

Industrial Weekly

The Nuts and Bolts

Industry Overview

J.B. Hunt reports 4Q EPS beat, volumes recovering

J.B. Hunt (JBHT) announced 4Q23 results this week. 4Q adj. EPS was \$1.86, above BBG estimate of \$1.74. During the earnings call, management highlighted improving intermodal volumes while acknowledging headwinds including extreme pricing pressure and persistent insurance cost headwinds.

Judge blocks JetBlue's acquisition of Spirit

A federal judge on Tuesday blocked JetBlue Airways' (JBLU) proposed \$3.8bn acquisition of Spirit Airlines (SAVE). Spirit's stock has fallen 55% since the announcement, while JetBlue's bonds have rallied. The companies are evaluating next steps.

FAA completes the initial round of Max-9 inspections

The Federal Aviation Administration said this week that an initial round of inspections of 40 Boeing (BA) Max-9s had been completed, but the aircraft would remain grounded until the agency can finalize an inspection process for them. No timeline has been given.

Market news

For the week ended 1/18, IG spreads were 3bp tighter and HY spreads were unchanged. The 5yr treasury, 10yr treasury, and 30yr treasury yields were 18bps, 18bps, and 19bps wider, respectively. The S&P 500 was flat on the week and +0.96% YTD.

Exhibit 3: Weekly Bond Movers 1/18/24

R 27s were 7bps tighter; BA 30s were 9bps wider

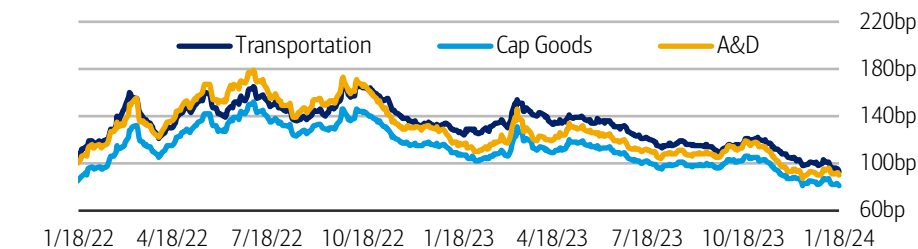
Leaders			Laggards		
Bond		Sprd Ch.	Bond		Sprd Ch.
R 4.300	06/15/27	(7)	BA 5.150	05/01/30	+ 9
JCI 0.375	09/15/27	(5)	NSC 5.640	05/17/29	+ 7
BWA 1.000	05/19/31	(4)	NVT 5.650	05/15/33	+ 5
DE 5.375	10/16/29	(4)	GMT 3.500	06/01/32	+4
OTIS 2.565	02/15/30	(4)	LMT 8.500	12/01/29	+4

Source: Bloomberg

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Exhibit 4: Weekly Bond Movers 1/18/24

Cap Goods trade through both Transportation & A&D by 9-12bps



Source: Bloomberg

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19 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	+3,525	+0.2%	+17,944	+0.5%
High Yield	+621	+0.2%	+1,007	+0.3%
Bank Loans	+167	+0.2%	+376	+0.3%
EM Debt	(848)	(0.2%)	(1,312)	(0.2%)
Money Markets	(3,715)	(0.1%)	+73,967	+1.1%
Equities	(6,808)	(0.1%)	(11,852)	(0.1%)

Source: BofA Global Research, EPFR Global. Note: Week Ended 1/17/24.

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Exhibit 2: Markets Monitor (as of 1/18/24)

Macro data and indices snapshots

Market	Value	Week Δ
ICE BofA IG Index (sprd)	102	(3)
ICE BofA IG Index (yield)	5.30	+11
ICE BofA HY Index (sprd)	376	+0
ICE BofA HY Index (yield)	7.95	+10
ICE BofA BBB Index (sprd)	127	(2)
ICE BofA BB Index (sprd)	242	(10)
ICE BofA CCC Index (yield)	13.47	+6
CDX IG 5yr (sprd)	55	+0
CDX HY 5yr (sprd)	357	+6
5yr Treasury (yield)	4.05	+18
10yr Treasury (yield)	4.15	+18
30yr Treasury (yield)	4.38	+19
S&P 500 (index)	4,781	0.0%
Dow Jones (index)	37,469	-0.6%
Gold (\$/oz)	2,037	0.4%
Crude Oil (WTI \$/bbl)	73.89	2.6%

