

Survey Summary

Index Decelerates In April; Volumes Sluggish As Eurozone Concerns Linger

To get a better view of global air and ocean trade, we partnered with Transport Intelligence Ltd (a UK-based research firm specializing in global logistics) to create the Stifel Logistics Confidence Index (LCI)—a monthly survey of international shippers and forwarders that measures freight activity across several European-based trade lanes. The index is a timely and effective indicator of shipper expectations, in our view, and an important barometer for the health and trajectory of international freight movements. April's results brought a sequential deceleration in the present and expected situations for both airfreight and seafreight. In our view, protracted weakness in the European economy may finally be pressuring expectations. This month, we had the opportunity to travel around Europe and meet with a number of public and private freight forwarders, and our experience seems to corroborate this somewhat fatigued optimism.

- **After a fifth consecutive increase in the overall Stifel Confidence Index last month, April results rolled over, dipping below not just March's reading, but also that of April 2012.** But despite the deceleration, it is important to note that logistics confidence for the total freight picture remains above the 50.0 threshold, and has now done so for three consecutive months. Moreover, while shippers and forwarders continue to perceive the present situation as weaker than seasonally normal (a condition that has not changed since March 2012), they also continue to expect better-than-seasonally-normal growth over the next six months.
- **In terms of airfreight, last month marked the first time that the blended logistics situation had exceeded the 50.0 threshold since June 2012 (although just barely).** This month, the blended figure receded into negative territory once again, indicating that shippers and forwarders continue to view the near-term European airfreight market as being weaker than normal for this time of year. Indeed, survey respondents indicate that volumes in the present environment are about 6% below those of April 2012. But while optimism for the market is also lower than it was last year, the market still expects growth over the 6-month horizon. Lane-by-lane, Europe-to-Asia freight continues to register the lowest levels, but also sees the greatest expectation of relative improvement.
- **The overall seafreight index receded by 0.9 index points from March, but still registered 2.1% higher than its year-ago equivalent.** Again, both the present and expected sea freight indices posted higher y/y values, despite some sequential deterioration. While current sentiment remains slightly below the seasonal norm, the six month outlook for growth in that mode remains comfortably in positive territory. Volume growth in ocean is generally less fragile than in air, in our view, although carrier rate increases could be a headwind for forwarding margins, as they were in 2H12.
- **In this month's one off question, we asked survey participants if they were seeing greater trade opportunities in domestic and intra-regional markets versus inter-continental ones.** Over half of respondents (or 52%) indicated that they had experienced such a shift in opportunities, while 37% had not. The remaining 11% were unsure.
- **Investment Conclusions:** Moving into second quarter, volumes typically see a seasonal uptick. However, respondents seem not to have observed such an increase in the present market. Although optimism remains for growth in the latter part of the year, such optimism has been tempered and may see further declines as economic softness wears on. Without an appreciable strengthening in Eurozone fundamentals, we think performance for firms like Kuehne + Nagel (KNIN-SIX, CHF 103.20, Hold) and Panalpina (PWTN-SIX, CHF 87.75, Hold), which have a high degree of exposure to the continent, will remain challenging. We prefer to focus our attention instead on companies with a more diversified service portfolio and geography, such as global integrators Deutsche Post DHL (DPW-XE, €17.65, Buy) and FedEx (FDX, \$95.14, Buy).

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Prices as of 4/16/2013, U.S. market close.

*** To participate in next month's survey, and in order to receive an advanced copy of the results, please use the following link: <https://www.surveymonkey.com/s/StifelAM13>**

