

## Survey Summary

**Current Market Still Weak; Airfreight Outlook Turns For First Time In Eight Months**

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 Nicolaus 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 January, the Overall Index rose for a third consecutive month, mostly due to positive traction in ocean freight. The current climate remains below expectations for this time of year, as softness in the global economy endures. Airfreight has borne the brunt of the macro uncertainty, and present volumes continue to face pressure, but optimistically, the six-month outlook grew sequentially for the first time in eight months, which could, in our view, signal an inflection point. Please see pp. 3-6 for more detailed analysis of survey results.

- **January marked the third sequential increase in the overall Stifel Confidence Index, which rose 0.8 points to 48.8.** Despite the positive momentum, index readings remain below the 50.0 threshold, suggesting that market conditions remain less favorable than the seasonal norm. Encouragingly, this month was the first since April 2012 in which both the current and expected environment showed improvement.
- **This month, the total ocean freight index climbed 3.5% sequentially to 51.8, driving much of the improvement in the overall index.** Current volumes reached their highest level since March 2012. The Asia-to-Europe route registered the greatest real-time increase, up 3.1 index points to 47.1. Still, the indices for all trade lanes remain below normal seasonal expectations. Results in the six-month outlook were up 1.7 points to 56.9. The Europe-to-U.S. and Europe-to-Asia lanes were the most optimistic, perhaps reflecting faster demand recovery expectations, but all lanes foresee improvement in the months to come.
- **The current airfreight market index fell sequentially by 0.8 points in January to 39.7 and has been oscillating between growth and contraction for the past several months.** Current market declines were apparent across the board, but most pronounced from Europe to Asia and from the U.S. to Europe. Notably, the expected situation ticked upward for the first time since April of last year. Expected market results improved in all lanes, save from Europe to the U.S., but were most evident from Europe to Asia.
- **In this month's one-off question, we asked survey participants whether they experienced a peak shipping season in 2012. Some 56% of respondents indicated that they had not experienced a seasonal increase, while the remaining 44% said the opposite.** These results were consistent with our earlier predictions, as discussed in our [September installment](#) of this report.
- **Investment Conclusions:** After eight straight months of deteriorating expectations in the airfreight outlook, January results brought the first sequential improvement. Though modest, such improvement could suggest a turn for the underlying market, which has been suffering at the hands of a larger, global economic malaise, coupled with high elasticity of demand and trade-down to cheaper products. The possibility of tight tech inventories developing toward the beginning of 2013 could drive near-term performance for companies like Expeditors International (EXPD, \$42.72, Buy) and FedEx (FDX, \$99.54, Buy) who are both more keyed toward this particular vertical, and less exposed to Europe than air forwarding counterparts Kuehne + Nagel (KNIN-SIX, CHF 112.20, Hold) and Panalpina (PWTN-SIX, CHF 94.30, Hold). Longer term, we also look to FedEx as a higher leverage beneficiary of a resumption in global-trade-as-a-multiple-of-global-GDP, and as the world economy sees gradual improvement.

David G. Ross, CFA                      dross@stifel.com                      (443) 224-1316  
J. Bruce Chan                              chanb@stifel.com                      (443) 224-1386  
Stifel Nicolaus Equity Trading Desk    US: (800) 424-8870                      Canada: (866) 752-4446

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All relevant disclosures and certifications appear on pages 7 - 10 of this report.

*Prices as of 1/16/2013, 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/JF13>**



