

Survey Summary

Present Volumes Hold At Normal Seasonal Levels; Market Growth Remains Slow

In December, the Stifel Logistics Confidence Index remained above the 50.0 threshold for both air and sea freight, reaching another record level since its March 2012 inception. 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 volumes. Sentiment in the present situation continues to trend upward, with December posting readings above normal seasonal expectations for a second month in a row. These results continue to suggest, in our view, that forwarding activity in Europe-based trade lanes is recovering from its long slump. However, slow market growth, yield pressure, and excess capacity continue to be a challenge for the overall forwarding market.

- **Overall Logistics Confidence**—a composite of the current situation and the six-month outlook for both intercontinental modes—was 19.7% higher than last year's 48.0 reading, and 0.7% higher than last month's 57.1. For the present situation, volumes in Europe-based lanes were up 2.3 points sequentially, and remained in positive territory after having exceeded the 50.0 threshold last month for the first time since the index began in March 2012. Slow, but continued recovery of the European economy has brought the forwarding markets back within the normal, seasonal volume threshold, in our view. Near term, we expect continued, but modest growth in the European forwarding market.
- **Sentiment for current ocean freight volumes remained on par with to slightly above normal seasonal levels on all European trade lanes. In fact, volumes continued to improve on all lanes but one.** The Europe-to-Asia lane fell 0.9 index points from last month to 54.8, while the Asia-to-Europe lane, Europe-U.S. lane, and U.S.-to-Europe lane recorded gains of 7.8 points, 1.5 points, and 2.0 points, reaching 60.2, 53.7, and 56.3, respectively. Optimism for the six-month outlook ticked backwards for European export lanes, but continued growing sequentially in Europe import lanes.
- **Current European airfreight volumes showed strong sequential growth in lanes touching Asia, but contracted slightly in lanes in and out of the U.S. Strength in Asian markets was consistent with our takeaways from recent meetings in Asia, and may have much to do with episodic product launches in November** (see [Asia Meeting Takeaways - Forwarding Market Difficult in Low-Growth Environment](#)). many of these high-tech shippers, like Apple, Sony, Microsoft, and Samsung, have significant buying clout, and margins on these shipments can be thin. On a lane-by-lane basis, Europe to Asia and Asia to Europe grew 3.0 and 7.4 index points, respectively, while the Europe-to-U.S. and U.S.-to-Europe lanes fell 3.8 and 0.3 points, respectively.
- **In our unique question of the month, we asked survey respondents if they anticipate strong growth during the holiday season. The majority (44%) responded yes, while 37% indicated they did not expect strong holiday growth.** The remaining 19% were unsure. Most of the uncertainty centered upon continued economic trepidation, as well as climate conditions and the potential effect on consumer demand.
- **Investment Conclusions:** We see continued growth in index sentiment as reassuring, especially with regard to the present situation. However, both industry and economic growth remain slow, margins for the public carriers remain challenged, and valuation remains lofty, in our view. As such, we maintain our Hold rating on common shares of the large European-based forwarders under our coverage: Deutsche Post DHL (DPW, EUR 24.69, Hold), Kuehne + Nagel (KNIN-SIX, CHF 113.90, Hold), and Panalpina (PWTN-SIX, CHF 144.90, Hold).

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All relevant disclosures and certifications appear on pages 7 - 9 of this report.

Prices are U.S. market close, 12/13/2013.

- ** 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/JPS358N>*



Logistics Confidence Index

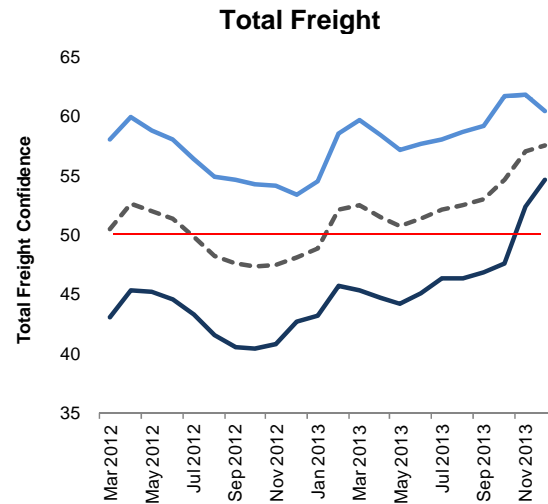
Overview – December 2013

It appears 2013 will end on a positive note as the current logistics situation remained above the 50-level for both Air and Sea. This month's overall Logistics Confidence Index climbed again and is at its highest point since the index began in March 2012.

