



Industrials Monthly

Sector Update

August 2017

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

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Industrials Sector

PRICE PERFORMANCE

July brought a bit of a slowdown for the Industrials sector compared to much of 1H'17, as measured by the Industrial Select Sector SPDR ETF (XLI). The XLI advanced 0.29% last month versus an S&P 500 rally of 1.93%; the iShares Russell 2000 (small cap) Index Fund (IWM) eked out a 0.42% gain. 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.

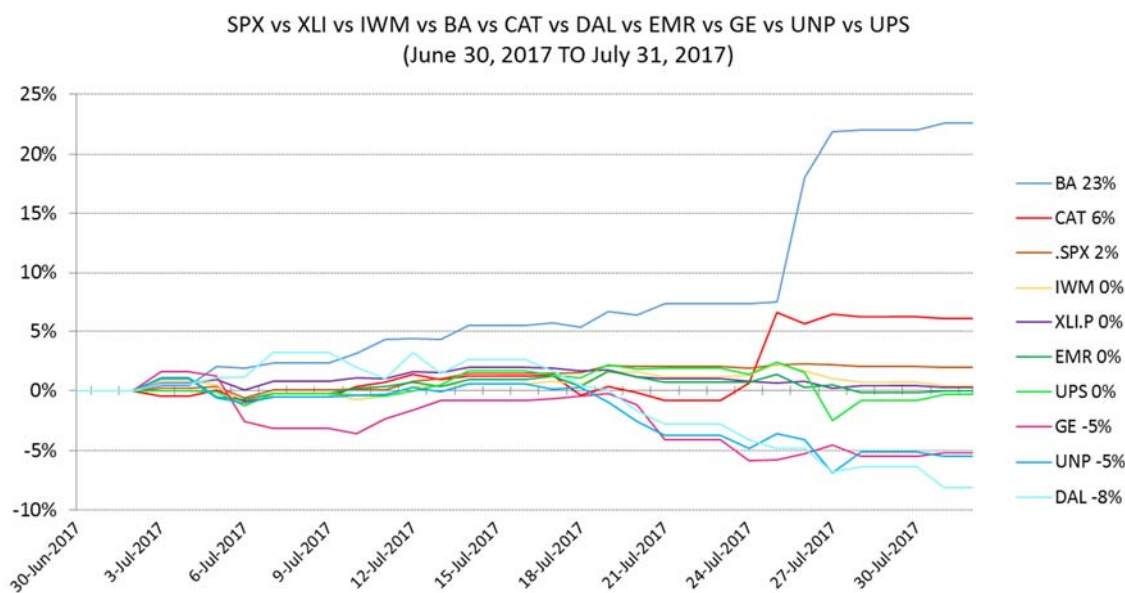
Performance for our coverage was disappointing last month, five of our six names declined in July alongside a flattish sector (**Exhibit 2**). Leggett & Platt Inc. (LEG) was our weakest name, softening ahead of earnings; Aegion Corp (AEGN) was our top stock for a second straight month, although AEGN has given back much of its recent rally in August.

YTD through 8/23, the S&P 500 has outperformed the XLI by ~90bps, with the sector giving back its early-year outperformance across the past couple of months. Both the Industrials sector and large-caps have outpaced SMID-caps, with YTD performance from our names following this general trend (**Exhibit 3**).

Past performance is no guarantee of future results.

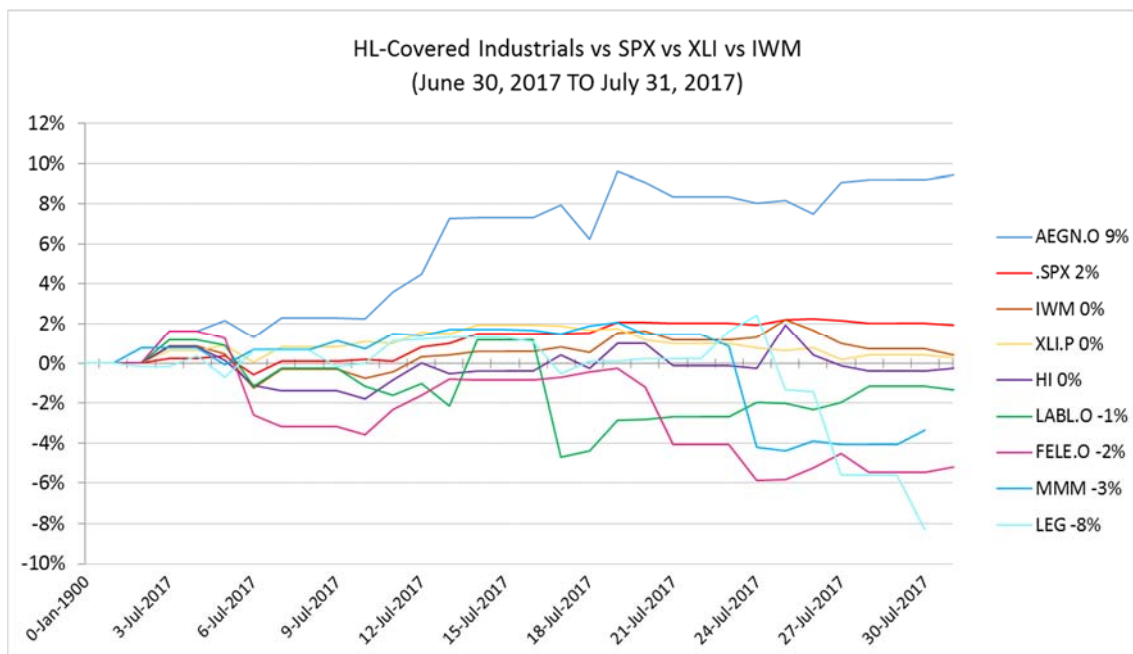
Since our prior *Industrials Monthly* we have been quite active, publishing on each of our companies at least once as we worked through earnings season. We upgraded LEG to Long-term Buy just ahead of earnings, and reiterated that stance after digesting Q2 results; we assign shares a 2-yr \$66 price target. Outside of LEG, our coverage group remains Neutral-rated: AEGN, FELE, HI, LABL and MMM.