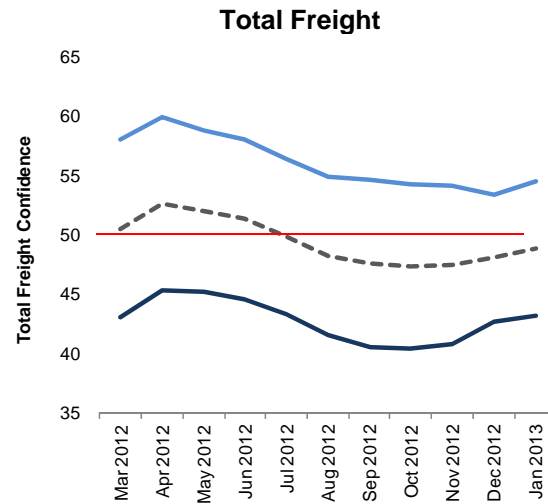
## Logistics Confidence Index

### Overview – January 2013

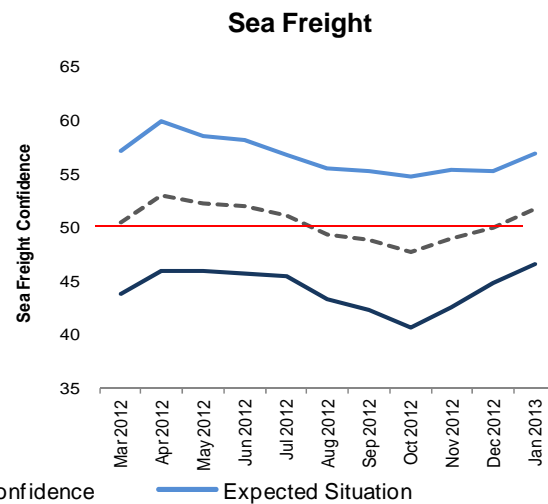
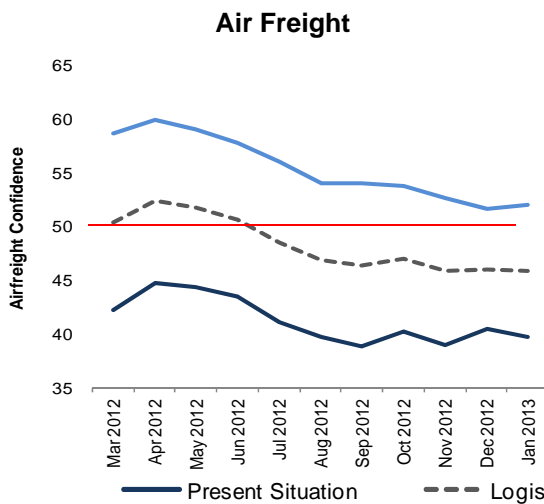
#### Overall Index increases for 3<sup>rd</sup> consecutive month

The Stifel Nicolaus Logistics Confidence Index increased for the third consecutive month in January 2013. The overall index, an average of the current and expected situation, increased 0.8 points to 48.8 from 48.0 in December. The increase was driven by an improvement in sentiment concerning both current conditions and the six-month outlook. The index for the present logistics situation increased 0.5 index points to 43.2 for the month. However, the index still remains significantly below the 50.0 mark, indicating weaker volumes relative to the expected situation for the time of year. Regarding the six month outlook, the index registered 54.5, up 1.1 index points from December 2012. This increase in the logistics expectations index follows eight months of prior decline.

In this month's unique question, we asked survey respondents whether or not they experienced a peak shipping season in 2012. Some 56% of respondents indicated that they had not experienced a seasonal increase in volumes in 2012, while the remaining 44% had seen a seasonal increase.



*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	Jan 2013	Jul 2013	Average
Air Freight	39.7	54.1	46.9
Sea Freight	46.6	56.9	51.8
<b>Total Freight</b>	<b>43.2</b>	<b>55.5</b>	<b>49.3</b>

