



Industrials Monthly

Sector Update

September 2017

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

Analyst: Spencer E. Joyce, CFA
502.588.8402 // sjoyce@hilliard.com

Institutional Sales Desk: George Moorin
502.588.9141 // gmoorin@hilliard.com

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

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

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

Table of Contents

Industrials Sector

- Price Performance.....3
- Sector Commentary and Outlook.....5
- Recent Events6
- HL Industrials Coverage Comp Sheet—HL Estimates.....7
- HL Industrials Coverage Comp Sheet—Consensus Estimates.....7
- 31-Company Industrials Sector Comparables.....8

Data Points

- Currency Prices.....9
- Monthly Economic Statistics10
- Quarterly Economic Statistics.....11
- Economic Commentary12
- Currency Price Commentary.....12

Glossary13

Recent Published Research16

Disclosures.....17

Industrials Sector

PRICE PERFORMANCE

August continued the slowdown in relative performance for the Industrials sector compared with much of 1H'17, as measured by the Industrial Select Sector SPDR ETF (XLI). The XLI advanced 0.22% last month versus an S&P 500 move of 0.05%; the iShares Russell 2000 (small cap) Index Fund (IWM) declined 1.25%. 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.

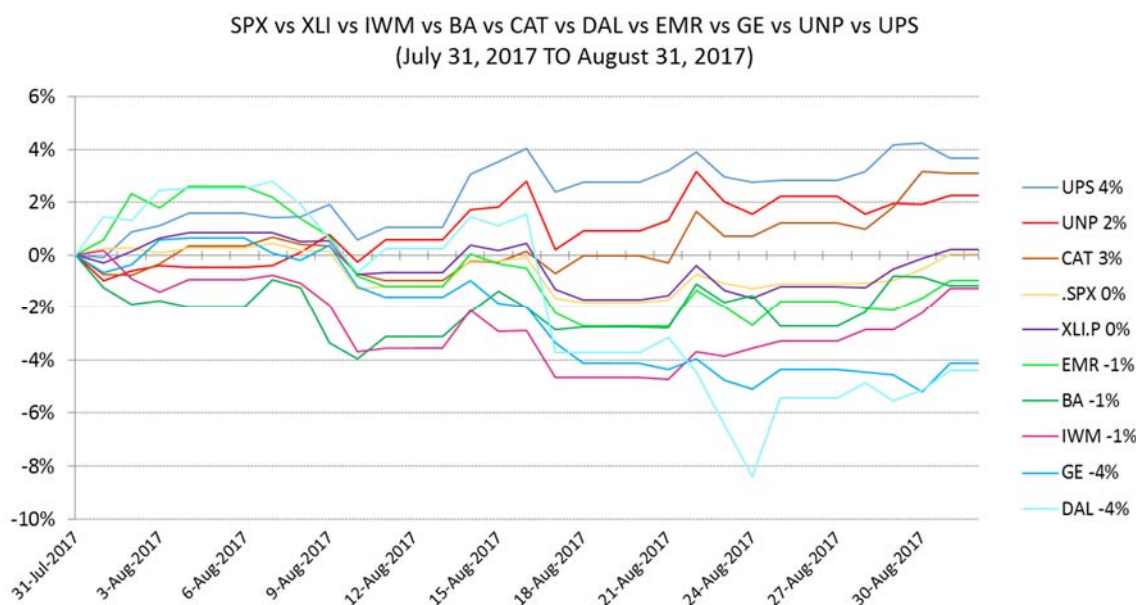
Performance for our coverage was again disappointing last month, five of our six names declined in August alongside a modestly higher sector (**Exhibit 2**). Aegion Corp (AEGN) was our weakest name after being our strongest stock for a couple months in a row; the company announced further restructuring on August 2, but subsequently firmed.

YTD through 9/19, the XLI has outperformed the S&P 500 by ~30bps, with the sector re-gaining its lead on a strong few weeks in September. 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.