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



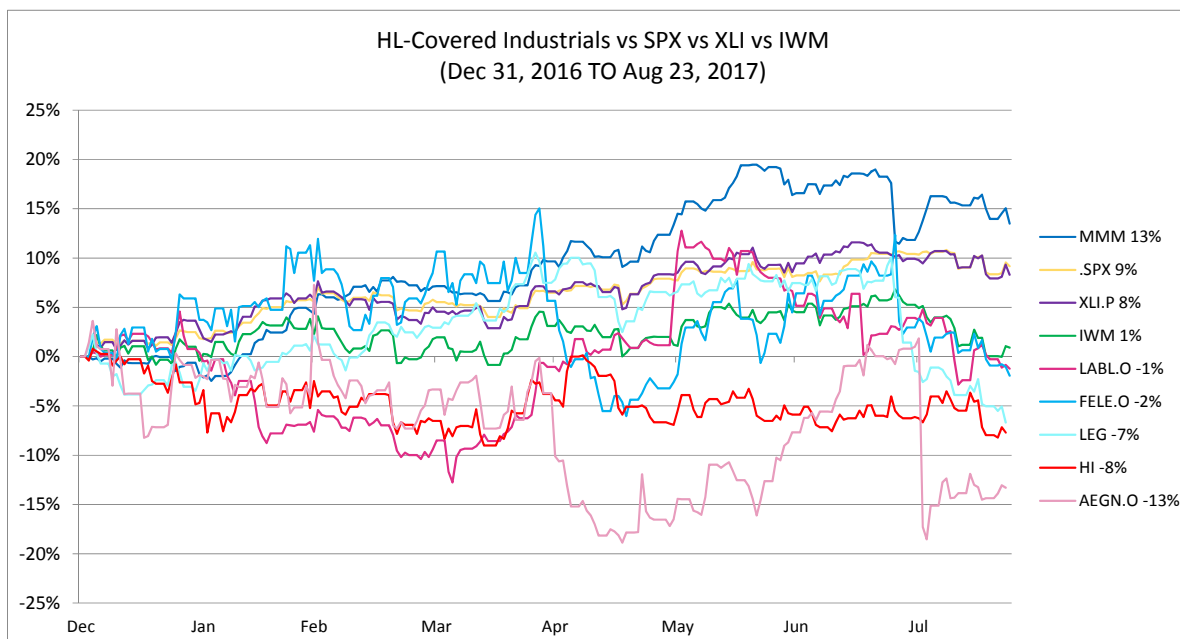
Source: Thomson Reuters SPX-S&P 500 Index; XLI-Industrials sector ETF; IWM-Russell 2k Index ETF; BA-Boeing; CAT-Caterpillar; DAL-Delta; EMR-Emerson; GE-General Electric; UNP-Union Pacific; UPS-United Parcel *Note: It is not possible to invest directly in an index*

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; 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; LEG-Leggett & Platt; MMM-3M Company *Note: It is not possible to invest directly in an index*

SECTOR COMMENTARY AND OUTLOOK

After outperforming the broader market in five of the first six months of 2017, the Industrials sector posted fairly sharp underperformance in July, albeit a still-positive move. As measured by the XLI, the sector advanced 0.29%, which trailed the 1.93% rally for the S&P 500. Although not necessarily correlated with each other, performance for small-cap stocks was about in line with the Industrials sector to open Q3, with the Russell 2000 small-cap index higher by 0.42%. Thus far in August, the XLI has shed 1.35%.

We see recent moves in the XLI as perhaps indicative of a negative Beta trade with some volatility returning to the market in August. In our view, the recently-completed Q2 earnings season was fine for the sector, but from our vantage point, the reporting cycle certainly did not present any major holistic catalysts as we progress through the dog days of summer. The macro more/less remains constructive in our view, particularly with accelerating USD weakness and base commodities (i.e. copper) somewhat stealthily strengthening. As it pertains to Industrials, we are not necessarily concerned with continued gridlock in D.C., with the caveat that disbanding of Trumps CEO councils *could* mark a pivot in business confidence.

June 30 marked quarter-end for each of our 6 covered Industrials, with the group subsequently reporting results over the late-July/early-August timeframe. The final beat/meet/miss tally for EPS versus consensus expectations totaled 3/0/3; the broader sector fared a bit better, with 77% of S&P Industrials components beating profit expectations and 68% beating sales expectations. As we had anticipated, more 'industrious' segment seemed to post better results (i.e. HI's Process Equipment Group) relative to consumer-oriented segments (i.e. LEG's Bedding Group).

FY 2017 EPS expectations for our 31-company composite group total \$200.02, which is up by about \$3 over the past month; this is the first time consolidated profits per share for 2017 are expected to be \$200+ since May of 2016. Current expectations suggest yr/yr growth in 2017 of 8.7%, after earnings declined by 1.5% in 2016. FY 2018 expectations indicate yr/yr growth of 10.6% for our composite.

