

**European Import/Export Seafreight Volume Improving, But Airfreight Remains Soft**

*The overall Stifel Logistics Confidence Index saw little sequential change in April, as a modest deterioration in the six-month outlook offset an improved present situation to produce a net decline of 0.1 points. Prepared in conjunction with U.K.-based Transport Intelligence, the overall index is a survey-based measure of activity in major European import and export trade lanes. Results are a blended indicator of present conditions and six-month expectations in both airfreight and ocean freight major trade lane volumes. Through 1Q14, the future optimism rose as present conditions declined, but in April, this started to correct itself. Looking more closely at the present situation, seafreight volumes improved in every measured lane, while airfreight volumes improved in every lane except the biggest one measured, Asia-Europe. For the six-month outlook, expectations declined in every lane in both modes except Europe-Asia airfreight, but in all cases growth is expected this fall.*

- **Overall Logistics Confidence, a composite of the current situation and the six-month outlook for both air and sea freight forwarding, was 10.4% above last year's 51.5 result.** Volumes continue to improve in both air and ocean relative to year-ago levels, but growth is still slow. Expectations for volumes later this year have tapered off, but the perception of the present situation has improved, narrowing the "hope spread." The blended index for present ocean and air volumes is now 51.8, while the blended index for future ocean and air volumes has fallen to 62.0.
- **Total airfreight volumes for the most recent month in Europe-based lanes rose slightly from the prior month to 49.0 but remain below the 50.0 benchmark for growth.** By lane, only U.S.-Europe showed volumes that were above seasonal expectations. On a relative basis, this month was the highest volume reading for the U.S.-Europe lane since the survey began in March 2012, and the first time it has broken the 50.0 mark.
- **Seafreight index readings increased in all lanes, with U.S. lanes increasing the most.** Europe-U.S. rose 3.0 index points to 51.0 and U.S.-Europe rose 2.8 points to reach 52.7 (both moving from contraction to growth). All trade lanes are now above the 50.0 level, indicative of volume growth. However, as with airfreight, the 6-month outlook tapered off slightly, as overcapacity and erratic rates continue to be an issue with the underlying seaborne container market, and carrier alliances continue to develop, causing some uncertainty over future capacity.
- **What is most hindering the global airfreight market recovery? (See Exhibit 1).** That was the one-off question posed to survey respondents this month. The most common response was modal shift—that a tradedown to ocean freight was the culprit, while the second biggest reason given was the increase in airfreight belly space, which is adding capacity faster than freight growth. Other causes cited for airfreight's lackluster recovery, in order of significance, were high oil prices, nearshoring, and protectionist trade policies. With regard to the first answer, one respondent suggested that the modal shift was structural, saying, "advanced supply chain technology is bringing better visibility, leading to a diminished need for expedited delivery." We believe both structural and cyclical components (including low interest rates) are at work.
- **Investment Conclusions:** On the demand side of the equation, April's volume developments suggest a continued slow recovery in airfreight (which was confirmed by Kuehne + Nagel management on its 1Q14 earnings call) and stable, but growing demand in seafreight. Our volume expectation for 2014 is for low-to-mid single digit market growth with seafreight > airfreight. On the supply side, overcapacity continues to be an issue on the water (which should be helped but not solved by new containership alliances) and in the air (due to the influx of passenger belly capacity, especially from Middle Eastern carriers). On balance, we believe the environment has improved (slowly) along with the global

