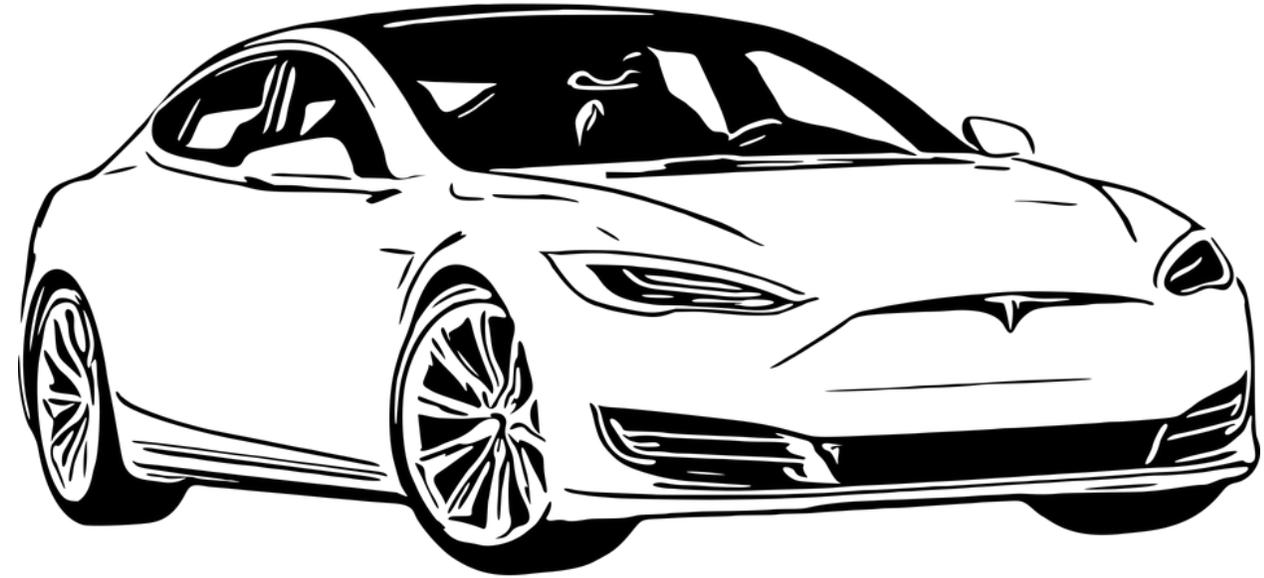


HEDGEYE



How To Prepare Your Portfolio For The Year Ahead | **Industrials**

December 2, 2019



INDUSTRIALS

Jay Van Sciver

David Talbott

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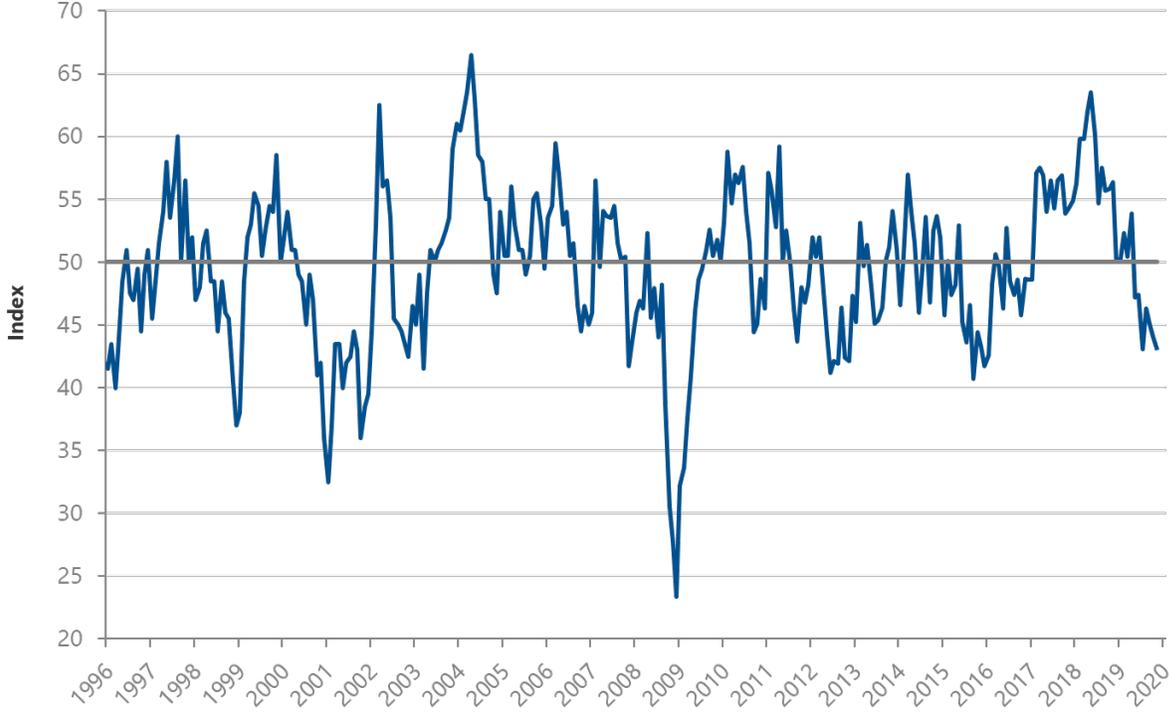
ISM Stabilization Not So Stable, Backlog Down: Hangover?