After pivoting away from favoring US-centric companies late in the first quarter, we make another incremental shift toward multi-nationals midway through Q3. We still favor the most resilient growth companies above all else, geography agnostic, but maintain our view that a weaker dollar seems an increasingly likely catalyst for positive earnings revisions. 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 first *Industrials Monthly* issues in early-2016.

We are reiterating our Marketweight allocation recommendation for the Industrials sector as we trade into August. Thematically we still like several items, including the prior-noted weak dollar and firming commodities, along with what we view as good recent US economic data. Having said that, our skepticism regarding sentiment (possibly too bullish) on the cusp of earnings season proved shrewd last month, and we are disinclined to take a more aggressive approach during what can be a tricky late-summer/early-fall period in the market. Our composite group is currently trading at average multiples of 20.9x/18.9x/17.0x based on 2016/2017E/2018E EPS, after m/m compression of 0.3x-to-0.6x.

Leggett & Platt is our current top pick in the Industrials sector, with the durables stalwart leaking lower in the aftermath of a somewhat disappointing Q2 report. Bedding trends were weak in Q2, but management cited reacceleration already playing out in July, and we expect to see better pricing across the company in 2H'17 as the lag in passing along raw steel costs begins to expire. We believe LEG's long-term competitive positioning is both strong and effectively unchanged, and we identify a compelling longer-term risk reward at current levels. Additionally, we like Leggett as one of our top income ideas in the Industrials sector, with shares currently yielding over 3%. Our two-year \$66 price target suggests total return potential of ~51% over our investment timeframe.

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.

3M Company (MMM - \$202.67, Neutral) 8/14/17—MMM announced that Amy E. Hood, EVP and CFO of Microsoft Corp. (MSFT—\$72.72, Neutral) was elected to 3M's Board of Directors, effective August 13. She will serve on 3M's finance committee.

Aegion Corp (AEGN - \$20.55, Neutral) 8/1/17—Aegion announced a new round of restructuring initiatives, which qualitatively, will refocus the company toward its strongest competencies in water/sewer pipe rehabilitation and midstream offerings to the energy complex. AEGN will divest its Bayou business in Louisiana, eliminating the potential for similar Appomattox-like projects in the future.

Leggett & Platt (LEG - \$45.62, Long-term Buy, \$66 TP) 7/28/17—LEG adjusted FY 2017 EPS guidance to a range of \$2.55-\$2.65, a cut of a dime to the top end.

3M Company (MMM - \$202.67, Neutral) 7/25/17—3M Company adjusted FY 2017 GAAP EPS guidance to a range of \$8.80-\$9.05, a raise of a dime to the low end.

Multi-Color Corp. (LABL - \$76.65, Neutral) 7/17/17—S&P rating agency placed LABL on credit watch 'Negative' from 'Stable'; Rating 'BB-'.

Multi-Color Corp. (LABL - \$76.65, Neutral) 7/17/17—LABL announced signing of a definitive agreement to acquire the Labels Division of Constantia Flexibles 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 - \$202.67, 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.

3M Company (MMM - \$202.67, 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 - \$202.67, Neutral) 6/7/17—MMM held an investor day event in Germany.

HL INDUSTRIALS COVERAGE COMP SHEET—HL Estimates

		Actual // Estimate																		
Company	Ticker	Price 23-Aug-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	\$ 20.55	--	Neutral	1,253.2	678.4	1.2x	37%	\$1.11	<u>\$1.24</u>	<u>\$1.33</u>	18.6x	16.6x	15.5x	16.7x	-4.7%	7.7x	NULL	8%	260,359
Franklin Electric	FELE	\$ 38.15	--	Neutral	1,004.9	1,773.6	2.6x	19%	\$1.66	<u>\$1.89</u>	<u>\$2.17</u>	23.0x	20.2x	17.6x	22.0x	-1.2%	13.7x	1.13%	14%	144,645
Hillenbrand	HI	\$ 35.40	--	Neutral	1,551.1	2,231.2	3.2x	47%	\$2.00	<u>\$2.08</u>	<u>\$2.24</u>	17.7x	17.0x	15.8x	15.1x	2.3%	10.0x	2.32%	19%	236,449
3M Company	MMM	\$ 202.67	--	Neutral	30,533.0	120,946.8	10.4x	49%	\$8.16	<u>\$8.63</u>	<u>\$9.08</u>	24.8x	23.5x	22.3x	19.9x	6.7%	15.0x	2.32%	46%	1,804,873
Leggett & Platt	LEG	\$ 45.62	\$ 66	LTB	3,802.2	6,034.9	5.4x	46%	\$2.49	<u>\$2.61</u>	<u>\$2.84</u>	18.3x	17.5x	16.1x	20.1x	17.4%	12.1x	3.16%	32%	955,861
Multi-Color Corp.	LABL	\$ 76.65	--	Neutral	923.3	1,306.5	3.2x	56%	\$3.22	\$3.61	<u>\$2.91</u>	23.8x	21.2x	26.3x	18.0x	19.0%	11.3x	0.26%	16%	93,112
Averages:							4.3x	42.4%				21.0x	19.3x	18.9x	18.6x	6.58%	11.6x	1.8%		