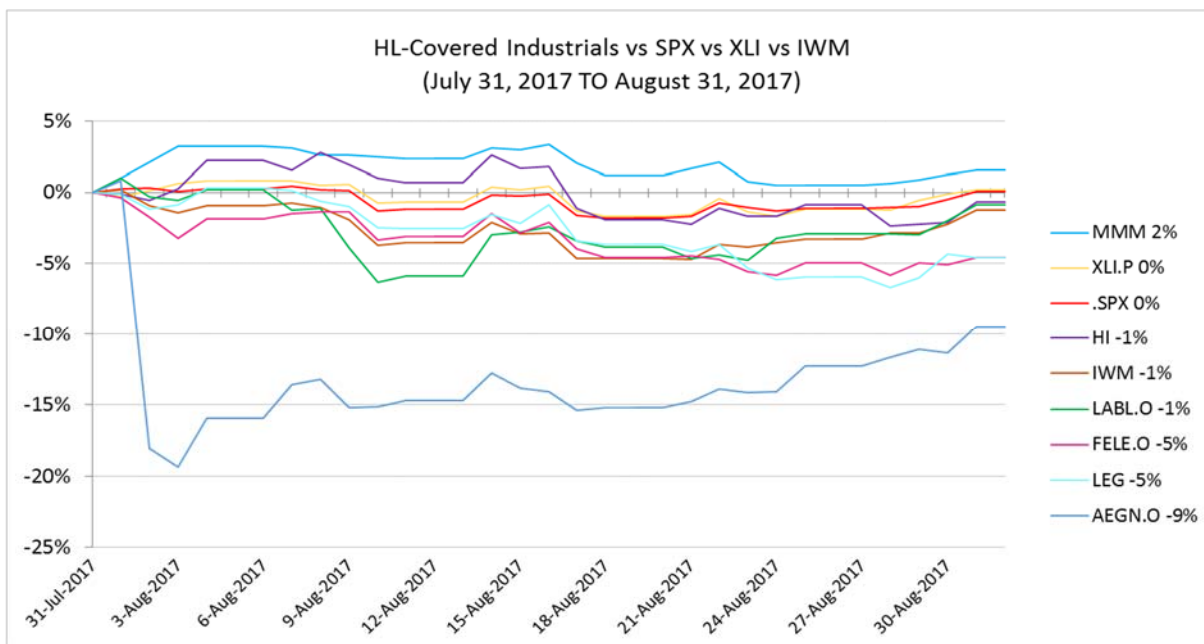
Since our prior *Industrials Monthly*, we lowered 2017 estimates for Leggett & Platt, but have otherwise been quiet ahead of quarter-end and any adjustments we might make prior to Q3 earnings season. We reiterated our Long-term Buy rating on LEG; the balance of our coverage group remains Neutral-rated: AEGN, FELE, HI, LABL and MMM.

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



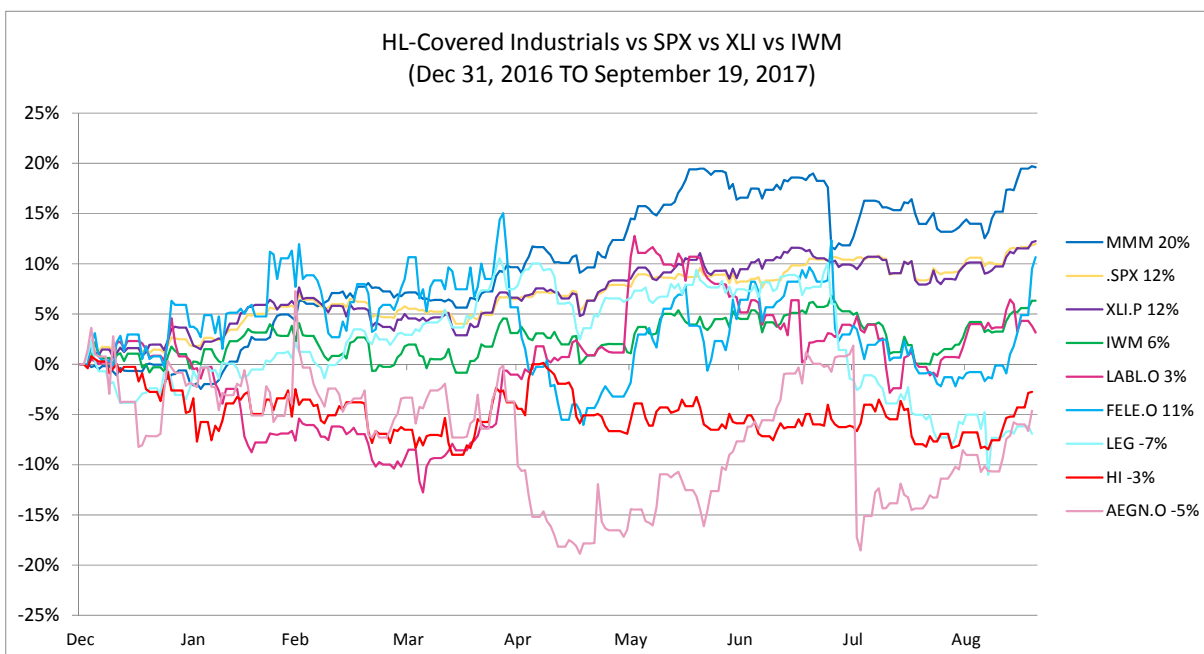
Source: Thomson Reuters SPX-S&P 500 Index; XLI-Industrials sector ETF; IWM-Russell 2k Index ETF; BA-Boeing; CAT-Caterpillar; DAL-Delta; EMR-Emerson; GE-General Electric; UNP-Union Pacific; UPS-United Parcel *Note: It is not possible to invest directly in an index*

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

August offered similar performance as July from the Industrials sector, with the group remaining somewhat out of favor, but posting a positive move nonetheless. After outperforming the broader market in five of the first six months of 2017, the Industrials sector regained its advantage after being overtaken in July. As measured by the XLI, the sector advanced 0.22% in August, which just edged the 0.05% gain for the S&P 500. Performance for small-cap stocks remained weak last month, with the Russell 2000 small-cap index declining by 1.25%. Thus far in September, the XLI has gained 2.03%.

