HOT WIRE®
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News and Economic Outlook for the Wire and Cable Industry

| SPOTLIGHT |

When Will Business-to-Business Activity Recover?

US BUSINESS-TO-BUSINESS ACTIVITY is showing signs of recovery after nearly two years of general decline, marking one of the longest declining periods on record. US Nondefense Capital Goods New Orders *(excluding aircraft)*, a measure of business-to-business activity, fell to $762.1 billion during the 12 months through September. Despite the decline in New Orders, currently 3.5% below the year-ago level, the quarterly and annual rates-of-change rose for the second consecutive month. Positive movement in the New Orders internal trends and leading-indicator evidence give some optimism for the nascent recovery in business-to-business activity. Expect annual New Orders to rise throughout 2017 and the first half of 2018, with the highest rates of year-over-year growth occurring in the second half of 2017 and the first half of 2018.

New Orders has largely been depressed by the strength of the US dollar, lower global demand, and falling commodity prices. Fortunately for firms, these indicators all signal growth for business investment in 2017. The US Trade Weighted Exchange Rate annual growth rate has declined since early 2016, signaling that the impact of an unfavorable exchange rate for US exporters is waning. Cyclical rise in US Exports to the World and the JP Morgan Global PMI signal that the nascent recovery in New Orders is sustainable. US Mining Machinery New Orders, down 56.1% year-over-year, has suffered significantly from lower Oil Prices. However, October Oil Prices are up 0.6% compared to last year and the October IMF Metal Price Index is up 2.6% from October 2015. Recovery in commodity prices throughout 2016 has begun to alleviate some of the negativity in commodity-dependent segments of overall New Orders. This will likely support rising annual growth rates in these components of New Orders through at least 2017.

Hesitancy for firms to commit to business investment is not unfounded. Quarterly US Corporate Profits have been below the year-ago level since mid-2015. This poses a risk to the tentative recovery in business-to-business activity, suggesting that the recovery in New Orders may be muted until early 2017. However, rise in the quarterly growth rate for US Corporate Profits *(14-month lead time)* since a December 2015 low indicates that 2017 will be a better year than 2016 for overall New Orders. While it often takes time for firms to gather funds to make large capital expenditures, investing at the right moment ensures their ability to handle increases to demand.

Despite the previous period of decline in US Corporate Profits, firms are beginning to relay the sentiment that the business climate is improving. The US Business Confidence Index (12-month lead time) and the Purchasing Managers Index New Orders Component *(10-month lead time)* are both generally rising. This suggests that New Orders will rise by year-end 2016. This leading-indicator evidence suggests upward business-cycle momentum in New Orders will extend into at least the third quarter of 2017. Higher Utilization Rates

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IEWC® GLOBAL SOLUTIONS

GLOBAL ECONOMIC OVERVIEW

NORTH AMERICA

The third-quarter estimate for US Real Gross Domestic Product indicates that GDP tentatively transitioned to an accelerating growth trend, rising 1.5% above the year-ago level. However, US Industrial Production has yet to signal a definitive beginning to a recovery trend. Average US Industrial Production for the 12 months through September is down 1.3% from the year-ago level. Third-quarter Production rose 1.5% from the second quarter level. This is the second normal quarter-to-quarter change in Production, a positive sign following the below-normal fourth quarter 2015 and first quarter 2016. The US Purchasing Managers Index and the US Total Industry Capacity Utilization Rate are both generally rising, which suggest cyclical rise in both Real GDP and Industrial Production in 2017. US Nondefense Capital Goods New Orders is 3.5% below the year-ago level, but the severity of year-over-year decline is dissipating. Be prepared for a prolonged recovery, as the previous downturn in US Corporate Profits will temper New Orders into early 2017.

US Retail Sales *(deflated)* is up 1.8% compared to last year, signaling expansion on the consumer side of the US economy. However, consumer preferences are shifting. Spending at Restaurants and Bars and Nonstore Retailers *(up 6.6% and 10.1%, respectively)* is outpacing spending at Grocery Stores and General Merchandise Stores *(up 2.0% and 0.0%, respectively)*. Wholesale Trade is recovering along with commodity prices. Take the coming months as an opportunity to ensure your production process is prepared for the upcoming period of growth.

