

Industrial Weekly

The Nuts and Bolts

Industry Overview

Corporate headlines

Bloomberg reported that Boeing (BA) plans to increase production rates for its 737 Max airplanes to 38 planes a month by the middle of the year, months earlier than analysts had predicted, according to people familiar with the matter.

Fitch Ratings revised Huntington Ingalls Industries (HII) rating outlook to Positive from Stable.

FedEx (FDX) announced at its DRIVE Investor Event that it will consolidate its operating companies into one organization. This phased transition, with full implementation expected in June 2024, will bring FedEx Express, FedEx Ground, FedEx Services, and other FedEx operating companies into Federal Express Corporation, becoming a single company. FedEx expects the DRIVE transformation to generate \$4.0bn of permanent cost reductions in fiscal 2025.

S&P Global Ratings raised Ryder System (R) to BBB+ from BBB.

Market news

For the week ended Thursday 4/6, IG spreads were unchanged and HY spreads were 13bps wider. The 5yr treasury, 10yr treasury, and 30yr treasury were 31bps, 25bps, and 19bps tighter, respectively. The S&P 500 was up 1.3% on the week and up 6.9% YTD.

Exhibit 3: Weekly Bond Movers 4/6/23

TDY 31s were 16bps tighter; FDX 28s were 16bps wider

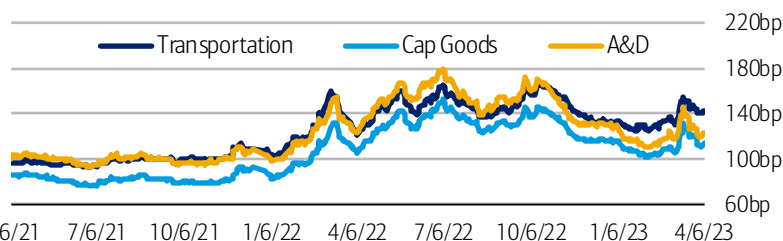
Leaders			Laggards		
Bond		Sprd Ch.	Bond		Sprd Ch.
TDY 2.750	04/01/31	(16)	FDX 4.200	10/17/28	+16
JBHT 3.875	03/01/26	(13)	PWR 0.950	10/01/24	+10
PCAR 1.800	02/06/25	(12)	DE 5.375	10/16/29	+9
GD 3.625	04/01/30	(9)	UPS 4.450	04/01/30	+9
CP 4.000	06/01/28	(4)	R 4.300	06/15/27	+8

Source: Bloomberg

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Exhibit 4: Sector Bond Spreads (as of 4/6/23)

Cap Goods trade through both Transportation & A&D by 9-29 bps.



Source: ICE Data Indices, LLC

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10 April 2023

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	+7,289	+0.4%	+62,021	+1.7%
High Yield	+4,629	+2.1%	(9,272)	(2.8%)
Bank Loans	(242)	(0.3%)	(7,175)	(6.0%)
EM Debt	(478)	(0.1%)	(3,852)	(0.6%)
Money Markets	+63,027	+1.1%	+541,673	+10.1%
Equities	(1,858)	+0.0%	(40,635)	(0.2%)

Source: BofA Global Research, EPFR Global. Note: Week Ended 4/5/23.

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Exhibit 2: Markets Monitor (as of 4/6/23)

Macro data and indices snapshots

Market	Value	Week Δ
ICE BofA IG Index (sprd)	150	+0
ICE BofA IG Index (yield)	5.07	(27)
ICE BofA HY Index (sprd)	502	+13
ICE BofA HY Index (yield)	8.55	(14)
ICE BofA BBB Index (sprd)	183	+0
ICE BofA BB Index (sprd)	329	(2)
ICE BofA CCC Index (yield)	15.24	(2)
CDX IG 5yr (sprd)	79	+2
CDX HY 5yr (sprd)	490	+12
5yr Treasury (yield)	3.38	(31)
10yr Treasury (yield)	3.32	(25)
30yr Treasury (yield)	3.54	(19)
S&P 500 (index)	4,105	1.3%
Dow Jones (index)	33,485	1.9%
Gold (\$/oz)	2,008	1.4%
Crude Oil (WTI \$/bbl)	80.70	8.5%

Source: BofA Global Research; ICE Data Indices, LLC

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Timestamp: 10 April 2023 02:07PM EDT

