

Index Rises Again; Current Trends and Outlook Improving in Air and Ocean

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. In February, the Overall Index rose for a fourth consecutive month. Chinese New Year likely boosted Asia-based results to the upside, but growth in both modes across all trade lanes for the first time in history of the Index is a welcome positive indicator. Please see pp. 3-6 for more detailed analysis of survey results.

- **The overall Stifel Confidence Index increased for a fourth consecutive month in February, climbing 3.3 points to 52.1.** This month's results marked the first time since June 2012 that the index has exceeded the 50.0 benchmark reading, which suggests that market conditions are more favorable than seasonally normal. Repeating last month's trend, both the current and expected environment showed improvement, increasing 5.9% and 7.3%, respectively. The timing of Chinese New Year could have played a part in February's increase (mainly on sea freight to/from Asia, in our view), with a last rush to fulfill orders before manufacturers halted operations, but additional survey data suggests these results presage a larger recovery in global trade volumes.
- **In this month's one-off question, survey respondents were asked if they expect to see an economic recovery in 2013.** While not overwhelming bullishness, the majority—some 60%—indicated the affirmative, while the remaining 40% said they did not expect to see a recovery this year.
- **Last month, growth in the total index was carried by improvement in ocean freight, but such was not the case this month. In February, the current and expected airfreight market indices each grew by a decisive 3.4 points.** While the current situation remains below the 50.0 threshold, growth occurred across all Europe-based trade lanes. Asia-Europe recorded the greatest improvement but was also likely the greatest beneficiary of any Chinese New Year-related surge. Europe-Asia remains the weakest lane presently.
- **This month, the total ocean freight index rose 6.1%, almost doubling last month's sequential improvement, and marking three consecutive months of above-benchmark readings.** Current volumes eclipsed last month's readings, which were already the highest since March 2012. For the present situation, and consistent with results for air freight, the Asia-Europe lane saw the greatest increase, up 3.2 points, breaking the 50.0 threshold. Forwarders on the Europe-U.S. route indicated the weakest conditions, with only 0.3 points of accretion, bringing the index to a still sub-optimal 47.6.
- **Investment Conclusions:** Airfreight results in February built upon last month's optimism, with January expectations turning sequentially positive for the first time in eight months. Moreover, *this month marked the first time in the nearly one year history of the index that results indicated sequential growth in every mode, in every lane, in both present and expected situations.* While global economic uncertainty remains, and while the trend of trading down from more expensive, time-sensitive products continues, we believe that global trade, and airfreight in particular, may have reached an inflection point, and should continue to improve at least over the course of the next year. We continue to highlight Expeditors International (EXPD, \$42.26, Buy) and FedEx (FDX, \$106.42, Buy) as the most likely beneficiaries of improving global trade trends.

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

Prices as of 2/15/2013, 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/StifeIFM13>**