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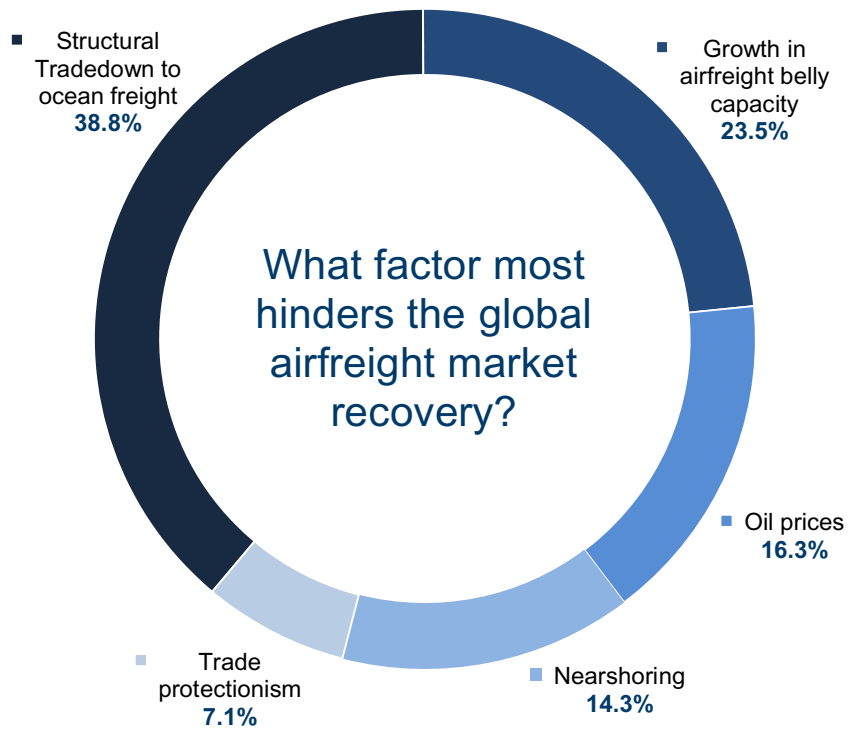
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economy, but that current forwarder valuations fully reflect that improvement. Therefore, we maintain our Hold ratings on DPW (Deutsche Post DHL, EUR 26.08, Hold), KNIN-SIX (Kuehne + Nagel, CHF 120.20, Hold), and PWTN-SIX (Panalpina, CHF 131.10, Hold).

Prices are intraday, 4/15/2014.

\* To participate in next month's survey and receive an advanced copy of the results, please use the following link: <https://www.surveymonkey.com/s/FJZ7KYC>

**Exhibit 1: Most respondents believe that structural tradedown to ocean freight is the biggest hindrance to the global airfreight market recovery.**



Source: Stifel Logistics Confidence Index

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## Logistics Confidence Index

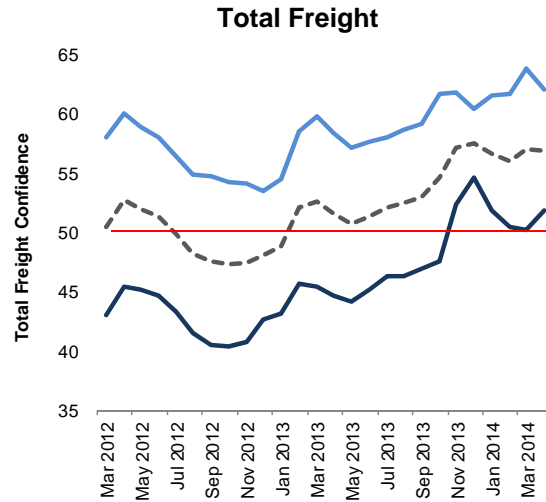
### Overview – April 2014

The overall present situation registered slight increases for both sea and air. However the growth in expectations for both air and sea dipped, causing a minimal decline in the overall Logistics Confidence Index score.

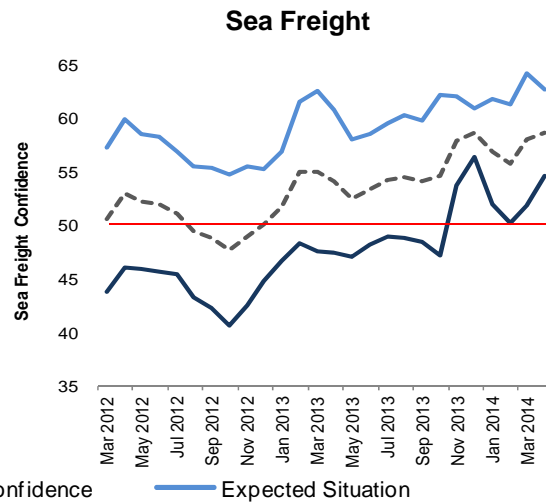
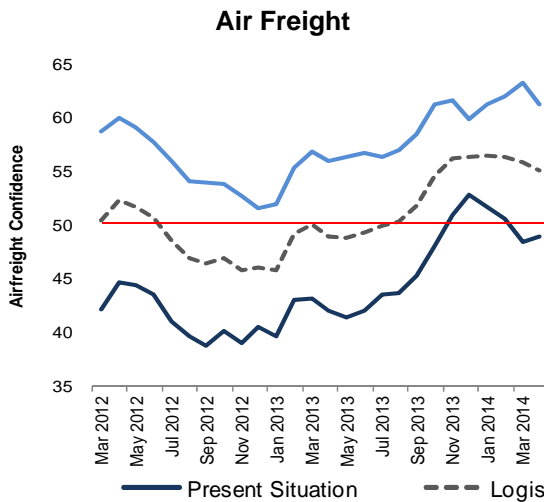
At 56.9, the Logistics Confidence Index score recorded in April was 0.1 index points lower than that recorded in March. The index remained above the 50-mark for a fifteenth consecutive month.