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 23-Aug-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	\$ 20.55	1,253.2	678.4	1.2x	37.0%	\$1.10	<u>\$1.18</u>	<u>\$1.31</u>	18.7x	17.4x	15.6x	16.7x	-4.7%	7.7x	NULL		3.1%	260,359	
Franklin Electric	FELE	\$ 38.15	1,004.9	1,773.6	2.6x	19.3%	\$1.66	<u>\$1.92</u>	<u>\$2.12</u>	23.0x	19.8x	18.0x	22.0x	-1.2%	13.7x	1.1%	21.5%	1.3%	144,645	
Hillenbrand	HI	\$ 35.40	1,551.1	2,231.2	3.2x	47.5%	\$2.01	<u>\$2.07</u>	<u>\$2.26</u>	17.6x	17.1x	15.6x	15.1x	2.3%	10.0x	2.3%	41.9%	2.1%	236,449	
3M Company	MMM	\$ 202.67	30,533.0	120,946.8	10.4x	48.7%	\$8.16	<u>\$8.94</u>	<u>\$9.44</u>	24.8x	22.7x	21.5x	19.9x	6.7%	15.0x	2.3%	50.9%	1.3%	1,804,873	
Leggett & Platt	LEG	\$ 45.62	3,802.2	6,034.9	5.4x	46.2%	\$2.49	<u>\$2.60</u>	<u>\$2.84</u>	18.3x	17.6x	16.1x	20.1x	17.4%	12.1x	3.2%	54.0%	4.7%	955,861	
Multi-Color Corp	LABL	\$ 76.65	923.3	1,306.5	3.2x	55.5%	\$3.22	\$3.61	<u>\$3.98</u>	23.8x	21.2x	19.2x	18.0x	19.0%	11.3x	0.3%	5.7%	3.6%	93,112	

