

# Industrial Weekly

## The Nuts and Bolts

### Industry Overview

### BA reports 4Q results, suspended 2024 guidance

Boeing (BA) 4Q revenues +10% YoY to \$22bn, and adj. loss/share was (\$0.47) vs (\$1.75) YoY, beating consensus of (\$0.76). FCF for the quarter was \$2.95bn vs \$3.13bn YoY, well above consensus of \$2.1bn. BA suspended FY24 guidance. Please see [note](#).

### HON reports 4Q results, 2024 EPS in-line with consensus

Honeywell (HON) 4Q23 earnings in-line: Sales were \$9.4bn (est. \$9.7bn), +3% YoY; adj. EPS \$2.60 (est. \$2.59); FCF was \$2.59bn (est. \$2.30bn). Initiated 2024 guidance: 1Q24 sales of \$8.9bn-\$9.2bn (est. \$9.25bn); 1Q24 adj. EPS of \$2.12-\$2.22 (est. \$2.24), FY24 sales of \$38.1bn-\$38.9bn (est. \$39bn) and FY adj. EPS of \$9.80-\$10.10 (est. \$9.96). FY24 FCF expected at \$5.6bn-\$6.0bn.

### ROP reports 4Q results, 2024 EPS guide missed consensus

Roper Technologies (ROP) 4Q23 earnings in-line, but FY24 guide misses consensus. Revenues +13% YoY to \$1.61bn (est. \$1.58bn); adj. EPS was \$4.37 (est. \$4.34); and adj. EBITDA +11% YoY to \$659mn (est. \$652mn). FCF was \$596mn. Expects FY24 adj. DEPS of \$17.85-\$18.15 (est. \$18.37) with 1Q24 adj. DEPS of \$4.30-\$4.34 (est. \$4.32).

### Market news

For the week ended 2/1, IG and HY spreads were 6bps and 12bps wider, respectively. The 5yr treasury, 10yr treasury, and 30yr treasury yields were all 6bps, 14bps, and 18bps tighter, respectively. The S&P 500 was -1.0% on the week and +2.86% YTD.

#### Exhibit 3: Weekly Bond Movers 2/1/24

NVT 33s were 10bps tighter; APTV 28s were 18bps wider

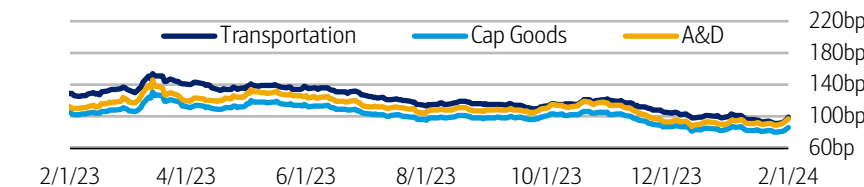
Leaders		Laggards	
Bond	Sprd Ch.	Bond	Sprd Ch.
NVT 5.650 05/15/33	(10)	APTV 1.600 09/15/28	+ 18
JCI 0.375 09/15/27	(4)	UPS 4.450 04/01/30	+ 13
RTX 2.150 05/18/30	(3)	ROP 1.750 02/15/31	+ 11
ETN 7.650 11/15/29	(2)	PCAR 1.800 02/06/25	+ 10
MBGGR 2.450 03/02/31	(1)	RSG 7.400 09/15/35	+ 9

Source: Bloomberg

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#### Exhibit 4: Weekly Bond Movers 2/1/24