In terms of the present situation, the total freight index increased 1.6 points to 51.8 in April. The index for sea freight increased 2.8 points from March to 54.6. Meanwhile, the air freight index increased 0.5 points to 49.0 for the month. For total freight, the expected situation index declined 1.8 index points to 62.0.

This month, we also asked respondents what factor most hinders a global airfreight market recovery. Some 38.8% indicated it was a shift to ocean freight, 23.5% said growth in airfreight belly capacity, 16.3% reported that it was oil prices, 14.3% said nearshoring, and 7.1% suggested protectionism as the primary factor.



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
<b>Mode</b>	<b>Apr 2014</b>	<b>Oct 2014</b>	<b>Average</b>
Air Freight	49.0	61.3	55.2
Sea Freight	54.6	62.6	58.6
<b>Total Freight</b>	<b>51.8</b>	<b>62.0</b>	<b>56.9</b>

Source for all data and graphs: Stifel Logistics Confidence Index



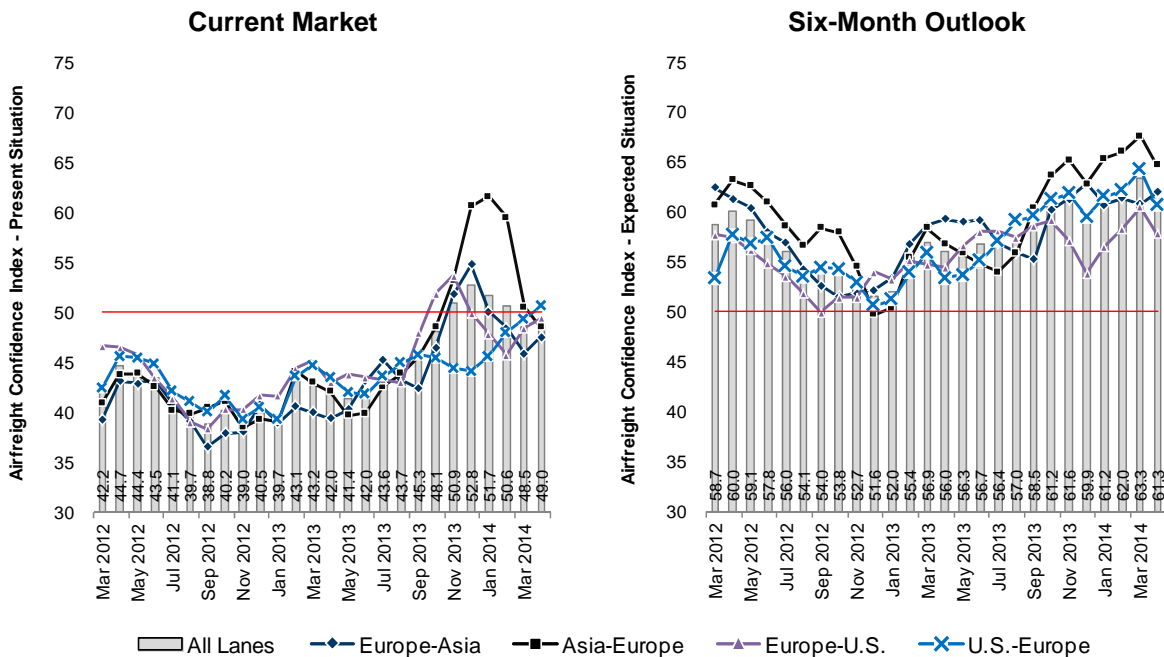
## Logistics Confidence Index

### Air Freight Confidence Index

The logistics confidence index for air freight decreased for a third consecutive month by 0.7 points to 55.2 in April 2014. However, when compared with April 2013, the index was 6.2 points higher.