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&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)*	Baa2/BBB+/BBB+	P/S/S	3.850%	12/15/2025	64	62	33	22,516	3,204	2.1x	10.7x	2,977	11.7x	
Boeing (BA) ¹	Baa2/BBB-/BBB-	S/S/P	2.950%	2/1/2030	109	106	88	73,608	4,258	12.3x	1.7x	7,830	188.8x	
General Dynamics (GD)	A3/A-/WD	P/P/#	2.250%	6/1/2031	54	57	42	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	52	48	26	36,147	9,234	2.3x	15.4x	4,174	14.8x	
L3Harris Technologies (LHX)	Baa2/BBB/BBB+	N/N/N	2.900%	12/15/2029	91	88	42	17,988	3,006	3.2x	8.4x	1,446	15.0x	
Lockheed Martin (LMT)	A2/A-/A-	S/S/S	1.850%	6/15/2030	56	52	25	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	52	47	42	37,881	5,292	2.2x	10.2x	2,262	15.8x	
RTX (RTX)	Baa1/BBB+	N/N	2.250%	7/1/2030	83	79	42	70,573	12,502	3.0x	0.1x	2,846	13.6x	
Textron (TXT) ²	Baa2/BBB	S/S	2.450%	3/15/2031	99	103	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	32	29	75	31,252	5,476	1.5x	33.8x	1,800	13.8x	
Aptiv (APTIV)	Baa2/BBB/BBB	S/S/S	4.350%	3/15/2029	85	85	NA	19,272	2,698	2.5x	10.2x	1,015	10.1x	
AutoNation (AN)	Baa3/BBB-/BBB-	S/S/S	2.400%	8/1/2031	164	167	199	26,652	1,971	2.1x	8.5x	896	5.7x	
BorgWarner (BWA)	Baa1/BBB/BBB+	S/S/S	2.650%	7/1/2027	76	78	199	16,868	2,668	1.6x	50.3x	593	5.5x	
Caterpillar (CAT)	A2/A/A+	S/S/S	2.600%	4/9/2030	45	41	36	61,793	11,492	0.8x	23.8x	8,343	9.9x	
Cat Financial (CAT) ¹	A2/A/A+	S/S/S	1.700%	1/8/2027	23	23	42	61,793	11,492	0.8x	23.8x	8,343	9.9x	
Cummins (CMI)	A2/A+ *-	S/#	1.500%	9/1/2030	49	45	42	32,194	4,654	1.7x	13.9x	1,098	7.6x	
Mercedes-Benz (MBG) (€) ²	A2/A/Au	S/S/S	3.450%	1/6/2027	56	56	55	154,476	26,462	4.4x	89.4x	12,798	1.6x	
Deere (DE)	A2/A	P/S	3.100%	4/15/2030	65	61	42	56,404	13,346	0.7x	17.0x	9,282	10.0x	
John Deere Capital (DE) ¹	A2/A	P/S	2.450%	1/9/2030	54	52	42	56,404	13,346	0.7x	17.0x	9,282	10.0x	
Eaton (ETN)	A3/A-/WD	S/S/#	7.650%	11/15/2029	66	64	42	22,046	4,344	2.1x	25.1x	2,706	21.3x	
Ford (F) ^{2,3}	Ba1/BBB-/BBB-	S/S/S	7.450%	7/16/2031	204	207	206	160,462	15,359	1.3x	12.3x	1,300	2.6x	
Ford Credit (F) ^{1,2,3}	Ba1/BBB-/BBB-	S/S/S	4.000%	11/13/2030	227	222	199	160,462	15,359	1.3x	12.3x	1,300	2.6x	
General Electric (GE) ²	Baa1/BBB+/BBB	S/S/S	4.418%	11/15/2035	79	72	47	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	106	107	148	156,437	20,408	0.8x	120.8x	14,568	2.7x	
GM Financial (GM) ^{1,2}	Baa2/BBB/BBB	S/S/S	2.350%	1/8/2031	140	143	185	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	92	NA	5,187	1,064	1.4x	24.9x	647	15.5x	
Illinois Tool Works (ITW)	A1/A+	S/S	2.650%	11/15/2026	3	21	42	16,075	4,351	1.9x	18.4x	2,587	18.6x	
Johnson Controls (JCI)	Baa2/BBB+/WD	P/S/#	1.750%	9/15/2030	82	77	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	118	114	NA	22,457	1,667	1.7x	14.9x	449	6.0x	
Magna (MGA)	A3/A-	S/S	2.450%	6/15/2030	62	58	76	40,491	3,258	1.8x	36.6x	(279)	5.8x	
Paccar (PCAR) ²	WR/A+	S/S	2.000%	2/4/2027	49	49	NA	30,913	4,802	0.0x	9.5x	3,025	7.1x	
Pentair (PNR)	WR/BBB-	#/S	4.500%	7/1/2029	127	125	NA	4,169	958	2.2x	8.6x	448	14.8x	
Republic Services (RSG)	Baa1/BBB+/A-	S/S/S	1.450%	2/15/2031	69	72	42	14,436	4,172	2.9x	8.9x	1,872	14.9x	
Roper Technologies (ROP)	Baa2/BBB+	S/S	2.000%	6/30/2030	86	81	NA	5,535	2,299	2.9x	13.7x	1,056	25.9x	
Waste Management (WM)	Baa1/A-/A-	P/S/S	1.500%	3/15/2031	61	64	42	20,021	5,597	2.7x	12.6x	1,506	15.3x	
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	30	32	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	31	34	42	17,425	8,889	1.9x	14.1x	4,424	15.1x	
Canadian Pacific (CP) (CAD)	Baa2/BBB+	S/S	2.050%	3/5/2030	81	78	42	13,735	6,732	3.5x	8.5x	3,013	18.3x	
CSX (CSX)	A3/BBB+	S/S	2.400%	2/15/2030	61	58	25	15,030	7,550	2.4x	9.5x	3,235	12.0x	
GATX (GATX)	Baa2/BBB	S/S	1.900%	6/1/2031	140	143	42	1,326	879	7.7x	3.8x	(868)	12.1x	
Norfolk Southern (NSC)	Baa1/BBB+	S/S	2.550%	11/1/2029	69	67	25	12,732	5,424	2.8x	7.8x	1,998	12.7x	
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	47	48	77	11,959	2,958	2.2x	11.5x	382	4.4x	
Southwest (LUV)	Baa1/BBB/BBB+	S/S/S	5.125%	6/15/2027	71	73	99	25,135	1,955	4.1x	6.9x	(1,463)	6.7x	
Union Pacific (UNP)	A3/A-	S/S	2.400%	2/5/2030	55	52	24	24,765	11,824	2.8x	8.9x	5,471	15.8x	

Source: Company Filings, Bloomberg



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