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 23-Aug-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
Aero & Defense																			
Boeing	BA	\$ 238.09	90,899.0	140,731.0	nm	88.4%	\$7.24	<u>\$9.99</u>	<u>\$10.71</u>	32.9x	23.8x	22.2x	17.9x	1%	13.1x	2.4%	46.2%	1.8%	4,155,997
General Dynamics	GD	\$ 199.75	31,080.0	59,817.5	5.5x	21.1%	\$9.87	<u>\$9.81</u>	<u>\$10.55</u>	20.2x	20.4x	18.9x	15.0x	12.0%	13.1x	1.7%	30.5%	0.7%	1,283,308
Lockheed Martin	LMT	\$ 302.84	49,045.0	87,215.2	68.9x	89.9%	\$12.42	<u>\$12.64</u>	<u>\$14.18</u>	24.4x	24.0x	21.4x	16.7x	9.0%	14.5x	2.4%	55.4%	0.8%	1,061,962
Northrup Grumman	NOC	\$ 270.77	25,194.0	47,139.5	8.0x	57.3%	\$12.19	<u>\$12.55</u>	<u>\$13.55</u>	22.2x	21.6x	20.0x	15.2x	13.4%	13.7x	1.5%	28.1%	0.9%	663,105
Raytheon	RTN	\$ 178.19	24,552.0	51,719.5	4.8x	33.5%	\$7.44	<u>\$7.59</u>	<u>\$8.52</u>	24.0x	23.5x	20.9x	16.2x	7.7%	14.3x	1.8%	41.3%	0.8%	1,385,382
Rails																			
CSX	CSX	\$ 48.87	11,549.0	44,633.6	3.9x	47.7%	\$1.81	<u>\$2.30</u>	<u>\$2.73</u>	27.0x	21.2x	17.9x	16.1x	-0.4%	10.8x	1.6%	38.6%	2.1%	8,790,533
Norfolk Southern	NSC	\$ 118.94	10,226.0	34,276.3	2.7x	42.3%	\$5.62	<u>\$6.32</u>	<u>\$7.01</u>	21.2x	18.8x	17.0x	15.9x	-1.3%	10.2x	2.1%	39.0%	1.1%	1,852,127
Union Pacific	UNP	\$ 105.04	20,724.0	84,072.4	4.3x	40.8%	\$5.07	<u>\$5.79</u>	<u>\$6.46</u>	20.7x	18.1x	16.3x	17.8x	2.5%	10.0x	2.3%	41.7%	0.9%	3,671,645
Airlines																			
American Airlines	AAL	\$ 43.97	41,112.0	21,413.8	5.8x	79.9%	\$5.71	<u>\$5.10</u>	<u>\$5.70</u>	7.7x	8.6x	7.7x	7.0x	25.2%	5.5x	0.9%	9.8%	7.5%	5,173,681
Delta Airlines	DAL	\$ 46.18	39,880.0	33,990.4	2.5x	31.6%	\$5.32	<u>\$5.42</u>	<u>\$6.05</u>	8.7x	8.5x	7.6x	9.5x	19.2%	4.9x	2.6%	16.0%	2.4%	7,501,958
United Continental	UAL	\$ 62.83	37,385.0	19,114.5	2.2x	52.7%	\$8.65	<u>\$7.79</u>	<u>\$8.75</u>	7.3x	8.1x	7.2x	12.0x	45.0%	4.3x	NULL		4.4%	4,246,921
Southwest Airlines	LUV	\$ 51.72	20,841.0	30,957.8	3.6x	24.6%	\$3.75	<u>\$3.80</u>	<u>\$4.71</u>	13.8x	13.6x	11.0x	15.8x	49.6%	6.6x	1.0%	12.9%	1.1%	5,501,873
Shipping, Air/Ground																			
C.H. Robinson	CHRW	\$ 67.09	13,895.9	9,418.5	7.1x	19.4%	\$3.59	<u>\$3.31</u>	<u>\$3.59</u>	18.7x	20.3x	18.7x	21.2x	10.6%	12.2x	2.7%	52.1%	13.6%	1,974,354
Fed Ex	FDX	\$ 207.07	60,319.0	55,548.4	3.5x	48.1%	\$10.80	\$12.30	<u>\$13.56</u>	19.2x	16.8x	15.3x	17.6x		7.9x	1.0%	16.3%	1.7%	1,251,550
J.B. Hunt	JBHT	\$ 97.09	6,767.8	10,625.1	7.5x	41.1%	\$3.81	<u>\$3.88</u>	<u>\$4.43</u>	25.5x	25.1x	21.9x	24.2x	9.1%	10.9x	0.9%	23.4%	2.8%	973,712
UPS	UPS	\$ 113.55	62,924.0	98,330.7	nm	75.1%	\$5.75	<u>\$6.01</u>	<u>\$6.48</u>	19.7x	18.9x	17.5x	19.5x	8.0%	14.3x	2.9%	78.9%	1.0%	2,522,506
Machinery																			
Caterpillar	CAT	\$ 114.75	39,887.0	67,814.1	4.8x	45.6%	\$3.42	<u>\$5.24</u>	<u>\$6.56</u>	33.6x	21.9x	17.5x	16.9x	-16.1%	14.0x	2.7%	91.2%	2.9%	3,812,507
Cummins	CMI	\$ 152.38	NULL	25,542.0	3.4x	17.4%	\$8.23	<u>\$9.87</u>	<u>\$10.85</u>	18.5x	15.4x	14.0x	14.9x	3.1%	11.7x	2.8%	46.2%	2.0%	1,471,791
Deere	DE	\$ 116.45	27,156.2	37,247.9	4.3x	56.2%	\$4.81	<u>\$6.48</u>	<u>\$7.22</u>	24.2x	18.0x	16.1x	13.3x	-19.1%	12.8x	2.1%	39.8%	4.0%	2,434,134
Paccar	PCAR	\$ 64.01	17,261.8	22,491.6	3.0x	55.6%	\$3.85	<u>\$3.99</u>	<u>\$4.40</u>	16.6x	16.0x	14.6x	15.1x	5.3%	9.5x	1.6%	41.8%	2.1%	1,641,363
Electric Components																			
Eaton	ETN	\$ 71.21	NULL	31,852.2	2.0x	28.9%	\$4.21	<u>\$4.61</u>	<u>\$5.10</u>	16.9x	15.4x	14.0x	15.3x	0.6%	11.4x	3.4%	53.4%	1.6%	2,792,685