In terms of the present situation, the total air index registered 49.0 for the month, compared with 48.5 in March. All lanes experienced increases except Asia to Europe, which declined 2.0 points to 48.5. The Europe to U.S. route increased 1.0 points to 49.4, U.S. to Europe increased 1.3 points to 50.6 while Europe to Asia increased 1.6 points to 47.5.

Looking ahead to the next six months, the expected situation index for total air freight declined 2.0 points to 61.3 in April. Only the Europe to Asia lane noted an increase of 1.2 points to 62.0. The Asia to Europe lane declined 2.9 points to 64.7. The U.S. to Europe lane fell 3.6 points to 60.6 while the Europe to U.S. lane declined 2.7 points to 57.8. Despite the declines, the six month outlook remains positive.



Trade Lane	Air Freight		
	Apr 2014	Oct 2014	Confidence
Europe-Asia	47.5	62.0	54.8
Asia-Europe	48.5	64.7	56.6
Europe-U.S.	49.4	57.8	53.6
U.S.-Europe	50.6	60.6	55.6
<b>Total Index</b>	<b>49.0</b>	<b>61.3</b>	<b>55.2</b>

Source for all data and graphs: Stifel Logistics Confidence Index



## Logistics Confidence Index

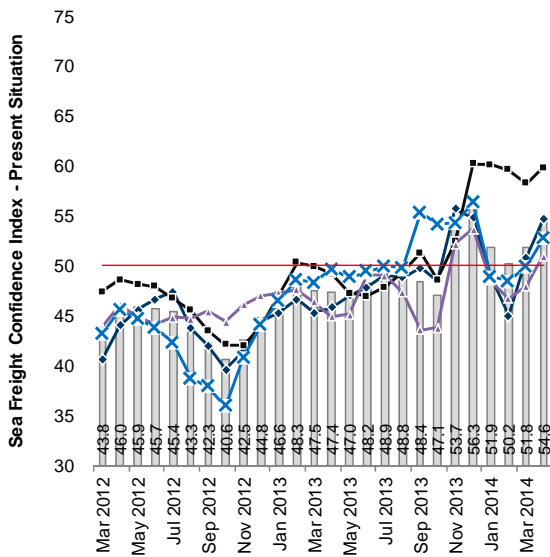
### Sea Freight Confidence Index

For sea freight, the logistics confidence index increased 0.6 points to 58.6 in April. Compared with the same month in 2013, the index was 4.5 points higher.

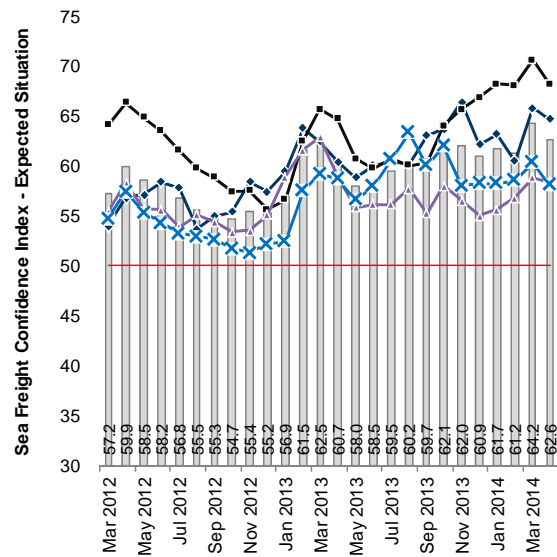
For the present situation, the index saw increases on all lanes. The Asia to Europe lane increased 1.6 points to 59.8. Meanwhile, the Europe to Asia lane recorded an increase of 3.8 index points to 54.6 in April. The Europe to U.S. route increased 3.0 index points to 51.0, while the U.S. to Europe lane noted an increase of 2.8 points to 52.7.

Sea forwarders were less positive in April versus March as the expected situation index for sea freight declined 1.6 points to 62.6. All lanes reported declines. The Europe to Asia lane declined 1.1 points to 64.7 for the month while the Asia to Europe slipped 2.4 points to 68.2. Meanwhile, the Europe to U.S. lane fell 0.4 points to 58.4, and the U.S. to Europe lane declined 2.2 points to 58.1.