ISM REPORTS ON BUSINESS NEW ORDERS



SOURCE: ISM, HEDGEYE ESTIMATES

ISM REPORTS ON BUSINESS BACKLOG

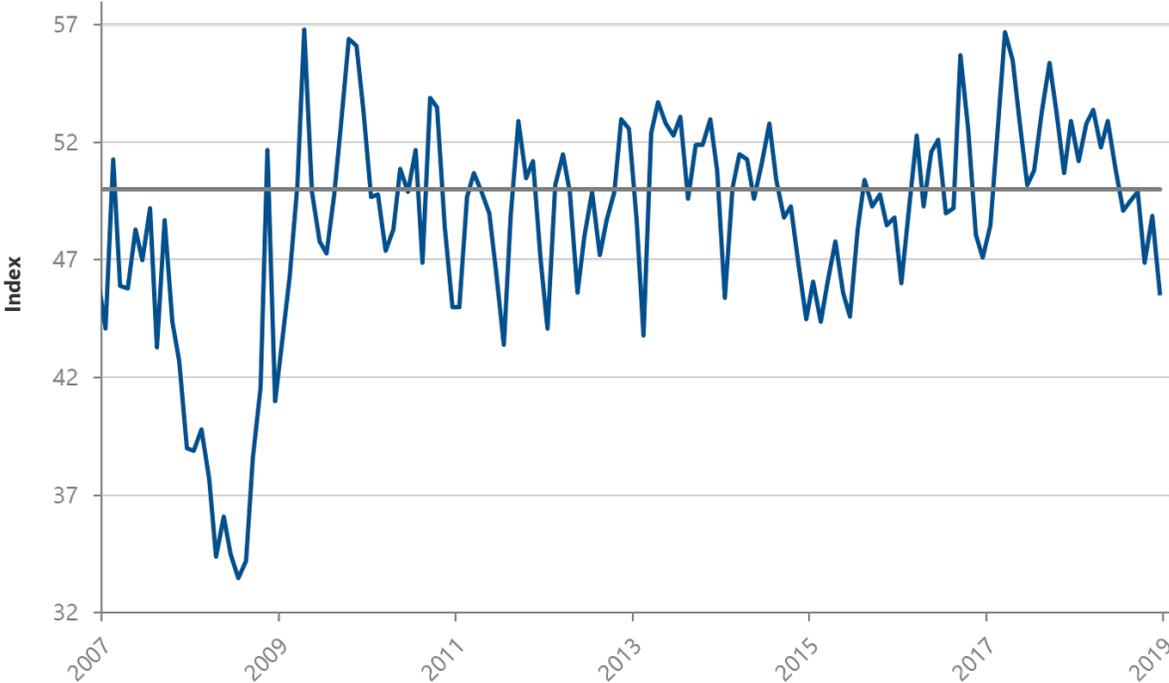


SOURCE: ISM, HEDGEYE ESTIMATES

Inventories & Employment Also Down, Industrial Contraction

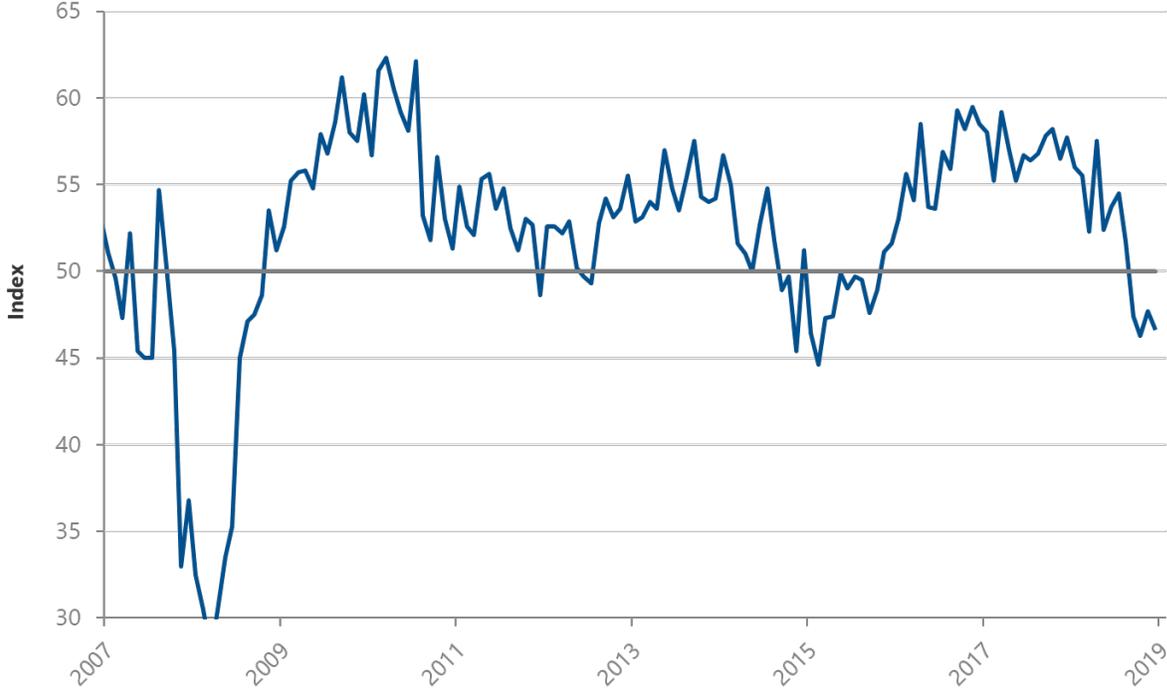
ISM REPORTS ON BUSINESS

— ISM Manufacturing Inventories



SOURCE: ISM, HEDGEYE ESTIMATES

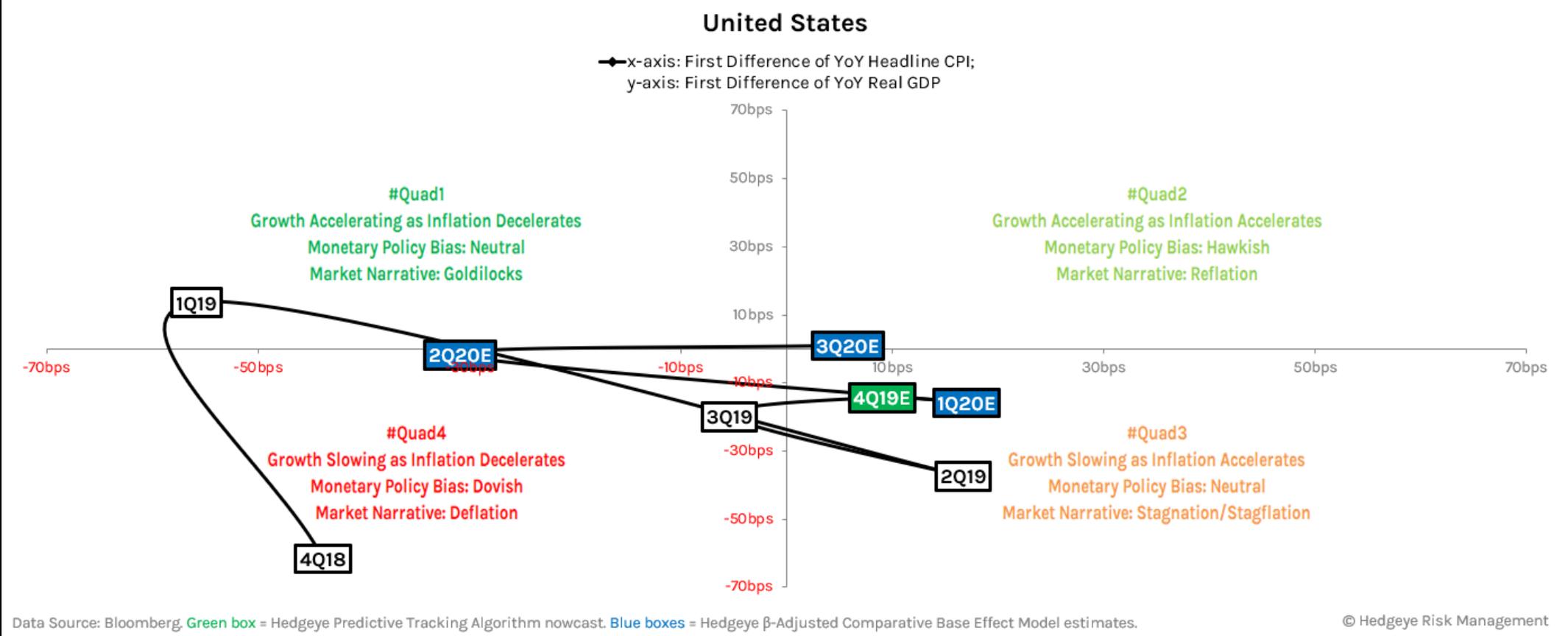
ISM MANUFACTURING EMPLOYMENT SUBINDEX