From our vantage point, news flow has been relatively light for the Industrials sector in the weeks preceding and following the Labor Day holiday, which happen to fall just after the conclusion of Q2 earnings season in mid-August. We are not surprised to see the sector drift higher alongside the broader market given prescient macro themes such as: weaker USD, political gridlock, hurricane re-build and Fed balance sheet normalization. We see each of these items as neutral-to-positive for Industrials (at least versus the broader market, on average), and fear less a devolution of business confidence with the Harvey/debt ceiling package coming after the very visible dissolution of Trump's CEO councils.

Within our coverage, we await M&A news from Aegion, 3M and Multi-Color, each of which have deals pending (or assets up for bid) in transactions that could close by the end of this year.

FY 2017 EPS expectations for our 31-company composite group total \$197.87, which is actually down m/m for the first time this year (down ~\$2). Current expectations suggest yr/yr growth in 2017 of 7.6%, after earnings declined by 1.5% in 2016. FY 2018 and 2019 expectations indicate yr/yr growth for our composite of 10.4% and 11.8%, respectively.

We continue to stress an affinity toward multi-nationals as we look toward the close of 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 over the next couple of quarters. 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 still like Defense's leverage to traditional warfare technologies and the DoD budget in the current political climate; however, we also see long-term upside from cyber security evolutions and a renewed interest in outer space.

We are reiterating our Marketweight allocation recommendation for the Industrials sector as we trade through September. Thematically, we still like several items, including the persistently weak dollar alongside what we view as good recent US economic data, but valuation worsens for us a bit month over month. Our composite group is currently trading at average multiples of 22.0x/20.0x/18.0x based on 2016/2017E/2018E EPS, after m/m expansion of 1.0x-to-1.1x.

Leggett & Platt remains our current top pick in the Industrials sector. LEG cut guidance for a second time this year in early-September, although we ultimately believe the event could mark a trough in both sentiment and share price. Steel pricing pressures have seemingly re-emerged, and we suspect LEG has some level of clarity on what could have been a soft Labor Day selling holiday. Nonetheless, 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 - \$213.56, Neutral) 9/8/17—3M Company was selected for inclusion in the 2017 Dow Jones Sustainability Index (DJSI) for the 18th consecutive year.

Aegion Corp (AEGN - \$22.60, Neutral) 9/11/17—AEGN announced that the position of Chief Strategy Officer had been eliminated; former SVP John D. Huhn is no longer with the company as a result.

Leggett & Platt (LEG - \$ 45.50, Long-term Buy, \$66 TP) 9/7/17—LEG reduced full year 2017 adjusted EPS guidance to \$2.40 – \$2.50 from \$2.55 – \$2.65; previous sales guidance of \$3.9B to \$4.0B was reiterated. LEG also announced it had divested its Mastertrak operation, which was the last remaining business within the Commercial Vehicle Products (CVP) group.

Hillenbrand (HI - \$37.30, Neutral) 8/30/17—The Board effected a by-laws change, effectively requiring additional disclosures from any shareholder wishing to nominate a director. Specifically, said holder must clarify its effective interest in HI, adjusted for any hedges or leveraging transactions.

3M Company (MMM - \$213.56, Neutral) 8/14/17—MMM announced that Amy E. Hood, EVP and CFO of Microsoft Corp. (MSFT—\$75.44, Neutral) was elected to 3M’s Board of Directors, effective August 13. She will serve on 3M’s finance committee.

Aegion Corp (AEGN - \$22.60, 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 Appomattox-like projects in the future.

Leggett & Platt (LEG - \$45.50, 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. Note: LEG subsequently cut guidance again on September 7.

3M Company (MMM - \$213.56, 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 - \$80.05, 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 expands 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 - \$213.56, 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.

