



# Industrials Monthly

## Sector Update

July 2017

**\*\*We recommend this report be viewed/printed in color\*\***

Analyst: Spencer E. Joyce, CFA  
502.588.8402 // [sjoyce@hilliard.com](mailto:sjoyce@hilliard.com)

Institutional Sales Desk: George Moorin  
502.588.9141 // [gmoorin@hilliard.com](mailto:gmoorin@hilliard.com)

J.J.B. Hilliard, W.L. Lyons, LLC  
July 20, 2017

To obtain important disclosure information regarding Hilliard Lyons' rating system, valuation methods, risk factors and potential conflicts of interest with respect to the companies covered in this report, please call (800) 444-1854 ext. 8820, send a request via e-mail to [RsLib@hilliard.com](mailto:RsLib@hilliard.com), or go online to <http://hilliard.com/site/market-info/research-disclosures.html>. Requests should include the name and date of this report and a list of companies for which the disclosure information is requested.

<p><b>Note Important Disclosures on page 17</b> <b>Note Analyst Certifications on page 17</b></p>
---

**Table of Contents**

Industrials Sector

- Price Performance.....3
- Sector Commentary and Outlook.....5
- Recent Events .....6
- HL Industrials Coverage Comp Sheet—HL Estimates.....7
- HL Industrials Coverage Comp Sheet—Consensus Estimates.....7
- 31-Company Industrials Sector Comparables.....8

Data Points

- Currency Prices.....9
- Monthly Economic Statistics .....10
- Quarterly Economic Statistics.....11
- Economic Commentary .....12
- Currency Price Commentary.....12

Glossary .....13

Recent Published Research .....16

Disclosures.....17

## Industrials Sector

### PRICE PERFORMANCE

June brought continued strength for the Industrials sector, as measured by the Industrial Select Sector SPDR ETF (XLI). The XLI advanced 0.87% last month; the S&P 500 large cap index rallied 0.48%, while the iShares Russell 2000 (small cap) Index Fund (IWM) rallied a robust 3.37%. Index-ETF performance and a potential ‘stock of interest’ from each of our 7 major sub-sectors [Aerospace & Defense, Rails, Airlines, Shipping, Machinery, Electric Components, and Conglomerates] is depicted in **Exhibit 1**. Our full industry comp table is on page 8.

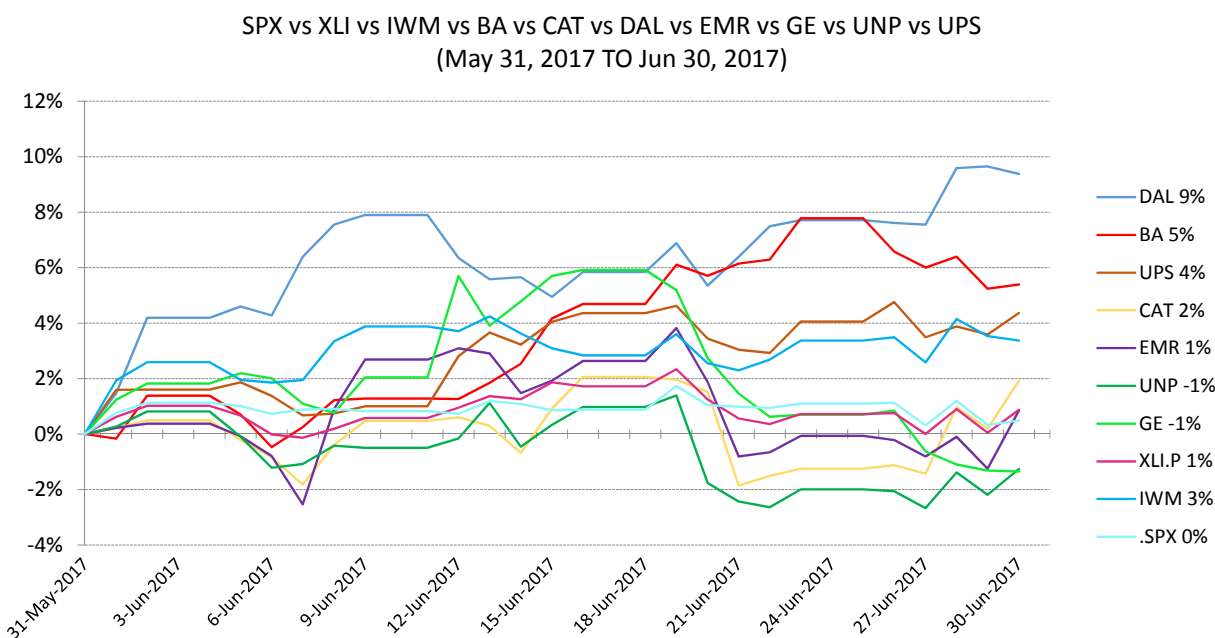
Performance for our coverage was quite mixed last month, although five of our six names advanced in June alongside a strong sector (**Exhibit 2**). Multi-Color Corp. (LABL) was our weakest name last month, giving back some gains from a very strong May; the opposite was true for Aegion Corp (AEGN).

Year-to-date through July 19, the XLI has outperformed the S&P by just under 100bps, mostly on the back of strong Q2; the Industrials sector has comfortably outpaced small-cap stocks, with YTD performance from our large-cap names generally beating our four SMID-cap companies (**Exhibit 3**).

Past performance is no guarantee of future results.

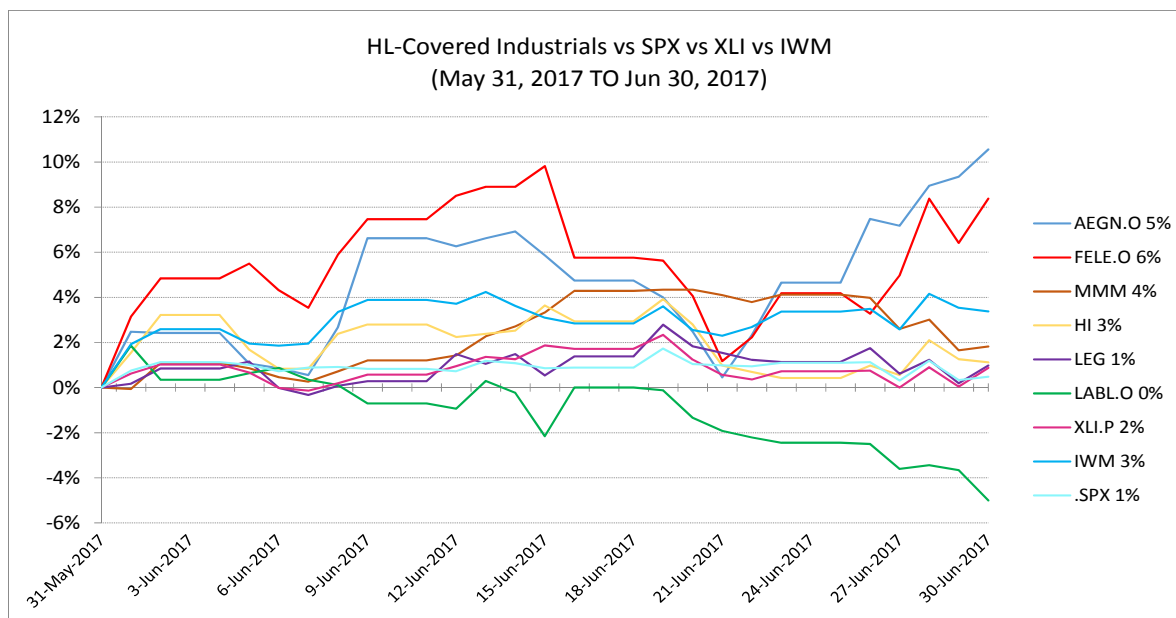
Since our prior *Industrials Monthly* we tweaked estimates for MMM and outlined a major M&A announcement from LABL, but have kept our ratings stable as we approach earnings season. Our entire coverage group remains Neutral-rated: AEGN, FELE, HI, LABL, LEG and MMM.