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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 9/30/22)												
Issuer	Mdy's / S&P / F	Outlook	Coupon	Maturity	STW	G- Sprd	5yr CDS	Revenue	Adj. EBITDA	Debt/ EBITDA	EBITDA/ Int. Exp	TEV/ 2023E EBITDA
Aerospace & Defense												
BAE Systems (BA) (E)*	Baa2/BBB+/BBB+	P/S/S	3.850%	12/15/2025	62	79	46	21,856	2,858	1.8x	11.6x	1,835 11.1x
Boeing (BA) ¹	Baa2/BBB-/BBB-	S/N/S	2.950%	2/1/2030	154	149	125	61,421	5,010	11.1x	2.0x	(347) 32.9x
General Dynamics (GD)	A3/A-/WD	S/S/#	2.250%	6/1/2031	78	75	58	43,236	5,995	1.9x	16.1x	4,587 13.7x
Honeywell (HON)	A2/A/A	S/S/S	1.950%	6/1/2030	75	70	33	34,937	8,272	2.1x	23.6x	4,765 14.3x
L3Harris Technologies (LHX)	Baa2/BBB/BBB+	N/N/N	2.900%	12/15/2029	141	145	58	16,834	3,113	2.5x	11.4x	1,886 14.0x
Lockheed Martin (LMT)	A3/A-/A-	S/S/S	1.850%	6/15/2030	80	75	39	64,722	8,456	1.6x	13.1x	8,558 15.1x
Northrop Grumman (NOC)	Baa1/BBB+/BBB+	S/S/S	3.250%	1/15/2028	71	68	34	35,208	4,462	2.6x	8.6x	556 15.9x
Precision Castparts (PCP)	Aa2/NR	S/#	3.250%	6/15/2025	43	48	NA	N/A	N/A	N/A	N/A	N/A
Raytheon Technologies (RTX)	Baa1/A-	S/N	2.250%	7/1/2030	104	100	58	66,025	12,056	2.9x	9.1x	3,270 14.7x
Textron (TXT)²	Baa2/BBB	S/S	2.450%	3/15/2031	137	134	126	12,503	1,466	2.2x	13.8x	1,057 8.8x
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	44	44	90	29,189	5,206	1.5x	50.1x	783 13.0x
Aptiv (APTIV)	Baa2/BBB/BBB	S/S/S	4.350%	3/15/2029	148	150	NA	16,983	1,977	3.2x	10.2x	150 12.5x
AutoNation (AN)	Baa3/BBB-/BBB-	S/S/S	2.400%	8/1/2031	265	262	257	26,870	2,263	1.6x	15.2x	1,221 5.8x
BorgWarner (BWA)	Baa1/BBB/BBB+	S/S/S	2.650%	7/1/2027	111	103	73	15,348	2,155	1.9x	32.2x	538 5.8x
Caterpillar (CAT)	A2/A/A	S/S/S	2.600%	4/9/2030	84	80	46	53,800	8,739	1.1x	19.9x	5,439 9.5x
Cat Financial (CAT)¹	A2/A/A	S/S/S	1.700%	1/8/2027	60	45	47	53,800	8,739	1.1x	19.9x	5,439 9.5x
Cummins (CMI)	A2/A+	S/S	1.500%	9/1/2030	87	83	58	26,154	3,399	2.3x	24.6x	1,052 8.1x
Mercedes-Benz (MBG) (E)²	A2/A-/A-u	S/P/P	3.450%	1/6/2027	112	98	78	134,896	26,010	4.7x	69.7x	15,975 2.6x
Deere (DE)	A2/A	P/S	3.100%	4/15/2030	83	78	51	49,391	10,130	0.9x	26.0x	5,108 9.4x
John Deere Capital (DE)¹	A2/A	P/S	2.450%	1/9/2030	84	78	58	49,391	10,130	0.9x	26.0x	5,108 9.4x
Eaton (ETN)	Baa1/A-/WD	S/S/#	7.650%	11/15/2029	80	84	58	20,166	3,746	2.4x	28.4x	1,590 15.4x
Ford (F)^{2,3}	Ba2/BB+/BB+	S/P/P	7.450%	7/16/2031	320	318	341	142,639	10,951	1.9x	7.9x	4,900 2.6x
Ford Credit (F)^{1,2,3}	Ba2/BB+/BB+	S/P/P	4.000%	11/13/2030	310	306	333	142,639	10,951	1.9x	7.9x	4,900 2.6x