Logistics Confidence Index

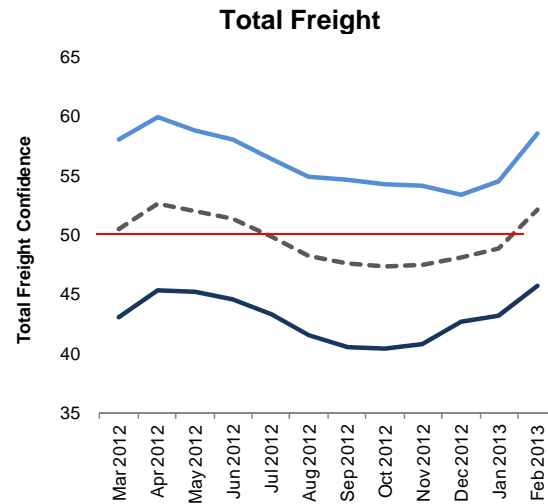
Overview – February 2013

Overall Index increases for 4th consecutive month

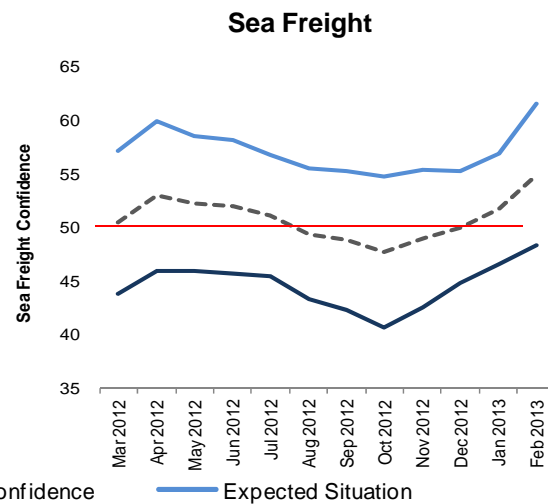
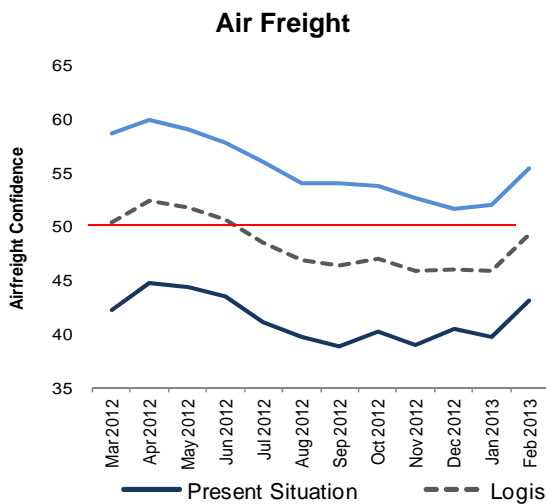
The Stifel Logistics Confidence Index increased for the fourth consecutive month in February 2013. The index for the combined current and expected situation rose 3.3 points to 52.1 from 48.8 in January.

In terms of the current situation, the index increased 2.5 points to 45.7. The timing of Chinese New Year could have played a part in February's increase, with a last rush to fulfill orders before manufacturers close. Despite registering its highest value to date, the index still remains below the significant 50 mark, indicating lower volumes relative to those expected for the time of year. Forwarders also expressed greater confidence regarding the six-month outlook, as the index increased 4.0 points to 58.4 from 54.5 in January.

This month's additional question confirms optimism for an improved outlook this year. Survey participants were asked if they expect to see an economic recovery in 2013. The majority—some 60%—believe that the economy will improve, while the remaining 40% do not expect to see recovery this year.



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	Feb 2013	Aug 2013	Average
Air Freight	43.1	55.4	49.3
Sea Freight	48.3	61.5	54.9
Total Freight	45.7	58.5	52.1

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

Air Freight Confidence Index

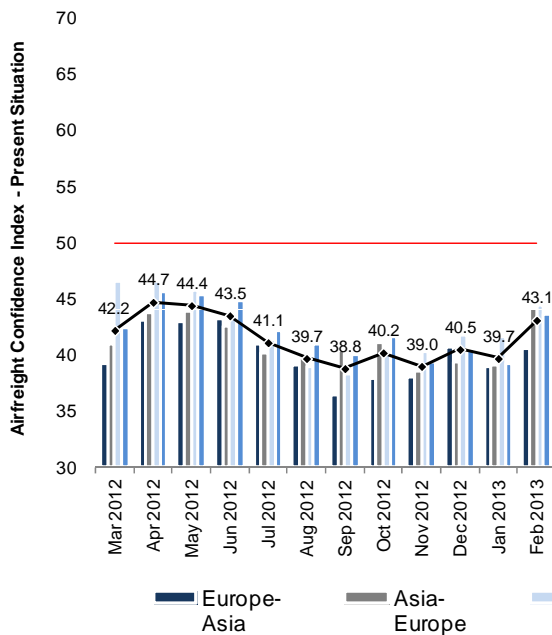
The overall index for air freight increased 3.3 points to 49.2 in February 2013. At just below the 50 threshold, the index reached its highest level since June 2012.