Current Market



Six-Month Outlook



Legend: All Lanes (grey square), Europe-Asia (blue diamond), Asia-Europe (black square), Europe-U.S. (purple triangle), U.S.-Europe (cyan cross)

Trade Lane	Sea Freight		
	Apr 2014	Oct 2014	Confidence
Europe-Asia	54.6	64.7	59.7
Asia-Europe	59.8	68.2	64.0
Europe-U.S.	51.0	58.4	54.7
U.S.-Europe	52.7	58.1	55.4
<b>Total Index</b>	<b>54.6</b>	<b>62.6</b>	<b>58.6</b>

Source for all data and graphs: Stifel Logistics Confidence Index



## Logistics Confidence Index

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### 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:

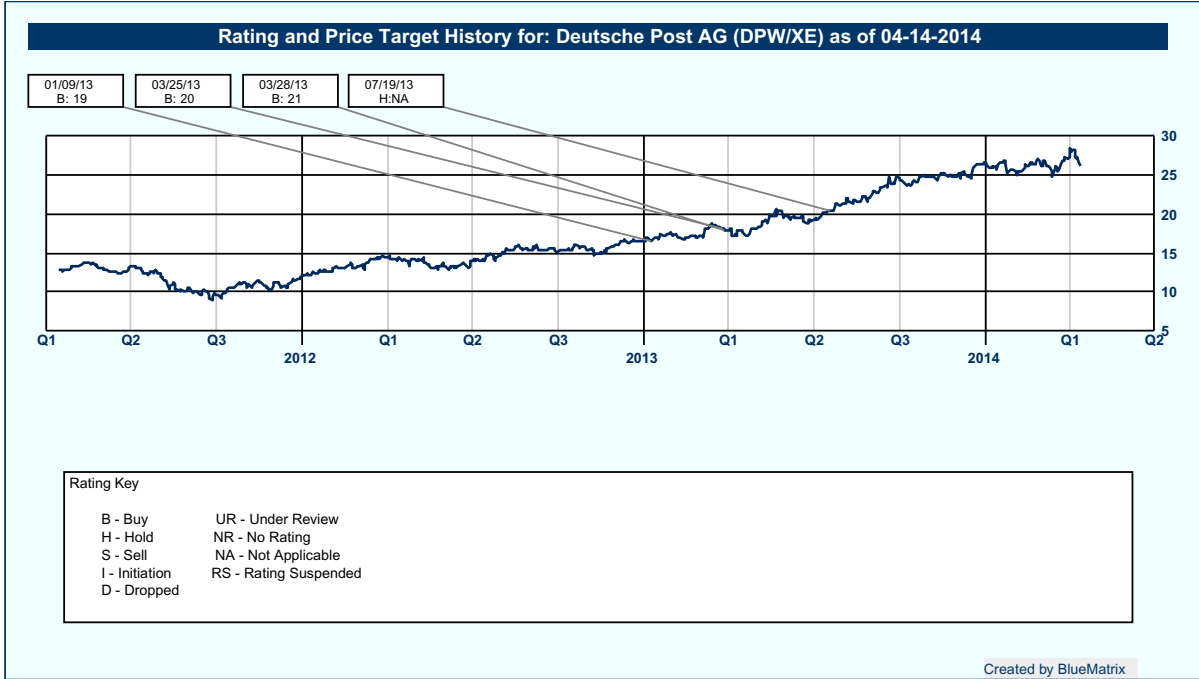
- Europe to Asia
- Asia to Europe
- Europe to U.S.
- U.S. to Europe

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.