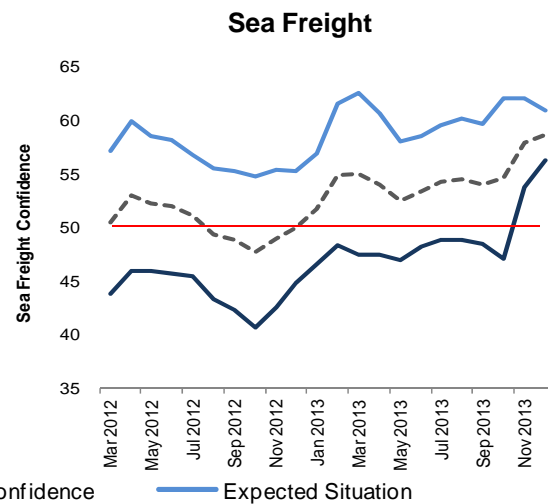
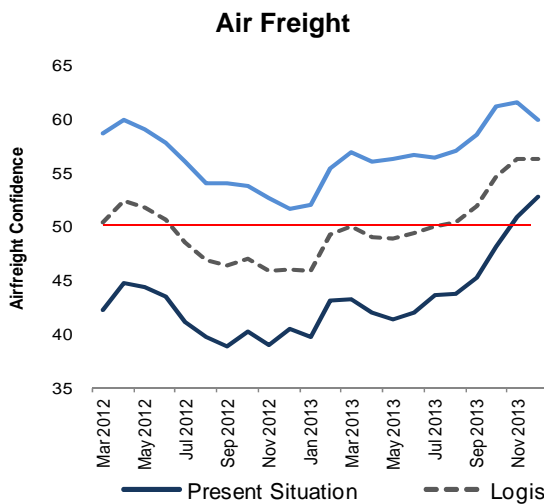
The overall Stifel Logistics Confidence Index increased 0.4 index points to 57.5 in December. The index has remained above the significant 50-mark since February 2013 and is at the highest point since the index began in March 2012.

In terms of the present logistics situation, the overall index increased 2.3 points to 54.6 for December. The index for sea freight climbed 2.6 points from November to 56.3. Meanwhile, the index for air freight increased 1.9 points to 52.8 for the month. Regarding the six-month outlook, the overall index slipped 1.4 index points to 60.4.

In this month's one off question, we asked survey participants if they anticipated strong demand during the holiday season. Some 44.0% of respondents indicated yes, while 37.0% said no and 19.0% 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	Dec 2013	Jun 2014	Average
Air Freight	52.8	59.9	56.4
Sea Freight	56.3	60.9	58.6
Total Freight	54.6	60.4	57.5

