

Survey Summary

June Index Up Slightly; European Trade Reflects Slow Growth Environment

After a two month sequential decline, the Stifel Logistics Confidence Index ticked up in June, finishing out an otherwise lackluster 2Q13. Prepared in conjunction with U.K.-based Transport Intelligence, the overall index is a survey-based measure of both airfreight and ocean freight volumes in Europe-based trade lanes, combining present conditions with near-term expectations. This month's reading of 51.4 was 1.3% higher than May's reading of 50.7, and 10bp higher than the year-ago period. While the increase was not "exciting" by conventional standards, in our view, and although there has been some oscillation over the past few months, a pattern of readings above the 50.0 benchmark value for nearly all of 2013 may signal a bottoming, at least in the Europe-based trade lanes that the index covers.

- **While present volumes in European-based trade lanes continue to lag normal seasonal levels, they are no longer worsening.** Moreover, optimism seems to be on the rise for some kind of economic improvement in Europe. In fact, recent cuts to the European economic forecast by the World Bank were mainly reflective of what's already happened year-to-date, and growth is expected to resume in 2014.
- **Airfreight results saw a sequential increase in both the current and expected situations.** Again, current volumes remain below normal seasonal levels and below last year's readings, but we believe these results are more a reflection of the trailing slump in airfreight markets. However, there is still a possibility that seasonal rebounds and the launch of Samsung's newest smartphone and other high-tech gadgets are behind this month's modest uptick.
- **The index for the current situation in Seafreight improved 1.2 index points over May's results.** As with airfreight, it is still a soft environment, as carriers once again attempt to push rate increases through in a market rife with overcapacity, but again, outlook continues to be comfortably above the benchmark level, and the index for the expected situation rose 0.5 index points in the most recent survey. The blended outlook rose sequentially by 0.9 index points.
- **In this month's one-off question, we asked survey participants if their companies have taken steps to improve their response to supply chain threats.** Over three-quarter of respondents (75.4%) have taken measures to respond to supply chain threats, while almost 12.0% have not. The remaining 12.8% were unsure if any measures had been implemented. We believe that these results are indicative of a growing cognizance of the need for more responsive supply chains (after natural disasters of the last few years) and that the trend will continue to be for greater resource allocation to supply chain planning (especially once interest rates start to rise again and inventories need to be more closely monitored). This should all be alongside, in our view, a continuation of secular trends toward outsourcing of supply chain functions.
- **Investment Conclusions:** As the LCI floats around the threshold 50.0 marker, and as we oscillate between improvement and decline, it is clear that some uncertainty remains, but we believe that a pattern of five months above the benchmark reading may signify a moderation in downside risk. Still, we feel that firms with significant exposure to the European markets have work to do, and we prefer to focus on forwarders and integrators with more diverse operations. FedEx (FDX, \$98.49, Buy) is in the latter group and should continue to benefit from its self-help profit improvement plan, but also see significant leverage to an improving global landscape should one emerge. And, while we are not ruling out a FedEx/TNT merger down the road, we think it is unlikely near term, as FedEx management has its focus first on improving U.S. profitability.

Prices are U.S. intraday, 6/13/2013.

*** 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/LogisticsconfidenceJ>**

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Logistics Confidence Index

Overview – June 2013

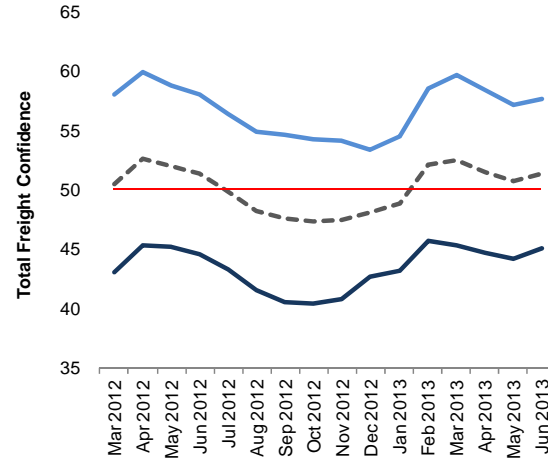
Overall Index climbs, remaining above the 50 threshold for five consecutive months

Following a slight dip in May, the overall Stifel Logistics Confidence Index increased 0.7 index points to 51.4 in June. The index remained above the significant 50 mark, indicating growth, for the fifth consecutive month.