HL INDUSTRIALS COVERAGE COMP SHEET—HL Estimates

		Actual // Estimate																			
Company	Ticker	Price 19-Sep-17	Target Price	Rating	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.	
									FY'16	FY'17E	FY'18E	FY'16	FY'17E	FY'18E							
Aegion Corp	AEGN	\$ 22.60	--	Neutral	1,310.0	746.1	1.3x	37%	\$1.11	<u>\$1.24</u>	<u>\$1.33</u>	20.4x	18.2x	17.0x	16.7x	-4.7%	8.2x	NULL	8%	175,218	
Franklin Electric	FELE	\$ 43.05	--	Neutral	1,004.9	2,001.4	3.0x	19%	\$1.66	<u>\$1.89</u>	<u>\$2.17</u>	26.0x	22.8x	19.8x	22.0x	-1.2%	15.3x	1.00%	14%	148,480	
Hillenbrand	HI	\$ 37.30	--	Neutral	1,576.0	2,350.9	3.4x	47%	\$2.00	<u>\$2.08</u>	<u>\$2.24</u>	18.6x	17.9x	16.7x	15.1x	2.3%	10.4x	2.20%	19%	232,592	
3M Company	MMM	\$ 213.56	--	Neutral	30,533.0	127,445.6	11.0x	49%	\$8.16	<u>\$8.63</u>	<u>\$9.08</u>	26.2x	24.7x	23.5x	19.9x	6.7%	15.7x	2.20%	46%	1,584,727	
Leggett & Platt	LEG	\$ 45.50	\$ 66	LTB	3,802.2	6,019.0	5.4x	46%	\$2.49	<u>\$2.49</u>	<u>\$2.81</u>	18.3x	18.3x	16.2x	20.1x	17.4%	12.1x	3.16%	32%	974,860	
Multi-Color Corp.	LABL	\$ 80.05	--	Neutral	929.2	1,364.5	3.3x	56%	\$3.22	\$3.61	<u>\$3.91</u>	24.9x	22.1x	20.5x	18.0x	19.0%	11.6x	0.25%	16%	77,671	
Averages:							4.5x	42.4%				22.4x	20.7x	19.0x	18.6x	6.58%	12.2x	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 19-Sep-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	\$ 22.60	1,310.0	746.1	1.3x	37.0%	\$1.10	<u>\$1.18</u>	<u>\$1.31</u>	20.5x	19.2x	17.2x	16.7x	-4.7%	8.2x	NULL		4.4%	175,218
Franklin Electric	FELE	\$ 43.05	1,004.9	2,001.4	3.0x	19.3%	\$1.66	<u>\$1.92</u>	<u>\$2.12</u>	25.9x	22.4x	20.3x	22.0x	-1.2%	15.3x	1.0%	21.5%	1.4%	148,480
Hillenbrand	HI	\$ 37.30	1,576.0	2,350.9	3.4x	47.5%	\$2.01	<u>\$2.07</u>	<u>\$2.26</u>	18.6x	18.1x	16.5x	15.1x	2.3%	10.4x	2.2%	41.9%	1.9%	232,592
3M Company	MMM	\$ 213.56	30,533.0	127,445.6	11.0x	48.7%	\$8.16	<u>\$8.94</u>	<u>\$9.44</u>	26.2x	23.9x	22.6x	19.9x	6.7%	15.7x	2.2%	50.9%	1.4%	1,584,727
Leggett & Platt	LEG	\$ 45.50	3,802.2	6,019.0	5.4x	46.2%	\$2.49	<u>\$2.43</u>	<u>\$2.75</u>	18.3x	18.7x	16.5x	20.1x	17.4%	12.1x	3.2%	54.0%	4.3%	974,860
Multi-Color Corp	LABL	\$ 80.05	929.2	1,364.5	3.3x	55.5%	\$3.22	\$3.61	<u>\$3.98</u>	24.9x	22.2x	20.1x	18.0x	19.0%	11.6x	0.2%	5.7%	4.7%	77,671

