



Industrials Monthly

Sector Update

June 2017

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

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Industrials Sector

PRICE PERFORMANCE

May brought continuation of a strong 2017 for the Industrials sector, as measured by the Industrial Select Sector SPDR ETF (XLI). The XLI advanced 1.78% last month; the S&P 500 large cap index rallied 1.16%, while the iShares Russell 2000 (small cap) Index Fund (IWM) declined 1.97%. 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.

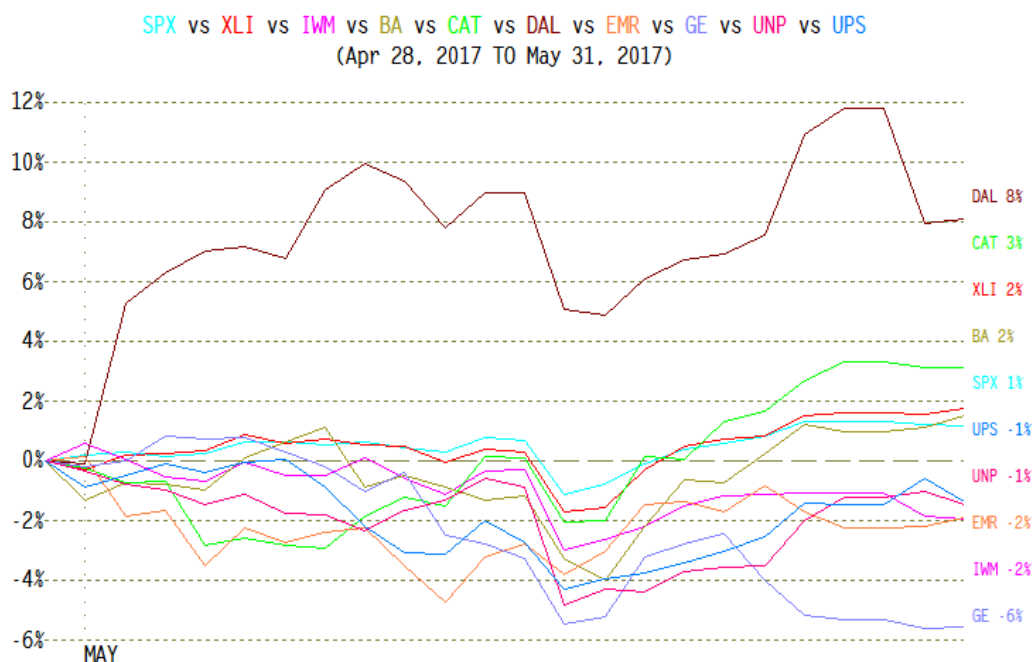
Performance for our coverage was quite mixed last month, with just two of our six names advancing in May (**Exhibit 2**), though mega-cap MMM posted a robust 4% gain; Multi-Color Corp. (LABL) was our top performer for a second consecutive month, while AEGN led our group to the downside.

Year-to-date through June 20, the XLI has underperformed the S&P by about 100bps, with a strong Q2 offsetting a weak month of March; the Industrials sector has comfortably outpaced small-cap stocks, and performance is somewhat checkered amongst our mostly SMID-cap coverage (**Exhibit 3**).

Past performance is no guarantee of future results.

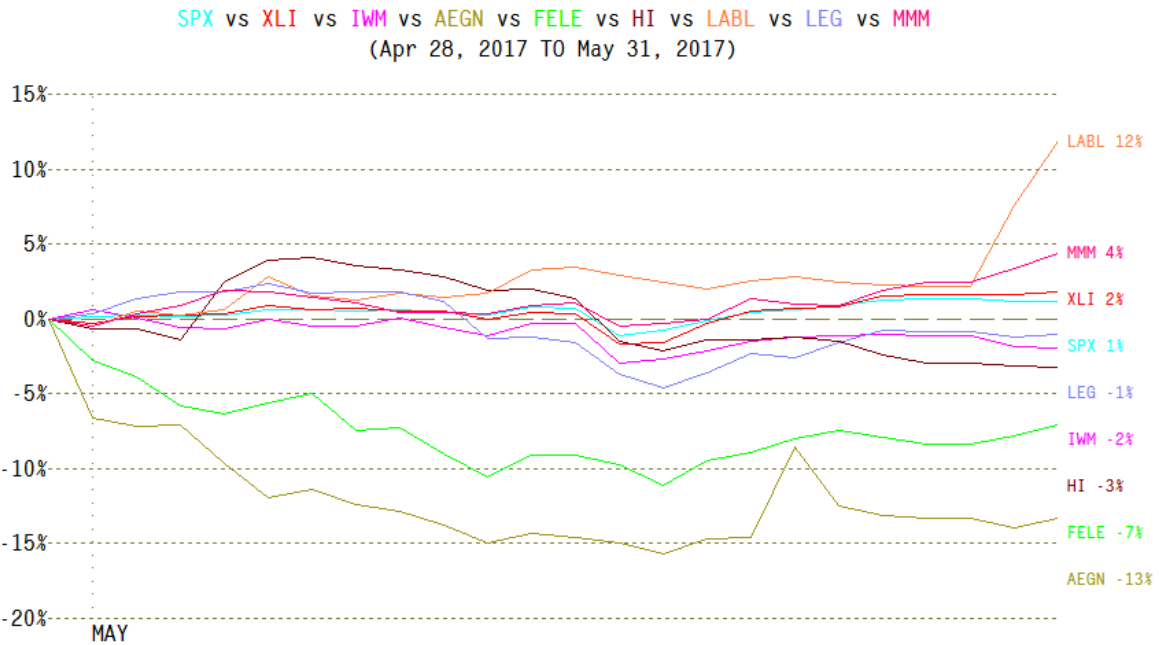
Since our prior *Industrials Monthly* we reiterated our Neutral rating on shares of LABL following what we view as a strong fiscal Q4’17 report, but have otherwise held our ratings stable as we work toward quarter-end. Our entire coverage group remains Neutral-rated: AEGN, FELE, HI, LABL, LEG and MMM.