Cap Goods trade through both Transportation & A&D by 11-13bps



Source: Bloomberg

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### 02 February 2024

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

**Douglas Karson**  
Research Analyst  
BofAS  
+1 646 855 7405  
[doug.karson@bofa.com](mailto:doug.karson@bofa.com)

**Somaia Barakah**  
Research Analyst  
BofAS  
[somaia.barakah@bofa.com](mailto:somaia.barakah@bofa.com)

**Drew Thompson**  
Research Analyst  
BofAS  
[andrew.thompson2@bofa.com](mailto:andrew.thompson2@bofa.com)

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

Changes in mutual fund flows

\$ MN	Week	% Ch.	YTD	% Ch.
High Grade	+949	+0.0%	+22,828	+0.6%
High Yield	+2,165	+0.9%	+3,789	+1.1%
Bank Loans	(64)	(0.1%)	+376	+0.3%
EM Debt	(241)	(0.1%)	(2,444)	(0.4%)
Money Markets	+29,704	+0.5%	+114,139	+1.8%
Equities	+8,839	+0.1%	+1,837	+0.0%

Source: BofA Global Research, EPFR Global. Note: Week Ended 1/31/24.

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

Macro data and indices snapshots

Market	Value	Week Δ
ICE BofA IG Index (sprd)	106	+6
ICE BofA IG Index (yield)	5.11	(15)
ICE BofA HY Index (sprd)	376	+12
ICE BofA HY Index (yield)	7.76	(5)
ICE BofA BBB Index (sprd)	131	+7
ICE BofA BB Index (sprd)	245	+12
ICE BofA CCC Index (yield)	13.43	+25
CDX IG 5yr (sprd)	55	+0
CDX HY 5yr (sprd)	354	+4
5yr Treasury (yield)	3.95	(6)
10yr Treasury (yield)	3.98	(14)
30yr Treasury (yield)	4.21	(18)
S&P 500 (index)	4,846	-1.0%
Dow Jones (index)	38,150	0.3%
Gold (\$/oz)	2,038	0.9%
Crude Oil (WTI \$/bbl)	73.82	-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	65	59	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	121	120	90	73,608	4,258	12.3x	1.7x	7,830	25.8x
General Dynamics (GD)	A3/A-/WD	P/P/#	2.250%	6/1/2031	59	60	42	40,859	6,004	1.6x	17.1x	3,023	13.7x
Honeywell (HON)	A2/A/A	P/S/S	1.950%	6/1/2030	62	61	26	36,147	9,234	2.3x	15.4x	4,174	13.6x
L3Harris Technologies (LHX)	Baa2/BBB/BBB+	N/N/N	2.900%	12/15/2029	94	96	42	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	58	60	27	67,393	7,909	1.8x	10.2x	6,004	12.8x
Northrop Grumman (NOC)	Baa1/BBB+/BBB+	S/S/S	3.250%	1/15/2028	71	62	42	37,881	5,292	2.2x	10.2x	2,262	13.8x
RTX (RTX)	Baa1/BBB+	N/N	2.250%	7/1/2030	85	83	42	70,573	12,502	3.0x	0.1x	2,846	13.6x
Textron (TXT) <sup>2</sup>	Baa2/BBB	S/S	2.450%	3/15/2031	100	101	42	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	23	72	31,252	5,476	1.5x	33.8x	1,800	13.9x
Aptiv (APTIV)	Baa2/BBB/BBB	S/S/S	4.350%	3/15/2029	92	92	NA	19,272	2,698	2.5x	10.2x	1,015	9.0x
AutoNation (AN)	Baa3/BBB-/BBB-	S/S/S	2.400%	8/1/2031	168	170	197	26,652	1,971	2.1x	8.5x	896	5.8x
BorgWarner (BWA)	Baa1/BBB/BBB+	S/S/S	2.650%	7/1/2027	83	87	197	16,868	2,668	1.6x	50.3x	593	5.6x
Caterpillar (CAT)	A2/A/A+	S/S/S	2.600%	4/9/2030	49	48	36	61,793	11,492	0.8x	23.8x	8,343	10.9x