SOURCE: ISM, HEDGEYE ESTIMATES

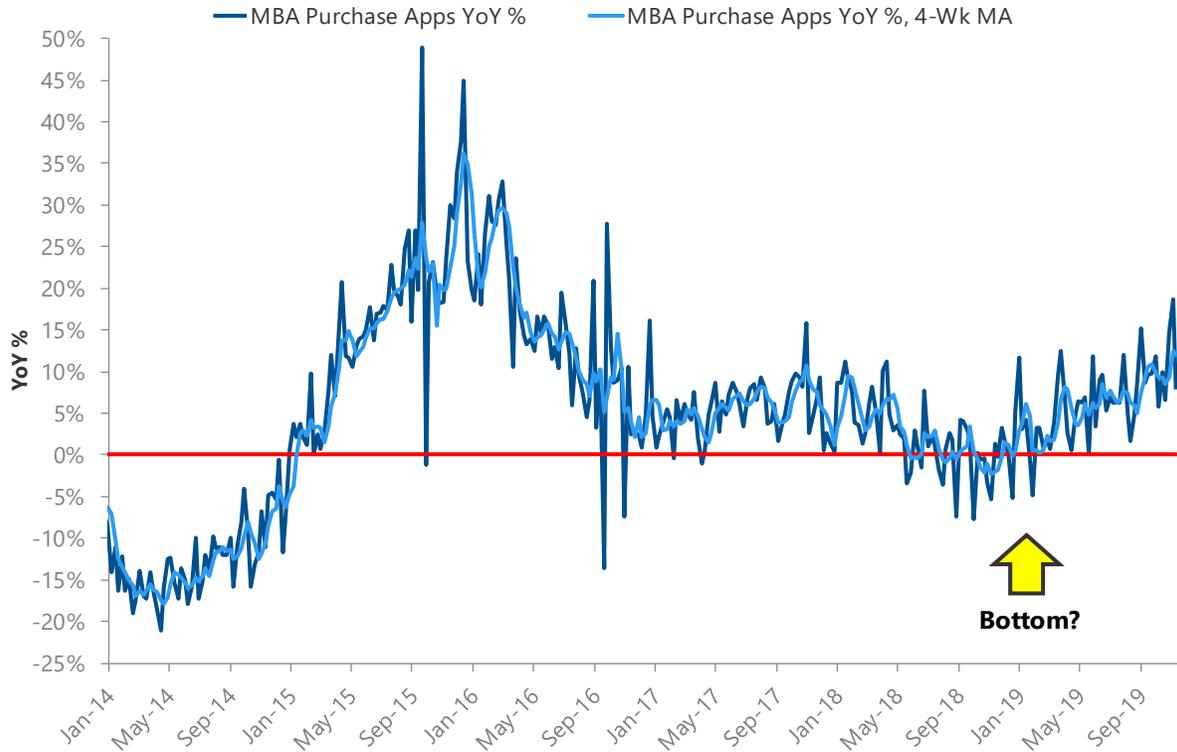
Consistent With Macro Framework: Fleet Growth + Replacement

United States	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	← Actuals Estimates →	4Q19E	1Q20E	2Q20E	3Q20E
Real GDP QoQ SAAR	2.00%	2.30%	2.20%	3.20%	3.50%	2.50%	3.50%	2.90%	1.10%	3.10%	2.00%	2.10%	Real GDP QoQ SAAR	0.52%	2.44%	1.93%	2.15%
Real GDP YoY	2.03%	2.10%	2.16%	2.42%	2.80%	2.86%	3.20%	3.13%	2.52%	2.65%	2.28%	2.08%	Real GDP YoY	1.94%	1.78%	1.76%	1.77%
2Y Comparative Base Effects	2.39%	2.80%	2.35%	2.00%	1.97%	1.86%	1.75%	1.99%	2.41%	2.48%	2.68%	2.77%	2Y Comparative Base Effects	2.66%	2.76%	2.74%	2.61%
Headline CPI YoY	1.80%	2.54%	1.90%	1.97%	2.12%	2.21%	2.71%	2.64%	2.20%	1.64%	1.81%	1.76%	Headline CPI YoY	1.85%	2.02%	1.71%	1.77%
2Y Comparative Base Effects	0.86%	0.51%	0.50%	0.61%	1.13%	1.81%	1.48%	1.54%	1.96%	2.38%	2.31%	2.30%	2Y Comparative Base Effects	2.16%	1.93%	2.26%	2.20%