Source: Company reports and Thomson Reuters

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

SELECT INDUSTRIALS SECTOR COMPARABLES—Consensus Estimates

Last update 9/20/17

Actual // Estimate

Company	Tkr	Price 19-Sep-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.
							FY16	FY17E	FY18E	FY16	FY17E	FY18E							
Aero & Defense																			
Boeing	BA	\$ 252.46	90,899.0	149,224.9	nm	88.4%	\$7.24	<u>\$10.00</u>	<u>\$10.79</u>	34.9x	25.2x	23.4x	17.9x	1%	13.9x	2.2%	46.2%	1.4%	3,733,562
General Dynamics	GD	\$ 203.12	31,080.0	60,826.7	5.6x	21.1%	\$9.87	<u>\$9.80</u>	<u>\$10.52</u>	20.6x	20.7x	19.3x	15.0x	12.0%	13.3x	1.7%	30.5%	0.8%	1,024,228
Lockheed Martin	LMT	\$ 305.65	49,045.0	88,024.4	69.6x	89.9%	\$12.42	<u>\$12.64</u>	<u>\$14.18</u>	24.6x	24.2x	21.6x	16.7x	9.0%	14.6x	2.4%	55.4%	0.6%	1,107,729
Northrup Grumman	NOC	\$ 278.33	25,194.0	48,455.7	8.2x	57.3%	\$12.19	<u>\$12.55</u>	<u>\$13.51</u>	22.8x	22.2x	20.6x	15.2x	13.4%	14.0x	1.4%	28.1%	0.8%	681,659
Raytheon	RTN	\$ 183.25	24,552.0	53,188.1	4.9x	33.5%	\$7.44	<u>\$7.59</u>	<u>\$8.48</u>	24.6x	24.1x	21.6x	16.2x	7.7%	14.7x	1.7%	41.3%	0.9%	1,400,397
Rails																			
CSX	CSX	\$ 51.78	11,549.0	47,291.3	4.1x	47.7%	\$1.81	<u>\$2.22</u>	<u>\$2.71</u>	28.6x	23.3x	19.1x	16.1x	-0.4%	11.3x	1.5%	38.6%	2.5%	6,172,037
Norfolk Southern	NSC	\$ 127.80	10,226.0	36,829.6	2.9x	42.3%	\$5.62	<u>\$6.32</u>	<u>\$7.02</u>	22.7x	20.2x	18.2x	15.9x	-1.3%	10.7x	1.9%	39.0%	1.4%	1,426,475
Union Pacific	UNP	\$ 113.00	20,724.0	90,443.5	4.6x	40.8%	\$5.07	<u>\$5.79</u>	<u>\$6.46</u>	22.3x	19.5x	17.5x	17.8x	2.5%	10.7x	2.1%	41.7%	1.3%	3,263,822
Airlines																			
American Airlines	AAL	\$ 44.38	41,112.0	21,613.5	5.8x	79.9%	\$5.71	<u>\$4.78</u>	<u>\$5.37</u>	7.8x	9.3x	8.3x	7.0x	25.2%	5.5x	0.9%	9.8%	7.3%	6,295,975
Delta Airlines	DAL	\$ 47.90	39,880.0	35,256.4	2.6x	31.6%	\$5.32	<u>\$5.23</u>	<u>\$5.81</u>	9.0x	9.2x	8.2x	9.5x	19.2%	5.0x	2.5%	16.0%	2.3%	8,238,596
United Continental	UAL	\$ 57.54	37,385.0	17,505.1	2.0x	52.7%	\$8.65	<u>\$6.28</u>	<u>\$7.04</u>	6.7x	9.2x	8.2x	12.0x	45.0%	4.0x	NULL		5.0%	4,740,053
Southwest Airlines	LUV	\$ 53.54	20,841.0	32,047.2	3.8x	24.6%	\$3.75	<u>\$3.70</u>	<u>\$4.54</u>	14.3x	14.5x	11.8x	15.8x	49.6%	6.8x	0.9%	12.9%	1.9%	6,243,310
Shipping, Air/Ground																			
C.H. Robinson	CHRW	\$ 72.60	13,895.9	10,192.0	7.6x	19.4%	\$3.59	<u>\$3.29</u>	<u>\$3.59</u>	20.2x	22.1x	20.2x	21.2x	10.6%	13.1x	2.5%	52.1%	15.2%	1,857,277
Fed Ex	FDX	\$ 216.00	60,319.0	57,944.0	3.6x	48.1%	\$10.80	\$12.30	<u>\$13.31</u>	20.0x	17.6x	16.2x	17.0x		8.2x	0.9%	16.3%	1.7%	1,062,877
J.B. Hunt	JBHT	\$ 102.67	6,767.8	11,235.7	8.0x	41.1%	\$3.81	<u>\$3.88</u>	<u>\$4.43</u>	26.9x	26.5x	23.2x	24.2x	9.1%	11.5x	0.9%	23.4%	2.9%	934,357
UPS	UPS	\$ 116.97	62,924.0	101,292.3	nm	75.1%	\$5.75	<u>\$6.01</u>	<u>\$6.48</u>	20.3x	19.5x	18.0x	19.5x	8.0%	14.6x	2.8%	78.9%	1.1%	2,070,819
Machinery																			
Caterpillar	CAT	\$ 124.74	39,887.0	73,717.9	5.3x	45.6%	\$3.42	<u>\$5.25</u>	<u>\$6.62</u>	36.5x	23.7x	18.8x	16.9x	-16.1%	14.9x	2.5%	91.2%	2.9%	3,212,312
Cummins	CMI	\$ 167.50	18,357.0	28,076.5	3.7x	17.4%	\$8.23	<u>\$9.87</u>	<u>\$10.85</u>	20.4x	17.0x	15.4x	14.9x	3.1%	12.8x	2.6%	46.2%	2.1%	1,289,289
Deere	DE	\$ 123.08	28,239.6	39,545.2	4.6x	56.2%	\$4.81	<u>\$6.52</u>	<u>\$7.22</u>	25.6x	18.9x	17.0x	13.3x	-19.1%	12.7x	1.9%	39.8%	3.8%	3,101,387
Paccar	PCAR	\$ 70.90	17,261.8	24,912.6	3.3x	55.6%	\$3.85	<u>\$4.00</u>	<u>\$4.40</u>	18.4x	17.7x	16.1x	15.1x	5.3%	10.3x	1.4%	41.8%	2.0%	1,532,435
Electric Components																			
Eaton	ETN	\$ 77.03	19,834.0	34,455.5	2.2x	28.9%	\$4.21	<u>\$4.61</u>	<u>\$5.10</u>	18.3x	16.7x	15.1x	15.3x	0.6%	12.1x	3.1%	53.4%	1.5%	2,402,841
Emerson Electric	EMR	\$ 63.21		40,455.6	5.1x	28.4%	\$2.98	<u>\$2.61</u>	<u>\$2.90</u>	21.2x	24.3x	21.8x	17.2x	-5.6%	14.0x	3.0%	64.4%	1.7%	2,274,351
Rockwell Automation	ROK	\$ 177.13	6,182.4	22,736.3	10.4x	38.3%	\$5.93	<u>\$6.75</u>	<u>\$7.30</u>	29.9x	26.2x	24.3x	18.7x	1.3%	17.7x	1.7%	47.9%	1.8%	588,297
United Technologies	UTX	\$ 113.65	58,108.0	90,780.5	3.2x	40.7%	\$6.61	<u>\$6.57</u>	<u>\$6.87</u>	17.2x	17.3x	16.5x	16.6x	2.1%	10.3x	2.5%	40.0%	1.0%	4,319,065
Conglomerates																			
Danaher	DHR	\$ 86.87	17,432.2	60,347.7	2.5x	27.4%	\$3.61	<u>\$3.95</u>	<u>\$4.29</u>	24.1x	22.0x	20.3x	16.7x	1.8%	18.5x	0.6%	17.4%	0.6%	2,614,515
General Electric	GE	\$ 24.20	119,572.0	209,522.3	2.8x	48.7%	\$1.49	<u>\$1.56</u>	<u>\$1.69</u>	16.2x	15.5x	14.4x	17.7x	-3.1%	16.5x	4.0%	106.5%	1.2%	38,993,830
Honeywell	HON	\$ 137.75	39,359.0	104,768.4	5.1x	34.5%	\$6.60	<u>\$7.09</u>	<u>\$7.77</u>	20.9x	19.4x	17.7x	17.3x	9.9%	12.9x	1.9%	39.6%	1.0%	2,353,915
3M Corp	MMM	\$ 213.56	30,533.0	127,445.6	11.0x	48.7%	\$8.16	<u>\$8.94</u>	<u>\$9.44</u>	26.2x	23.9x	22.6x	19.9x	6.7%	15.7x	2.2%	50.9%	1.4%	1,584,727
Parker Hannifin	PH	\$ 176.09	12,029.3	23,442.9	4.5x	43.7%	\$6.46	\$8.11	<u>\$9.08</u>	27.3x	21.7x	19.4x	17.1x		15.3x	1.5%	35.0%	1.6%	977,556
Other																			
Illinois Tool Works	ITW	\$ 148.00	13,964.0	50,934.1	10.7x	59.4%	\$5.64	<u>\$6.45</u>	<u>\$7.10</u>	26.2x	22.9x	20.9x	19.2x	15.8%	15.3x	2.1%	40.2%	1.8%	1,077,491
Waste Management	WM	\$ 78.26	14,125.0	34,437.2	6.3x	60.8%	\$2.91	<u>\$3.19</u>	<u>\$3.51</u>	26.9x	24.5x	22.3x	20.4x	10.6%	11.3x	2.2%	42.4%	2.0%	1,609,236
Averages: [BA thru WM]					7.4x	46.0%				22.0x	20.0x	18.0x	16.6x	7.7%	12.3x	2.0%	42.9%	2.4%	