**Exhibit 1**  
**Industrials Sector Monthly Price Performance vs. S&P 500 vs. Russell 2000—Daily Chart**



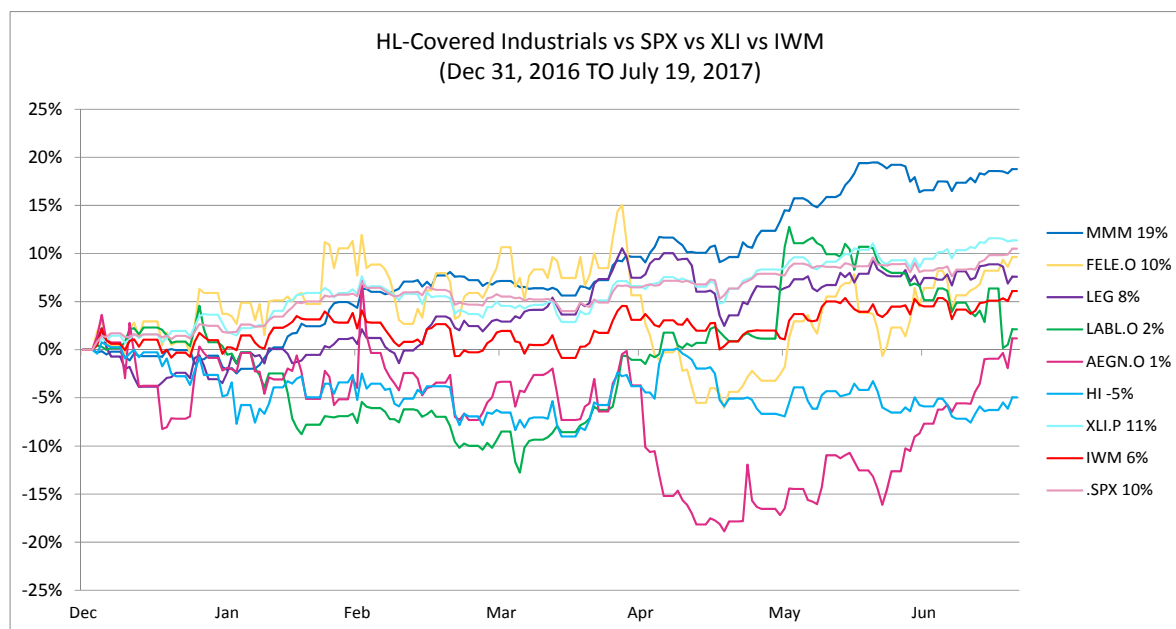
**Source: Thomson Reuters** SPX-S&P 500 Index; XLI-Industrials sector ETF; IWM-Russell 2k Index ETF; BA-Boeing; CAT-Caterpillar; DAL-Delta; EMR-Emerson; GE-General Electric; UNP-Union Pacific; UPS-United Parcel Svc. \*Note: It is not possible to invest directly in an index\*

**Exhibit 2**  
**Hilliard Lyons Covered Industrials Monthly Price Performance vs. S&P 500 vs. Russell 2000—Daily Chart**



**Source: Thomson Reuters** SPX-S&P 500 Index; XLI-Industrials sector ETF; IWM-Russell 2k Index; AEGN-Aegion; FELE-Franklin Electric; HI-Hillenbrand; LABL-Multi-Color Corp; LEG-Leggett & Platt; MMM-3M Company \*Note: It is not possible to invest directly in an index\*

**Exhibit 3**  
**Hilliard Lyons Covered Industrials YTD Price Performance vs. S&P 500 vs. Russell 2000—Daily Chart**



**Source: Thomson Reuters** SPX-S&P 500 Index; XLI-Industrials sector ETF; IWM-Russell 2k Index; AEGN-Aegion; FELE-Franklin Electric; HI-Hillenbrand; LABL-Multi-Color Corp; LEG-Leggett & Platt; MMM-3M Company \*Note: It is not possible to invest directly in an index\*

## SECTOR COMMENTARY AND OUTLOOK

The Industrials sector posted its fifth month of outperformance this year in June, with only the month of March lagging the broader market. As measured by the XLI, the sector advanced 0.87%, which outpaced the 0.48% rally for the S&P 500. Performance for small-cap stocks returned with a vengeance to close out Q2, with both SMID-cap stocks outpacing the Industrials sector. The Russell 2000 small-cap index and Russell mid-cap index moved +3.37% and +0.94% last month, respectively. Thus far in July, larger stocks have taken the lead once again, though the XLI remains strong, rising about 10bps ahead of the S&P 500.

In the absence of catalysts that upset the recent status quo, we believe a more/less positive narrative for the global economy helped keep the Industrials stocks strong through the end of Q2 and into July. Lagging some of the best performing sectors in 1H'17, we expect the impact of sector rotation has been minimal over the past few weeks, and we still see the sector as decently positioned in the context of recent macro items that include an active Fed and an evolving US retail/consumer environment. Furthermore, we see tightening gridlock on any meaningful legislation, and the (perhaps) attributable weakening of the USD, as playing favorably for the sector as well.

June 30 marked quarter-end for each of our 6 covered Industrials, and we expect to receive our first reports in just under a week with MMM and FELE both set to report before the market opens on Tuesday, July 25. Broadly, we expect a bit better string of reports from our 'heavy' economy Industrials relative to our consumer-centric names, a view that was partially bolstered by a pre-announcement from Multi-Color Corp. in conjunction with announcing a transformative \$1.3B acquisition on July 17.

FY 2017 EPS expectations for our 31-company composite group total \$197.50, which is up by about \$1 over the past month and higher by \$8-\$9 (or 4%-5%) versus expectations from mid-April ahead of Q1 earnings season. Current expectations suggest yr/yr growth in 2017 of 7.4%, after earnings declined by 1.5% in 2016. Rising in tandem, FY 2018 expectations indicate yr/yr growth of 11.3% for the out-year, which is roughly unchanged from January 1, but over a higher base.

Our late-Q1 pivot away from favoring US-centric companies has turned out fine with trade and/or tax rhetoric having negligible impact on actual law making, and we keep an 'all of the above' mindset as we look for ideas this summer. We primarily favor the most resilient growth companies, geography agnostic, but do stress our view that a weaker dollar seems an increasingly likely catalyst as analysts re-price models through earnings season. An item that has not changed is our affinity for the Defense industry, which we have been stressing as a multi-year investment theme dating back to our earliest *Industrials Monthly* issues in early-2016.

We are reiterating our Marketweight allocation recommendation for the Industrials sector as we trade into July. Industrials stocks have been resilient this year despite re-softening energy prices, and thematically we like several items, including a consistently weakening US dollar and what we view as good recent US economic data. Given outperformance YTD, we are a bit skeptical of where sentiment might be on the cusp of earnings (possibly too bullish), but if we do see a slight pullback during a constructive earnings season, the sector could develop into one of our favored group as we press into 2H'17. Our composite group is currently trading at average multiples of 21.4x/19.7x/17.6x based on 2016/2017E/2018E EPS, after m/m expansion of about 0.3x.

With our entire coverage Neutral-rated and with just a few trading sessions before the heart of earnings season, our 'best idea' in the Industrials sector is a suggestion that investors stay patient (preserve buying power), and capitalize on any opportunities that might develop over the very near-term. Although we are not necessarily calling for a pullback in any of our specific coverage group, we do like the idea of holding some cash with the idea of capitalizing on any entry points that may present themselves in July.

**RECENT EVENTS -- Hilliard Lyons Coverage Universe** (reverse chronological order)

\*For earnings announcements, quarterly results and rating actions, please consult our most recently published notes. Dividend announcements outside of raises and special items are omitted.\*

**Multi-Color Corp. (LABL - \$79.25, Neutral)** 7/17/17—S&P rating agency placed LABL on credit watch ‘Negative’ from ‘Stable’; Rating ‘BB-’.

**Multi-Color Corp. (LABL - \$79.25, Neutral)** 7/17/17—LABL announced signing of a definitive agreement to acquire the Labels Division of Constantia Flexibiles for ~\$1.3B in cash and stock. The transaction would expand Multi-Color’s footprint in Europe and competitive position in the Food & Beverage market. The pro forma company is expected to generate EBITDA of about \$300MM; the deal is suggested to close in fiscal Q3’18 (October – December 2017) and be accretive to fiscal 2019 (year ending March 2019) core EPS. Post-deal leverage is expected to extend to ~5x debt to EBITDA, with a line of sight toward reduction to about 4x.

**3M Company (MMM - \$212.10, Neutral)** 6/30/17—3M Company completed the sale of its tolling and automated license/number plate recognition business, which was part of the Traffic Safety and Security Division, within the Safety & Graphics segment. Despite losing annualized sales of about ~\$40MM, the transaction is projected EPS-neutral to both Q2 and FY’17.

**3M Company (MMM - \$212.10, Neutral)** 6/20/17—MMM announced several new leadership appointments. Michael Roman will elevate to COO of 3M Company from his prior role as EVP of the Industrial Business Group; Hak Cheol Shin was appointed vice chair of the board. The Board also waived the mandatory retirement age for chairman, president and CEO Inge Thulin. Changes are set to take effect on July 1.

**3M Company (MMM - \$212.10, Neutral)** 6/7/17—MMM held an investor day event in Germany.

**Multi-Color Corp. (LABL - \$79.25, Neutral)** 5/30/17— Management initiated guidance for organic revenue growth of 3% to 5% in fiscal 2018; EPS are expected to rise about \$0.40.

**Hillenbrand, Inc. (HI - \$36.45, Neutral)** 5/3/17—Management raised the low end of adjusted EPS guidance for the full fiscal year 2017 by a nickel, to a new range of \$2.00-\$2.10. HI earned \$2.00 in 2016.

**3M Company (MMM - \$212.10, Neutral)** 5/1/17—MMM completed the sale of its Identity Management Business. As discussed and disclosed during the company’s April 26 conference call, Q2 will hold a +\$0.55/share gain-on-sale benefit.

**Franklin Electric Co, Inc. (FELE - \$42.65, Neutral)** 4/10/17—FELE announced three separate acquisitions of US-based groundwater distribution firms, for aggregate purchase consideration of \$89MM. Purchases of 2M in Montana, Western Hydro in California, and Drillers Service, Inc. in North Carolina will be collectively operated as Headwater Companies, LLC, a third reportable segment for FELE.