Source for all data and graphs: Stifel Logistics Confidence Index



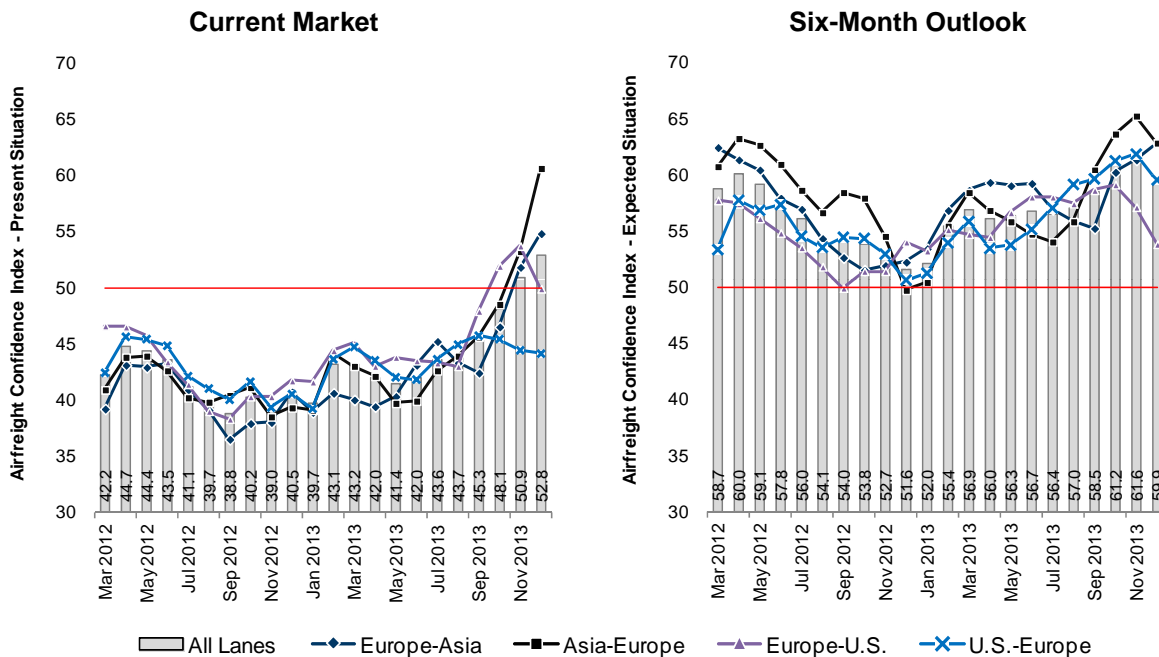
Logistics Confidence Index

Air Freight Confidence Index

The overall index for air freight increased slightly by 0.1 points to 52.8 in December 2013. When compared with December 2012, the index was 10.3 points higher.

In terms of the current logistics situation, the index registered 52.8 for the month compared with 50.9 in November. Changes among the lanes were mixed for the month. The US to Europe lane slipped 0.3 points to 44.1. The Europe to Asia route increased 3.0 points to 54.8, Asia to Europe increased 7.4 index points to 60.6 and the Europe to US lane declined 3.8 index points to 49.9.

In terms of expectations for the next six months, the index declined 1.7 points to 59.9 in December. By lane, the index for Europe to Asia increased 1.5 points, to 62.8 for the month, and the Asia to Europe lane declined 2.4 points to 62.8. The Europe to US lane noted a 3.3 point decline to 53.8 and the US to Europe lane declined 2.3 points to 59.5. The index for all lanes remained above the 50 mark indicating that forwarders' continue to be optimistic for an improving airfreight market over the next six months.



Air Freight			
Trade Lane	Dec 2013	Jun 2014	Confidence
Europe-Asia	54.8	62.8	58.8
Asia-Europe	60.6	62.8	61.7
Europe-U.S.	49.9	53.8	51.9
U.S.-Europe	44.1	59.5	51.8
Total Index	52.8	59.9	56.4