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	Q3'17	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	93.54	91.76					
\$ 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%	-2.3%	-8.1%					
LAST UPDATE: 9/20/2017															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%	\$ 1.175 5.2%	\$ 1.200 11.3%					
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 -3.7%	CAD 1.255 -4.3%	CAD 1.226 -8.2%					
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%	\$ 0.790 4.2%	\$ 0.807 7.7%					
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%	\$ 1.304 -0.7%	\$ 1.357 9.2%					
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 0.962 -1.4%	CHF 0.962 -4.0%					
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%	¥ 110.80 8.2%	¥ 111.41 1.6%					
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%	\$ 0.31612 2.6%	\$ 0.31909 5.1%					
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%	\$ 0.07601 6.8%	\$ 0.07533 4.8%					
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%	\$ 0.0562 5.4%	\$ 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%	₩ 1,131.7 1.0%	₩ 1,126.1 -3.0%					
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%	3.508 TL 18.2%	3.470 TL 5.0%					
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 64.1 -4.3%	INR 64.3 -4.7%					
Average ISPr in ChinaYuan (\$ strength) / weakness	¥ 6.464 -4.5%	¥ 6.308 -2.4%	¥ 6.149 -2.5%	¥ 6.162 0.2%	¥ 6.274 1.8%	¥ 6.538 4.8%	¥ 6.529 5.2%	¥ 6.666 5.8%	¥ 6.847 7.8%	¥ 6.645 5.9%	¥ 6.861 4.9%	¥ 6.854 5.0%	¥ 6.671 0.1%	¥ 6.571 -4.0%					
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 59.17 -8.4%	RUB 57.88 -8.1%					