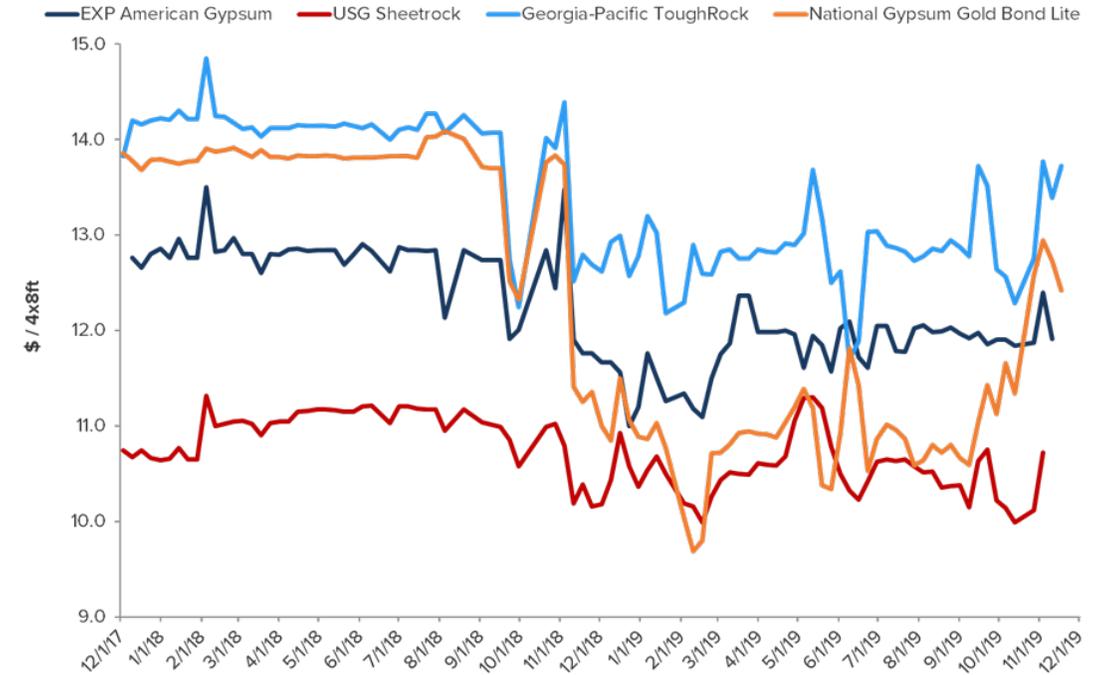
Residential Construction Looking Stronger