For the current logistics situation, the index registered 43.1 in February compared with 39.7 in January. This improvement in the present situation was consistent across all trade lanes, although the Asia to Europe route recorded the greatest increase. While this was likely a result of the Chinese New Year, other lanes also registered improvements for the month. Forwarders operating on the US to Europe lane also indicated a reasonably strong improvement compared

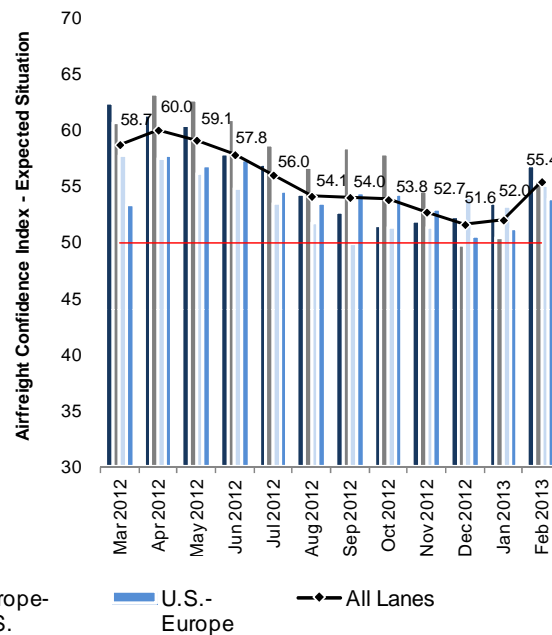
with the previous month, as this index increased 4.4 points. However, despite improvements, all trade lanes continue to indicate weaker volumes relative to normal expectations for this time of year.

Looking forward, the index for logistics expectations rose 3.4 index points to 55.4 in February 2013. This followed a 0.4 point increase the previous month. In line with results for the current logistics situation, the rise was greatest on the Asia to Europe lane. The index for all routes remains above the 50 mark, signifying an anticipated increase in volumes.

Current Market



Six-Month Outlook



Air Freight			
Trade Lane	Feb 2013	Aug 2013	Confidence
Europe-Asia	40.6	56.8	48.7
Asia-Europe	44.1	55.4	49.8
Europe-U.S.	44.4	55.1	49.8
U.S.-Europe	43.6	53.9	48.8
Total Index	43.1	55.4	49.3

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

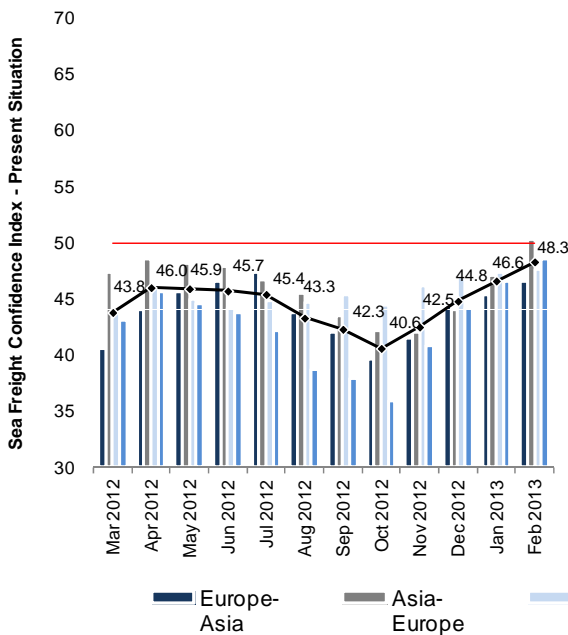
Sea Freight Confidence Index

For sea freight, the overall index registered 54.9 in February—an increase of 3.1 index points from January. This reading was the highest since the index began in March 2012.