**HL INDUSTRIALS COVERAGE COMP SHEET—HL Estimates**

		Actual // Estimate																		
Company	Ticker	Price 19-Jul-17	Target		Revenue TTM (\$MM's)	Mkt Cap (\$MM)	Price/ Book	LTD / Cap. (%)	EPS						5-Yr Avg P/E	3-Yr Avg EPS Growth	Curr EV/ EBITDA	Div. Yld.	TTM ROE (%)	30-day Avg. Vol.
			Price	Rating					FY'16	FY'17E	FY'18E	FY'16	FY'17E	FY'18E						
Aegion Corp	AEGN	\$ 23.98	--	Neutral	1,253.2	803.1	1.4x	37%	\$1.11	<u>\$1.24</u>	<u>\$1.35</u>	21.7x	19.3x	17.8x	16.6x	-4.7%	9.6x	NULL	7%	234,472
Franklin Electric	FELE	\$ 42.65	--	Neutral	951.7	1,981.2	3.1x	19%	\$1.66	<u>\$1.78</u>	<u>\$2.04</u>	25.7x	23.9x	20.9x	21.9x	-1.2%	14.8x	1.01%	14%	143,870
Hillenbrand	HI	\$ 36.45	--	Neutral	1,551.1	2,295.5	3.5x	47%	\$2.00	<u>\$2.08</u>	<u>\$2.25</u>	18.2x	17.5x	16.2x	15.0x	2.3%	10.7x	2.25%	19%	271,821
3M Company	MMM	\$ 212.10	--	Neutral	30,385.0	126,674.5	11.5x	49%	\$8.16	<u>\$8.81</u>	<u>\$9.34</u>	26.0x	24.1x	22.7x	19.7x	6.7%	15.5x	2.22%	45%	1,612,351
Leggett & Platt	LEG	\$ 52.59	--	Neutral	3,771.8	6,958.0	6.6x	46%	\$2.49	<u>\$2.58</u>	<u>\$2.76</u>	21.1x	20.4x	19.1x	20.0x	17.4%	13.6x	2.74%	34%	734,492
Multi-Color Corp.	LABL	\$ 79.25	--	Neutral	923.3	1,345.4	3.5x	56%	\$3.22	\$3.61	<u>\$3.82</u>	24.6x	21.9x	20.7x	17.7x	19.0%	11.3x	0.25%	17%	82,222
Averages:								5.0x	42.4%			22.9x	21.2x	19.6x	18.5x	6.58%	12.6x	1.7%		

Source: Company reports, Thomson Reuters, and Hilliard Lyons estimates

\*LABL (March fiscal year-end); HI (September fiscal year-end)\*

**HL INDUSTRIALS COVERAGE COMP SHEET—Consensus Estimates**

		Actual // Estimate																		
Company	Tkr	Price 19-Jul-17	Revenue TTM (\$MM)	Mkt Cap (\$MM)	Price/ Book	LTD / Cap. (%)	Consensus EPS						5-Yr Avg P/E	3-Yr Avg EPS Growth	Current EV / EBITDA	Div. Yld.	Div. Payout (%)	Short Interest Ratio	30-day Avg. Vol.	
							FY'16	FY'17E	FY'18E	FY'16	FY'17E	FY'18E								
Aegion Corp	AEGN	\$ 23.98	1,253.2	803.1	1.4x	37.0%	\$1.10	<u>\$1.30</u>	<u>\$1.40</u>	21.8x	18.5x	17.1x	16.6x	-4.7%	9.6x	NULL		2.6%	234,472	
Franklin Electric	FELE	\$ 42.65	951.7	1,981.2	3.1x	19.3%	\$1.66	<u>\$1.79</u>	<u>\$2.07</u>	25.7x	23.8x	20.6x	21.9x	-1.2%	14.8x	1.0%	22.5%	1.1%	143,870	
Hillenbrand	HI	\$ 36.45	1,551.1	2,295.5	3.5x	47.5%	\$2.01	<u>\$2.05</u>	<u>\$2.26</u>	18.1x	17.8x	16.1x	15.0x	2.3%	10.7x	2.2%	42.5%	2.2%	271,821	
3M Company	MMM	\$ 212.10	30,385.0	126,674.5	11.5x	48.7%	\$8.16	<u>\$8.98</u>	<u>\$9.59</u>	26.0x	23.6x	22.1x	19.7x	6.7%	15.5x	2.2%	53.2%	1.4%	1,612,351	
Leggett & Platt	LEG	\$ 52.59	3,771.8	6,958.0	6.6x	46.2%	\$2.49	<u>\$2.63</u>	<u>\$2.87</u>	21.1x	20.0x	18.3x	20.0x	17.4%	13.6x	2.7%	51.4%	5.0%	734,492	
Multi-Color Corp	LABL	\$ 79.25	923.3	1,345.4	3.5x	55.5%	\$3.22	\$3.61	<u>\$3.96</u>	24.6x	22.0x	20.0x	17.7x	19.0%	11.3x	0.3%	5.5%	4.0%	82,222	