Emerson Electric	EMR	\$ 58.43		37,396.3	4.7x	28.4%	\$2.98	<u>\$2.61</u>	<u>\$2.91</u>	19.6x	22.4x	20.1x	17.2x	-5.6%	13.0x	3.3%	64.4%	1.9%	2,523,527
Rockwell Automation	ROK	\$ 160.01	6,182.4	20,538.8	9.4x	38.3%	\$5.93	<u>\$6.75</u>	<u>\$7.30</u>	27.0x	23.7x	21.9x	18.7x	1.3%	15.9x	1.9%	47.9%	1.9%	690,515
United Technologies	UTX	\$ 117.03	58,108.0	93,480.4	3.3x	40.7%	\$6.61	<u>\$6.58</u>	<u>\$7.00</u>	17.7x	17.8x	16.7x	16.6x	2.1%	10.6x	2.4%	40.0%	0.7%	2,725,461
Conglomerates																			
Danaher	DHR	\$ 81.82	17,432.2	56,839.5	2.3x	27.4%	\$3.61	<u>\$3.95</u>	<u>\$4.29</u>	22.7x	20.7x	19.1x	16.7x	1.8%	17.6x	0.7%	17.4%	0.6%	3,173,071
General Electric	GE	\$ 24.39	119,572.0	211,167.3	2.8x	48.7%	\$1.49	<u>\$1.57</u>	<u>\$1.70</u>	16.4x	15.6x	14.4x	17.7x	-3.1%	16.6x	3.9%	106.5%	1.3%	33,970,293
Honeywell	HON	\$ 136.41	39,359.0	103,749.2	5.1x	34.5%	\$6.60	<u>\$7.09</u>	<u>\$7.76</u>	20.7x	19.2x	17.6x	17.3x	9.9%	12.8x	2.0%	39.6%	1.0%	2,611,472
3M Corp	MMM	\$ 202.67	30,533.0	120,946.8	10.4x	48.7%	\$8.16	<u>\$8.94</u>	<u>\$9.44</u>	24.8x	22.7x	21.5x	19.9x	6.7%	15.0x	2.3%	50.9%	1.3%	1,804,873
Parker Hannifin	PH	\$ 157.56	11,490.2	20,984.4	4.0x	43.7%	\$6.46	\$8.11	<u>\$9.08</u>	24.4x	19.4x	17.4x	17.1x		14.0x	1.7%	35.0%	2.0%	953,598
Other																			
Illinois Tool Works	ITW	\$ 136.48	13,964.0	46,969.5	9.8x	59.4%	\$5.64	<u>\$6.46</u>	<u>\$7.09</u>	24.2x	21.1x	19.3x	19.2x	15.8%	14.3x	2.3%	40.2%	1.8%	1,301,489
Waste Management	WM	\$ 76.03	14,125.0	33,455.9	6.1x	60.8%	\$2.91	<u>\$3.19</u>	<u>\$3.50</u>	26.1x	23.8x	21.7x	20.4x	10.6%	11.0x	2.2%	42.4%	1.0%	1,535,614
Averages: [BA thru WM]					7.1x	46.0%				20.9x	18.9x	17.0x	16.6x	7.7%	11.8x	2.1%	42.9%	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				
Dollar Index (DXY)	76.51	80.58	81.44	82.55	96.26	97.41	94.48	95.78	99.87	96.88	100.76	98.39	94.26	93.22					
\$ 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%	-1.5%	-6.7%					
LAST UPDATE: 8/23/2017															Q3 Avg	spot @ 8/23			
Developed Region FX																			
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%	\$ 1.164 4.3%	\$ 1.180 9.5%					
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 1.268 -2.8%	CAD 1.256 -5.9%					
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%	\$ 0.785 3.5%	\$ 0.789 5.3%					
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%	\$ 1.299 -1.1%	\$ 1.278 2.9%					
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 0.963 -1.2%	CHF 0.966 -3.6%					
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%	¥ 111.30 8.7%	¥ 109.14 -0.4%					
non-Developed/Emerging FX																			
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%	\$ 0.31426 2.0%	\$ 0.31739 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%	\$ 0.07569 6.4%	\$ 0.07582 5.5%					
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%	\$ 0.0561 5.2%	\$ 0.0565 12.2%					
Average ISPr in S.Korea Won₩ (\$ 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%	₩ 1,133.7 1.2%	₩ 1,129.7 -2.7%					
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%	3.542 TL 19.4%	3.480 TL 5.3%					
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 64.1 -5.0%					
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%	¥ 6.729 0.9%	¥ 6.657 -2.8%					
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 59.67 -7.6%	RUB 59.09 -6.2%					