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

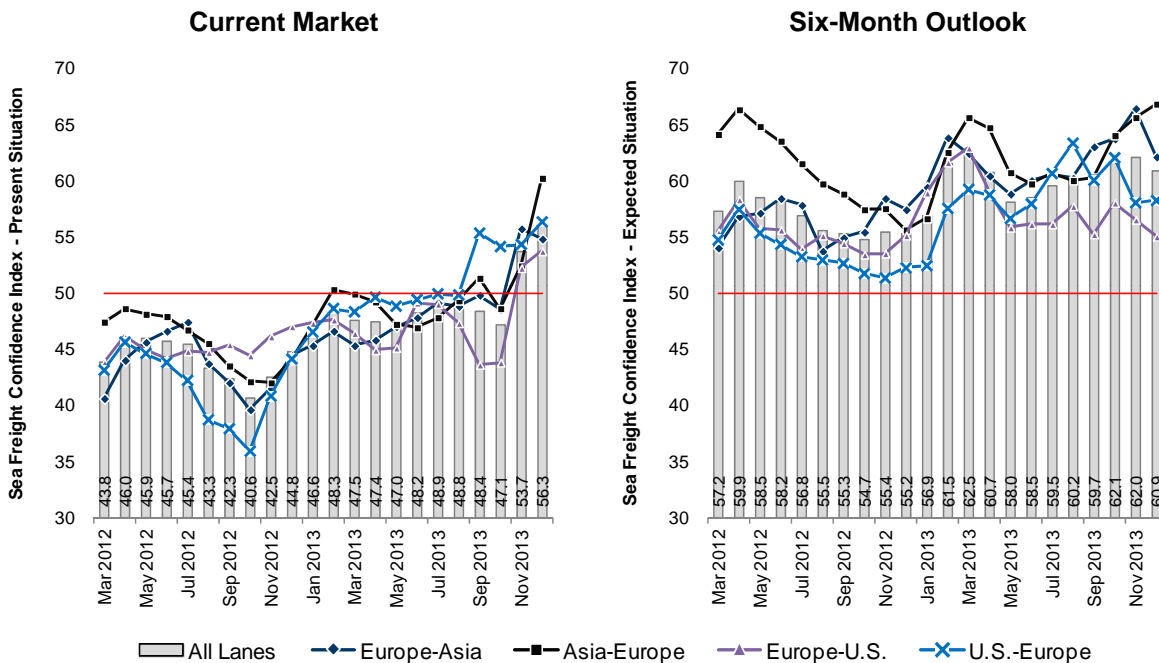
Sea Freight Confidence Index

For sea freight, the overall index increased 0.7 points to 58.6 in December. Compared with the same month in 2012, the index was 8.6 points higher.

For the present situation, the index noted good increases in most lanes. The Europe to Asia lane was the only lane to note a decline of 0.9 points to 54.8, while the Asia to Europe lane jumped 7.8 points to 60.2. Meanwhile, the Europe to the US route increased 1.5 index points to 53.7 while the US to Europe lane increased 2.0 points to 56.3.

Sea forwarders continued to remain mixed on all lanes covered for the next six months. The index for logistics expectations declined 1.1 points to 60.9 in December.

The Europe to Asia lane declined 4.3 points to 62.1 for the month. Forwarders on the Asia to Europe lane noted an increase of 1.2 points to 66.8. Meanwhile, the US to Europe lane increased 0.2 points to 58.2 while the Europe to US lane declined 1.5 points to 55.0.



Trade Lane	Sea Freight		
	Dec 2013	Jun 2014	Confidence
Europe-Asia	54.8	62.1	58.5
Asia-Europe	60.2	66.8	63.5
Europe-U.S.	53.7	55.0	54.4
U.S.-Europe	56.3	58.2	57.3
Total Index	56.3	60.9	58.6

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 U.S.
- U.S. to Europe

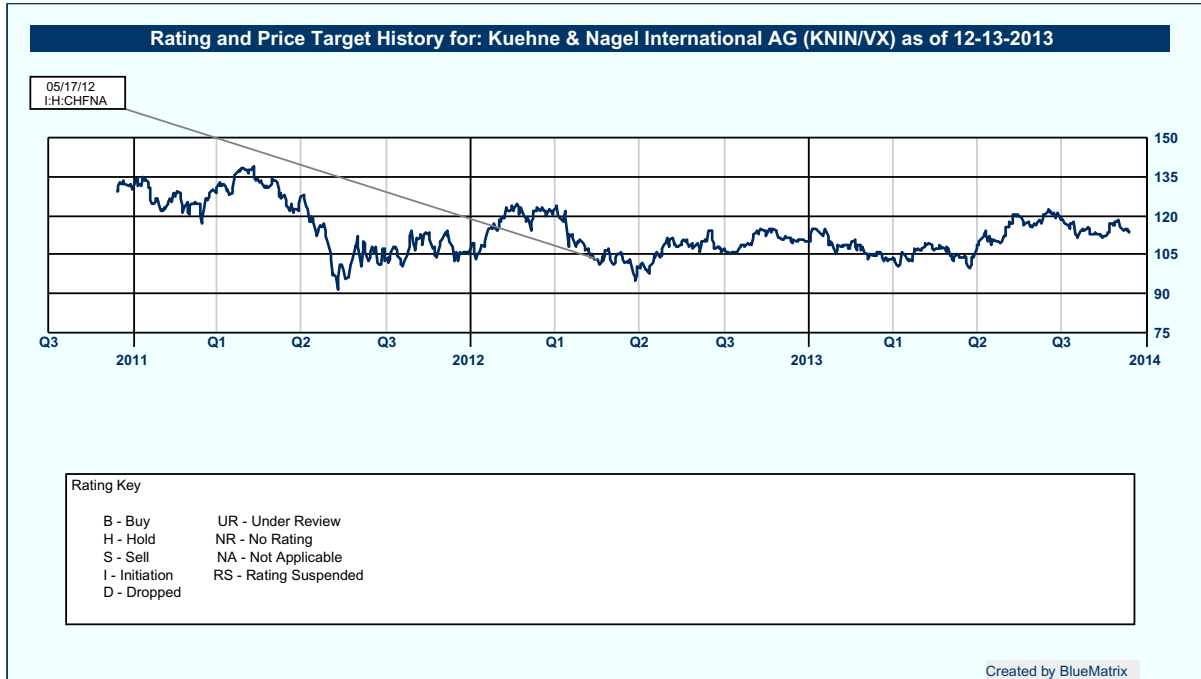
These trade lanes form four sub-indices, from which an overall index for both the air freight industry and sea freight industry is calculated. An index value of 50 indicates no change in the volumes of partaking logistics companies; above 50 indicates higher volumes, while below 50 indicates lower volumes.