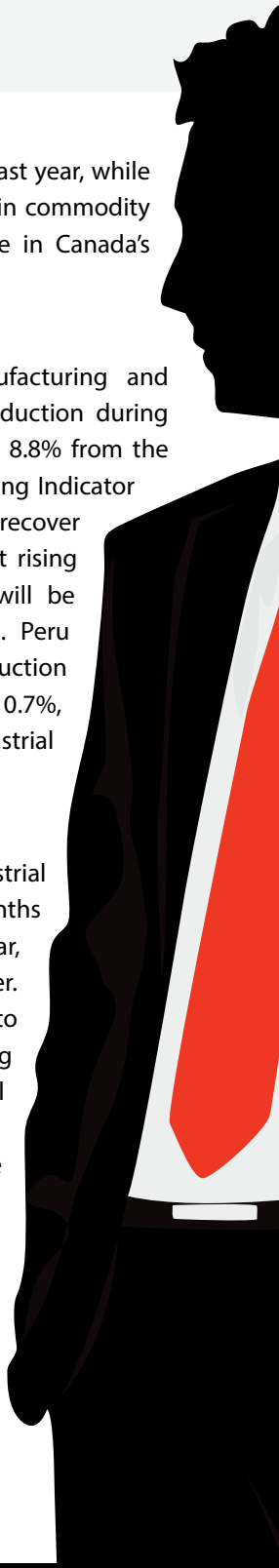
Average Mexico Industrial Production is 0.4% above the year-ago level. Consumer activity is driving growth in Mexico GDP *(up 5.4%)*, as Mexico Retail Sales are up 6.8% year-over-year. The Mexico Leading Indicator has risen for eight consecutive months, signaling rise in Production through at least mid-2017. Average Canada Industrial Production during the 12 months through August is down 0.7% from last year, while Canada GDP is up 1.2% year-over-year. Rise in commodity prices and global demand will support rise in Canada's economy in 2017.

SOUTH AMERICA

Average Brazil Manufacturing and Mining Industrial Production during the 12 months through September is down 8.8% from the previous year. Cyclical rise in the Brazil Leading Indicator and the Brazil PMI suggest Production will recover through at least mid-2017. This will support rising annual Production by early 2017, which will be welcome news for the rest of the region. Peru Industrial Production and Chile Industrial Production are generally recovering, down 2.5% and 0.7%, respectively. One bright spot is Colombia Industrial Production, which is up 4.4% year-over-year.

EUROPE

Average Eastern Europe Industrial Production for the 12 months through August is up 2.9% from the prior year, but the pace of rise slowed over the last quarter. The slowdown in Industrial Production is due to the slowdown in some of the fastest-growing countries, such as Czech Republic Industrial Production *(up 3.1%)* and Slovakia Industrial Production *(up 4.2%)* year-over-year. Despite slower growth, expect Eastern Europe Industrial Production to expand through at least 2017. Annual Western Europe Industrial Production is up 1.4% compared to last year. Cyclical decline in France, Spain, and Italy is contributing to the slowing pace of rise across the region.



BY THE NUMBERS (US)

Conference Board Consumer Confidence Index	October (2016) Unemployment	Retail Sales (Sept to October change)	Mfg.'s New Orders for Durable Goods (August to Sept change)
98.6%	4.9%	+0.4%	-0.1%

ASIA Average Southeast Asia Industrial Production for the 12 months through August is up 1.7% compared to last year. The quarterly growth rate is generally rising and the cyclical rise in the Major Five Asia Leading Indicator *(nine-month leading indicator)* suggests rise in Production rate-of-change through at least mid-2017. The China Industrial Production annual growth rate remained steady at 5.9% for the last eight months. However, the China Purchasing Managers Index for Manufacturing is rising and suggests that the Industrial Production growth rate will rise imminently. Annual India Industrial Production is up 0.6% year-over-year. The industrial and manufacturing sectors are being pulled down by the slower growth in China Industrial Production. However, India Imports from China, India's major source of inputs for manufacturing, is rising. This suggests an imminent rise for India Industrial Production. Japan Industrial Production transitioned to a recovery trend and the most recent three months of Production are 0.3% above the same three months last year. Expect Japan Industrial Production to exhibit a positive annual growth rate by mid-2017, as global economic activity increases.