Sources: Bloomberg, Thomson Reuters, Hilliard Lyons calculations

MONTHLY ECONOMIC STATISTICS

Macro Data--MONTHLY	Q1		Q2			Q3			Q4			2016			Q1				
	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	Jul '17
LAST UPDATE Check: 8/23/2017																			
Business Spending																			
Cap Gds Orders, x-A&Def, Seas Adj m/m	-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%	0.7%	-0.1%	
Durable Goods Orders, total, Seas Adj m/m	-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%	-0.1%	6.5%	
Consumer Spending																			
Durable Goods, Real (FRED)--seas Adj	1528.9	1527	1555.9	1555.6	1571.4	1606.7	1583.3	1623.2	1644.2	1637.7	1664.6		1638.2	1643.4	1660.4	1671.1	1674.7	1672.4	
Non-Durable Goods, Real (FRED)--seas Adj	2465.8	2477.8	2499.9	2506.3	2510.0	2501.5	2501.0	2504.8	2515.3	2535.4	2539.8		2537.8	2530.0	2552.7	2559.3	2568.9	2564.5	
Energy																			
US Oil & Gas Rig Count, Mo Avg	532	478	437	407	417	449	481	509	544	580	634		683	744	789	853	893	931	953
Year/Year change	-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%	112.4%
Worldwide Crude Production, MM/day	80.64	80.61	79.81	79.03	79.72	80.36	79.87	80.21	81.25	82.28	81.74		80.75	80.93	80.07	79.84			
Oil Price: Refinery Acq Cost, \$/bbl	\$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	\$48.24	\$45.18	
Interest Rates & Money																			
Corporate BAA to AAA spread, in bps	138	131	117	103	103	94	92	90											
2-yr Treasury Note-month end	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%	1.34%
30-yr T-Bond-month end	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%	2.89%
2-yr -- 30-yr spread, bps	189	181	185	181	172	156	152	158	172	191	186		186	175	175	168	159	146	155
Labor Markets																			
Unemployment Rate, total 16+	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%	4.3%
Monthly non-Farm Payrolls (in 000s)	+237k	+225k	+153k	+43k	+297k	+291k	+167k	+173k	+135k	+164k	+155k		+216k	+232k	+50k	+207k	+145k	+231k	+209k
Misc Macro																			
Index of Leading Indicators (LEI), mthly chg	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%	0.6%	0.3%
ISM Non-Manufacturing Index	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	53.9
Prices & Costs																			
CPI: Core, % chg yr/yr	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%	1.7%
PCE Price Index: Core, % chg y/y	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%	1.7%	1.7%	1.8%	1.8%	1.9%		1.9%	1.9%	1.6%	1.6%	1.5%	1.5%	
Production																			
ISM Total Index--PMI	49.5	51.8	50.7	51.0	52.8	52.3	49.4	51.7	52.0	53.5	54.5		56.0	57.7	57.2	54.8	54.9	57.8	56.3
US Industrial Production Index	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	104.91	104.91	105.27	105.48
Total Year/Year change	-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%	2.0%	2.1%	2.1%	2.2%
Retail Sales																			
Retail & Food Sales, nom% chg y/y (seas Adj)	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%	3.4%	4.2%
R&F Sales, x-Auto, nom% chg y/y (seas Adj)	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%	2.7%	3.8%
Trade & Currencies																			
ISM Export Orders Index (seas adj'd)	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	57.5
Exports to China, \$B	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	9.7	
Transportation																			
Rails: Carloads Origin, in 000s	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	1,019.2
Rails: Intermodal Origin, in 000s	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	1,058.4
Rails: Cars + Intermodal, in 000s	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	2,078
Total Year/Year change	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%	2.5%
TTINNSAV Trk Tonnage Index seas Adj	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	138.4	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	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June	Sept			
	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	Q2'17	Q3'17
US Real GDP Growth—Q/Q-seas adj	2.0%	2.6%	3.2%	2.7%	1.6%	0.5%	2.9%	0.6%	2.2%	2.8%	1.8%	1.5%	1.2%	2.6%	
Yr / Yr Change	-2.0%	0.9%	4.1%	-1.9%	-3.6%	-1.5%	0.3%	-2.6%	-0.5%	1.2%	1.3%	-1.4%	0.6%	0.4%	
LAST UPDATE Check: 8/23/2017															
WORLDWIDE NEWS			*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	
US Real GDP Drivers															
Consumption	3.4%		2.5%	2.0%	1.9%	1.8%		1.2%	2.6%	1.9%	2.0%		1.3%	1.9%	
Government Spending	-0.1%		0.3%	0.6%	0.2%	0.1%		0.3%	-0.2%	0.1%	0.0%		-0.1%	0.1%	
Investment	-0.2%		2.1%	0.1%	0.3%	-1.1%		-0.7%	-0.5%	0.4%	1.3%		-0.2%	0.3%	
Trade Balance	-1.0%		-1.6%	0.0%	-0.8%	-0.3%		-0.3%	0.3%	0.4%	-1.6%		0.2%	0.2%	
TOTAL	2.0%		3.2%	2.7%	1.6%	0.5%		0.6%	2.2%	2.8%	1.8%		1.2%	2.6%	
Business Spending															
Cap Gds Order, x-A&Def, Seas Adj m/m	-0.6%		-2.2%	-3.1%	-4.9%	-2.3%		-4.4%	-4.1%	-3.3%	1.0%		0.1%	0.3%	
Durable Goods Orders, tot, Seas Adj m/m	-1.3%		3.3%	0.0%	-1.6%	0.0%		0.8%	-1.3%	1.4%	-0.2%		2.1%	1.9%	
Industrial Equip, Seas Adj Annual Rt	5.5%		1.9%	1.9%	-1.4%	3.8%		2.7%	2.1%	2.9%	1.8%		6.4%	7.7%	
Consumer Spending															
Durable Goods, Real	7.5%		7.3%	5.9%	5.6%	5.3%		4.3%	4.8%	6.1%	7.3%		6.7%	6.1%	
Non-Durable Goods, Real	2.3%		2.4%	2.6%	3.1%	2.4%		2.3%	3.0%	2.1%	2.5%		2.1%	1.8%	
TTM Consumer Bankruptcies, in '000s	909.8		885.0	854.7	835.2	819.8		808.7	793.9	781.1	770.8		770.9	772.6	
Household Debt Service Ratio	9.92%		10.02%	9.97%	9.98%	10.00%		10.02%	10.00%	10.01%	10.04%		10.04%		
Energy															
US Oil & Gas Rig Count, Qtr Avg	1,911		1,380	909	866	755		554	420	480	586		739	892	
Year/Year change	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	\$73.78		\$47.97	\$57.43	\$47.58	\$40.61		\$30.78	\$42.18	\$42.90	\$46.52		\$49.96	\$47.63	
Interest Rates & Money															
Corporate BAA to AAA spread, in bps	86		93	94	116	143		138	108	92					
2-yr Treasury Note	0.54%		0.60%	0.61%	0.69%	0.84%		0.84%	0.77%	0.73%	1.06%		1.23%	1.31%	1.34%
30-yr T-Bond	2.97%		2.55%	2.89%	2.96%	2.96%		2.72%	2.57%	2.28%	2.89%		3.01%	2.89%	2.89%
2-yr -- 30-yr spread, bps	243		195	227	227	212		189	179	155	183		179	158	
Labor Markets															
Unemployment Rate, avg	5.7%		5.6%	5.4%	5.2%	5.0%		4.9%	4.9%	4.9%	4.7%		4.7%	4.4%	4.3%
Misc Macro															
Index Lead Indictors, Approx total chg	1.3%		0.4%	1.8%	-0.1%	0.7%		0.0%	0.5%	0.6%	1.0%		1.5%	1.1%	
ISM Non-Manufacturing Index	57.5		57.0	56.5	58.2	56.9		53.8	55.1	54.4	55.8		56.4	57.3	53.9
Prices & Costs															
CPI: Core, % chg yr/yr	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	1.4%		1.3%	1.3%	1.3%	1.4%		1.6%	1.6%	1.7%	1.8%		1.8%	1.5%	
Production															
ISM Total Index--PMI	56.6		53.2	52.6	51.0	48.6		49.8	51.8	51.2	53.3		57.0	55.8	56.3
Change in Real Inventories, 2009\$B	76.9		132.2	105.6	96.2	68.2		40.6	12.2	17.6	63.1		1.2	-0.3	
Retail Sales															
Retail & Food Sales, nom % chg y/y (seas)	4.4%		2.9%	2.1%	2.3%	2.0%		2.7%	2.7%	2.6%	4.2%		5.3%	4.0%	4.2%
R&F Sales, x-Auto, nom % chg y/y (seas)	3.8%		1.6%	1.0%	1.3%	0.9%		2.4%	3.0%	2.4%	3.8%		5.4%	3.7%	3.8%
Trade & Currencies															
ISM Export Orders Index (seas adj'd)	52.8		48.5	50.3	47.0	48.7		48.5	52.8	52.3	53.5		56.2	58.8	57.5
Exports to China, \$B Qtrly total	36.9		28.2	27.7	28.1	32.1		25.2	26.0	28.2	36.4		29.5	29.7	
Transportation															
Rails: Carloads Origin, in 000s	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	3,328.5		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	7,143		6,935	7,107	7,255	6,678		6,483	6,525	6,813	6,767		6,712	6,880	
Year/Year change	-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	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 an eleventh consecutive month in July, with a PMI print of 56.3 right about in line with the average level in 1H'17. In our view, a less tentative business climate prevails as we work through mid-year, despite (or perhaps due to) negligible legislative production thus far during the Trump administration. Having said that, the recent dissolution of the President's CEO advisory councils is somewhat troubling for us. The yield curve widened a bit in July, the first such substantial move since late last year; the 2-yr and 30-yr notes ended last month at 1.34% (-4 bps) and 2.89% (+5 bps), respectively. Market expectations for an additional Fed rate hike this year have waned over the past several weeks, although balance sheet normalization (unwinding) is still slated to escalate over the 2H'17.