Source: Company reports and Thomson Reuters

\*LABL (March fiscal year-end); HI (September fiscal year-end)\*

**SELECT INDUSTRIALS SECTOR COMPARABLES—Consensus Estimates**

Actual // Estimate

Company	Tkr	Price 19-Jul-17	Revenue TTM (\$MM)	Mkt Cap (\$MM)	Price/ Book	LTD / Cap. (%)	Consensus EPS			5-Yr			Current EV / EBITDA	Div. Yld.	Div. Payout (%)	Short Interest Ratio	30-day Avg. Vol.		
							FY'16	FY'17E	FY'18E	FY'16	FY'17E	FY'18E						P/E	3-Yr Avg EPS Growth
<b>Aero &amp; Defense</b>																			
Boeing	BA	\$ 210.88	92,915.0	127,283.2	nm	88.4%	\$7.24	<u>\$9.39</u>	<u>\$10.31</u>	29.1x	22.5x	20.5x	17.8x	1%	16.8x	2.7%	60.4%	1.7%	2,787,866
General Dynamics	GD	\$ 202.34	31,070.0	61,043.0	5.8x	21.1%	\$9.87	<u>\$9.81</u>	<u>\$10.59</u>	20.5x	20.6x	19.1x	14.7x	12.0%	13.2x	1.7%	29.8%	0.8%	1,030,244
Lockheed Martin	LMT	\$ 290.67	49,274.0	84,242.9	66.5x	89.9%	\$12.42	<u>\$12.63</u>	<u>\$14.12</u>	23.4x	23.0x	20.6x	16.7x	9.0%	14.0x	2.5%	55.4%	0.7%	945,652
Northrup Grumman	NOC	\$ 264.92	24,819.0	46,247.8	8.3x	57.3%	\$12.19	<u>\$12.36</u>	<u>\$13.55</u>	21.7x	21.4x	19.6x	15.0x	13.4%	13.9x	1.5%	27.9%	0.9%	585,984
Raytheon	RTN	\$ 168.98	24,306.0	49,185.7	4.7x	33.7%	\$7.44	<u>\$7.48</u>	<u>\$8.40</u>	22.7x	22.6x	20.1x	15.9x	7.7%	13.4x	1.9%	37.8%	0.6%	1,185,426
<b>Rails</b>																			
CSX	CSX	\$ 51.87	11,320.0	47,856.4	4.1x	47.7%	\$1.81	<u>\$2.30</u>	<u>\$2.75</u>	28.7x	22.5x	18.9x	16.1x	-0.4%	11.9x	1.5%	38.6%	2.3%	7,230,654
Norfolk Southern	NSC	\$ 120.67	10,043.0	34,968.1	2.8x	42.3%	\$5.62	<u>\$6.37</u>	<u>\$7.07</u>	21.5x	18.9x	17.1x	15.7x	-1.3%	10.6x	2.0%	40.9%	1.1%	1,435,817
Union Pacific	UNP	\$ 107.84	20,244.0	87,074.2	4.4x	40.8%	\$5.07	<u>\$5.77</u>	<u>\$6.44</u>	21.3x	18.7x	16.8x	18.1x	2.5%	10.7x	2.2%	42.9%	1.1%	3,338,345
<b>Airlines</b>																			
American Airlines	AAL	\$ 52.61	40,370.0	25,915.1	7.5x	79.9%	\$5.71	<u>\$5.12</u>	<u>\$5.78</u>	9.2x	10.3x	9.1x	6.9x	25.2%	6.1x	0.8%	9.7%	7.3%	5,795,388
Delta Airlines	DAL	\$ 53.79	39,536.0	39,591.7	2.9x	31.6%	\$5.32	<u>\$5.46</u>	<u>\$6.14</u>	10.1x	9.9x	8.8x	9.5x	19.2%	5.6x	1.5%	16.0%	2.2%	7,810,114
United Continental	UAL	\$ 74.24	36,781.0	22,988.9	2.7x	52.7%	\$8.65	<u>\$7.88</u>	<u>\$8.97</u>	8.6x	9.4x	8.3x	12.0x	45.0%	4.9x	NULL		4.0%	4,006,425
Southwest Airlines	LUV	\$ 61.41	20,481.0	37,132.3	4.5x	24.6%	\$3.75	<u>\$3.90</u>	<u>\$4.83</u>	16.4x	15.8x	12.7x	15.7x	49.6%	7.8x	0.8%	12.0%	1.6%	4,608,774
<b>Shipping, Air/Ground</b>																			
C.H. Robinson	CHRW	\$ 68.69	13,485.6	9,677.6	7.4x	19.4%	\$3.59	<u>\$3.52</u>	<u>\$3.75</u>	19.1x	19.5x	18.3x	21.2x	10.6%	11.8x	2.6%	52.1%	12.3%	1,333,851
Fed Ex	FDX	\$ 212.88	60,319.0	57,106.6	3.6x	48.1%	\$10.80	\$12.30	<u>\$13.60</u>	19.7x	17.3x	15.6x	17.6x		8.1x	0.9%	16.3%	1.9%	1,685,665
J.B. Hunt	JBHT	\$ 91.70	6,655.9	10,085.5	7.1x	41.1%	\$3.81	<u>\$3.89</u>	<u>\$4.49</u>	24.1x	23.6x	20.4x	24.2x	9.1%	10.4x	1.0%	23.5%	2.9%	1,006,723
UPS	UPS	\$ 112.99	61,803.0	98,048.6	nm	75.1%	\$5.75	<u>\$5.95</u>	<u>\$6.47</u>	19.7x	19.0x	17.5x	19.6x	8.0%	14.6x	2.9%	80.7%	0.9%	2,395,606
<b>Machinery</b>																			
Caterpillar	CAT	\$ 107.85	38,898.0	63,540.6	4.7x	45.6%	\$3.42	<u>\$4.27</u>	<u>\$5.41</u>	31.5x	25.3x	19.9x	16.5x	-16.1%	14.8x	2.9%	91.2%	3.4%	4,236,598
Cummins	CMI	\$ 164.64	17,807.0	27,655.4	3.9x	17.4%	\$8.23	<u>\$9.48</u>	<u>\$10.49</u>	20.0x	17.4x	15.7x	14.8x	3.1%	12.9x	2.6%	46.3%	2.3%	1,149,053
Deere	DE	\$ 126.31	27,156.2	40,401.8	5.3x	56.3%	\$4.81	<u>\$6.30</u>	<u>\$7.05</u>	26.3x	20.1x	17.9x	13.2x	-19.1%	14.3x	1.9%	43.0%	3.5%	2,389,373
Paccar	PCAR	\$ 68.53	16,970.8	24,073.2	3.4x	55.6%	\$3.85	<u>\$3.74</u>	<u>\$4.27</u>	17.8x	18.3x	16.1x	14.9x	5.3%	10.2x	1.5%	38.4%	2.8%	1,658,642
<b>Electric Components</b>																			
Eaton	ETN	\$ 80.38	19,782.0	35,954.0	2.4x	28.9%	\$4.21	<u>\$4.66</u>	<u>\$5.14</u>	19.1x	17.3x	15.6x	15.2x	0.6%	12.6x	3.0%	53.6%	1.7%	2,050,024
Emerson Electric	EMR	\$ 60.60		39,055.5	4.9x	28.4%	\$2.98	<u>\$2.60</u>	<u>\$2.88</u>	20.3x	23.3x	21.0x	17.0x	-5.6%	12.4x	3.2%	64.4%	1.9%	3,559,393
Rockwell Automation	ROK	\$ 167.34	6,057.2	21,559.3	9.8x	38.3%	\$5.93	<u>\$6.66</u>	<u>\$7.29</u>	28.2x	25.1x	22.9x	18.4x	1.3%	17.2x	1.8%	61.1%	2.3%	688,762
United Technologies	UTX	\$ 123.08	57,702.0	98,615.1	3.6x	40.7%	\$6.61	<u>\$6.59</u>	<u>\$7.05</u>	18.6x	18.7x	17.5x	16.5x	2.1%	11.0x	2.3%	40.6%	0.8%	2,358,383
<b>Conglomerates</b>																			
Danaher	DHR	\$ 85.79	18,707.1	60,778.5	2.5x	27.4%	\$3.61	<u>\$3.93</u>	<u>\$4.29</u>	23.8x	21.8x	20.0x	16.8x	1.8%	18.3x	0.7%	17.2%	0.5%	2,832,919
General Electric	GE	\$ 26.94	123,507.0	233,946.0	3.1x	48.7%	\$1.49	<u>\$1.62</u>	<u>\$1.81</u>	18.1x	16.7x	14.9x	17.5x	-3.1%	15.2x	3.6%	85.3%	1.2%	41,587,539
Honeywell	HON	\$ 136.15	39,272.0	103,792.3	5.1x	34.5%	\$6.60	<u>\$7.09</u>	<u>\$7.71</u>	20.6x	19.2x	17.6x	17.1x	9.9%	12.9x	2.0%	39.4%	0.9%	2,206,080
3M Corp	MMM	\$ 212.10	30,385.0	126,674.5	11.5x	48.7%	\$8.16	<u>\$8.98</u>	<u>\$9.59</u>	26.0x	23.6x	22.1x	19.7x	6.7%	15.5x	2.2%	53.2%	1.4%	1,612,351
Parker Hannifin	PH	\$ 166.76	11,490.2	22,209.7	4.7x	34.9%	\$6.46	<u>\$7.93</u>	<u>\$9.05</u>	25.8x	21.0x	18.4x	17.0x		15.5x	1.6%	36.6%	2.2%	1,143,462
<b>Other</b>																			
Illinois Tool Works	ITW	\$ 147.68	13,796.0	51,016.2	11.4x	59.4%	\$5.64	<u>\$6.38</u>	<u>\$7.06</u>	26.2x	23.1x	20.9x	19.0x	15.8%	15.6x	1.8%	40.1%	1.9%	1,148,264
Waste Management	WM	\$ 74.92	13,873.0	33,110.2	6.0x	60.8%	\$2.91	<u>\$3.18</u>	<u>\$3.47</u>	25.7x	23.6x	21.6x	20.2x	10.6%	11.2x	2.3%	44.5%	1.4%	1,584,152
Averages: [BA thru WM]					7.4x	45.8%				21.4x	19.7x	17.6x	16.5x	7.7%	12.4x	2.0%	43.3%	2.3%	