General Electric (GE)²	Baa1/BBB+/BBB	N/S/S	4.418%	11/15/2035	127	118	93	77,607	8,770	3.7x	5.2x	4,293 8.9x
General Motors (GM)^{2,3}	Baa2/BBB/BBB-	S/S/P	5.000%	4/9/2027	184	172	222	134,491	17,140	1.1x	22.3x	12,416 3.5x
GM Financial (GM)^{1,2}	Baa2/BBB/BBB-	S/S/P	2.350%	1/8/2031	232	228	378	134,491	17,140	1.1x	22.3x	12,416 3.5x
Hubbell (HUBB)	Baa1/BBB+/A-	S/S/S	2.300%	3/15/2031	145	142	NA	4,439	773	1.9x	15.1x	510 14.1x
Illinois Tool Works (ITW)	A2/A+	P/S	2.650%	11/15/2026	11	19	58	15,640	4,053	1.9x	20.7x	1,975 17.2x
Johnson Controls (JCI)	Baa2/BBB+/WD	P/S/#	1.750%	9/15/2030	105	101	83	25,299	3,605	2.5x	16.9x	1,398 15.2x
Lear Corp (LEA)	Baa2/BBB-	S/P	3.500%	5/30/2030	225	220	NA	20,400	1,369	1.9x	14.2x	29 6.5x
Magna (MGA)	A3/A-	S/S	2.450%	6/15/2030	150	145	NA	37,382	3,273	1.0x	38.1x	352 5.8x
Paccar (PCAR)²	WR/A+	S/S	2.000%	2/4/2027	71	58	NA	25,875	2,950	0.0x	NM	2,243 6.7x
Pentair (PNR)	WR/BBB-	#/S	4.500%	7/1/2029	182	185	NA	4,108	880	2.8x	25.0x	260 12.6x
Republic Services (RSG)	Baa2/BBB+/BBB+	S/S/S	1.450%	2/15/2031	107	103	58	12,932	3,749	3.1x	10.3x	1,695 12.7x
Roper Technologies (ROP)	Baa2/BBB+	S/S	1.750%	2/15/2031	135	132	NA	5,387	2,155	3.2x	11.1x	1,202 21.5x
Waste Management (WM)	Baa1/A-/BBB+	P/S/S	1.500%	3/15/2031	103	100	49	19,441	5,342	2.6x	15.2x	1,979 13.8x
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 (BN)	A3/AA-	S/S	3.250%	6/15/2027	53	43	58	25,583	11,454	2.0x	11.2x	3,389 Private
Canadian National (CNR) (CAD)	A2/A	N/N	2.750%	3/1/2026	42	41	58	16,318	8,155	1.9x	15.7x	3,737 13.6x
Canadian Pacific (CP) (CAD)	Baa2/BBB+	S/S	2.050%	3/5/2030	106	101	58	8,392	4,863	4.2x	8.0x	1,587 16.6x
CSX (CSX)	Baa1/BBB+	S/S	2.400%	2/15/2030	104	99	39	14,550	7,397	2.4x	10.2x	3,527 10.7x
GATX (GATX)	Baa2/BBB	S/S	1.900%	6/1/2031	179	176	191	1,271	785	8.1x	3.8x	(605) 11.9x
Kansas City Southern (KSU)	Baa2/BBB+*/BBB	S/#/S	2.875%	11/15/2029	110	114	NA	3,254	1,648	2.3x	10.5x	318 NA
Norfolk Southern (NSC)	Baa1/BBB+	S/S	2.550%	11/1/2029	102	101	49	12,360	5,967	2.5x	10.5x	2,639 10.2x
Penske Truck Leasing	Baa2/BBB/BBB+	S/P/S	3.350%	11/1/2029	175	179	NA	Private				
Ryder (R)	Baa2/BBB+/BBB+	S/S/S	2.850%	3/1/2027	151	138	132	11,523	2,893	2.2x	13.3x	1,110 3.7x
Southwest (LUV)	Baa1/BBB/BBB+	S/S/S	5.125%	6/15/2027	151	140	123	22,693	2,904	3.0x	7.4x	709 4.6x
Union Pacific (UNP)	A3/A-	S/S	2.400%	2/5/2030	91	85	38	24,428	12,178	2.7x	9.9x	5,918 12.5x

Source: Company Filings, Bloomberg



Disclosures

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