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Logistics Confidence Index

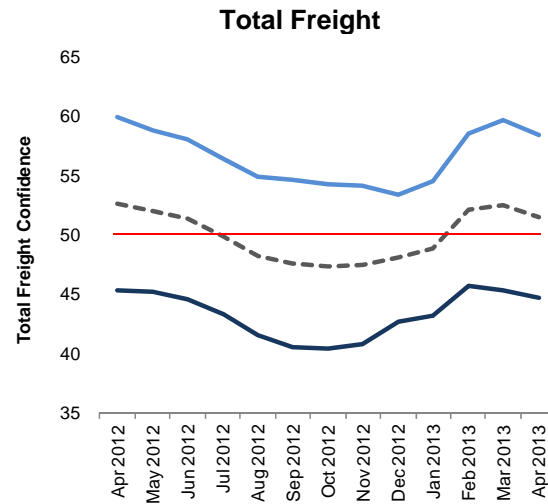
Overview – April 2013

Total Freight Index decelerates in April, but still indicative of growth

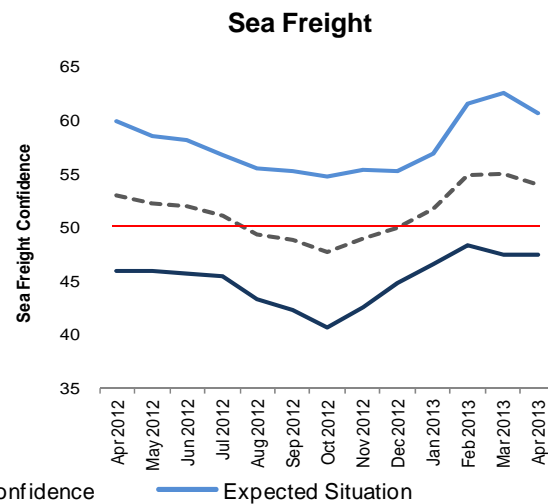
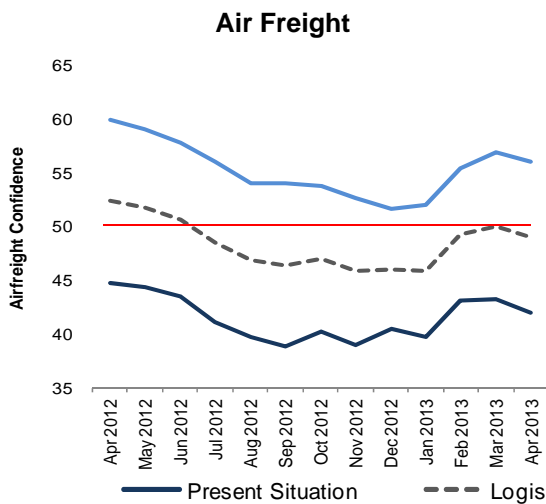
Following five consecutive monthly increases, the overall Stifel Logistics Confidence Index fell 1.0 index point to 51.5 in April. Despite its decline, the index remained above the significant 50 mark, indicating growth, for the third consecutive month.

In terms of the present logistics situation, the overall index fell 0.7 points to 44.7 in April. The index for sea freight remained virtually flat at 47.4 in April (down 0.1 points from March). Meanwhile, the index for air freight fell 1.2 points to 42.0 for the month. At below 50, latter two indices continue to indicate weaker volumes relative to the time of year. Regarding the six-month outlook, the overall index fell 1.3 index points to 58.4.

In this month's one off question, we asked survey participants whether they are experiencing an increase in greater opportunities within domestic markets and intra-regional trade compared with inter-continental trade. Over half of respondents (52%) indicated that they had experienced such a change in opportunities, while 37% had not. The remaining 11% were 'unsure'.



The logistics situation index illustrates current condition faced by forwarders, while the logistics expectations index shows how the situation is expected to develop over the next six months. The logistics confidence index, an average of both the present situation and expected situation indices, expresses overall confidence in the market.



	Present Situation	Expected Situation	Confidence
Mode	Apr 2013	Oct 2013	Average
Air Freight	42.0	56.0	49.0
Sea Freight	47.4	60.7	54.1
Total Freight	44.7	58.4	51.5

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

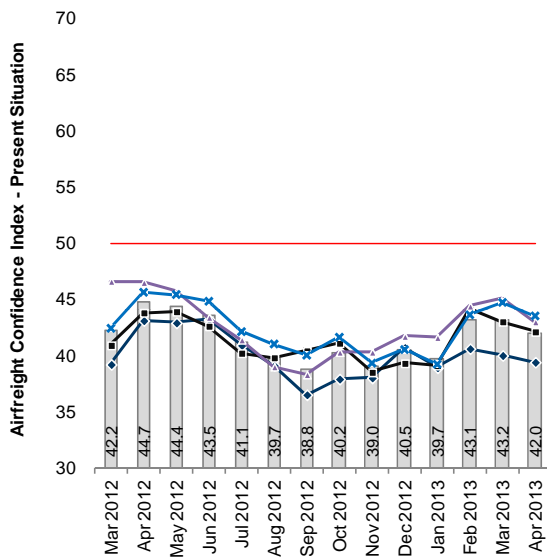
Air Freight Confidence Index

The overall index for air freight fell 1.1 index points to 49.0 in April 2013. When compared with April 2012, the index was 3.4 points lower.