Source for all data and graphs: Stifel Nicolaus Logistics Confidence Index



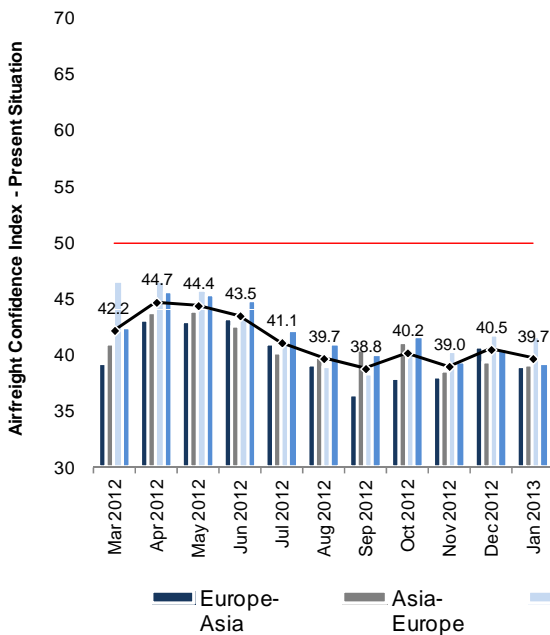
## Logistics Confidence Index

### Air Freight Confidence Index

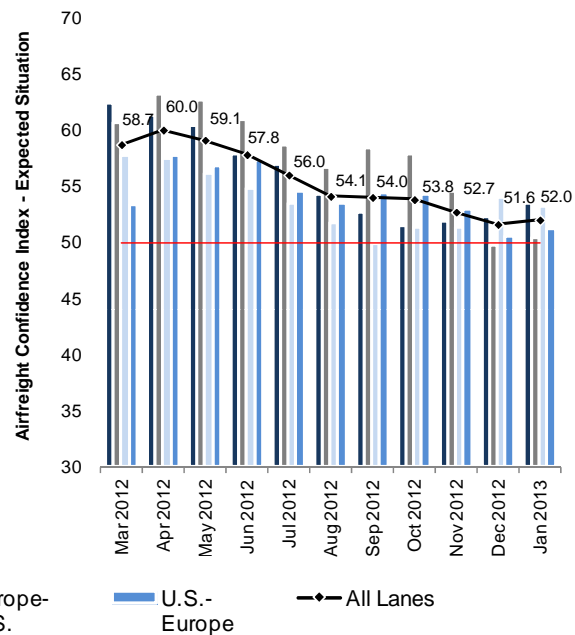
Following a modest increase in December 2012, the overall logistics confidence index for air freight fell 0.2 index points to 45.9 in January. In terms of the current logistics situation, the index fell 0.8 index points to 39.7 in January from December. This decline was apparent across all trade lanes, although more pronounced on the Europe-to-Asia and US-to-Europe routes. The indices for these routes fell 1.8 and 1.3 index points respectively. In contrast, those operating on the Asia-to-Europe and Europe-to-US routes saw only modest declines compared with December 2012. For all lanes, the indices continue to indicate significantly lower volumes relative to expectations for this time of year.

In terms of the six-month outlook, respondents were slightly more positive compared with the previous month. In this respect, the index increased 0.4 points to 52.0 in January 2013. Those operating on the Europe-to-Asia and Europe-to-US routes continue to have slightly more confidence regarding future outlook compared with those operating on the Asia to Europe and US-to-Europe routes. For January 2013, the breakdown by trade lane shows that the only route to register a decline in the index for logistics expectations was the Europe-to-US lane.

**Current Market**



**Six-Month Outlook**



Air Freight			
Trade Lane	Jan 2013	Jul 2013	Confidence
Europe-Asia	38.9	53.4	46.2
Asia-Europe	39.1	50.4	44.8
Europe-U.S.	41.6	53.2	47.4
U.S.-Europe	39.2	51.2	45.2
<b>Total Index</b>	<b>39.7</b>	<b>54.1</b>	<b>46.9</b>