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



Source: Baseline 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: Baseline 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: Baseline 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 fourth month of outperformance this year in May, further reversing weakness in March prior to earnings. As measured by the XLI, the sector advanced 1.78%, which outpaced the 1.16% rally for the S&P 500. Performance for small-cap stocks returned to lagging their larger peers last month; all three buckets (small-mid-large) trailed the XLI. The Russell 2000 small-cap index and Russell mid-cap index moved -1.97% and +0.89% in May, respectively. Thus far in June, Q2 momentum for the sector has more/less persisted, with the XLI rising about 20bps ahead of the S&P 500.

We expect the afterglow of a fairly robust earnings season helped bolster the Industrials sector in May and into June, although on a relative basis, we note the sector is pretty well positioned to avoid some of the newest fears in the market. This includes a flattening yield curve (Financials) and an evolving US retail/consumer environment (REITs, pockets of Consumer Discretionary), and we see the group as holding a neutral-to-positive relative position to recent FX moves and Fed-speak. June 30 will mark quarter-end for each of our 6 covered Industrials, although we are still about a month away from MMM kicking off our earnings season on July 25.

FY 2017 EPS expectations for our 31-company composite group total \$196.08, which is up about \$2 over the past month and higher by about \$7 versus expectations from mid-April ahead of Q1 earnings season. Current expectations suggest yr/yr growth of 6.6%. Rising in tandem, FY 2018 expectations indicate yr/yr growth of 11.4% for the out-year, which is roughly unchanged from January 1, but over a higher base.

We pivoted away from favoring US-centric names in March, and we double down on this position as we move through the summer. At this point we primarily favor the most compelling and resilient growth companies, geography-agnostic; however, past Q2 reporting season we see the potential for a weaker dollar to creep into the year-ahead conversation, marking a potential catalyst for multi-nationals. 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 through June. Industrials stocks have been resilient this year despite re-softening energy prices, and thematically we like several items. Economic data is adequately constructive, in our view, and we like more-subdued investor sentiment around a potential infrastructure plan; furthermore, we are optimistic heading into Q2 earnings season, with earnings expectations continuing to rise. Having said that, recent momentum and valuation keep us at Marketweight this month. Our composite group is currently trading at average multiples of 21.1x/19.4x/17.4x based on 2016/2017E/2018E EPS.

With our entire coverage Neutral-rated as we near the close of Q2, our ‘best idea’ in the Industrials sector is a suggestion that investors stay patient (preserve buying power), with an eye toward looking for potential opportunities across earnings season. 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 over the summer.

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 - \$213.36, 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 - \$213.36, Neutral) 6/7/17—MMM held an investor day event in Germany.

Multi-Color Corp. (LABL - \$84.75, 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.

3M Company (MMM - \$213.36, Neutral) 5/10/17—3M Company announced an agreement to sell its tolling and automated license/number plate recognition business, which is a part of the Traffic Safety and Security Division, within the Safety & Graphics segment. The business has annualized sales of about ~\$40MM, and the transaction is projected to be complete by the third quarter.

Hillenbrand, Inc. (HI - \$36.70, 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 - \$213.36, 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.

3M Company (MMM - \$213.36, Neutral) 4/26/17—MMM raised FY 2017 EPS guidance to a range of \$8.70 to \$9.05, a hike of \$0.25 on both ends; however, this includes and reflects a lower expected effective tax rate (we quantify at circa +\$0.10 of EPS benefit), and a gain-on-sale (with some offsets) that should provide another \$0.05-\$0.10 of (net) EPS upside according to management. Organic sales guidance for 2017 was raised to +2% to +5% (from +1% to +3%).

Franklin Electric Co, Inc. (FELE - \$39.75, 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 the purchase of Drillers Service, Inc. in North Carolina are all expected to close by the end of Q2'17. Collectively, the acquired companies will be operated as Headwater Companies, LLC, and will represent a third reportable segment for FELE.

3M Company (MMM - \$213.36, Neutral) 4/5/17—MMM filed an intellectual property infringement lawsuit alleging patent, trademark and copyright violations against K2 Concepts and China-based Phoenix Automotive Refinishing. The impetus for the suit surrounds alleged mimicking of technology from MMM's Auto Aftermarket Divisions, with Phoenix-made products being sold/marketed in the US by K2.