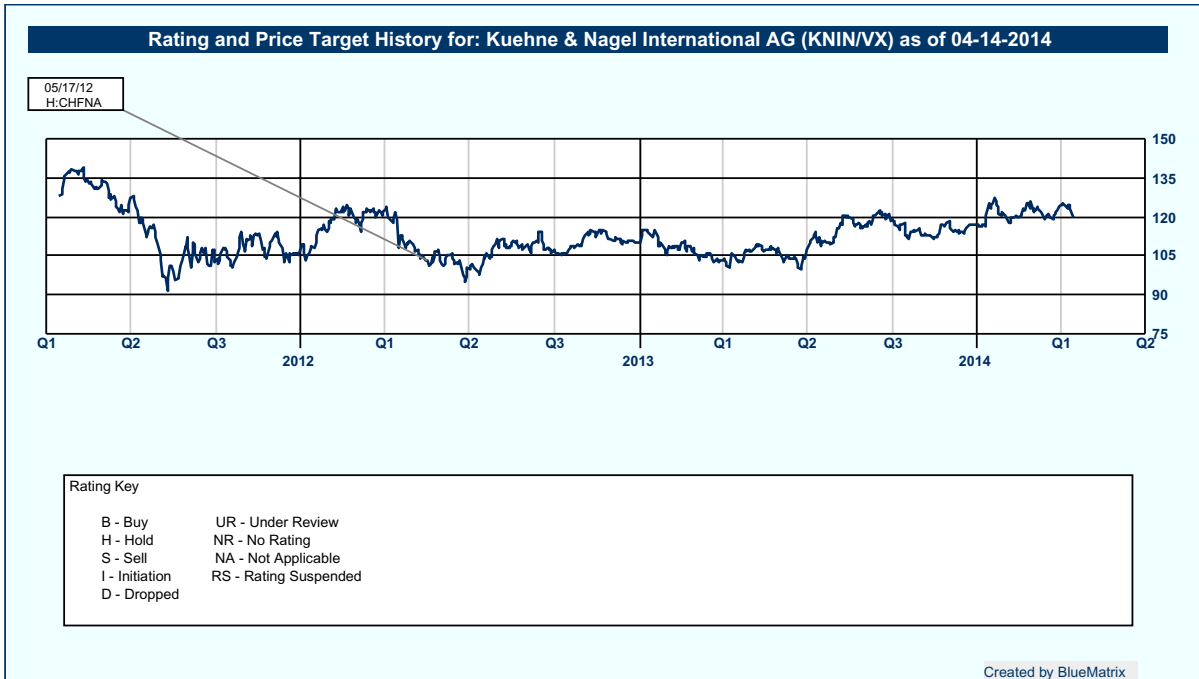
***To participate in next month's survey, and in order to receive an advanced copy of the results, please use the following link: <https://www.surveymonkey.com/s/FJZ7KYC>***

Important Disclosures and Certifications

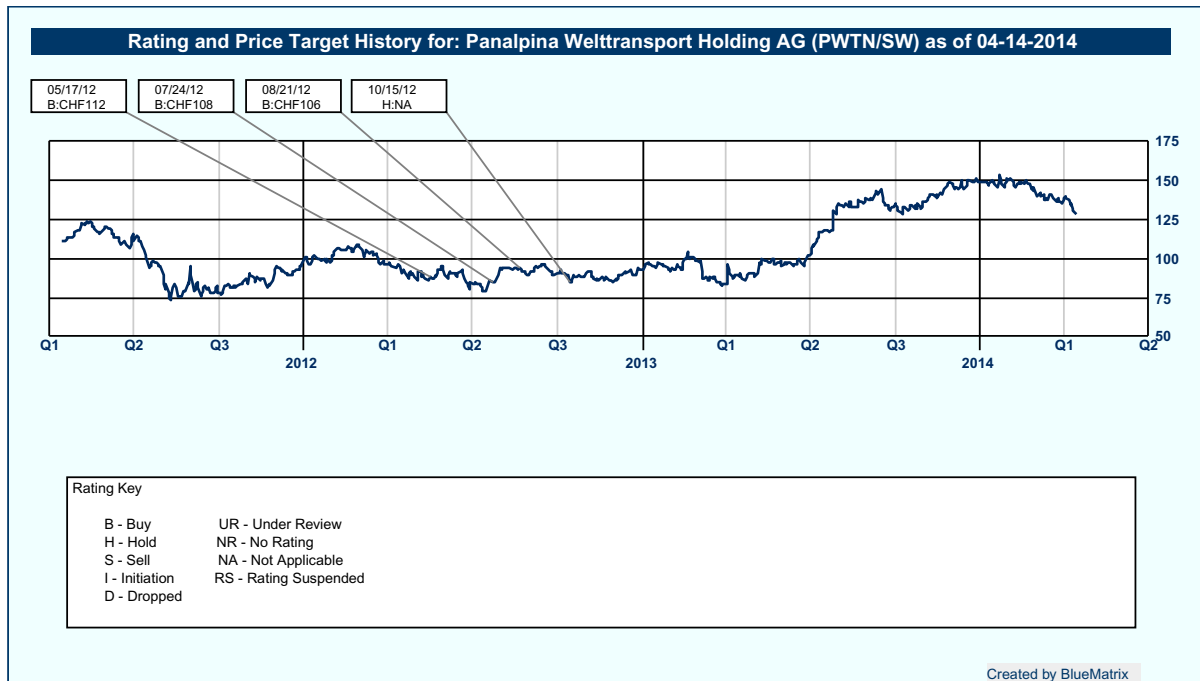
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