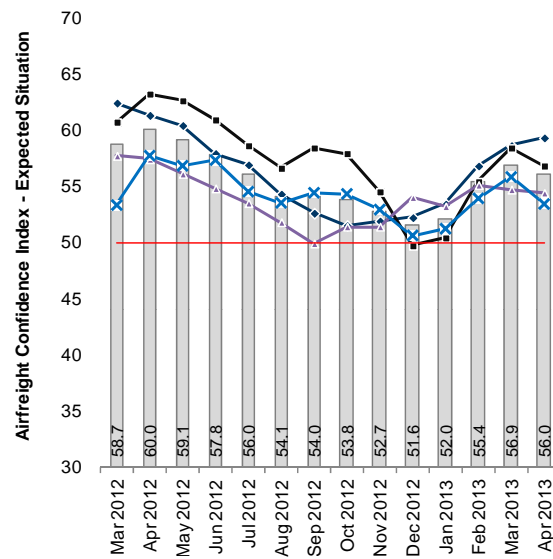
In terms of the current logistics situation, the index registered 42.0 for the month compared with 43.2 in March. Weaker volumes were apparent across all trade lanes, although the Europe-to-Asia route continued to fare the worst; the index fell to 39.4 in April. The US-based trade lanes continued to register the highest index values, although they also recorded slightly greater declines. For the Europe-to-US lane, the index fell 2.1 points to 43.0 in April. Meanwhile, the US-to-Europe lane fell 1.2 index points to 43.5.

In terms of expectations for the next six months, the index fell 0.9 points to 56.0 in April. Looking at individual lanes, the index for Europe to Asia actually increased to 59.3 for the month. In contrast, the US-to-Europe route recorded the greatest decline in expectations, down 2.4 index points to 53.4. Despite this, the index for all lanes remained above the 50 mark indicating that forwarders' are generally optimistic for an increase in volumes over the next six months.

Current Market



Six-Month Outlook



Legend: All Lanes (grey bar), Europe-Asia (blue line with diamonds), Asia-Europe (black line with squares), Europe-U.S. (purple line with triangles), U.S.-Europe (light blue line with crosses)

Trade Lane	Air Freight		
	Apr 2013	Oct 2013	Confidence
Europe-Asia	39.4	59.3	49.4
Asia-Europe	42.1	56.8	49.5
Europe-U.S.	43.0	54.4	48.7
U.S.-Europe	43.5	53.4	48.5
Total Index	42.0	56.0	49.0

Source for all data and graphs: Stifel Logistics Confidence Index

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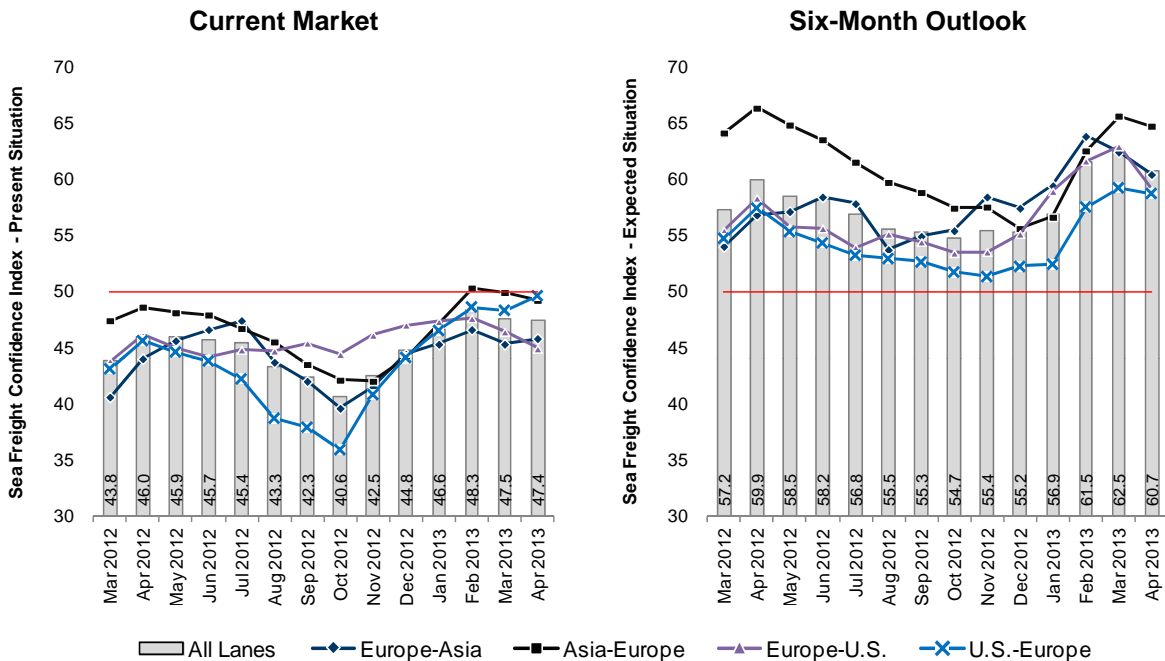
Logistics Confidence Index