In terms of the present logistics situation, the index increased 0.9 points to 45.1 in June. The index for sea freight climbed to 48.2 in June (up 1.2 points from May). The index for air freight also expanded, increasing 0.6 points to 42.0 for the month. At below 50, both indices continue to indicate weaker volumes compared to those expected for the time of year. Regarding the six-month outlook, the index improved slightly by 0.4 index points to 57.6.

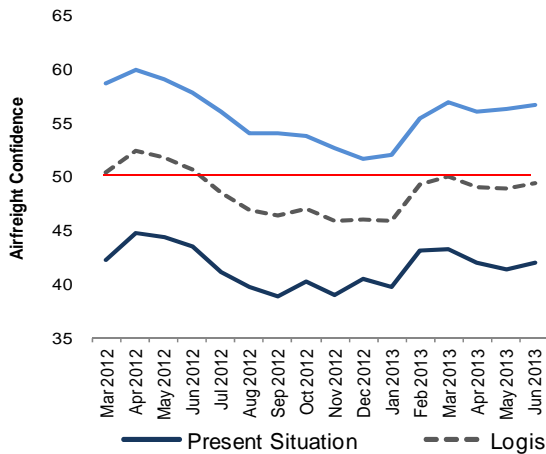
In this month's one off question, we asked survey participants if they had taken steps to improve their response to supply chain threats. Three quarters of respondents (75.4%) indicated that they had taken such steps, while almost 12.0% indicated that they had not. The remaining 13.0% were 'unsure'.

Total Freight

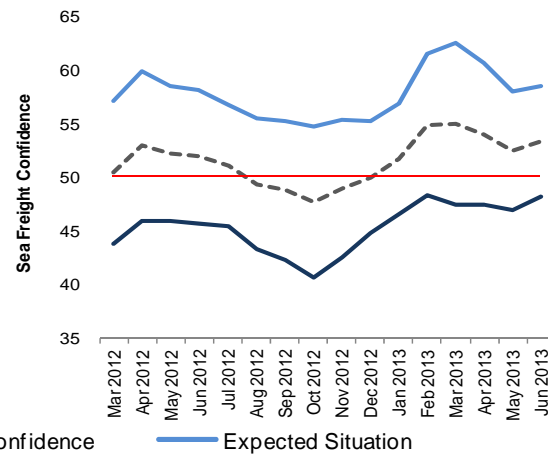


The logistics situation index illustrates current condition faced by forwarders, while the logistics expectations index shows how the situation is expected to develop over the next six months. The logistics confidence index, an average of both the present situation and expected situation indices, expresses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

Air Freight



Sea Freight



Mode	Present Situation	Expected Situation	Confidence
	Jun 2013	Dec 2013	Average
Air Freight	42.0	56.0	49.0
Sea Freight	48.2	58.5	53.4
Total Freight	45.1	57.3	51.2

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

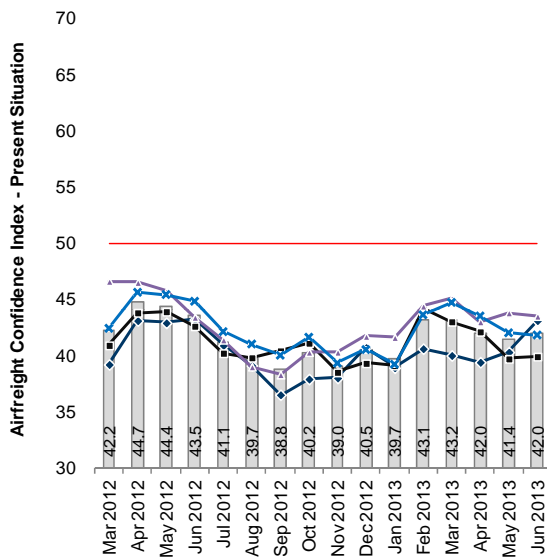
Air Freight Confidence Index

The overall index for air freight increased 0.5 index points to 49.4 in June 2013. When compared with June 2012, the index was 2.4 points lower.