Source: Company reports and Thomson Reuters

\*All Companies BA thru WM are in the S&P 500



Data Points

CURRENCY PRICES—listed prices reflect average within specified period

blue = \$ terms

purple = Foreign terms

Currency Worksheet						March	June	Sept	Dec						March	June	Sept	Dec	
	FY'11	FY'12	FY'13	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17	Q3'17E	Q4'17E	FY'17E				
<b>Dollar Index (DXY)</b>	<b>76.51</b>	<b>80.58</b>	<b>81.44</b>	<b>82.55</b>	<b>96.26</b>	97.41	94.48	95.78	99.87	<b>96.88</b>	100.76	98.39	94.77	94.77					
\$ strength / (weakness)	-5.8%	5.3%	1.1%	1.4%	16.6%	2.5%	-1.6%	-0.6%	2.2%	0.6%	3.4%	4.1%	-1.1%	-5.1%					
LAST UPDATE: 7/19/2017													spot @ 7/19						
<b>Developed Region FX</b>																			
Average Euro€ Price : EUR/USD (\$ strength) / weakness	\$ 1.325 -0.1%	\$ 1.287 -2.9%	\$ 1.328 3.3%	\$ 1.329 0.0%	\$ 1.117 -16.0%	\$ 1.104 -2.1%	\$ 1.130 2.1%	\$ 1.116 0.3%	\$ 1.078 -3.8%	\$ 1.107 -0.9%	\$ 1.065 -3.5%	\$ 1.101 -2.6%	\$ 1.152 3.2%	\$ 1.152 6.8%					
Average ISPr in CAD : USD/CAD (\$ strength) / weakness	CAD 0.989 -4.0%	CAD 1.000 1.0%	CAD 1.030 3.1%	CAD 1.105 7.2%	CAD 1.278 15.7%	CAD 1.372 10.6%	CAD 1.288 4.8%	CAD 1.304 -0.3%	CAD 1.335 -0.1%	CAD 1.325 3.6%	CAD 1.323 -3.6%	CAD 1.344 4.3%	CAD 1.260 -3.4%	CAD 1.260 -5.6%					
Avg Aussie\$ Price : AUD/USD (\$ strength) / weakness	\$ 1.033 12.2%	\$ 1.036 0.3%	\$ 0.969 -6.5%	\$ 0.902 -6.8%	\$ 0.752 -16.7%	\$ 0.723 -8.1%	\$ 0.746 -4.1%	\$ 0.758 4.5%	\$ 0.749 4.3%	\$ 0.744 -1.1%	\$ 0.758 4.8%	\$ 0.751 0.7%	\$ 0.794 4.8%	\$ 0.794 6.1%					
Average GBP£ Price : GBP/USD (\$ strength) / weakness	\$ 1.604 3.8%	\$ 1.585 -1.2%	\$ 1.565 -1.3%	\$ 1.648 5.3%	\$ 1.532 -7.0%	\$ 1.433 -5.4%	\$ 1.440 -6.1%	\$ 1.313 -15.2%	\$ 1.242 -18.8%	\$ 1.357 -11.4%	\$ 1.239 -13.5%	\$ 1.280 -11.1%	\$ 1.303 -0.8%	\$ 1.303 4.9%					
Average ISPr in SFr : USD/CHF (\$ strength) / weakness	CHF 0.892 -14.4%	CHF 0.938 5.1%	CHF 0.927 -1.1%	CHF 0.916 -1.2%	CHF 0.963 5.1%	CHF 0.993 4.1%	CHF 0.971 3.1%	CHF 0.975 1.1%	CHF 1.002 1.2%	CHF 0.985 2.3%	CHF 1.004 1.2%	CHF 0.985 1.5%	CHF 0.955 -2.1%	CHF 0.955 -4.7%					
Average ISPr in Jap Yen¥ : USD/JPY (\$ strength) / weakness	¥ 79.72 -9.2%	¥ 79.87 0.2%	¥ 97.59 22.2%	¥ 105.88 8.5%	¥ 120.88 14.2%	¥ 115.31 -3.2%	¥ 108.30 -10.8%	¥ 102.37 -16.2%	¥ 109.62 -9.3%	¥ 108.90 -9.9%	¥ 113.62 -1.5%	¥ 111.14 2.6%	¥ 111.75 9.2%	¥ 111.75 1.9%					
<b>non-Developed/Emerging FX</b>																			
Average Brz Real Price (\$ strength) / weakness	\$ 0.59813 5.2%	\$ 0.51322 -14.2%	\$ 0.46517 -9.4%	\$ 0.42596 -8.4%	\$ 0.30429 -28.6%	\$ 0.25641 -26.5%	\$ 0.28241 -13.3%	\$ 0.30812 9.0%	\$ 0.30358 16.8%	\$ 0.288 -5.5%	\$ 0.31807 24.0%	\$ 0.31094 10.1%	\$ 0.31710 2.9%	\$ 0.31710 4.5%					
Average S. Afr Rand Price (\$ strength) / weakness	\$ 0.13892 1.5%	\$ 0.12204 -12.2%	\$ 0.10394 -14.8%	\$ 0.09222 -11.3%	\$ 0.07946 -13.8%	\$ 0.06328 -25.7%	\$ 0.06665 -19.5%	\$ 0.07114 -7.5%	\$ 0.07186 -1.6%	\$ 0.068 -14.1%	\$ 0.07570 19.6%	\$ 0.07575 13.7%	\$ 0.07734 8.7%	\$ 0.07734 7.6%					
Average MexiPesoP Price (\$ strength) / weakness	\$ 0.0806 1.8%	\$ 0.0761 -5.7%	\$ 0.0784 3.1%	\$ 0.0752 -4.1%	\$ 0.0632 -15.9%	\$ 0.0555 -17.0%	\$ 0.0553 -15.2%	\$ 0.0533 -12.3%	\$ 0.0503 -16.2%	\$ 0.054 -15.2%	\$ 0.0493 -11.1%	\$ 0.0539 -2.6%	\$ 0.0572 7.2%	\$ 0.0572 13.7%					
Average ISPr in S.KoreaWon₩ (\$ strength) / weakness	₩ 1,108.1 -4.2%	₩ 1,126.6 1.7%	₩ 1,094.6 -2.8%	₩ 1,052.9 -3.8%	₩ 1,128.4 7.2%	₩ 1,200.6 9.1%	₩ 1,163.0 6.0%	₩ 1,120.2 -4.3%	₩ 1,160.9 1.3%	₩ 1,161.2 2.9%	₩ 1,151.4 -4.1%	₩ 1,130.1 -2.8%	₩ 1,123.8 0.3%	₩ 1,123.8 -3.2%					
Average ISPr in TurkLira₺ (\$ strength) / weakness	1.681 TL 11.5%	1.800 TL 7.1%	1.905 TL 5.8%	2.188 TL 14.9%	2.723 TL 24.5%	2.941 TL 19.4%	2.897 TL 8.7%	2.967 TL 3.9%	3.306 TL 13.7%	3.028 TL 11.2%	3.698 TL 25.7%	3.578 TL 23.5%	3.520 TL 18.7%	3.520 TL 6.5%					
Average ISPr in IndiaRupee (\$ strength) / weakness	INR 46.7 2.1%	INR 53.5 14.5%	INR 58.5 9.5%	INR 61.0 4.3%	INR 64.0 4.8%	INR 67.5 8.4%	INR 66.9 5.3%	INR 67.0 3.1%	INR 67.4 3.3%	INR 67.2 5.0%	INR 67.0 -0.7%	INR 64.5 -3.6%	INR 64.3 -4.0%	INR 64.3 -4.7%					
Average ISPr in ChinaYuan (\$ strength) / weakness	¥ 6.464 -4.5%	¥ 6.308 -2.4%	¥ 6.149 -2.5%	¥ 6.162 0.2%	¥ 6.274 1.8%	¥ 6.538 4.8%	¥ 6.529 5.2%	¥ 6.666 5.8%	¥ 6.847 7.8%	¥ 6.645 5.9%	¥ 6.861 4.9%	¥ 6.854 5.0%	¥ 6.751 1.3%	¥ 6.751 -1.4%					
Average ISPr in RUSRuble (\$ strength) / weakness	RUB 29.40 -3.2%	RUB 31.06 5.6%	RUB 31.85 2.5%	RUB 38.59 21.1%	RUB 60.58 57.0%	RUB 75.52 20.2%	RUB 65.90 25.0%	RUB 64.60 2.2%	RUB 63.01 -0.9%	RUB 67.26 11.0%	RUB 58.57 -22.5%	RUB 57.14 -13.3%	RUB 58.94 -8.8%	RUB 58.94 -6.5%					