Sea Freight Confidence Index

For sea freight, the overall index declined 0.9 points to 54.1 in April from 55.0 in March. However, when compared with the same month in 2012, the index was 1.1 points higher.

For the present situation, the index remained virtually flat compared with the previous month. The Europe-to-Asia and US-to-Europe lanes both reported improvements with the indices up 0.5 and 1.3 points respectively. In contrast, the indices for the Asia-to-Europe and Europe-to-US routes declined; down 0.7 and 1.5 points, respectively.

Sea forwarders were also slightly less positive regarding expectations for the next six months compared with March; the index for logistics expectations fell 1.8 points to 60.7 in April. Forwarders on the Asia-to-Europe lane remain the most optimistic, with the index registering 64.7 for the month. In comparison, those operating on the US-to-Europe lane were slightly less confident with the index registering 58.7 (although at significantly above 50, forwarders still anticipate an increase in volumes relative to the time of year).



Trade Lane	Sea Freight		
	Apr 2013	Oct 2013	Confidence
Europe-Asia	45.8	60.4	53.1
Asia-Europe	49.2	64.7	57.0
Europe-U.S.	44.9	55.7	50.3
U.S.-Europe	49.6	58.7	54.2
Total Index	47.4	60.7	54.1

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

Methodology

The Stifel Logistics Confidence Index is calculated based on responses from a monthly survey, completed by a number of logistics professionals. The survey questions participants as to volumes that they are currently experiencing, relative to the time of year, as well as how they expect volumes to develop over the next six months. The total index covers four European based trade lanes, including:

- Europe to Asia
- Asia to Europe
- Europe to US
- US to Europe

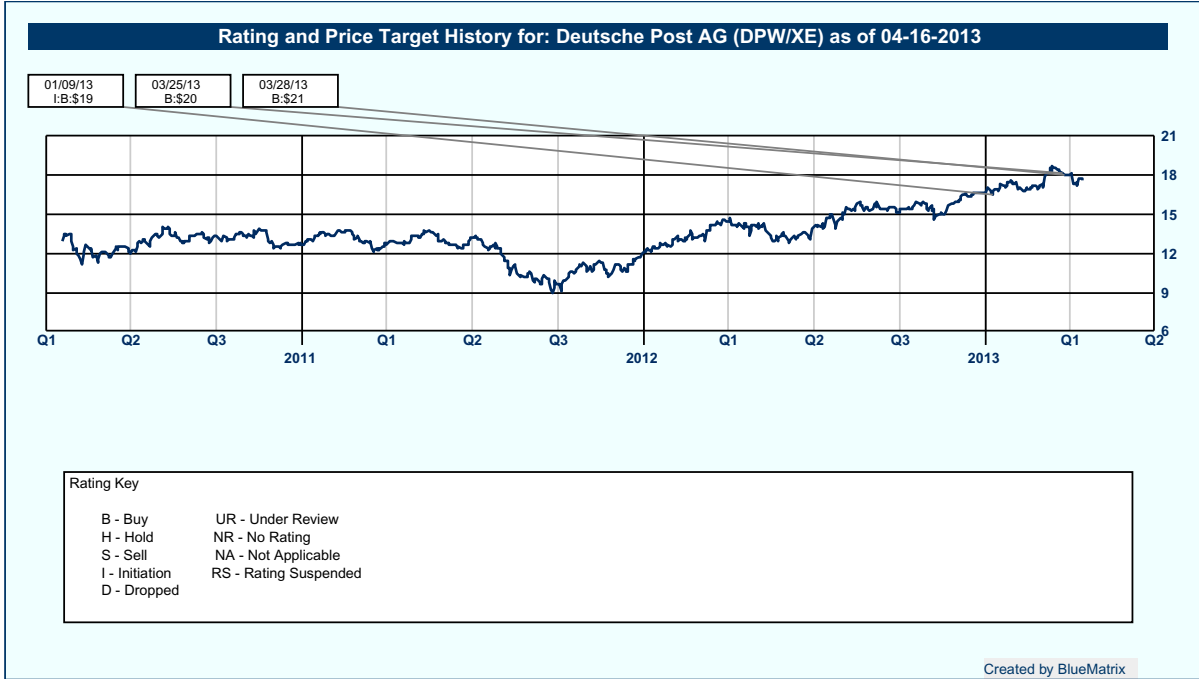
These trade lanes form four sub-indices, from which an overall index for both the air freight industry and sea freight industry is calculated. An index value of 50 indicates no change in the volumes of partaking logistics companies; above 50 indicates higher volumes, while below 50 indicates lower volumes.