MBA MORTGAGE PURCHASE APPLICATIONS YOY %



DATA SOURCE: MBA, HRM ESTIMATES

U.S. 1/2IN 4X8FT STANDARD GYPSUM BOARD AVERAGE SELLING PRICE

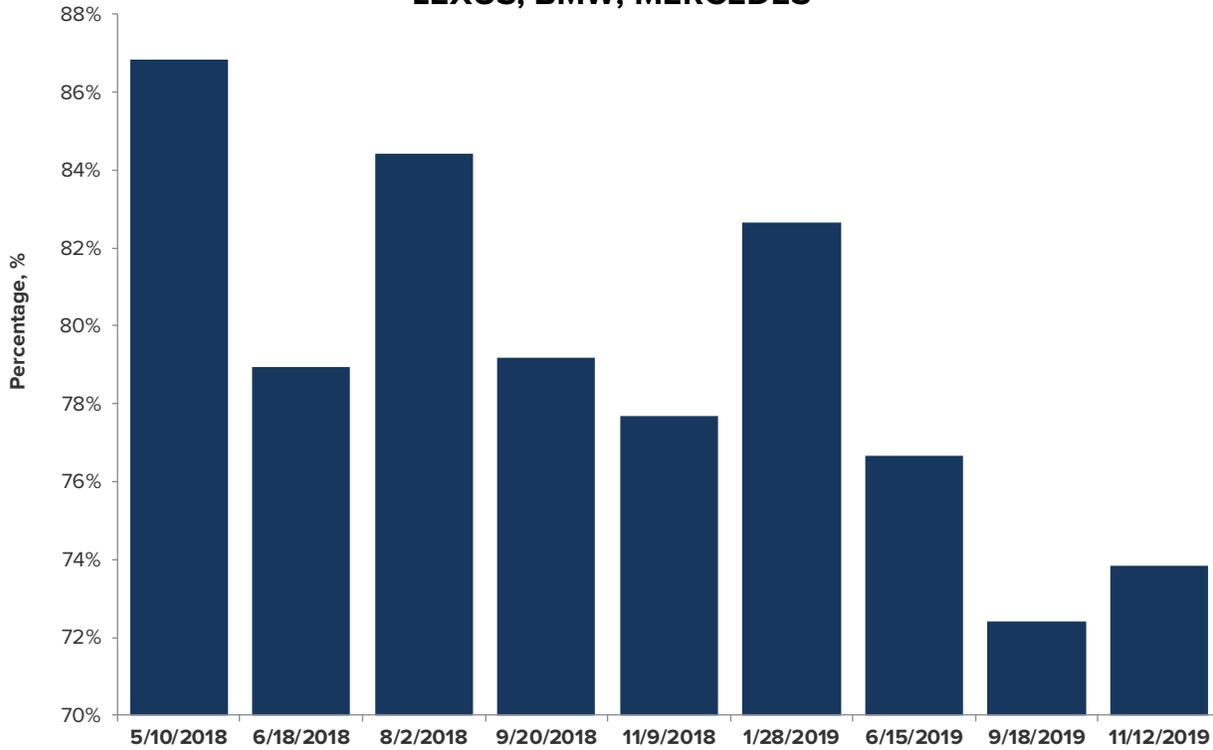


DATA SOURCE: HOME DEPOT, HRM ESTIMATES

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Tesla Facing Endless Competitive Entry, Weaker Backdrop