The US Bureau for Economic Analysis' advance estimate for Q2'17 US GDP growth was announced at 2.6% in late-July, indicating some acceleration versus seasonally adjusted growth of 1.2% in Q1'17. Should the advance estimate hold, growth would be about in line with what the US economy has experienced over the last several years. Consumption reemerged as the most impactful driver in Q2, although each component of the GDP calculation is suggested to be positive at this point, which would be just the third such quarter since the Great Recession.

Incremental inflation data over the past few weeks remains benign, although with the PCE Price index (ex-food & energy) measuring 1.5% for June. Core-CPI for July at 1.7% keeps the metric at its lowest read since May 2015. July payrolls data of +209,000 is strong, in our view, particularly with June seeing an upward revision of 11,000. The unemployment was 4.3% in July, down 10bps m/m.

Our current and holistic view of the US economy remains positive and essentially unchanged this month. Data have been fine over the past several weeks, in our view, and while the political discourse seems to reach a fresh apex on an almost daily basis, we believe a wave of relief/optimism across the business community and an element of 'pent up demand for investment' is still likely to influence the next several quarters.

CURRENCY PRICE COMMENTARY

We calculate the US Dollar Index (DXY) has averaged 1.6% weaker yr/yr during Q3'17 thus far, which positions the greenback to have its first 'weaker' quarter since last summer. Furthermore, the spot price of the DXY around press time at ~93 is lower than any quarterly average level since Q4'14. The dollar has been persistently weak for most of this year (after peaking in January). Recent DXY weakness has been substantially driven by the Euro and commodity proxies (i.e. Aussie Dollar), while the British Pound has languished after firming earlier in 2017. The USD/Yen price for Q3 thus far indicates dollar strengthening yr/yr; however, we note the pair has been stable sequentially.

As we move through Q3, we embrace somewhat cleaner comparisons with the June 2016 Brexit vote out of yr/yr comps, but do remind investors of the perplexingly strong Yen last summer. The 'synchronized global growth' narrative that has emerged over the last several weeks flows mostly in agreement with what we have seen in the forex market, in our opinion. Projecting current prices forward, we see potential for dollar weakness to be a tailwind to revenue over each of the next four quarters, especially Q4'17 and Q1'18.

From an equity investing perspective, our view toward forex concerns remains constructive. Though starting from a peak, the USD has more/less sustained weakness across most of this year, and we believe stable global macro and a stagnant US legislative agenda remain conducive to further softening.

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 8/24/17: August Sector Update.

Multi-Color Corp. (LABL - \$76.65, Neutral) 8/8/17: Down Fiscal Q1'18 for LABL, but as Expected; Reiterating Neutral Rating.

Hillenbrand, Inc. (HI - \$35.40, Neutral) 8/3/17: Good Q3'17 Results from HI; Reiterating Neutral.

Aegion Corp. (AEGN - \$20.55, Neutral) 8/2/17: Miss in Q2'17 and Another Round of Restructuring, but Forward Outlook Somewhat Resilient.

Leggett & Platt (LEG - \$45.62, Long-term Buy, \$66 TP) 7/28/17: Q2'17 Results from LEG; Reiterating Long-term Buy.

Franklin Electric Co., Inc. (FELE - \$38.15, Neutral) 7/25/17: Q2 Results for FELE; Reiterating Neutral Rating.

3M Company (MMM - \$202.67, Neutral) 7/25/17: A Noisy Miss in Q2'17 from MMM; Reiterating Neutral Rating and Initiating 2019 Financial Estimates.

Leggett & Platt (LEG - \$45.62, Long-term Buy, \$66 TP) 7/24/17: Upgrading Rating to Long-term Buy with \$66 Price Target; Initiating 2019 Estimates

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

Multi-Color Corp. (LABL - \$76.65, Neutral) 7/17/17: Major Acquisition of Constantia Flexibles Planned; Adjusting Model and Reiterating Neutral.

3M Company (MMM - \$202.67, Neutral) 6/28/17: General Update; Estimates Edge Higher but Reiterating Neutral Rating.

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

Additional information is available upon request.

Prices and all price sensitive data as of Wednesday, August 23, 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

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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
Buy	38	30%	11%	89%
Hold/Neutral	77	61%	8%	92%
Sell	11	9%	0%	100%

As of 9 August 2017

Other Disclosures

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