MIDDLE EAST / AFRICA Average Middle East and North Africa Industrial Production for the 12 months through August is up 1.9% year-over-year. These regions are heavily reliant on Oil Production for economic growth and Oil Prices are generally recovering, currently up 0.6% compared to last year. Despite the year-over-year decline in Middle East Gross Domestic Product, down 10.9% compared to last year, rising Oil Prices bode well for recovery in Middle East GDP in 2017.

*Source - IEWC contracts the services of a third party consultant to provide current insights on the economy.

CURRENCY TRENDS

	Current Value of $1USD	Change Since 11/1/2015	Change Since 1/1/2016
Brazilian Real	3.35	-0.51	-0.61
Canadian Dollar	6.89	5.58	5.50
Chinese RMB	1.34	-4.98	-5.17
Euro	0.94	0.03	0.02
Mexican Peso	20.47	3.97	3.27
Pound Sterling	0.80	0.15	0.12

Current values as of 11/21/2016

Mfg.'s Shipments of Durable Goods (August to Sept change)	Durable Goods Mfg.'s Inventories (August to Sept change)	CPI Inflation (over prev. 12 months)	US Industrial Production Index (over prev. 12 months)	Purchasing Managers Index (October)
+0.8%	+0.1%	+0.4%	-0.9%	51.9%

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indicate that current machinery wear-and-tear will lead to replacement and maintenance in 2017, which bodes well for rising New Orders next year. The Manufacturing Machinery Capacity Utilization Rate, a five-month leading indicator, is in a general rising trend.

Consumers are going to drive the economy in 2017, so firms need to prepare if they want to capture a piece of that market share. Early GDP estimates for the third quarter indicate the economy has already transitioned into an accelerating growth trend, up 1.5% from the year-ago level. Rising wages *(up 3.6%)* and higher levels of employment *(up 2.0%)* are benefiting consumers who are experiencing relatively-low levels of inflation *(up 1.5%)*. Expect a stronger consumer sector to increase demand, placing upward pressure on the consumer-facing components of New Orders through 2017.

Recovery in international trade, commodity prices, and Utilization Rates suggest a stronger year for business-to-business activity next year. Recovery in business investment will be key to clearing the path for full-fledged economic growth in 2017, with annual New Orders finishing the year 4.6% above the 2016 level. Consider making your capital equipment expenditures now, while commodity prices and interest rates are still relatively low, in preparation for a stronger year in 2017.

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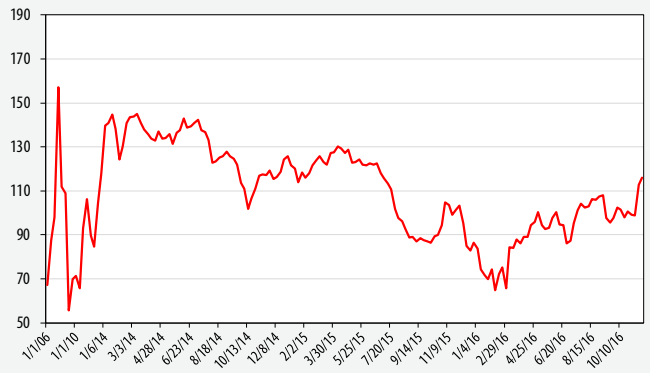
WIRE INDEX

The Wire Index jumped 13.3% since the beginning of October. It is now up a strong 38.2% since the beginning of 2016 and 14.3% over the past 12 months. All tracking companies except for Houston Wire & Cable had stock price increases since the beginning of October. Anixter had the largest increase at 21.8%.

The Index tracks the weighted stock price of five publicly-traded wire and cable manufacturers and distributors based in the US and is benchmarked such that the average value during the second half of 2006 equals 100. With the purchase of Coleman Cable by Southwire, the Wire Index now has five publicly traded wire and cable manufacturers and distributors.



COPPER FUTURES

Comex Copper rates increases in October and the first part of November, rising 12.8% since October 1st. Comex copper is now up 15.1% year-to-date and 18.5% over the last twelve months.