Sources: Bloomberg, Thomson Reuters, Hilliard Lyons calculations

**MONTHLY ECONOMIC STATISTICS**

Macro Data--MONTHLY	2015			Q1			Q2			Q3			Q4			2016			Q1		
	Jan '16	Feb '16	Mar '16	Apr '16	May '16	Jun '16	Jul '16	Aug '16	Sep '16	Oct '16	Nov '16	Dec '16		Jan '17	Feb '17	Mar '17	Apr '17	May '17	Jun '17		
<b>LAST UPDATE Check: 7/19/2017</b>																					
<b>Business Spending</b>																					
Cap Gds Orders, x-A&Def, Seas Adj m/m	-5.2%	-3.3%	-4.6%	-4.7%	-4.0%	-3.5%	-5.6%	-2.8%	-1.5%	0.5%	1.7%	0.8%		0.2%	0.1%	0.0%	0.3%	0.2%			
<b>Consumer Spending</b>																					
Durable Goods, Real (FRED)--seas Adj	1518.7	1528.9	1527	1555.9	1555.6	1571.4	1606.7	1583.3	1623.2	1644.2	1636.1	1664.4		1638.6	1642.2	1644.3	1665.3	1663.7			
Non-Durable Goods, Real (FRED)--seas Adj	2470.0	2465.8	2477.8	2499.9	2506.3	2510.0	2501.5	2501.0	2504.8	2515.3	2521.6	2531.5		2528.3	2527.0	2542.8	2553.2	2558.6			
<b>Energy</b>																					
US Oil & Gas Rig Count, Mo Avg	654	532	478	437	407	417	449	481	509	544	580	634		683	744	789	853	893	931		
Year/Year change	-61.2%	-60.5%	-56.9%	-55.2%	-54.2%	-51.6%	-48.2%	-45.5%	-40.0%	-31.2%	-23.7%	-11.2%		4.5%	39.8%	65.1%	95.3%	119.2%	123.4%		
Worldwide Crude Production, MM/day	81.35	80.63	80.6	79.81	79.02	79.72	80.38	79.88	80.22	81.26	82.29	81.76		80.75	80.87	79.85					
Oil Price: Refinery Acq Cost, \$/bbl	\$29.99	\$28.53	\$33.82	\$37.71	\$42.88	\$45.96	\$43.26	\$42.70	\$42.73	\$46.85	\$44.06	\$48.66		\$49.99	\$51.24	\$48.65	\$49.47	\$48.53			
<b>Interest Rates &amp; Money</b>																					
Corporate BAA to AAA spread, in bps	145	138	131	117	103	103	94	92	90												
2-yr Treasury Note-month end	0.90%	0.73%	0.88%	0.77%	0.82%	0.73%	0.67%	0.74%	0.77%	0.86%	1.11%	1.20%		1.19%	1.22%	1.27%	1.28%	1.28%	1.38%		
30-yr T-Bond-month end	2.86%	2.62%	2.69%	2.62%	2.63%	2.45%	2.23%	2.26%	2.35%	2.58%	3.02%	3.06%		3.05%	2.97%	3.02%	2.96%	2.87%	2.84%		
2-yr -- 30-yr spread, bps	196	189	181	185	181	172	156	152	158	172	191	186		186	175	175	168	159	146		
<b>Labor Markets</b>																					
Unemployment Rate, total 16+	4.9%	4.9%	5.0%	5.0%	4.7%	4.9%	4.9%	4.9%	4.9%	4.8%	4.6%	4.7%		4.8%	4.7%	4.5%	4.4%	4.3%	4.4%		
Monthly non-Farm Payrolls (in 000s)	+237k	+225k	+153k	+43k	+297k	+252k	+167k	+173k	+135k	+164k	+155k		+216k	+232k	+50k	+207k	+152k	+220k			
<b>Misc Macro</b>																					
Index of Leading Indicators (LEI), mthly chg	-0.2%	0.1%	0.1%	0.5%	-0.2%	0.2%	0.5%	-0.2%	0.3%	0.2%	0.2%	0.6%		0.6%	0.5%	0.4%	0.2%	0.3%			
ISM Non-Manufacturing Index	53.5	53.4	54.5	55.7	53.6	56.1	54.9	51.7	56.6	54.6	56.2	56.6		56.5	57.6	55.2	57.5	56.9	57.4		
<b>Prices &amp; Costs</b>																					
CPI: Core, % chg yr/yr	2.2%	2.3%	2.2%	2.1%	2.2%	2.2%	2.2%	2.3%	2.2%	2.1%	2.1%	2.2%		2.3%	2.2%	2.0%	1.9%	1.7%	1.7%		
<b>PCE Price Index: Core, % chg y/y</b>	<b>1.6%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.8%</b>	<b>1.7%</b>	<b>1.7%</b>		<b>1.8%</b>	<b>1.8%</b>	<b>1.6%</b>	<b>1.5%</b>	<b>1.4%</b>			
<b>Production</b>																					
<b>ISM Total Index--PMI</b>	<b>48.2</b>	<b>49.5</b>	<b>51.8</b>	<b>50.7</b>	<b>51.0</b>	<b>52.8</b>	<b>52.3</b>	<b>49.4</b>	<b>51.7</b>	<b>52.0</b>	<b>53.5</b>	<b>54.5</b>		<b>56.0</b>	<b>57.7</b>	<b>57.2</b>	<b>54.8</b>	<b>54.9</b>	<b>57.8</b>		
Durable Goods Orders, total, Seas Adj m/m	3.7%	-3.3%	2.0%	3.2%	-2.9%	-4.3%	3.6%	0.2%	0.3%	5.0%	-4.7%	-0.9%		2.4%	1.4%	2.4%	-0.8%	-0.8%			
US Industrial Production Index	103.48	103.27	102.53	102.87	102.76	103.12	103.22	103.15	102.99	103.17	102.95	103.77		103.46	103.74	103.86	105.03	105.03	105.16		
Total Year/Year change	-2.0%	-2.1%	-2.4%	-1.7%	-1.5%	-0.8%	-1.2%	-1.3%	-1.2%	-0.8%	-0.4%	0.8%		0.0%	0.5%	1.3%	2.1%	2.2%	2.0%		
<b>Retail Sales</b>																					
Retail & Food Sales, nom % chg y/y (seas Adj)	2.8%	3.6%	1.7%	3.0%	2.2%	2.8%	2.4%	2.2%	3.3%	4.2%	3.9%	4.4%		6.0%	5.1%	4.8%	4.6%	4.1%	2.8%		
R&F Sales, x-Auto, nom % chg y/y (seas Adj)	2.4%	2.6%	2.1%	3.1%	2.6%	3.2%	2.1%	2.1%	3.1%	4.0%	3.9%	3.6%		5.8%	5.5%	4.9%	4.7%	3.8%	2.4%		
<b>Trade &amp; Currencies</b>																					
ISM Export Orders Index (seas adj'd)	47.0	46.5	52.0	52.5	52.5	53.5	52.5	52.5	52.0	52.5	52.0	56.0		54.5	55.0	59.0	59.5	57.5	59.5		
Exports to China, \$B	8.2	8.0	9.0	8.7	8.5	8.8	9.2	9.4	9.6	12.7	12.1	11.6		10.1	9.8	9.6	9.8	10.2			
<b>Transportation</b>																					
Rails: Carloads Origin, in 000s	968.0	979.0	1,196.2	944.3	1,186.8	1,020.8	1,025.4	1,348.0	1,068.6	1,067.0	1,319.0	973.6		996.6	1,044.0	1,283.5	1,023.3	1,286.1	1,066.0		
Rails: Intermodal Origin, in 000s	1,039.6	1,049.1	1,250.9	1,028.5	1,280.8	1,064.2	1,002.4	1,327.3	1,040.9	1,075.8	1,319.2	1,011.9		1,021.1	1,068.4	1,298.2	1,052.0	1,339.4	1,113.6		
Rails: Cars + Intermodal, in 000s	2,008	2,028	2,447	1,973	2,468	2,085	2,028	2,675	2,110	2,143	2,638	1,986		2,018	2,112	2,582	2,075	2,625	2,180		
Total Year/Year change	-7.3%	0.5%	-11.0%	-11.8%	14.3%	-23.1%	-7.9%	-5.7%	-4.8%	-3.2%	1.2%	6.9%		0.5%	4.2%	5.5%	5.2%	6.4%	4.5%		
TTINNSAV Trk Tonnage Index, seas Adj	134.3	142.7	136.6	135.3	139.3	137.1	134.2	140.8	131.9	131.6	142.7	134.9		138.9	138.8	137.4	135.4	144.7	138.5		

Source: American Trucking Assoc.; Assoc. of American Railroads; Census Bureau; Energy Information Administration; Institute for Supply Mgmt; US Fed; US Treasury; US Bureau of Economic Analysis

Blue: metrics and values expressed in terms of % change, negative % change is bright red

Purple: metrics and values expressed as a percentage of a separate metric, Dark Red: index values that indicate contraction (i.e. ISM <50)

**QUARTERLY ECONOMIC STATISTICS—for data points reported monthly, the listed value could be either an average of monthly reads (i.e. rig count) or sum of monthly totals (i.e. railcars).**

