q adj. sales increased 10% y/y to \$19.8bn and adj. EPS of \$1.29 (est. \$1.24). RTX provided FY24 guidance of sales between \$78bn-\$79bn and adj. EPS of \$5.25-\$5.40 (est. \$5.28).

### FAA halts Boeing's MAX production expansion

The Federal Aviation Administration said this week it would not allow Boeing (BA) to expand 737 MAX production in the wake of the door blow-out incident earlier this month until it was it was satisfied that all quality control issued had been resolved.

### Market news

For the week ended 1/25, IG spreads were 2bp tighter and HY spreads were 12bps tighter. The 5yr treasury, 10yr treasury, and 30yr treasury yields were all 2bps wider. The S&P 500 was +1.8% on the week and +3.20% YTD.

#### Exhibit 3: Weekly Bond Movers 1/25/24

BWA 31s were 13bps tighter; PAG 29s were 6bps wider

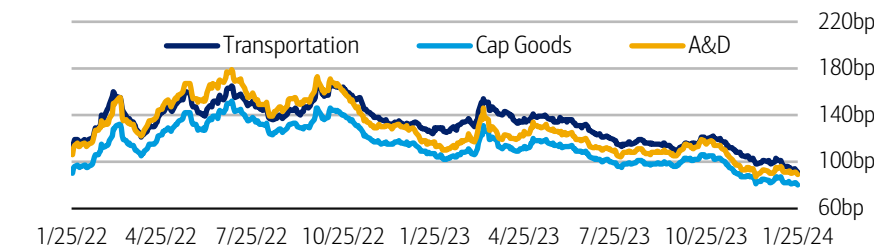
Leaders		Laggards	
Bond	Sprd Ch.	Bond	Sprd Ch.
BWA 1.000 05/19/31	(13)	PENSKE 3.350 11/01/29	+ 6
NSC 5.640 05/17/29	(12)	DE 5.375 10/16/29	+ 6
GMT 3.500 06/01/32	(11)	LDOS 2.300 02/15/31	+ 5
R 4.300 06/15/27	(10)	BNSF 6.875 12/01/27	+ 4
CAT 6.050 08/15/36	(9)	BNSF 6.875 12/01/27	+ 4

Source: Bloomberg

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#### Exhibit 4: Weekly Bond Movers 1/25/24

Cap Goods trade through both Transportation & A&D by 9-11bps



Source: Bloomberg

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12651596

Timestamp: 26 January 2024 05:48PM EST

26 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	+3,935	+0.2%	+21,879	+0.5%
High Yield	+617	+0.2%	+1,624	+0.5%
Bank Loans	+64	+0.1%	+440	+0.4%
EM Debt	(890)	(0.2%)	(2,202)	(0.3%)
Money Markets	+10,467	+0.2%	+84,434	+1.3%
Equities	+4,850	+0.0%	(7,002)	(0.0%)

Source: BofA Global Research, EPFR Global. Note: Week Ended 1/24/24.

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#### Exhibit 2: Markets Monitor (as of 1/25/24)

Macro data and indices snapshots

Market	Value	Week Δ
ICE BofA IG Index (sprd)	100	(2)
ICE BofA IG Index (yield)	5.26	(4)
ICE BofA HY Index (sprd)	364	(12)
ICE BofA HY Index (yield)	7.81	(13)
ICE BofA BBB Index (sprd)	124	(3)
ICE BofA BB Index (sprd)	233	(8)
ICE BofA CCC Index (yield)	13.18	(29)
CDX IG 5yr (sprd)	55	(1)
CDX HY 5yr (sprd)	350	(9)
5yr Treasury (yield)	4.07	+2
10yr Treasury (yield)	4.16	+2
30yr Treasury (yield)	4.41	+2
S&P 500 (index)	4,869	1.8%
Dow Jones (index)	37,806	0.9%
Gold (\$/oz)	2,017	-0.3%
Crude Oil (WTI \$/bbl)	77.36	4.6%