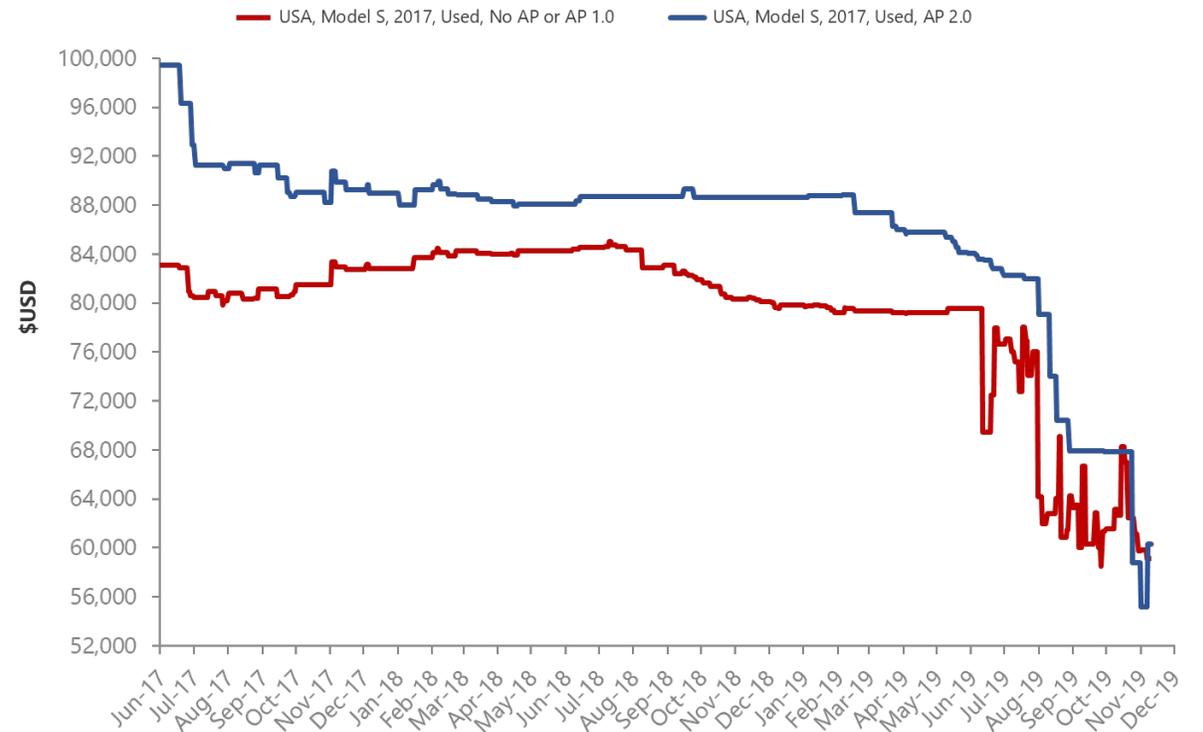
% OF SURVEYED THAT VIEW TESLA AS HIGHER QUALITY OVER LEXUS, BMW, MERCEDES



DATA SOURCE: HRM ESTIMATES

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DATA SOURCE: COMPANY WEBSITE, HRM ESTIMATES

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