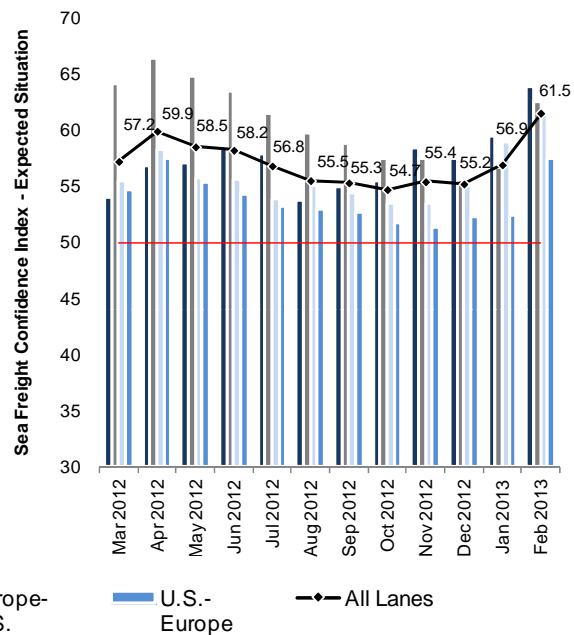
For the present situation, the index was up 1.7 points to 48.3. Consistent with results for air freight, the Asia to Europe route saw the greatest increase, up 3.2 points and breaking the 50 threshold. At 50.3, the index indicates unchanged volumes relative to the time of year. Meanwhile, forwarders on the Europe to US route indicated the weakest conditions, with the index up 0.3 points to 47.6.

Sea forwarders were increasingly positive concerning volume developments over the next six months. The index for logistics expectations rose 4.6 points to 61.5 in February from 56.9 in January. Forwarders operating on the Europe-Asia lane continued to express the most optimism, with the index registering 63.8 in February. Those operating on the Asia to Europe route were also more confident, with the index up 5.9 points to 62.5 for the month.

Current Market



Six-Month Outlook



Sea Freight			
Trade Lane	Feb 2013	Aug 2013	Confidence
Europe-Asia	46.6	58.4	52.5
Asia-Europe	50.3	62.5	56.4
Europe-U.S.	47.6	61.6	54.6
U.S.-Europe	48.6	57.5	53.1
Total Index	48.3	61.5	54.9

Source for all data and graphs: Stifel Logistics Confidence Index

STIFEL

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:

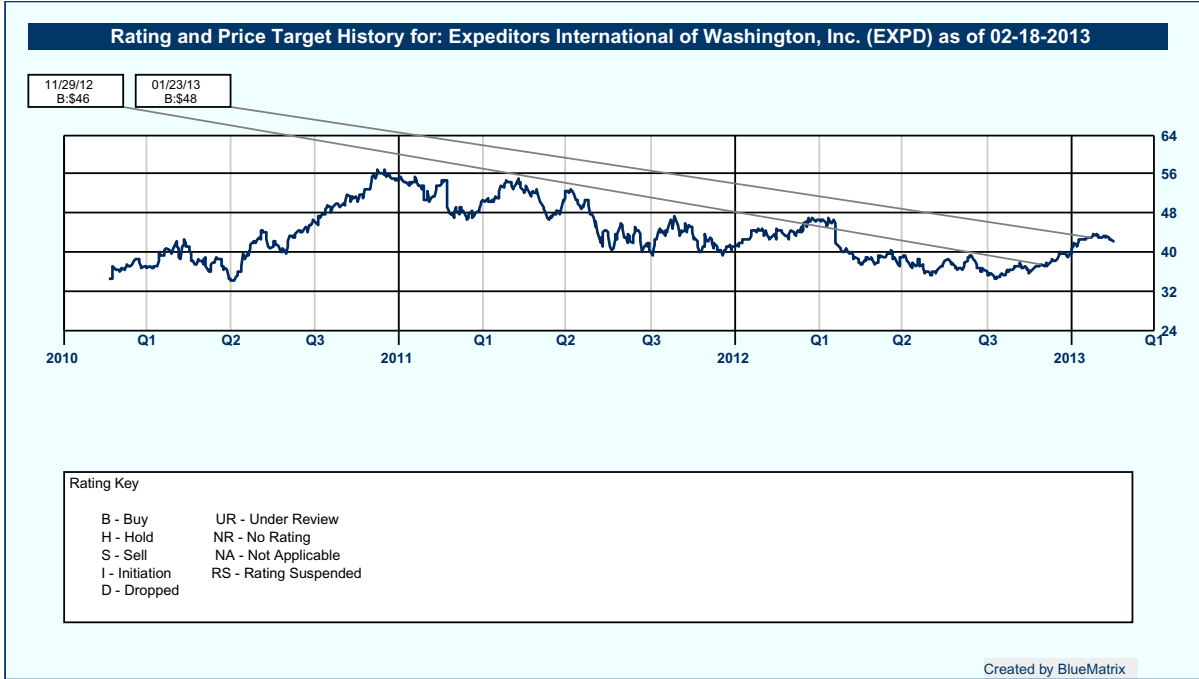
- Europe to Asia
- Asia to Europe
- Europe to US
- US to Europe