To participate in next month's survey, and in order to receive an advanced copy of the results, please use the following link:

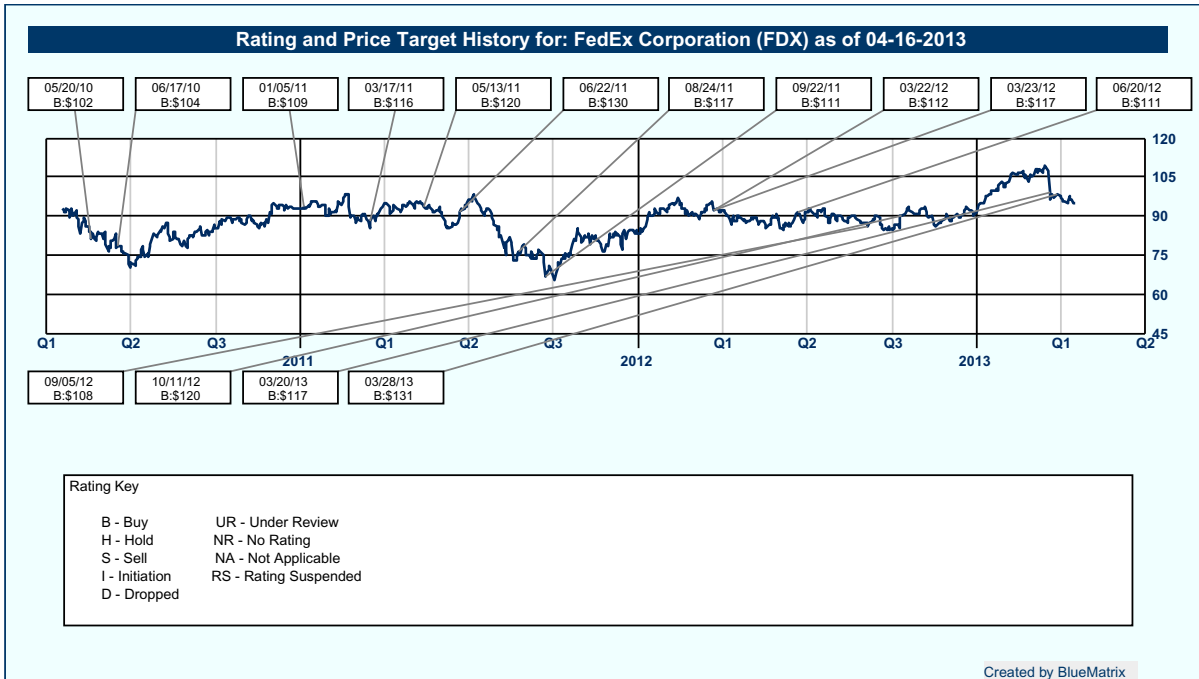
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