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	60	56	31	22,516	3,204	2.1x	10.7x	2,977	11.6x
Boeing (BA) <sup>1</sup>	Baa2/BBB-/BBB-	S/S/P	2.950%	2/1/2030	91	88	88	73,608	4,258	12.3x	1.7x	7,830	160.5x
General Dynamics (GD)	A3/A-/WD	P/P/#	2.250%	6/1/2031	51	54	41	40,859	6,004	1.6x	17.1x	3,023	13.6x
Honeywell (HON)	A2/A/A	P/S/S	1.950%	6/1/2030	55	51	26	36,147	9,234	2.3x	15.4x	4,174	14.9x
L3Harris Technologies (LHX)	Baa2/BBB/BBB+	N/N/N	2.900%	12/15/2029	87	85	41	17,988	3,006	3.2x	8.4x	1,446	13.5x
Lockheed Martin (LMT)	A2/A-/A-	S/S/S	1.850%	6/15/2030	59	55	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	52	47	41	37,881	5,292	2.2x	10.2x	2,262	13.6x
RTX (RTX)	Baa1/BBB+	N/N	2.250%	7/1/2030	80	76	41	70,573	12,502	3.0x	0.1x	2,846	13.4x
Textron (TXT) <sup>2</sup>	Baa2/BBB	S/S	2.450%	3/15/2031	96	99	41	13,162	1,450	2.2x	14.6x	954	9.6x
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	31	27	72	31,252	5,476	1.5x	33.8x	1,800	14.4x
Aptiv (APTV)	Baa2/BBB/BBB	S/S/S	4.350%	3/15/2029	84	85	NA	19,272	2,698	2.5x	10.2x	1,015	10.8x
AutoNation (AN)	Baa3/BBB-/BBB-	S/S/S	2.400%	8/1/2031	165	168	194	26,652	1,971	2.1x	8.5x	896	5.7x
BorgWarner (BWA)	Baa1/BBB/BBB+	S/S/S	2.650%	7/1/2027	74	76	194	16,868	2,668	1.6x	50.3x	593	5.6x
Caterpillar (CAT)	A2/A/A+	S/S/S	2.600%	4/9/2030	43	40	35	61,793	11,492	0.8x	23.8x	8,343	10.6x
Cat Financial (CAT) <sup>1</sup>	A2/A/A+	S/S/S	1.700%	1/8/2027	22	22	41	61,793	11,492	0.8x	23.8x	8,343	10.6x
Cummins (CMI)	A2/A+ *-	S/#	1.500%	9/1/2030	52	48	41	32,194	4,654	1.7x	13.9x	1,098	7.9x
Mercedes-Benz (MBG) (€) <sup>2</sup>	A2/A/Au	S/S/S	3.450%	1/6/2027	57	57	54	154,476	26,462	4.4x	89.4x	12,798	1.6x
Deere (DE)	A2/A	P/S	3.100%	4/15/2030	59	56	41	56,404	13,346	0.7x	17.0x	9,282	10.2x
John Deere Capital (DE) <sup>1</sup>	A2/A	P/S	2.450%	1/9/2030	52	50	41	56,404	13,346	0.7x	17.0x	9,282	10.2x
Eaton (ETN)	A3/A-/WD	S/S/#	7.650%	11/15/2029	78	76	41	22,046	4,344	2.1x	25.1x	2,706	21.7x
Ford (F) <sup>2,3</sup>	Ba1/BBB-/BBB-	S/S/S	7.450%	7/16/2031	207	210	197	160,462	15,359	1.3x	12.3x	1,300	2.7x
Ford Credit (F) <sup>1,2,3</sup>	Ba1/BBB-/BBB-	S/S/S	4.000%	11/13/2030	206	201	194	160,462	15,359	1.3x	12.3x	1,300	2.7x
General Electric (GE) <sup>2</sup>	Baa1/BBB+/BBB	S/S/S	4.418%	11/15/2035	76	69	44	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	100	101	141	156,437	20,408	0.8x	120.8x	14,568	2.7x
GM Financial (GM) <sup>1,2</sup>	Baa2/BBB/BBB	S/S/S	2.350%	1/8/2031	133	137	164	156,437	20,408	0.8x	120.8x	14,568	2.7x
Hubbell (HUBB)	Baa1/BBB+/A-	S/S/S	2.300%	3/15/2031	90	93	NA	5,187	1,064	1.4x	24.9x	647	15.7x
Illinois Tool Works (ITW)	A1/A+	S/S	2.650%	11/15/2026	7	25	41	16,075	4,351	1.9x	18.4x	2,587	19.3x
Johnson Controls (JCI)	Baa2/BBB+/WD	P/S/#	1.750%	9/15/2030	78	74	83	26,612	4,807	2.0x	17.3x	1,482	15.2x
Lear Corp (LEA)	Baa2/BBB	S/S	3.500%	5/30/2030	113	109	NA	22,457	1,667	1.7x	14.9x	449	6.1x
Magna (MGA)	A3/A-	S/S	2.450%	6/15/2030	88	84	74	40,491	3,258	1.8x	36.6x	(279)	5.9x
Paccar (PCAR) <sup>2</sup>	WR/A+	S/S	2.000%	2/4/2027	44	44	NA	30,913	4,802	0.0x	9.5x	3,025	8.4x
Pentair (PNR)	WR/BBB-	#/S	4.500%	7/1/2029	119	118	NA	4,169	958	2.2x	8.6x	448	15.2x
Republic Services (RSG)	Baa1/BBB+/A-	S/S/S	1.450%	2/15/2031	71	75	41	14,436	4,172	2.9x	8.9x	1,872	15.1x
Roper Technologies (ROP)	Baa2/BBB+	S/S	2.000%	6/30/2030	84	81	NA	5,535	2,299	2.9x	13.7x	1,056	26.2x
Waste Management (WM)	Baa1/A-/A-	P/S/S	1.500%	3/15/2031	66	70	41	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-	S/S	3.250%	6/15/2027	29	31	41	25,127	10,427	2.3x	10.1x	4,319	Private
Canadian National (CNR) (CAD)	A2/A-	S/S	2.750%	3/1/2026	43	46	41	17,425	8,889	1.9x	14.1x	4,424	13.9x
Canadian Pacific (CP) (CAD)	Baa2/BBB+	S/S	2.050%	3/5/2030	83	81	41	13,735	6,732	3.5x	8.5x	3,013	18.7x
CSX (CSX)	A3/BBB+	S/S	2.400%	2/15/2030	67	64	22	15,030	7,550	2.4x	9.5x	3,235	11.7x
GATX (GATX)	Baa2/BBB	S/S	1.900%	6/1/2031	131	135	41	1,326	879	7.7x	3.8x	(868)	11.5x
Norfolk Southern (NSC)	Baa1/BBB+	S/S	2.550%	11/1/2029	70	69	23	12,732	5,424	2.8x	7.8x	1,998	11.9x
Penske Truck Leasing	Baa2/BBB/BBB+	S/S/S	3.350%	11/1/2029	152	150	NA	Private					
Ryder (R)	Baa2/BBB+/BBB+	S/S/P	2.850%	3/1/2027	74	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	79	94	25,135	1,955	4.1x	6.9x	(1,463)	6.4x
Union Pacific (UNP)	A3/A-	S/S	2.400%	2/5/2030	62	59	22	24,765	11,824	2.8x	8.9x	5,471	14.6x

Source: Company Filings, Bloomberg



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