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.

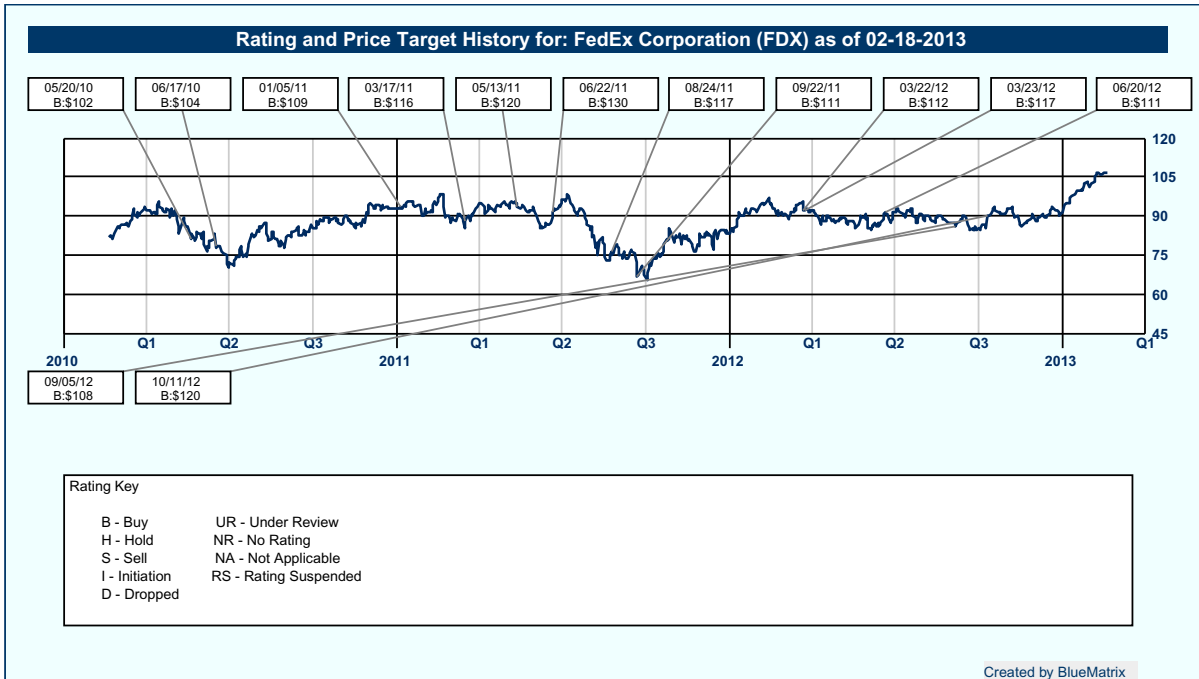
To participate in next month's survey, and in order to receive an advanced copy of the results, please use the following link: <https://www.surveymonkey.com/s/StifelFM13>

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