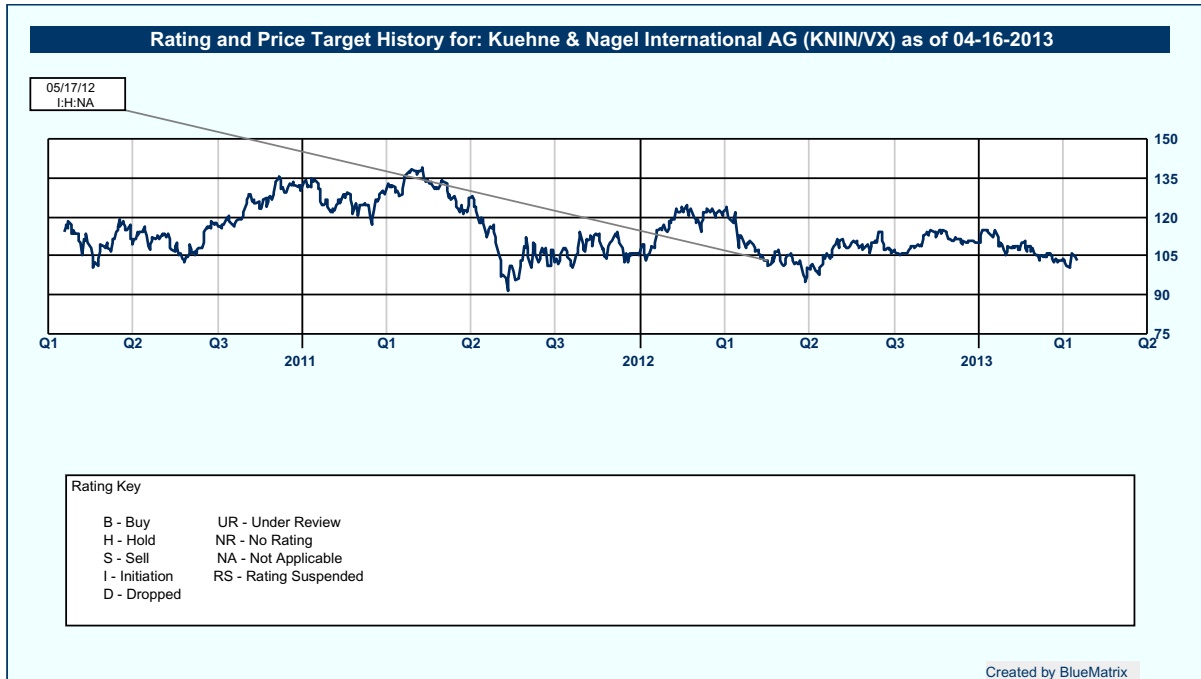
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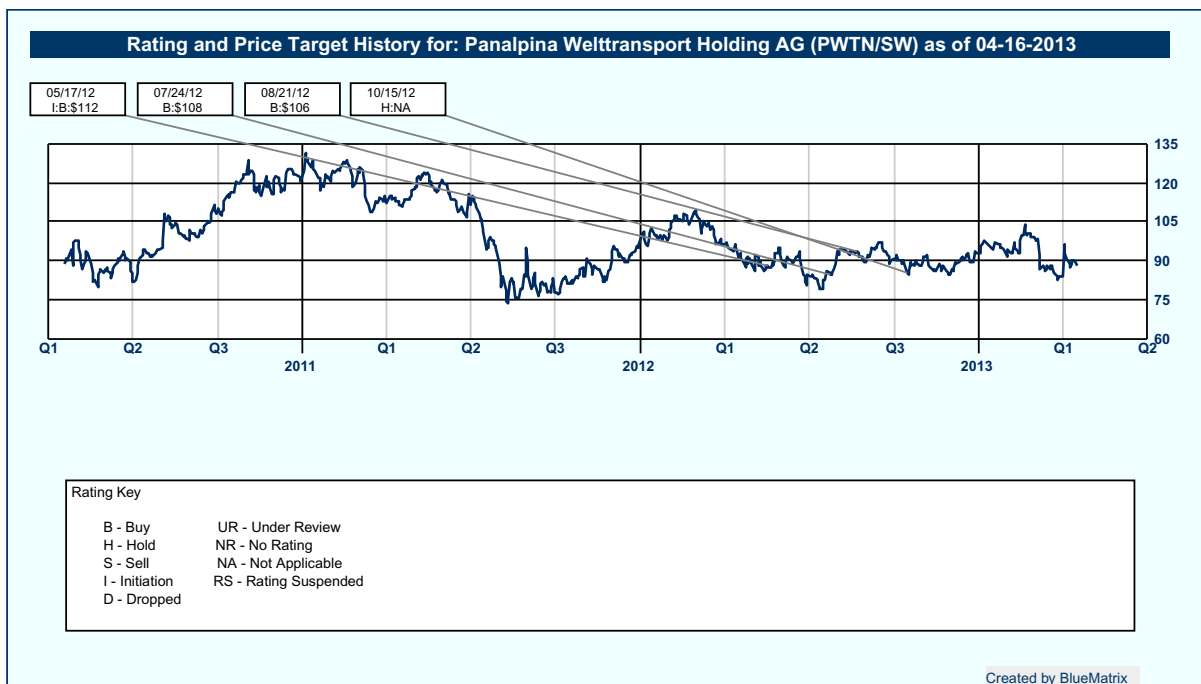
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