3M Company (MMM - \$213.36, Neutral) 4/3/17—MMM filed suit against Amphenol Corporation (APH—\$74.95, Not Rated), alleging patent infringement of two separate patents titled 'Shielded Electrical Cable.' The technology is most applicable in high-performance computing environments.

HL INDUSTRIALS COVERAGE COMP SHEET—HL Estimates

		Actual // Estimate																		
Company	Ticker	Price 20-Jun-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	\$ 20.28	--	Neutral	1,253.2	679.2	1.2x	37%	\$1.11	<u>\$1.24</u>	<u>\$1.35</u>	18.3x	16.3x	15.0x	16.6x	-4.7%	8.6x	NULL	7%	198,879
Franklin Electric	FELE	\$ 39.75	--	Neutral	951.7	1,846.5	2.9x	19%	\$1.66	<u>\$1.78</u>	<u>\$2.04</u>	24.0x	22.3x	19.5x	21.7x	-1.2%	13.8x	1.08%	14%	183,618
Hillenbrand	HI	\$ 36.70	--	Neutral	1,551.1	2,311.2	3.5x	47%	\$2.00	<u>\$2.08</u>	<u>\$2.25</u>	18.3x	17.6x	16.3x	14.7x	2.3%	10.8x	2.23%	19%	264,273
3M Company	MMM	\$ 213.36	--	Neutral	30,385.0	127,427.0	11.6x	49%	\$8.16	<u>\$8.78</u>	<u>\$9.31</u>	26.1x	24.3x	22.9x	19.4x	6.7%	15.6x	2.20%	45%	1,840,625
Leggett & Platt	LEG	\$ 52.97	--	Neutral	3,771.8	7,008.3	6.6x	46%	\$2.49	<u>\$2.58</u>	<u>\$2.76</u>	21.3x	20.5x	19.2x	19.9x	17.4%	13.7x	2.72%	34%	858,870
Multi-Color Corp.	LABL	\$ 84.75	--	Neutral	923.3	1,436.7	3.8x	56%	\$3.22	\$3.61	<u>\$4.01</u>	26.3x	23.4x	21.1x	17.7x	19.0%	11.9x	0.24%	17%	87,319
Averages:							4.9x	42.4%				22.4x	20.7x	19.0x	18.3x	6.58%	12.4x	1.7%	0.2	

Source: Company reports, Thomson Reuters Eikon, 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 20-Jun-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	\$ 20.28	1,253.2	679.2	1.2x	37.0%	\$1.10	<u>\$1.30</u>	<u>\$1.40</u>	18.4x	15.6x	14.5x	16.6x	-4.7%	8.6x	NULL	2.2%	198,879		
Franklin Electric	FELE	\$ 39.75	951.7	1,846.5	2.9x	19.3%	\$1.66	<u>\$1.80</u>	<u>\$2.07</u>	23.9x	22.1x	19.2x	21.7x	-1.2%	13.8x	1.1%	22.5%	2.1%	183,618	
Hillenbrand	HI	\$ 36.70	1,551.1	2,311.2	3.5x	47.5%	\$2.01	<u>\$2.05</u>	<u>\$2.26</u>	18.3x	17.9x	16.3x	14.7x	2.3%	10.8x	2.2%	42.5%	2.1%	264,273	
3M Company	MMM	\$ 213.36	30,385.0	127,427.0	11.6x	48.7%	\$8.16	<u>\$8.95</u>	<u>\$9.58</u>	26.1x	23.8x	22.3x	19.4x	6.7%	15.6x	2.2%	53.2%	1.5%	1,840,625	
Leggett & Platt	LEG	\$ 52.97	3,771.8	7,008.3	6.6x	46.2%	\$2.49	<u>\$2.63</u>	<u>\$2.88</u>	21.3x	20.1x	18.4x	19.9x	17.4%	13.7x	2.7%	51.4%	5.3%	858,870	
Multi-Color Corp	LABL	\$ 84.75	923.3	1,436.7	3.8x	55.5%	\$3.22	<u>\$3.98</u>	<u>\$4.30</u>	26.3x	21.3x	19.7x	17.7x	19.0%	11.9x	0.2%	5.5%	7.0%	87,319	