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

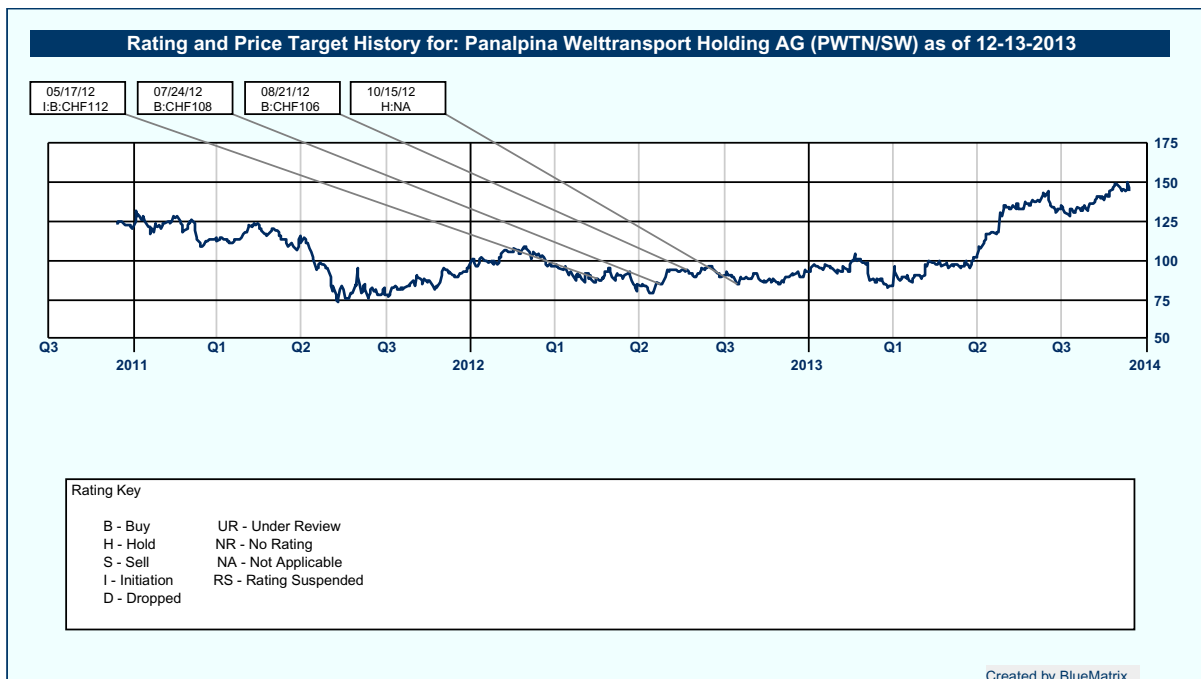
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HOLD -For U.S. securities we expect the stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. For Canadian securities we expect the stock to perform within 10% (plus or minus) of the S&P/TSX Composite Index. For other non-U.S. securities we expect the stock to perform within 10% (plus or minus) of the MSCI World Index. A Hold rating is also used for yield-sensitive securities where we are comfortable with the safety of the dividend, but believe that upside in the share price is limited.

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