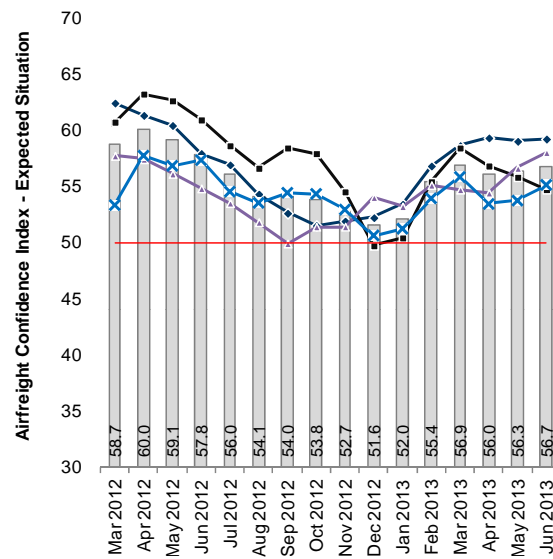
In terms of the current logistics situation, the index registered 42.0 for the month compared with 41.4 in May. Although volumes remain weak, improvements were noted in most lanes. The Europe to Asia route saw the biggest increase—up 2.8 points to 43.1 in June. Asia to Europe also registered an increase, climbing 0.2 index points to 39.9. Meanwhile, U.S.-based trade lanes registered slight declines as the Europe to U.S. lane fell 0.3 index points to 43.5, and the U.S. to Europe lane declined 0.2 index points to 41.8.

In terms of expectations for the next six months, the index increased 0.4 points to 56.7 in June. Looking at individual lanes, Europe to Asia increased 0.2 points to 59.2 for the month. Asia to Europe noted the only decline, down 1.1 points to 54.7. The U.S. routes recorded the greatest increase in expectations. Europe to U.S. increased 1.4 index points to 58.0, while U.S. to Europe increased 1.4 points to 55.1. 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 diamond), Asia-Europe (black square), Europe-U.S. (purple triangle), U.S.-Europe (cyan cross)

Air Freight			
Trade Lane	Jun 2013	Dec 2013	Confidence
Europe-Asia	43.1	61.3	52.2
Asia-Europe	39.9	54.7	47.3
Europe-U.S.	43.5	58.0	50.8
U.S.-Europe	41.8	55.1	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

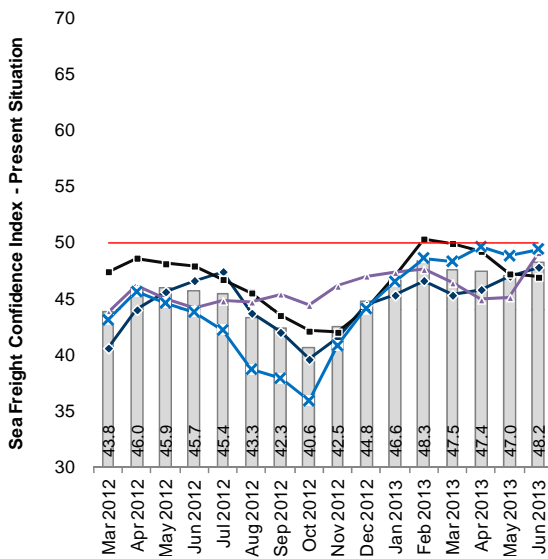
Sea Freight Confidence Index

For sea freight, the overall index increased 0.9 points to 53.4 in June from 52.5 in May. Compared with the same month in 2012, the index was 1.4 points higher.

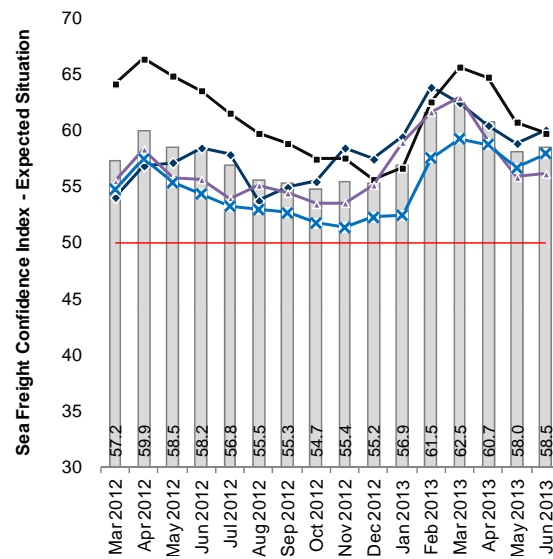
For the present situation, the index posted increases in all lanes except for Asia to Europe. That lane registered a 0.3 decline to 46.9. Meanwhile, the Europe to U.S. registered the biggest increase, up 4.0 points to 49.1. The Europe to Asia route increased 0.8 index points to 47.8, and U.S. to Europe routes noted an increase of 0.6 points to 49.4.