Source for all data and graphs: Stifel Nicolaus Logistics Confidence Index



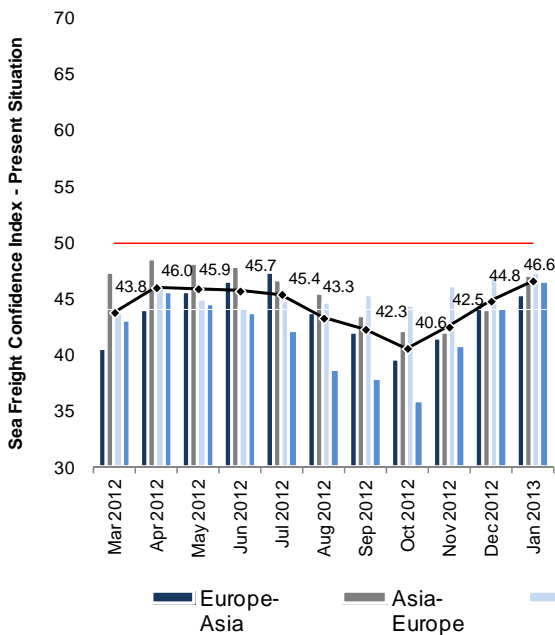
## Logistics Confidence Index

### Sea Freight Confidence Index

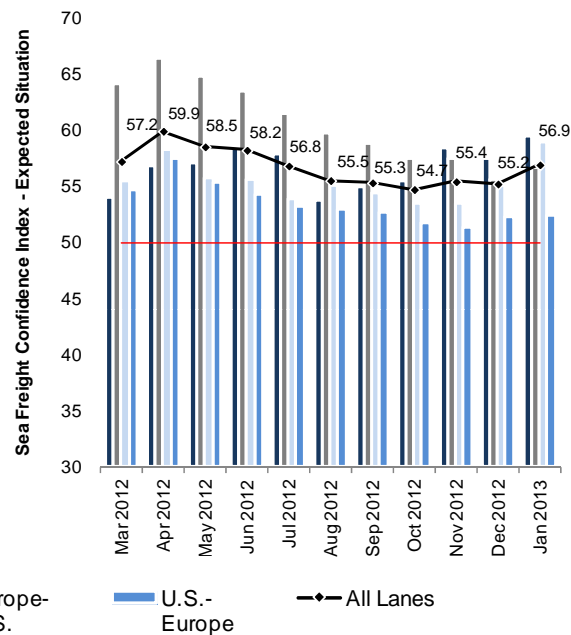
The overall logistics index for sea freight registered 51.8 in January, up 1.8 index points from 50.0 in December. For the current logistics situation, the index registered 46.6 in the first month of 2013, an increase of 1.8 points from December. The Asia-to-Europe route registered the greatest increase, up 3.1 index points to 47.1 in January. Meanwhile, those operating on the US-to-Europe route also expressed a reasonably strong improvement in operating conditions with the index up 2.4 points to 46.5. Still, the indices for all trade lanes point toward lower volumes relative to the time of year.

Sea forwarders' prospects for the next six months also improved, with the index up 1.7 points to 56.9 in January. In line with air freight expectations, those operating on the Europe-to-Asia and Europe-to-US lanes were slightly more optimistic. These trade routes also recorded the greatest improvement in January compared with December. For the Europe-to-Asia lane, the index rose 2.0 points to 59.4, while for the Europe-to-US lane the index increased 3.8 points to 58.9.

**Current Market**



**Six-Month Outlook**



Sea Freight			
Trade Lane	Jan 2013	Jul 2013	Confidence
Europe-Asia	45.3	59.4	52.4
Asia-Europe	47.1	56.6	51.9
Europe-U.S.	47.3	58.9	53.1
U.S.-Europe	46.5	52.4	49.5
<b>Total Index</b>	<b>46.6</b>	<b>56.9</b>	<b>51.8</b>

Source for all data and graphs: Stifel Nicolaus Logistics Confidence Index



## Logistics Confidence Index

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### Methodology

The Stifel Nicolaus 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:

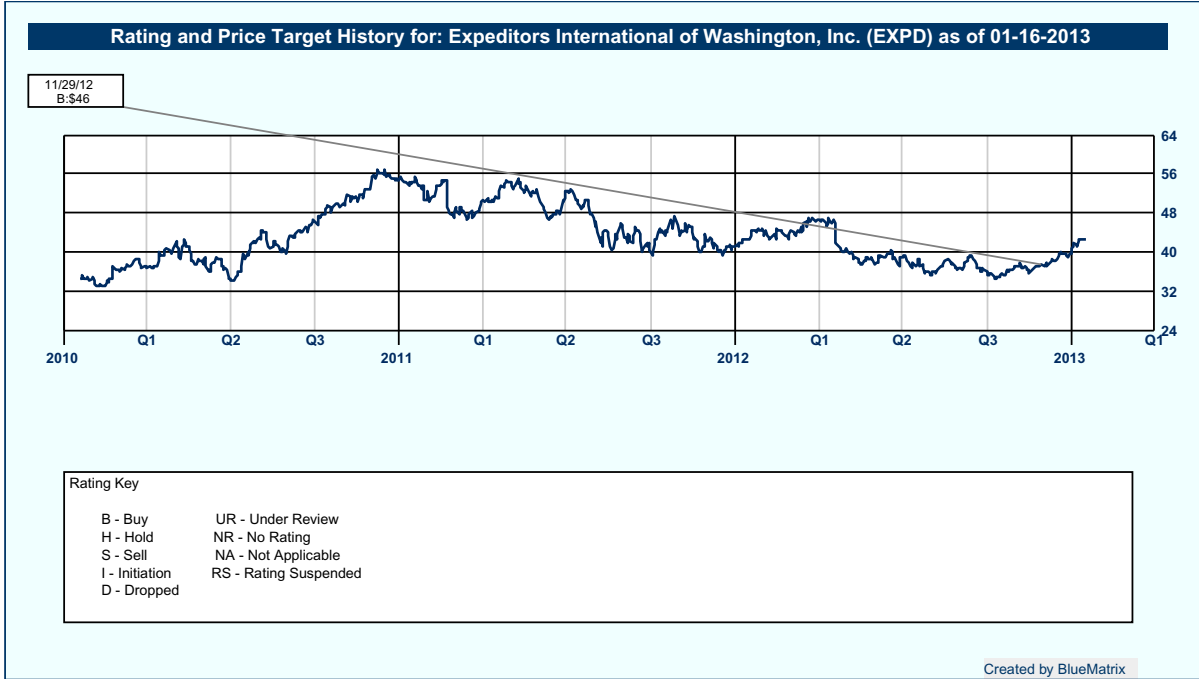
- Europe to Asia
- Asia to Europe
- Europe to US
- US to Europe

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.