Macro Data—QUARTERLY	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
	Q3'14	Q4'14	FY'14	Q1'15	Q2'15	Q3'15	Q4'15	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17E
<b>US Real GDP Growth—Q/Q-seas adj</b>	5.0%	2.3%	2.4%	2.0%	2.6%	2.0%	0.9%	2.6%	0.8%	1.4%	3.5%	2.1%	1.6%	1.4%	
Yr / Yr Change	1.9%	-1.7%	0.7%	3.2%	-1.4%	-3.0%	-1.4%	0.2%	-1.2%	-1.2%	1.5%	1.2%	-1.0%	0.6%	
<b>LAST UPDATE Check: 7/19/2017</b>															
<b>WORLDWIDE NEWS</b>				*CA port closure			*Dec: 1st Fed rate hike		*6/23-- Brexit vote	*TUR coup	*US Prez election	*Dec: 2nd Fed hike		*Mar: 3rd Fed hike	*June: 4th Fed hike
<b>US Real GDP Drivers</b>															
Consumption	2.5%	3.1%		1.6%	1.9%	1.8%	1.5%		1.1%	2.9%	2.0%	2.4%		0.8%	
Government Spending	0.5%	-0.1%		0.5%	0.6%	0.3%	0.2%		0.3%	-0.3%	0.1%	0.0%		-0.2%	
Investment	1.5%	0.5%		1.6%	0.2%	0.4%	-0.4%		-0.6%	-1.3%	0.5%	1.5%		0.6%	
Trade Balance	0.5%	-1.1%		-1.7%	-0.1%	-0.5%	-0.5%		0.0%	0.2%	0.9%	-1.8%		0.2%	
TOTAL	5.0%	2.3%		2.1%	2.6%	2.0%	0.9%		0.8%	1.4%	3.5%	2.1%		1.4%	
<b>Business Spending</b>															
Cap Gds Order, x-A&Def, Seas Adj m/m	4.8%	-0.6%		-2.2%	-3.1%	-4.9%	-2.3%		-4.4%	-4.1%	-3.3%	1.0%		0.1%	0.3%
Industrial Equip, Seas Adj Annual Rt	6.2%	5.5%		1.9%	1.9%	-1.4%	3.8%		2.7%	2.1%	2.9%	1.8%		6.4%	
<b>Consumer Spending</b>															
Durable Goods, Real	7.0%	7.5%		7.3%	5.9%	5.6%	5.3%		4.3%	4.8%	6.1%	7.9%		7.7%	7.0%
Non-Durable Goods, Real	2.2%	2.3%		2.4%	2.6%	3.1%	2.4%		2.3%	3.0%	2.1%	2.6%		2.5%	2.1%
TTM Consumer Bankruptcies, in '000s	935.4	909.8		885.0	854.7	835.2	819.8		808.7	793.9	781.1	770.8		770.9	
Household Debt Service Ratio	9.95%	9.92%		10.02%	9.97%	9.98%	10.00%		10.02%	10.00%	10.01%	10.04%		10.04%	
<b>Energy</b>															
US Oil & Gas Rig Count, Qtrr Avg	1,903	1,911		1,380	909	866	755		554	420	480	586		739	892
Year/Year change	7.6%	8.7%		-22.5%	-50.9%	-54.5%	-60.5%		-59.8%	-53.7%	-44.6%	-22.4%		33.3%	112.3%
Oil Price: Refinery Acq Cost, \$/bbl	\$96.36	\$73.78		\$47.97	\$57.43	\$47.58	\$40.61		\$30.78	\$42.18	\$42.90	\$46.52		\$49.96	\$49.00
<b>Interest Rates &amp; Money</b>															
Corporate BAA to AAA spread, in bps	62	86		93	94	116	143		138	108	92				
2-yr Treasury Note	0.52%	0.54%		0.60%	0.61%	0.69%	0.84%		0.84%	0.77%	0.73%	1.06%		1.23%	1.31%
30-yr T-Bond	3.26%	2.97%		2.55%	2.89%	2.96%	2.96%		2.72%	2.57%	2.28%	2.89%		3.01%	2.89%
2-yr -- 30-yr spread, bps	274	243		195	227	227	212		189	179	155	183		179	158
<b>Labor Markets</b>															
Unemployment Rate, avg	6.1%	5.7%		5.6%	5.4%	5.2%	5.0%		4.9%	4.9%	4.9%	4.7%		4.7%	4.4%
<b>Misc Macro</b>															
IndexLead Indictors, Approx total chg	1.9%	1.3%		0.4%	1.8%	-0.1%	0.7%		0.0%	0.5%	0.6%	1.0%		1.5%	0.5%
ISM Non-Manufacturing Index	57.7	57.5		57.0	56.5	58.2	56.9		53.8	55.1	54.4	55.8		56.4	57.3
<b>Prices &amp; Costs</b>															
CPI: Core, % chg yr/yr	1.8%	1.7%		1.7%	1.8%	1.8%	2.0%		2.2%	2.2%	2.2%	2.1%		2.2%	1.8%
PCE Prc Idx: Core, %chg y/y	1.6%	1.4%		1.3%	1.3%	1.3%	1.4%		1.6%	1.6%	1.7%	1.7%		1.7%	1.5%
<b>Production</b>															
ISM Total Index--PMI	56.5	56.6		53.2	52.6	51.0	48.6		49.8	51.8	51.2	53.3		57.0	55.8
Change in Real Inventories, 2009\$B	66.8	76.9		114.4	93.8	70.9	56.9		40.7	-9.5	7.1	49.6		10.3	
Durable Goods Orders, tot, Seas Adj m/m	1.1%	-1.3%		3.3%	0.0%	-1.6%	0.0%		0.8%	-1.3%	1.4%	-0.2%		2.1%	-0.8%
<b>Retail Sales</b>															
Retail & Food Sales, nom % chg y/y (seas adj)	4.7%	4.4%		2.9%	2.1%	2.3%	2.0%		2.7%	2.7%	2.6%	4.2%		5.3%	3.8%
R&F Sales, x-Auto, nom % chg y/y (seas adj)	4.2%	3.8%		1.6%	1.0%	1.3%	0.9%		2.4%	3.0%	2.4%	3.8%		5.4%	3.6%
<b>Trade &amp; Currencies</b>															
ISM Export Orders Index (seas adj'd)	53.8	52.8		48.5	50.3	47.0	48.7		48.5	52.8	52.3	53.5		56.2	58.8
Exports to China, \$B Qtrly total	28.2	36.9		28.2	27.7	28.1	32.1		25.2	26.0	28.2	36.4		29.5	20.0
<b>Transportation</b>															
Rails: Carloads Origin, in 000s	4,174.1	3,814.9		3,644.9	3,536.8	3,698.3	3,385.9		3,143.3	3,151.9	3,442.0	3,359.6		3,324.1	3,375.4
Rails: Intermodal Origin, in 000s	3,711.5	3,328.5		3,289.7	3,570.5	3,556.2	3,292.5		3,339.6	3,373.4	3,370.6	3,406.9		3,387.7	3,505.0
Rails: Cars + Intermodal, in 000s	7,886	7,143		6,935	7,107	7,255	6,678		6,483	6,525	6,813	6,767		6,712	6,880
Year/Year change	12.5%	-3.3%		8.8%	-2.4%	-8.0%	-6.5%		-6.5%	-8.2%	-6.1%	1.3%		3.5%	5.4%
Trucking Tonnage Index, seas Adj	130.9	132.6		133.4	132.7	133.8	134.1		137.9	137.2	135.6	136.4		138.4	139.5

Source: American Trucking Association; Association of American Railroads; Census Bureau Reports; Energy Information Administration; Institute for Supply Management; US Federal Reserve; US Treasury; US Bureau of Economic Analysis

Blue: metrics and values expressed in terms of % change, negative % change is bright red  
 Purple: metrics and values expressed as a percentage of a separate metric  
 Dark Red: index values that indicate contraction (i.e. ISM <50)

## ECONOMIC COMMENTARY

ISM data indicated expansion (>50) in the US manufacturing sector for a tenth consecutive month in June, with a PMI print of 57.8 marking the data point's highest level since April of 2011. Our view remains that a less tentative business climate prevails as we work through mid-year, despite negligible legislative progress out of Washington thus far during the Trump administration. The yield curve flattened further in June, and has started to gain more widespread media attention, in our view; the 2-yr and 30-yr notes ending last month at 1.38% (+10bps) and 2.84% (from -3bps), respectively. Likely impacting rates last month, the Fed hiked its Fed Funds target rate by 25bps on June 14, to a range of 1.00% to 1.25%.

The US Bureau for Economic Analysis' estimate for Q1'17 US GDP growth was revised higher for a second time in late-June to a final estimate of 1.4%, indicating some slowing of growth versus seasonally adjusted growth of 2.1% in Q4'16. Having said that, grumblings over measurement techniques applicable to first quarters have persisted for a few years now, and we find some solace in the direction of revisions that totaled +70bps across two adjustments. Consumption ultimately percolated a bit as driver in Q1, although Private Investment was nearly as impactful (+0.8% and +0.6% of consolidated 1.4%, respectively).

Incremental inflation data over the past few weeks remains benign, with the PCE Price index (ex-food & energy) measuring 1.4% for May. Core-CPI for June at 1.7% keeps the metric at its lowest read since May 2015. June payrolls data of +220,000 is strong, in our view, particularly with May and April seeing upward revisions. The unemployment was 4.4% in May, up 10bps on gains in the labor force.

Our holistic view of the US economy and equity markets is unchanged this month, but is in line with some revisions we made in June. We attribute little of the strong YTD equity market to optimism surrounding the Trump agenda, but do believe a real sense of relief amongst the business community and some element of 'pent up demand for investment' is aiding the US economy in the absence of a go-go consumer. The important distinction for stocks is that we do not necessarily see political disappoint as a major tactical risk. A flattening yield curve and declining oil prices are not necessarily constructive harbingers, in our view, although the supply conversation in oil somewhat limits its predictive value for us.

## CURRENCY PRICE COMMENTARY

Now through June 30, we calculate the US Dollar Index (DXY) was 4.1% stronger, on average, yr/yr during Q2'17, which is the largest spread since averaging +11.6% in Q4'15. Having said that, this is partially due to a difficult comparison last year and is not necessarily indicative of more recent trends, which saw the greenback soften through most of June. DXY strength was skewed a bit by GBP/USD (dollar stronger by 11.1%), with the USD stronger in the quarter against the Euro, Swiss Franc and Japanese Yen by just 2.6%, 1.5% and 2.6%, respectively. As noted, the USD has mostly weakened recently with DXY trading sub-95.

The Brexit vote from last year anniversaried in late-June, which makes all comparisons moving forward much less impacted by the immediate shock; many of the conversations at this point draw comparisons from the post-Trump rally in the USD that carried through about New Year 2017. Projecting current prices forward, we see the potential for dollar weakness to be a tailwind to revenue over each of the next four quarters, but with Q4'17 and Q1'18 positioned to be the most (positively) impacted.

From an equity investing perspective, our view toward forex concerns remains constructive, after pivoting that way in June. Though starting from a peak, the USD has more/less sustained weakness across most of this year, and we believe global monetary policies and the US legislative environment remain conducive to further softening. FX impact remains poised to be constructive once we move past Q2 earnings season.

We do not assume 'mean reversion' in FX, either thematically, or in modeling individual company revenue.

**GLOSSARY**

**Australian Dollar (AUD):** Australian unit of currency

**Canadian Dollar (CAD, C\$):** Canadian unit of currency

**Cap Ex:** capital expenditures; business investment in long-lived assets

**Capital Goods Spending [economic data point]:** attempts to quantify underlying demand for investment; used as an indicator for equipment spending in the National Accounts. Metric could exclude the most volatile components (aircraft and defense) and transportation (vehicles).

**Chinese Yuan (CNY, C¥):** Chinese unit of currency

**Conglomerate:** large corporation with numerous businesses across multiple industries

**CPI:** acronym for consumer price index, which is a gauge of inflation that measures prices paid by consumers.

**CPI Core [economic data point]:** measure of consumer inflation that is adjusted to exclude the impacts of food and energy prices, two of CPI's most volatile components. This metric is typically stated as a seasonally adjusted figure, expressed in terms of percentage change year-over-year.