Sea forwarders were more positive regarding expectations for the next six months, as the index for logistics expectations climbed 0.5 points from May to 58.5. Forwarders on the Europe to Asia lane were the most optimistic, with the index registering 60.0 for the month. Forwarders operating on the Europe to U.S. lane were slightly less confident, with the index registering 56.1 (although at significantly above 50, forwarders still anticipate an increase in volumes relative to the time of year).

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 (Blue X)

Trade Lane	Sea Freight		
	Jun 2013	Dec 2013	Confidence
Europe-Asia	47.8	60.0	53.9
Asia-Europe	46.9	59.7	53.3
Europe-U.S.	49.1	56.1	52.6
U.S.-Europe	49.4	57.9	53.7
Total Index	48.2	58.5	53.4

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.
- US to Europe

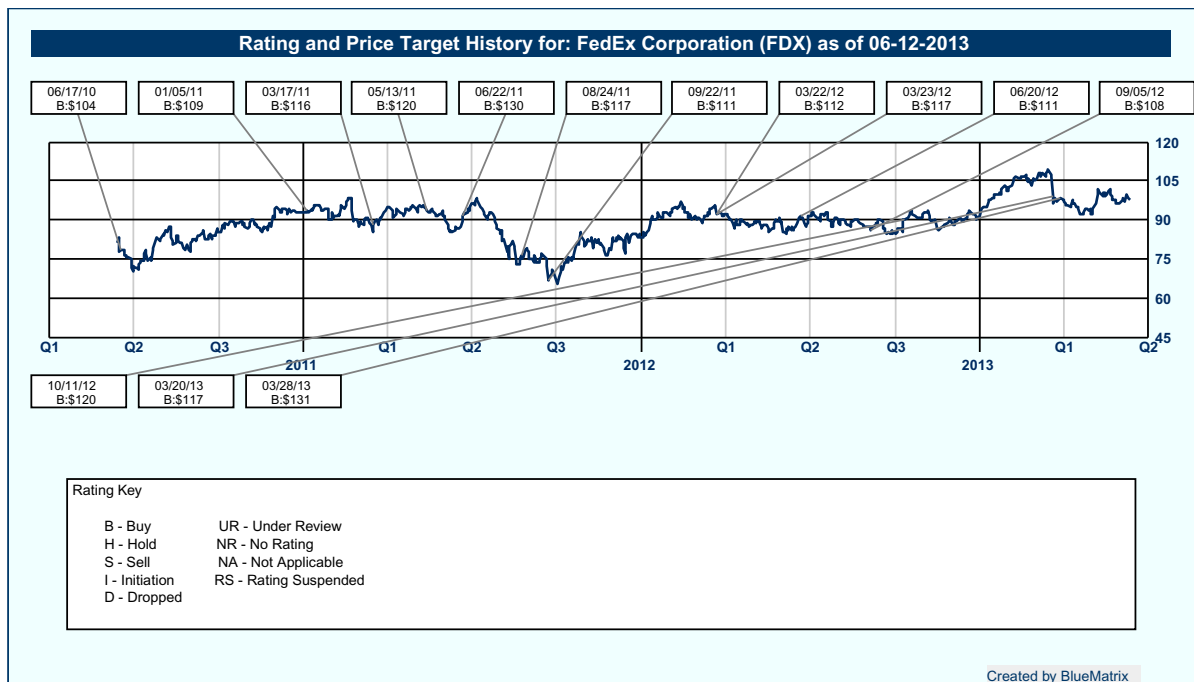
These trade lanes form four sub-indices, from which an overall index for both the air freight industry and sea freight industry is calculated. An index value of 50 indicates no change in the volumes of partaking logistics companies; above 50 indicates higher volumes, while below 50 indicates lower volumes.

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/LogisticsconfidenceJ>

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For a price chart with our ratings and target price changes for FDX go to <http://sf.bluematrix.com/bluematrix/Disclosure?ticker=FDX>

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