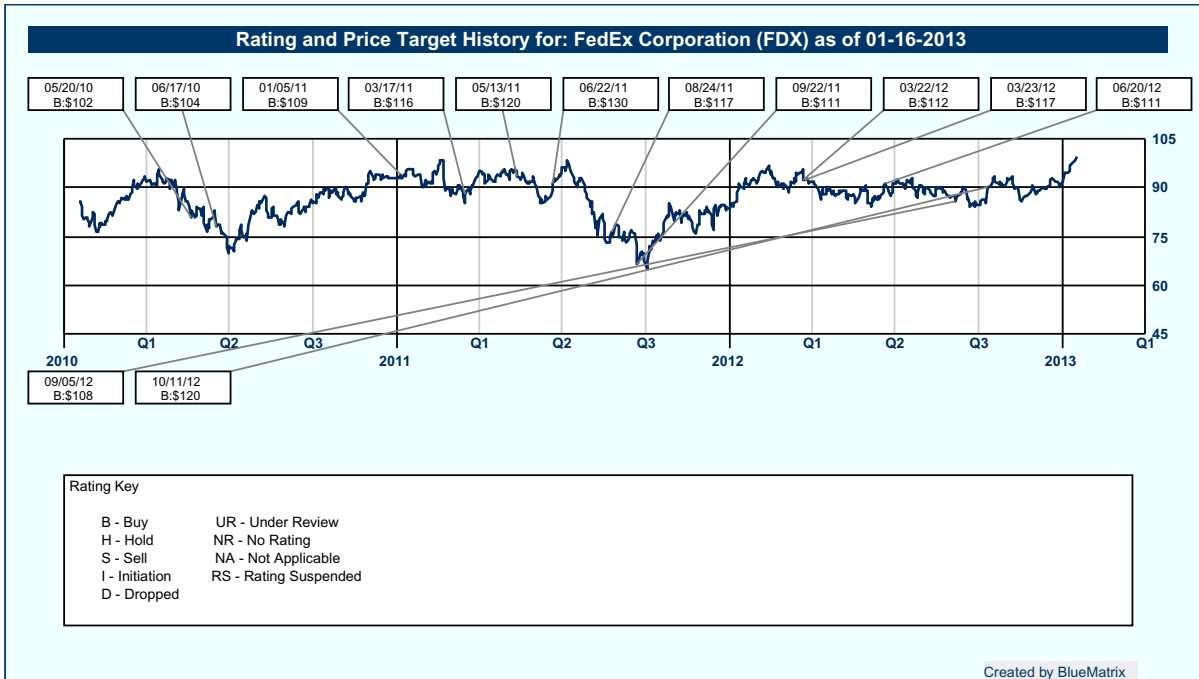
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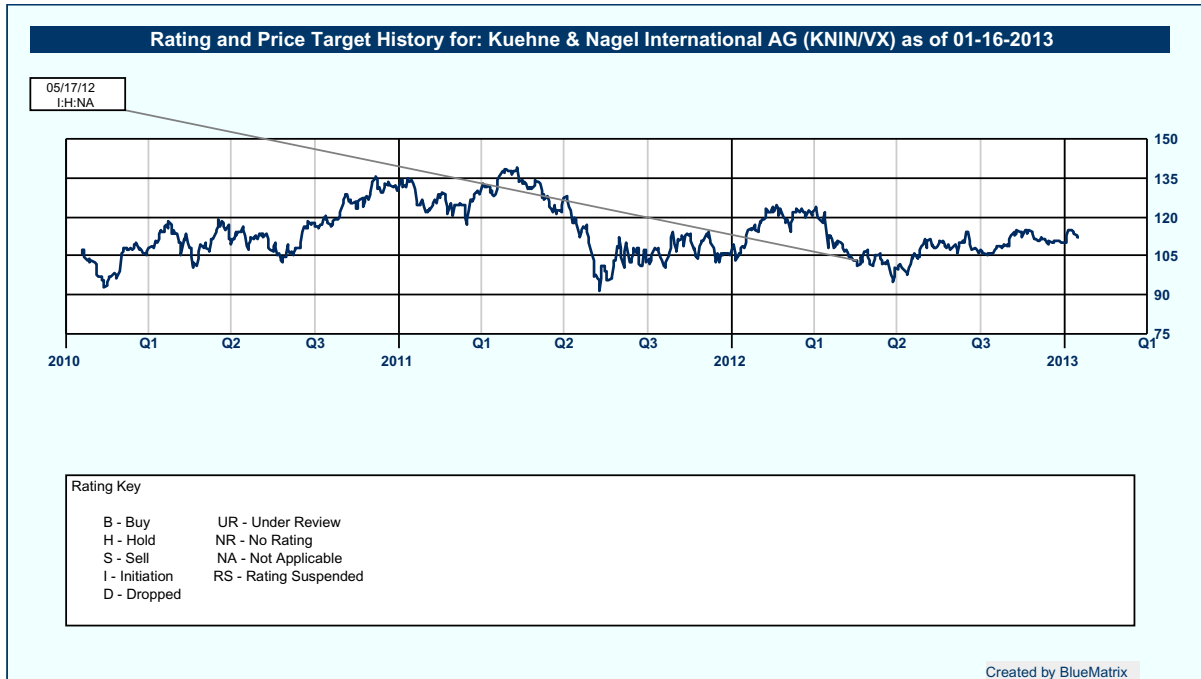