Source: Company reports and Thomson Reuters Eikon

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

SELECT INDUSTRIALS SECTOR COMPARABLES—Consensus Estimates

Actual // Estimate

Company	Tkr	Price 20-Jun-17	Revenue TTM (\$MM)	Mkt Cap (\$MM)	Price/ Book	LTD / Cap. (%)	Consensus EPS			5-Yr			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							P/E
Aero & Defense																			
Boeing	BA	\$ 198.33	92,915.0	119,708.2	nm	88.4%	\$7.24	<u>\$9.39</u>	<u>\$10.24</u>	27.4x	21.1x	19.4x	17.6x	1%	15.8x	2.9%	60.4%	1.9%	3,077,823
General Dynamics	GD	\$ 203.86	31,070.0	61,501.6	5.8x	21.1%	\$9.87	<u>\$9.81</u>	<u>\$10.58</u>	20.7x	20.8x	19.3x	14.5x	12.0%	13.3x	1.6%	29.8%	0.8%	1,068,152
Lockheed Martin	LMT	\$ 282.89	49,274.0	81,988.1	55.2x	89.9%	\$12.42	<u>\$12.52</u>	<u>\$14.11</u>	22.8x	22.6x	20.1x	16.2x	9.0%	14.0x	2.6%	53.6%	0.9%	909,618
Northrup Grumman	NOC	\$ 260.16	24,819.0	45,416.9	8.2x	57.3%	\$12.19	<u>\$12.36</u>	<u>\$13.54</u>	21.3x	21.0x	19.2x	14.6x	13.4%	13.6x	1.5%	27.9%	0.9%	745,215
Raytheon	RTN	\$ 163.87	24,306.0	47,698.3	4.6x	33.7%	\$7.44	<u>\$7.48</u>	<u>\$8.38</u>	22.0x	21.9x	19.6x	15.6x	7.7%	13.1x	1.9%	37.8%	1.2%	1,438,951
Rails																			
CSX	CSX	\$ 52.13	11,320.0	48,096.2	4.1x	47.7%	\$1.81	<u>\$2.29</u>	<u>\$2.75</u>	28.8x	22.8x	19.0x	15.4x	-0.4%	11.9x	1.5%	39.3%	2.4%	7,596,951
Norfolk Southern	NSC	\$ 117.73	10,043.0	34,116.1	2.7x	42.3%	\$5.62	<u>\$6.35</u>	<u>\$7.05</u>	20.9x	18.5x	16.7x	15.5x	-1.3%	10.4x	2.1%	40.9%	1.4%	1,727,566
Union Pacific	UNP	\$ 108.35	20,244.0	87,486.0	4.4x	40.8%	\$5.07	<u>\$5.74</u>	<u>\$6.43</u>	21.4x	18.9x	16.8x	17.6x	2.5%	10.7x	2.2%	42.9%	1.1%	3,311,686
Airlines																			
American Airlines	AAL	\$ 48.03	40,370.0	23,659.0	6.9x	79.9%	\$5.71	<u>\$4.90</u>	<u>\$5.51</u>	8.4x	9.8x	8.7x	6.9x	25.2%	5.7x	0.8%	9.7%	7.6%	5,788,955
Delta Airlines	DAL	\$ 51.76	39,536.0	38,097.5	2.9x	31.6%	\$5.32	<u>\$5.29</u>	<u>\$6.01</u>	9.7x	9.8x	8.6x	9.2x	19.2%	4.9x	1.6%	13.7%	2.0%	7,651,919
United Continental	UAL	\$ 77.28	36,781.0	23,930.2	2.8x	52.7%	\$8.65	<u>\$7.28</u>	<u>\$8.60</u>	8.9x	10.6x	9.0x	12.0x	45.0%	5.0x	NULL		4.4%	3,396,478
Southwest Airlines	LUV	\$ 60.33	20,481.0	36,479.3	4.4x	24.6%	\$3.75	<u>\$3.85</u>	<u>\$4.77</u>	16.1x	15.7x	12.7x	15.7x	49.6%	7.7x	0.8%	12.0%	1.8%	4,702,260
Shipping, Air/Ground																			
C.H. Robinson	CHRW	\$ 68.40	13,485.6	9,636.8	7.3x	19.4%	\$3.59	<u>\$3.57</u>	<u>\$3.83</u>	19.1x	19.1x	17.9x	21.2x	10.6%	11.8x	2.6%	48.5%	11.2%	1,495,524
Fed Ex	FDX	\$ 208.95	57,570.0	55,868.0	3.7x	48.1%	\$10.80	\$12.30	<u>\$13.61</u>	19.3x	17.0x	15.4x	16.8x	2214.3%	10.1x	1.0%	16.3%	1.8%	1,541,585
J.B. Hunt	JBHT	\$ 87.59	6,655.9	9,633.4	7.0x	41.1%	\$3.81	<u>\$3.96</u>	<u>\$4.52</u>	23.0x	22.1x	19.4x	24.1x	9.1%	9.9x	1.1%	22.9%	3.6%	838,500
UPS	UPS	\$ 109.61	61,803.0	95,115.5	nm	75.1%	\$5.75	<u>\$5.95</u>	<u>\$6.47</u>	19.1x	18.4x	16.9x	19.5x	8.0%	14.2x	3.0%	80.7%	1.0%	2,761,715
Machinery																			
Caterpillar	CAT	\$ 107.04	38,898.0	63,063.4	4.6x	45.6%	\$3.42	<u>\$4.13</u>	<u>\$5.25</u>	31.3x	25.9x	20.4x	16.1x	-16.1%	14.8x	2.9%	91.2%	3.8%	4,620,994
Cummins	CMI	\$ 162.49	17,807.0	27,294.3	3.8x	17.4%	\$8.23	<u>\$9.44</u>	<u>\$10.45</u>	19.7x	17.2x	15.6x	14.6x	3.1%	12.7x	2.5%	46.3%	2.4%	1,394,544
Deere	DE	\$ 126.04	27,156.2	40,315.4	5.2x	56.3%	\$4.81	<u>\$6.29</u>	<u>\$6.95</u>	26.2x	20.0x	18.1x	12.8x	-19.1%	14.3x	1.9%	43.0%	4.8%	2,858,772
Paccar	PCAR	\$ 63.99	16,970.8	22,478.4	3.2x	55.6%	\$3.85	<u>\$3.69</u>	<u>\$4.21</u>	16.6x	17.3x	15.2x	14.7x	5.3%	9.6x	1.6%	38.4%	2.7%	1,892,110
Electric Components																			
Eaton	ETN	\$ 77.06	19,782.0	34,468.9	2.3x	28.9%	\$4.21	<u>\$4.64</u>	<u>\$5.11</u>	18.3x	16.6x	15.1x	14.9x	0.6%	12.1x	3.1%	53.6%	1.7%	2,092,994
Emerson Electric	EMR	\$ 60.23		38,817.0	4.8x	28.4%	\$2.98	<u>\$2.60</u>	<u>\$2.89</u>	20.2x	23.2x	20.9x	16.9x	-5.6%	12.4x	3.2%	64.4%	1.6%	3,805,022
Rockwell Automation	ROK	\$ 162.15	6,057.2	20,890.7	9.5x	38.3%	\$5.93	<u>\$6.64</u>	<u>\$7.26</u>	27.3x	24.4x	22.3x	18.1x	1.3%	16.6x	1.9%	61.1%	2.4%	828,673
United Technologies	UTX	\$ 121.51	57,702.0	97,357.2	3.5x	40.7%	\$6.61	<u>\$6.58</u>	<u>\$7.06</u>	18.4x	18.5x	17.2x	16.3x	2.1%	10.9x	2.3%	40.6%	1.1%	2,711,297
Conglomerates																			
Danaher	DHR	\$ 85.68	18,707.1	59,472.2	2.5x	27.4%	\$3.61	<u>\$3.92</u>	<u>\$4.28</u>	23.7x	21.8x	20.0x	16.2x	1.8%	18.0x	0.7%	17.2%	0.5%	2,596,978
General Electric	GE	\$ 28.13	123,507.0	244,279.9	3.3x	48.7%	\$1.49	<u>\$1.63</u>	<u>\$1.88</u>	18.9x	17.2x	14.9x	17.3x	-3.1%	15.7x	3.4%	85.3%	1.0%	43,848,377
Honeywell	HON	\$ 134.91	39,272.0	102,847.0	5.1x	34.5%	\$6.60	<u>\$7.09</u>	<u>\$7.71</u>	20.4x	19.0x	17.5x	16.9x	9.9%	12.8x	2.0%	39.4%	1.1%	2,433,117
3M Corp	MMM	\$ 213.36	30,385.0	127,427.0	11.6x	48.7%	\$8.16	<u>\$8.95</u>	<u>\$9.58</u>	26.1x	23.8x	22.3x	19.4x	6.7%	15.6x	2.2%	53.2%	1.5%	1,840,625
Parker Hannifin	PH	\$ 163.53	11,490.2	21,779.5	4.6x	34.9%	\$6.46	<u>\$7.91</u>	<u>\$8.99</u>	25.3x	20.7x	18.2x	16.6x	1.1%	15.3x	1.6%	36.6%	2.4%	1,044,039
Other																			
Illinois Tool Works	ITW	\$ 149.60	13,796.0	51,679.5	11.5x	59.4%	\$5.64	<u>\$6.35</u>	<u>\$7.04</u>	26.5x	23.6x	21.3x	18.7x	15.8%	15.8x	1.7%	40.1%	2.1%	1,124,888
Waste Management	WM	\$ 73.77	13,873.0	32,602.0	5.9x	60.8%	\$2.91	<u>\$3.17</u>	<u>\$3.47</u>	25.4x	23.2x	21.2x	20.0x	10.6%	11.0x	2.3%	44.5%	1.3%	1,786,350
Averages: [BA thru WM]					7.0x	45.8%				21.1x	19.4x	17.4x	16.2x	78.7%	12.2x	2.0%	43.0%	2.4%	