Sources: Bloomberg, Thomson Reuters, Hilliard Lyons calculations

MONTHLY ECONOMIC STATISTICS

Macro Data--MONTHLY

	Q1				Q2			Q3			Q4			2016			Q1			
	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	Aug '17	
LAST UPDATE Check: 9/20/2017																				
Business Spending																				
Cap Gds Orders, x-A&Def, Seas Adj m/m	-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%	0.8%	-0.1%	1.0%		
Durable Goods Orders, total, Seas Adj m/m	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%	0.0%	6.4%	-6.8%		
Consumer Spending																				
Durable Goods, Real (FRED)--seas Adj	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	1673.1	1680.8	1695.0	1708.7		
Non-Durable Goods, Real (FRED)--seas Adj	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	2559.9	2571.8	2569.7	2576.2		
Energy																				
US Oil & Gas Rig Count, Mo Avg	478	437	407	417	449	481	509	544	580	634		683	744	789	853	893	931	953	947	
Year/Year change	-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%	96.8%	
Worldwide Crude Production, MM/day	80.57	79.77	79	79.71	80.35	79.83	80.19	81.26	82.29	81.73		80.75	80.94	80.17	79.81	80.36				
Oil Price: Refinery Acq Cost, \$/bbl	\$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	\$48.34	\$45.17	\$46.35		
Interest Rates & Money																				
Corporate BAA to AAA spread, in bps	131	117	103	103	94	92	90													
2-yr Treasury Note-month end	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%	1.33%	
30-yr T-Bond-month end	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%	2.73%	
2-yr -- 30-yr spread, bps	181	185	181	172	156	152	158	172	191	186		186	175	175	168	159	146	155	140	
Labor Markets																				
Unemployment Rate, total 16+	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%	4.4%	
Monthly non-Farm Payrolls (in 000s)	+225k	+153k	+43k	+297k	+291k	+176k	+173k	+135k	+164k	+155k		+216k	+232k	+50k	+207k	+145k	+210k	+189k	+156k	
Misc Macro																				
Index of Leading Indicators (LEI), mthly chg	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	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	55.3	
Prices & Costs																				
CPI: Core, % chg yr/yr	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%	1.7%	
PCE Price Index: Core, % chg y/y	1.6%	1.6%	1.6%	1.6%	1.6%	1.7%	1.7%	1.8%	1.8%	1.8%		2.0%	2.2%	1.8%	1.7%	1.5%	1.4%	1.4%		
Production																				
ISM Total Index--PMI	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	58.8	
US Industrial Production Index	102.53	102.87	102.76	103.12	103.22	103.15	102.99	103.17	102.95	103.77		103.46	103.70	103.92	105.02	105.08	105.28	105.48	104.74	
Total Year/Year change	-2.4%	-1.7%	-1.5%	-0.8%	-1.2%	-1.3%	-1.2%	-0.8%	-0.4%	0.8%		0.0%	0.4%	1.4%	2.1%	2.3%	2.1%	2.2%	1.5%	
Retail Sales																				
Retail & Food Sales, nom % chg y/y (seas Adj)	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%	3.5%	3.2%	
R&F Sales, x-Auto, nom % chg y/y (seas Adj)	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%	3.4%	3.6%	
Trade & Currencies																				
ISM Export Orders Index (seas adjd)	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	55.5	
Exports to China, \$B	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	10.0		
Transportation																				
Rails: Carloads Origin, in 000s	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	1,343.4	
Rails: Intermodal Origin, in 000s	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	1,401.1	
Rails: Cars + Intermodal, in 000s	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	2,744	
Total Year/Year change	-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%	2.6%	
TTINNSAV Trk Tonnage Index, seas Adj	136.6	135.3	139.3	137.1	134.2	137.7	131.9	131.6	142.7	134.9		138.9	138.8	137.4	135.4	144.7	138.4	139.1	149.0	