Cat Financial (CAT) <sup>1</sup>	A2/A/A+	S/S/S	1.700%	1/8/2027	25	24	42	61,793	11,492	0.8x	23.8x	8,343	10.9x
Cummins (CMI)	A2/A	S/S	1.500%	9/1/2030	57	55	42	32,194	4,654	1.7x	13.9x	1,098	7.9x
Mercedes-Benz (MBG) (E) <sup>2</sup>	A2/A/Au	S/S/S	3.450%	1/6/2027	56	56	55	154,476	26,462	4.4x	89.4x	12,798	1.8x
Deere (DE)	A2/A	P/S	3.100%	4/15/2030	58	57	42	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	60	59	42	56,404	13,346	0.7x	17.0x	9,282	10.2x
Eaton (ETN)	A3/A-/WD	S/S/#	7.650%	11/15/2029	100	99	42	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	220	189	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	212	210	197	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	90	83	45	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	102	104	134	156,437	20,408	0.8x	120.8x	14,568	2.9x
GM Financial (GM) <sup>1,2</sup>	Baa2/BBB/BBB	S/S/S	2.350%	1/8/2031	138	140	165	156,437	20,408	0.8x	120.8x	14,568	2.9x
Hubbell (HUBB)	Baa1/BBB+/A-	S/S/S	2.300%	3/15/2031	99	101	NA	5,187	1,064	1.4x	24.9x	647	15.8x
Illinois Tool Works (ITW)	A1/A+	S/S	2.650%	11/15/2026	-9	10	42	16,075	4,351	1.9x	18.4x	2,587	18.1x
Johnson Controls (JCI)	Baa2/BBB+/WD	P/S/#	1.750%	9/15/2030	92	90	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	132	130	NA	22,457	1,667	1.7x	14.9x	449	6.2x
Magna (MGA)	A3/A-	S/S	2.450%	6/15/2030	83	81	83	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	8.4x
Pentair (PNR)	WR/BBB-	#/S	4.500%	7/1/2029	129	128	NA	4,169	958	2.2x	8.6x	448	13.9x
Republic Services (RSG)	Baa1/BBB+/A-	S/S/S	1.450%	2/15/2031	81	82	42	14,436	4,172	2.9x	8.9x	1,872	15.3x
Roper Technologies (ROP)	Baa2/BBB+	S/S	2.000%	6/30/2030	91	90	NA	5,535	2,299	2.9x	13.7x	1,056	23.4x
Waste Management (WM)	Baa1/A-/A-	P/S/S	1.500%	3/15/2031	77	78	42	20,021	5,597	2.7x	12.6x	1,506	15.6x
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	33	37	42	25,127	10,427	2.3x	10.1x	4,319	Private
Canadian National (CNR) (CAD)	A2/A-	S/S	2.750%	3/1/2026	33	35	42	17,425	8,889	1.9x	14.1x	4,424	14.0x
Canadian Pacific (CP) (CAD)	Baa2/BBB+	S/S	2.050%	3/5/2030	86	85	42	13,735	6,732	3.5x	8.5x	3,013	16.9x
CSX (CSX)	A3/BBB+	S/S	2.400%	2/15/2030	74	73	24	15,030	7,550	2.4x	9.5x	3,235	11.9x
GATX (GATX)	Baa2/BBB	S/S	1.900%	6/1/2031	125	126	42	1,326	879	7.7x	3.8x	(868)	11.3x
Norfolk Southern (NSC)	Baa1/BBB+	S/S	2.550%	11/1/2029	79	78	24	12,732	5,424	2.8x	7.8x	1,998	13.0x
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	84	85	73	11,959	2,958	2.2x	11.5x	382	4.5x
Southwest (LUV)	Baa1/BBB/BBB+	S/S/S	5.125%	6/15/2027	88	90	91	25,135	1,955	4.1x	6.9x	(1,463)	6.2x
Union Pacific (UNP)	A3/A-	S/S	2.400%	2/5/2030	71	71	24	24,765	11,824	2.8x	8.9x	5,471	14.9x

Source: Company Filings, Bloomberg



# Disclosures

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