Source: Company reports and Thomson Reuters Eikon

*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	Q2'17E	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	97.88	97.37	97.37					
\$ strength / (weakness)	-5.8%	5.3%	1.1%	1.4%	16.6%	2.5%	-1.6%	-0.6%	2.2%	0.6%	3.4%	3.6%	1.7%	-2.5%					
LAST UPDATE: 6/19/2017												Q2 avg thru 6/15 spot @ 6/19							
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%	\$ 1.097 -2.9%	\$ 1.117 0.0%	\$ 1.117 3.6%					
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 -1.1%	CAD 1.325 3.6%	CAD 1.323 -3.6%	CAD 1.349 4.7%	CAD 1.321 1.3%	CAD 1.321 -1.1%					
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%	\$ 0.750 0.5%	\$ 0.760 0.2%	\$ 0.760 1.5%					
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%	\$ 1.272 -3.1%	\$ 1.272 2.4%					
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 0.988 1.8%	CHF 0.974 -0.1%	CHF 0.974 -2.8%					
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%	¥ 111.02 2.5%	¥ 111.26 8.7%	¥ 111.26 1.5%					
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%	\$ 0.31258 10.7%	\$ 0.30417 -1.3%	\$ 0.30417 0.2%					
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%	\$ 0.07557 13.4%	\$ 0.07728 8.6%	\$ 0.07728 7.5%					
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%	\$ 0.0537 -3.0%	\$ 0.0558 4.6%	\$ 0.0558 10.8%					
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%	₩ 1,128.5 -3.0%	₩ 1,134.3 1.3%	₩ 1,134.3 -2.3%					
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%	3.587 TL 23.8%	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 64.5 -3.7%	INR 64.5 -4.4%					
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%	¥ 6.892 5.6%	¥ 6.818 2.3%	¥ 6.818 -0.4%					
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 57.07 -13.4%	RUB 58.25 -9.8%	RUB 58.25 -7.5%					