**DoE:** US Department of Energy

**Durable Goods:** term to indicate long-lived goods such as: motor vehicles, furniture, consumer electronics, sporting equipment, jewelry, and books.

**Durable Goods Orders [economic data point]:** dollar amount of orders received by US manufacturers for long-lived goods; these data represent demand for capital goods and durable consumer items, but exclude US demand sourced overseas that appears as imports. Exports are included in the survey, which can make the data point difficult to interpret in times of volatile currency prices; similarly, monthly data can be volatile and moving averages are commonly cited. Durable Goods Orders is a metric often used as a leading indicator for production and demand components in GDP, such as capital spending.

**DXY:** U.S. Dollar Index, sometimes pronounced 'dixie.' An index of USD value measured relative to a weighted basket of currencies including: Euro, Yen, Pound, CAD, Swedish Krona, and Swiss Franc.

**ETF:** exchange traded fund, a pooled investment product that trades on an exchange, offering transparent pricing and intraday liquidity. Most ETFs are passively managed and track an index.

**Euro (€):** European Monetary Union unit of currency

**FX:** foreign currency exchange

**GBP (£):** (Great British Pound) UK's unit of currency

**GDP:** Gross Domestic Product, a measure of all goods and services produced by a nation's economy, less goods and services consumed in production. Components include: Consumption, Government Spending, Business Investment, and Net Exports.

**Household Debt Service Ratio [economic data point]:** household payments for both mortgage and consumer debt expressed as a percentage of disposable personal income. Metric can indicate the health of consumer balance sheets.

**Index of Leading Indicators [economic data point]:** an index derived via a weighted set of 10 financial and economic variables designed to predict the near-term future direction of the economy. The components are, casually: 1. weekly manufacturing hours; 2. initial unemployment claims, 3. manufacturer new orders for consumer goods, 4. Vendor performance, 5. manufacturer new orders for non-defense capital goods, 6. new housing permits, 7. S&P 500 price, 8. M2 money supply, 9. interest rate spread, 10yr T-bonds less fed funds, 10. consumer expectations.

**Indian Rupee (₹):** Indian unit of currency

**Industrial Equipment Spending [economic data point]:** capital spending on industrial equipment such as: fabricated metal products, engines, metalworking machinery, and electrical transmission apparatus. This metric is typically stated as a seasonally adjusted figure, expressed in terms of percentage change year-over-year.

**ISM Export Orders Index [economic data point]:** an index of new export orders; values greater than 50 usually indicate export expansion. This metric is seasonally adjusted.

**ISM Non-Manufacturing Index [economic data point]:** an index measuring the growth of non-manufacturing industries. The base value=50

**ISM Total Index (Purchasing Managers Index or PMI) [economic data point]:** an index that attempts to show the health of the manufacturing sector. The measure consists of a weighted average of production orders, inventories, supplier delivery times, and employment plans. Values greater than 50 usually indicate business expansion. The data is seasonally adjusted.

**Japanese Yen (JPY, ¥):** Japanese unit of currency

**Korean Won (₩):** Korean unit of currency

**Lira (₺):** Turkish unit of currency

**Nominal:** unadjusted for inflation; indicates actual observable figures (i.e. nominal interest rate)

**Non-Durable Goods Spending [economic data point]:** consumer expenditures on items such as: food, beverages, clothes, shoes, gas, tobacco, toiletries, and drugs.

**PCE Price Index Core [economic data point]:** an index measuring the prices paid for domestic purchases of goods and services, excluding food and energy. It is calculated from real and nominal personal consumption expenditures. PCE is the Federal Reserve's favored measure of inflation; PCE is a broader measure of consumer prices than the CPI.

**Peso (₱):** Mexican unit of currency

**PPI:** acronym for producer price index, which is a gauge of inflation that measures prices received by producers of good and service.

**PPI Core [economic data point]:** measure of producer inflation that is adjusted to exclude the impacts of food and energy prices, two of CPI’s most volatile components. PPI measures the average change in price at all stages of production. This metric is typically stated as a seasonally adjusted figure, expressed in terms of percentage change year-over-year.

**Rail Total Carloads [economic data point]:** total carloads “**Originated**” measures (raw commodities, agricultural products, and nonmetallic minerals and products); “**Intermodal**” includes a wider range of goods including finished consumer products. Both measures are presented in nominal terms.

**real:** adjusted to neutralize the impact of inflation (i.e. real GDP)

**Real (R\$):** Brazilian unit of currency

**Retail Sales [economic data point]:** this measure represents sales by retail establishments that primarily sell goods. Automotive is typically about a fourth of the total, and is often separated out; because of small sample size data are subject to significant revisions which are sometimes more important than figures for the current month. The data is presented monthly, typically as a nominal percentage change yr/yr and seasonally adjusted.

**Ruble (₽):** Russian unit of currency

**Refinery Oil Acquisition Cost [economic data point]:** weighted average of domestic import crude oil costs, including transportation and other fees paid by the refiner. The metric is presented in dollars per barrel.

**Seasonally Adjusted:** refers to a statistical technique that measures and removes the influences of predictable seasonal patterns. Functionally, this allows year-over-year changes to be examined on a sequential basis.

**South African Rand (R):** South African unit of currency

**Swiss Franc (CHF):** Swiss unit of currency

**Trucking Tonnage (TTINNSAV) [economic data point]:** The tonnage of goods shipped by truck.

**Unemployment Rate [economic data point]:** percentage of the civilian labor force who are actively seeking jobs. The figure is usually seasonally adjusted.

**Upstream:** portion of the oil & gas industry focused on exploration and production of crude products (also known as E&P)

**YTD:** year-to-date

**\*\*Adjective Scale Used in Text\*\***

Least Intense:	Negligible/Immaterial
	Slight
	Mild/ Minor
	Modest
	Moderate
Most Intense:	Major/Severe

**RECENTLY PUBLISHED RESEARCH** (listed chronologically)

*Industrials Monthly* 7/20/17: July Sector Update.

*Multi-Color Corp.* (LABL - \$79.25, Neutral) 7/17/17: Major Acquisition of Constantia Flexibles Planned; Adjusting Model and Reiterating Neutral.

*3M Company* (MMM - \$212.10, Neutral) 6/28/17: General Update; Estimates Edge Higher but Reiterating Neutral Rating.

*Industrials Monthly* 6/21/17: June Sector Update.

*Multi-Color Corp.* (LABL - \$79.25, Neutral) 5/30/17: Strong Fiscal Q4'17; Reiterating Neutral Rating.

*Industrials Monthly* 5/18/17: May Sector Update.

*Hillenbrand, Inc.* (HI - \$36.45, Neutral) 5/4/17: Strong Q2'17 Results from HI; Reiterating Neutral Rating.

*Aegion Corp.* (AEGN - \$23.98, Neutral) 5/3/17: In Line Q1'17 Gets AEGN Off to Positive Start in 2017.

*Aegion Corp.* (AEGN - \$23.98, Neutral) 5/1/17: Downgrading to Neutral on Lower Estimates, Waning Catalysts.

*Franklin Electric Co., Inc.* (FELE - \$42.65, Neutral) 5/1/17: Addendum to Q1 Update; Clarifying Potential Headwater Contribution.

*Franklin Electric Co., Inc.* (FELE - \$42.65, Neutral) 4/28/17: Disappointing Q1'17 for FELE, but with Qualifiers.

*Leggett & Platt* (LEG - \$52.59, Neutral) 4/28/17: Q1'17 Results from LEG; Reiterating Neutral Rating.

*3M Company* (MMM - \$212.10, Neutral) 4/25/17: Q1'17 Results from MMM; Reiterating Neutral Rating.

*3M Company* (MMM - \$212.10, Neutral) 3/16/17: \$2B Agreement to Acquire Scott Safety.

*Additional information is available upon request.*

*Prices and all price sensitive data as of Wednesday, July 19, 2017, close*



**Analyst Certification**

I, Spencer E. Joyce, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

**Important Disclosures**

Hilliard Lyons’ analysts receive bonus compensation based on Hilliard Lyons’ profitability. They do not receive direct payments from investment banking activity.

**Definitions of Ratings:** **Buy** - We believe the stock has significant total return potential in the coming 12 months. **Long-term Buy** - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years. **Neutral** - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise. **Underperform** - We believe the stock is vulnerable to a price decline in the next 12 months.

**Definitions of Suitabilities:** **1** - A large cap, core holding with a solid history. **2** - A historically secure company that could be cyclical, have a shorter history than a "1" or is subject to event driven setbacks. **3** - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage. **4** - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base.

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
<b>Rating</b>				
<b>Buy</b>	36	29%	14%	86%
<b>Hold/Neutral</b>	79	63%	5%	95%
<b>Sell</b>	10	8%	0%	100%

*As of 7 July 2017*

**Other Disclosures**

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

J.J.B. Hilliard, W.L. Lyons, LLC is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as placement agent in private transactions.

The information herein has been obtained from sources we believe to be reliable but is not guaranteed and does not purport to be a complete statement of all material factors. This is for informational purposes and is not a solicitation of orders to purchase or sell securities. Reproduction is forbidden unless authorized. All rights reserved.