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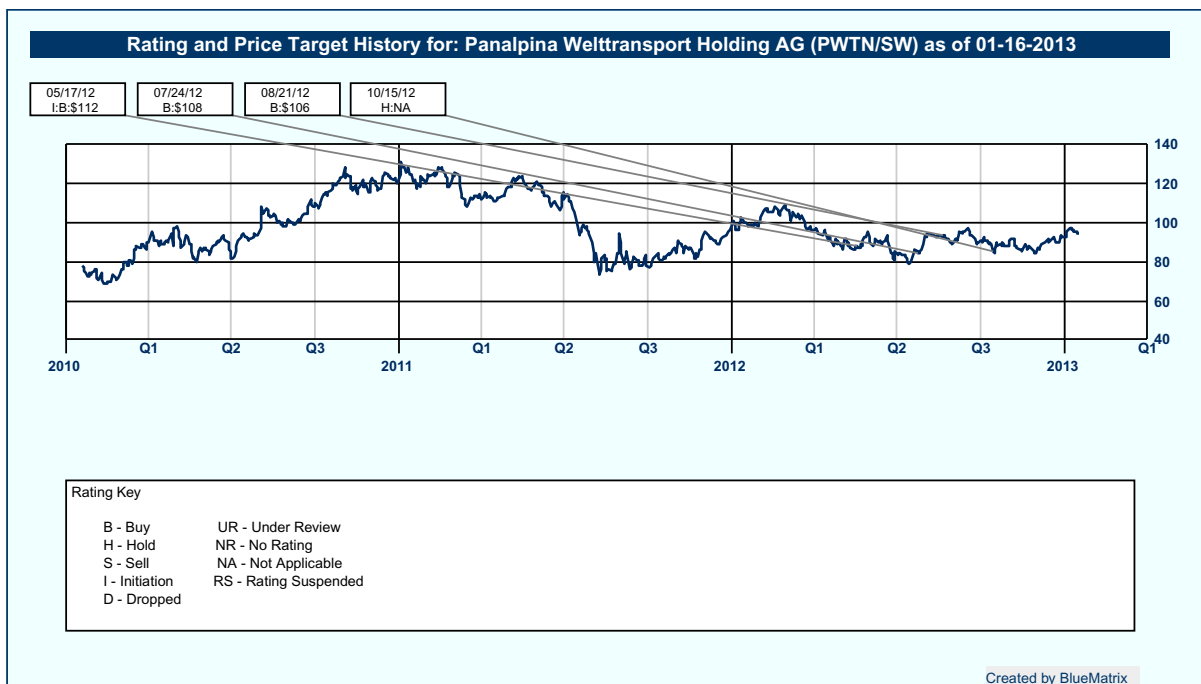
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