Sources: Bloomberg Terminal, Thomson Reuters SmartStation, Hilliard Lyons calculations

MONTHLY ECONOMIC STATISTICS

Macro Data--MONTHLY	2015			Q1			Q2			Q3			Q4			2016			Q1		
	Nov '15	Dec '15		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
LAST UPDATE Check: 6/20/2017																					
Business Spending																					
Cap Gds Orders, x-A&Def, Seas Adj m/m	-0.1%	-7.1%		-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%	0.1%	
Consumer Spending																					
Durable Goods, Real (FRED)--seas Adj	1532.5	1534.8		1518.7	1528.9	1527	1555.9	1555.6	1571.4	1606.7	1583.3	1623.2	1644.2	1636.1	1664.4		1638.2	1642.2	1646.3	1664.7	
Non-Durable Goods, Real (FRED)--seas Adj	2458.4	2465.8		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	2527.3	2536.3	2548.1	
Energy																					
US Oil & Gas Rig Count, Mo Avg	760	714		654	532	478	437	407	417	449	481	509	544	580	634		683	744	789	853	893
Year/Year change	-60.5%	-62.1%		-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%
Oil Price: Refinery Acq Cost, \$/bbl	\$41.43	\$35.63		\$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	\$48.70	\$49.48	
Interest Rates & Money																					
Corporate BAA to AAA spread, in bps	140	149		145	138	131	117	103	103	94	92	90									
2-yr Treasury Note-month end	0.89%	0.98%		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%
30-yr T-Bond-month end	3.03%	2.97%		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-yr -- 30-yr spread, bps	214	199		196	189	181	185	181	172	156	152	158	172	191	186		186	175	175	168	159
Labor Markets																					
Unemployment Rate, total 16+	5.0%	5.0%		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%
Monthly non-Farm Payrolls (in 000s)				+237k	+225k		+153k	+43k		+252k	+167k	+173k	+135k	+164k	+155k		+216k	+232k	+50k	+174k	+137k
Misc Macro																					
Index of Leading Indicators (LEI), mthly chg	0.5%	-0.3%		-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%	0.3%	0.3%	
ISM Non-Manufacturing Index	56.6	55.3		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
Prices & Costs																					
CPI: Core, % chg yr/yr	2.0%	2.1%		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%
PCE Price Index: Core, % chg yr/yr	1.4%	1.4%		1.6%	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%	1.7%	1.7%	1.8%	1.7%	1.7%		1.8%	1.8%	1.6%	1.5%	
Production																					
ISM Total Index--PMI	48.4	48.0		48.2	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
Durable Goods Orders, total, Seas Adj m/m	-0.9%	-3.9%		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%	
Retail Sales																					
Retail & Food Sales, nom % chg y/y (seas Adj)	1.6%	2.8%		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%	3.8%
R&F Sales, x-Auto, nom % chg y/y (seas Adj)	0.5%	1.9%		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%
Trade & Currencies																					
ISM Export Orders Index (seas adj'd)	47.5	51.0		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
Exports to China, \$B	10.6	10.1		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	
Transportation																					
Rails: Carloads Origin, in 000s	1,313.6	947.5		968.0	979.0	1,196.2	944.3	1,186.8	1,245.0	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
Rails: Intermodal Origin, in 000s	1,293.9	909.7		1,039.6	1,049.1	1,250.9	1,028.5	1,280.8	1,295.2	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
Rails: Cars + Intermodal, in 000s	2,608	1,857		2,008	2,028	2,447	1,973	2,468	2,540	2,028	2,675	2,110	2,143	2,638	1,986		2,018	2,112	2,582	2,075	2,625
Total Year/Year change	18.7%	-29.5%		-7.3%	0.5%	-11.0%	-11.8%	14.3%	-6.3%	-7.9%	-5.7%	-4.8%	-3.2%	1.2%	6.9%		0.5%	4.2%	5.5%	5.2%	6.4%
TTINNSAVTrk Tonnage Index, seas Adj	134.8	134.7		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	134.0	