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	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%	3.0%	
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%	0.8%	
LAST UPDATE Check: 9/20/2017															
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	*June: 4th Fed hike	*Stoms Harvey & Irma
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%	2.3%	
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%	0.6%	
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%	3.0%	
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	\$47.66	
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%	2.81%
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%	4.4%
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	54.6
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 Pre Idx: Core, %chg y/y	1.4%		1.3%	1.3%	1.3%	1.4%		1.6%	1.6%	1.7%	1.8%		2.0%	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	57.6
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%	3.4%
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%	3.5%
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	56.5
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	134.6	136.4		138.4	139.5	

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

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

ECONOMIC COMMENTARY

ISM data indicated expansion (>50) in the US manufacturing sector for a twelfth consecutive month in August, with a PMI print of 58.8 marking the highest level for the metric since 2011. Based on comments from the American Trucking Association, we expect storm preparation for Irma and (more so) Harvey likely had a positive impact on economic activity in August, although we still believe a less tentative overall business climate is helping drive generally positive data. The in vogue trend of yield curve flattening returned in August; the 2-yr and 30-yr notes ended last month at 1.33% (-1 bps) and 2.73% (-16 bps), respectively. In a rate decision today, the FOMC held its Fed Funds rate stable at 1%-1.25% to meet the market expectation; market-implied odds of an additional hike by year-end (would be the 5th of this cycle) are about 50/50.

The US Bureau for Economic Analysis' estimate for Q2'17 US GDP growth was revised higher by 40bps to 3.0% in late-August, alongside substantial fanfare at the metric hitting three percent for the first time since Q1'15. Forecast data from the Atlanta Fed implied a similar growth rate was possible for Q3; however, we expect hurricane activity in September to have some level of negative impact. As is customary for the US economy, Consumption is situated to be the most impactful driver of Q2 GDP growth, although Private Investment is in line to drive its third best contribution out of the last ten quarters.

Incremental inflation data over the past few weeks remain benign, although with the PCE Price index (ex-food & energy) measuring 1.4% for July. Core-CPI for August at 1.7% (4th month in a row) keeps the metric at its lowest read since May 2015. August payrolls data of +156,000 is fine, in our view, although June-July have now seen a downward revision of a combined 30k. Unemployment was 4.4% in August.

Our current and holistic view of the US political economy remains positive, although from a data standpoint over the next few months we expect hurricane activity to factor into the conversation. Activity and spending data have been fine over the past several weeks, in our view, and even offer that the Harvey-aid/debt ceiling 'compromise' in Washington offers a respite from the toxic narrative that could help maintain the sense of business relief that we believe has aided 2017.

CURRENCY PRICE COMMENTARY

Nearing the close of the quarter, we calculate the US Dollar Index (DXY) has averaged 2.3% weaker yr/yr during Q3'17 thus far. This positions the greenback to have its first 'weaker' quarter since last summer, although perhaps more importantly, the spot price of the DXY around press time at ~92 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 somewhat resumed its strengthening path late in Q3. The USD/Yen price for Q3 indicates USD strengthening yr/yr, but the pair has been stable sequentially.

Q3'17 holds 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. Having noted that, the forex conversation at this point seems to center on sequential USD weakening across 2017, rather than specific historical comparisons. 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 9/20/17: September Sector Update.

Leggett & Platt (LEG - \$45.50, Long-term Buy, \$66 TP) 9/14/17: Revising Estimates on Lowered Guidance; Reiterating Long-term Buy.

Industrials Monthly 8/24/17: August Sector Update.

Multi-Color Corp. (LABL - \$80.05, Neutral) 8/8/17: Down Fiscal Q1'18 for LABL, but as Expected; Reiterating Neutral Rating.

Hillenbrand, Inc. (HI - \$37.30, Neutral) 8/3/17: Good Q3'17 Results from HI; Reiterating Neutral.

Aegion Corp. (AEGN - \$22.60, Neutral) 8/2/17: Miss in Q2'17 and Another Round of Restructuring, but Forward Outlook Somewhat Resilient.

Leggett & Platt (LEG - \$45.50, Long-term Buy, \$66 TP) 7/28/17: Q2'17 Results from LEG; Reiterating Long-term Buy.

Franklin Electric Co., Inc. (FELE - \$43.05, Neutral) 7/25/17: Q2 Results for FELE; Reiterating Neutral Rating.

3M Company (MMM - \$213.56, Neutral) 7/25/17: A Noisy Miss in Q2'17 from MMM; Reiterating Neutral Rating and Initiating 2019 Financial Estimates.

Leggett & Platt (LEG - \$45.50, 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 - \$80.05, Neutral) 7/17/17: Major Acquisition of Constantia Flexibles Planned; Adjusting Model and Reiterating Neutral.

Additional information is available upon request.

Prices and all price sensitive data as of Tuesday, September 19, 2017, close

Analyst Certification

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

Important Disclosures

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

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

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

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	40	32%	10%	90%
Hold/Neutral	77	62%	8%	92%
Sell	8	6%	0%	100%

As of 6 September 2017

Other Disclosures

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

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

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