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	June	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March			
	Q2'14	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
US Real GDP Growth—Q/Q-seas adj	4.0%	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%	1.2%
Yr / Yr Change	3.2%	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%	0.4%
LAST UPDATE Check: 6/20/2017															
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
US Real GDP Drivers															
Consumption	2.6%	2.5%	3.1%		1.6%	1.9%	1.8%	1.5%		1.1%	2.9%	2.0%	2.4%		0.4%
Government Spending	0.0%	0.5%	-0.1%		0.5%	0.6%	0.3%	0.2%		0.3%	-0.3%	0.1%	0.0%		-0.2%
Investment	1.8%	1.5%	0.5%		1.6%	0.2%	0.4%	-0.4%		-0.6%	-1.3%	0.5%	1.5%		0.8%
Trade Balance	-0.4%	0.5%	-1.1%		-1.7%	-0.1%	-0.5%	-0.5%		0.0%	0.2%	0.9%	-1.8%		0.1%
TOTAL	4.0%	5.0%	2.3%		2.1%	2.6%	2.0%	0.9%		0.8%	1.4%	3.5%	2.1%		1.2%
Business Spending															
Cap Gds Order, x-A&Def, Seas Adj m/m	-1.4%	4.8%	-0.6%		-2.2%	-3.1%	-4.9%	-2.3%		-4.4%	-4.1%	-3.3%	1.0%		0.1%
Industrial Equip, Seas Adj Annual Rt	5.1%	6.2%	5.5%		1.9%	1.9%	-1.4%	3.8%		2.7%	2.1%	2.9%	1.8%		6.4%
Consumer Spending															
Durable Goods, Real	5.9%	7.0%	7.5%		7.3%	5.9%	5.6%	5.3%		4.3%	4.8%	6.1%	7.9%		7.7%
Non-Durable Goods, Real	2.2%	2.2%	2.3%		2.4%	2.6%	3.1%	2.4%		2.3%	3.0%	2.1%	2.6%		2.4%
TTM Consumer Bankruptcies, in '000s	970.0	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	9.99%	9.95%	9.92%		10.01%	9.96%	9.97%	9.99%		10.00%	9.99%	10.00%	9.98%		
Energy															
US Oil & Gas Rig Count, Qtrr Avg	1,852	1,903	1,911		1,380	909	866	755		554	420	480	586		739
Year/Year change	5.2%	7.6%	8.7%		-22.5%	-50.9%	-54.5%	-60.5%		-59.8%	-53.7%	-44.6%	-22.4%		33.3%
Oil Price: Refinery Acq Cost, \$/bbl	\$101.09	\$96.36	\$73.78		\$47.97	\$57.43	\$47.58	\$40.61		\$30.78	\$42.18	\$42.90	\$46.52		\$49.98
Interest Rates & Money															
Corporate BAA to AAA spread, in bps	60	62	86		93	94	116	143		138	108	92			
2-yr Treasury Note	0.42%	0.52%	0.54%		0.60%	0.61%	0.69%	0.84%		0.84%	0.77%	0.73%	1.06%		1.23%
30-yr T-Bond	3.44%	3.26%	2.97%		2.55%	2.89%	2.96%	2.96%		2.72%	2.57%	2.28%	2.89%		3.01%
2-yr – 30-yr spread, bps	302	274	243		195	227	227	212		189	179	155	183		179
Labor Markets															
Unemployment Rate, avg	6.2%	6.1%	5.7%		5.6%	5.4%	5.2%	5.0%		4.9%	4.9%	4.9%	4.7%		4.7%
Misc Macro															
Index Lead Indictors, Approx total chg	1.6%	1.9%	1.3%		0.4%	1.8%	-0.1%	0.7%		0.0%	0.5%	0.6%	1.0%		1.4%
ISM Non-Manufacturing Index	56.1	57.7	57.5		57.0	56.5	58.2	56.9		53.8	55.1	54.4	55.8		56.4
Prices & Costs															
CPI: Core, % chg yr/yr	1.9%	1.8%	1.7%		1.7%	1.8%	1.8%	2.0%		2.2%	2.2%	2.2%	2.1%		2.2%
PCE Pre Idx: Core, %chg y/y	1.6%	1.6%	1.4%		1.3%	1.3%	1.3%	1.4%		1.6%	1.6%	1.7%	1.7%		1.7%
Production															
ISM Total Index—PMI	55.5	56.5	56.6		53.2	52.6	51.0	48.6		49.8	51.8	51.2	53.3		57.0
Change in Real Inventories, 2009\$B	55.2	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	0.3%	1.1%	-1.3%		1.5%	0.0%	-1.6%	0.0%		0.8%	-1.3%	1.4%	-0.2%		2.1%
Retail Sales															
Retail & Food Sales, nom % chg y/y (seas adj)	4.8%	4.7%	4.4%		2.9%	2.1%	2.3%	2.0%		2.7%	2.7%	2.6%	4.2%		5.3%
R&F Sales, x-Auto, nom % chg y/y (seas adj)	4.2%	4.2%	3.8%		1.6%	1.0%	1.3%	0.9%		2.4%	3.0%	2.4%	3.8%		5.4%
Trade & Currencies															
ISM Export Orders Index (seas adj'd)	56.0	53.8	52.8		48.5	50.3	47.0	48.7		48.5	52.8	52.3	53.5		56.2
Exports to China, \$B Qtrly total	27.5	28.2	36.9		28.2	27.7	28.1	32.1		25.2	26.0	28.2	36.4		29.5
Transportation															
Rails: Carloads Origin, in 000s	3,845.6	4,174.1	3,814.9		3,644.9	3,536.8	3,698.3	3,385.9		3,143.3	3,376.1	3,442.0	3,359.6		3,324.1
Rails: Intermodal Origin, in 000s	3,439.2	3,711.5	3,328.5		3,289.7	3,570.5	3,556.2	3,292.5		3,339.6	3,604.5	3,370.6	3,406.9		3,387.7
Rails: Cars + Intermodal, in 000s	7,285	7,886	7,143		6,935	7,107	7,255	6,678		6,483	6,981	6,813	6,767		6,712
Year/Year change	6.6%	12.5%	-3.3%		8.8%	-2.4%	-8.0%	-6.5%		-6.5%	-1.8%	-6.1%	1.3%		3.5%
Trucking Tonnage Index, seas Adj	127.6	130.9	132.6		133.4	132.7	133.8	134.1		137.9	137.2	135.6	136.4		138.4

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 ninth consecutive month in May, with a PMI print of 54.9 nearly mirroring data from April. Though little real ‘business friendly’ progress has been made in Washington during the Trump administration, we believe a less tentative business climate prevails as we work through Q2. The yield curve flattened slightly in May, with the 2-yr and 30-yr notes ending the month at 1.28% (unchanged) and 2.87% (from 2.96%), respectively. Subsequently, 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 by 50bps to 1.2% in late-May, 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 are still in line to see a final revision later this month. Parsing current data, Consumption is the driver we find most puzzling, with this primary contributor of GDP responsible for its lowest level of consolidated growth (just +0.4%) since Q4 of 2009.

April inflation reverted back to 2015 levels of change, with the PCE Price index (ex-food & energy) measuring 1.5%, 30bps below levels in January and February, and the lowest yr/yr read since December of 2015. Core-CPI for May at 1.7% is the metric’s lowest read since May 2015. May payrolls data of +137,000 is just OK, in our view, given April was revised lower by 37k to +174,000; the unemployment rate slid 10bps sequentially to 4.3% as of the most recent report.

Our holistic view the US economy and equity markets pivots a bit this month, where we attribute less of the strong YTD market to optimism surrounding the Trump agenda. We 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, although the important distinction for stocks is that we do not necessarily see a major tactical risk factor should we fail to get tax reform or an infrastructure bill in a timely fashion. A flattening yield curve and declining oil prices are not necessarily constructive harbingers, in our view, but we believe the economic picture is sufficient to keep us interested in stock picking.

CURRENCY PRICE COMMENTARY

Closing in on the end of the second quarter, we calculate the US Dollar is on pace to be stronger yr/yr by the largest amount since Q4’15; however, this is partially due to a difficult comparison last year. We estimate the Dollar Index (DXY) has averaged about 3.6% stronger Q2-to-date versus Q2’16, which flows in close approximation to the Euro/Dollar pair (2.9%); both items are ‘weaker’ by 100-200bps from our calculations just one month ago. As noted, the USD has mostly weakened as of late after the DXY broke back below 100, with recent trading levels around 97.

Amongst our developed region pairs, USD strength against the British Pound is still stark on a yr/yr basis, but is pointed towards moderation in 2H’17 as we anniversary the Brexit vote from June of last year. Sequentially, the Pound has been firm versus the USD for most of this year, as have most of our developed currencies, such as the Euro, Swiss Franc, Yen and Aussie Dollar, which have been resilient as well.

From an equity investing perspective, our view toward forex concerns is turning constructive. We are encouraged that the USD seemingly peaked early in the year in proximity to Trump’s inauguration, and we believe the Federal policy/legislative environment remain fine for further softening. We acknowledge headwinds to 2017 revenue on a full year basis are likely at this point, but the year-ahead outlook appears poised to be quite 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 6/21/17: June Sector Update.

Multi-Color Corp. (LABL - \$84.75, Neutral) 5/30/17: Strong Fiscal Q4'17; Reiterating Neutral Rating.

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

Hillenbrand, Inc. (HI - \$36.70, Neutral) 5/4/17: Strong Q2'17 Results from HI; Reiterating Neutral Rating.

Aegion Corp. (AEGN - \$20.28, Neutral) 5/3/17: In Line Q1'17 Gets AEGN Off to Positive Start in 2017.

Aegion Corp. (AEGN - \$20.28, Neutral) 5/1/17: Downgrading to Neutral on Lower Estimates, Waning Catalysts.

Franklin Electric Co., Inc. (FELE - \$39.75, Neutral) 5/1/17: Addendum to Q1 Update; Clarifying Potential Headwater Contribution.

Franklin Electric Co., Inc. (FELE - \$39.75, Neutral) 4/28/17: Disappointing Q1'17 for FELE, but with Qualifiers.

Leggett & Platt (LEG - \$52.97, Neutral) 4/28/17: Q1'17 Results from LEG; Reiterating Neutral Rating.

3M Company (MMM - \$213.36, Neutral) 4/25/17: Q1'17 Results from MMM; Reiterating Neutral Rating.

Industrials Monthly 4/19/17: April Sector Update.

3M Company (MMM - \$213.36, Neutral) 3/16/17: \$2B Agreement to Acquire Scott Safety.

Additional information is available upon request.

Prices and all price sensitive data as of Tuesday, June 20, 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.

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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
Rating				
Buy	34	27%	12%	88%
Hold/Neutral	80	65%	8%	93%
Sell	10	8%	0%	100%

As of 7 June 2017

Other Disclosures

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