

Survey Summary

Index Sees 5th Straight Increase; Airfreight Still Fragile But Shows Signs Of Life

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 March, the Overall Index rose sequentially for the fifth consecutive month at +0.9%. This most recent datapoint also provided the first year-over-year comp, coming in at +4.1% versus March 2012. Please see pp. 3-6 for more detailed analysis of survey results.

- **The Overall Stifel Confidence Index increased sequentially for a fifth consecutive month in March, rising 0.4 points to 52.5.** The index has now exceeded the 50.0 threshold (which indicates expansion) for two months. Prior to last month, the index had been tracking below the benchmark since July 2012. Significantly, this month marked the one-year anniversary of the Stifel Logistics Confidence Index, which means that we can now report year-over-year comparables. On that basis, March was up 4.1% over the prior year period, reflecting a 5.5% gain and a 3.0% gain for the present and expected logistics situation, respectively.
- **On the airfreight side, the total index exceeded the 50.0 threshold for the first time since June 2012.** This figure reflected sequential improvements in both the present and expected situations. On a y/y basis, expected airfreight volumes fell 3.1%. The present climate improved 2.4% y/y, although absolute volumes remain below normal seasonal expectations. On a lane-by-lane basis, the directional trends were mixed, although the current situation remains the most robust for Europe-to-U.S., while the expected situation remains the most robust for Europe-to-Asia—consistent with last month's results.
- **In terms of sea freight, the present situation ticked down slightly on a sequential basis, but the 6-month outlook remained strong. Year-over-year comps were solid—positive in all cases, and even up double digits in some lanes.** Last month, we speculated that the timing of Chinese New Year could have played a part in February's increase (mainly on sea freight to/from Asia). This month, we believe the opposite might have been true, with manufacturing closures during the period posing a slight headwind to current, downstream transportation volumes. Still, considering the combined results of February and March, we believe that the trends are moving in the right direction. This month, the Asia-to-Europe lane enjoyed the most favorable 6-month outlook, and continues to enjoy the most favorable results in the present environment as well.
- **In this installment's one-off survey question, we asked respondents if they believed there was a trend toward increased consolidation in the freight forwarding sector (through mergers and acquisitions).** Fully 76% of participants responded to the affirmative. Only 15% believe there has not been an increase in consolidation, and 10% of respondents were unsure.
- **Investment Conclusions:** Results in March continue to expand upon the last four months of increasing optimism. Although markets remain fragile, with current volumes below seasonal expectations in all modes, in all Europe-based lanes, the trends and the continued strength in the 6-month outlook are encouraging. Moreover, this month marked the index's first year-over-year comp, and growth by that metric was comfortably positive in almost every one of the Stifel Logistics Confidence Index's component metrics. While we think airfreight faces some daunting longer-term headwinds, and sea freight suffers from a chronically unhealthy underlying carrier market, we believe that a near-term recovery in

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the global markets is high. We continue to see Expeditors International (EXPD, \$38.24, Buy) as an effective way to play a 6-12 month recovery horizon, and recommend FedEx (FDX, \$106.43, Buy) over the 12-24 month horizon.

Prices as of 3/12/2013, 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/StifelMAp13>**

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Logistics Confidence Index

Overview – March 2013

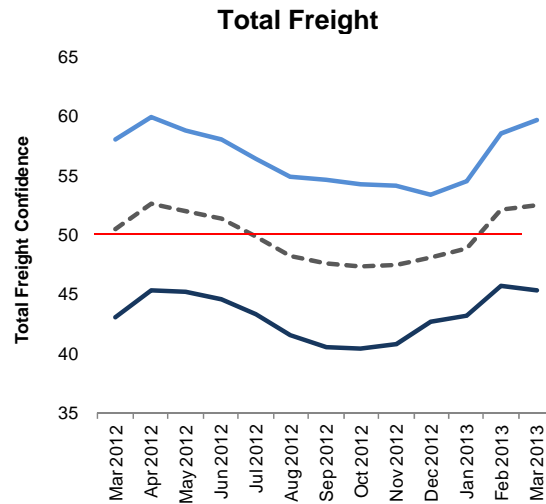
Overall Index increases for 5th consecutive month

The Stifel Logistics Confidence Index increased for the fifth consecutive month in March. The index for the current and expected situation combined was up 0.4 points to 52.5 compared with 52.1 in February.

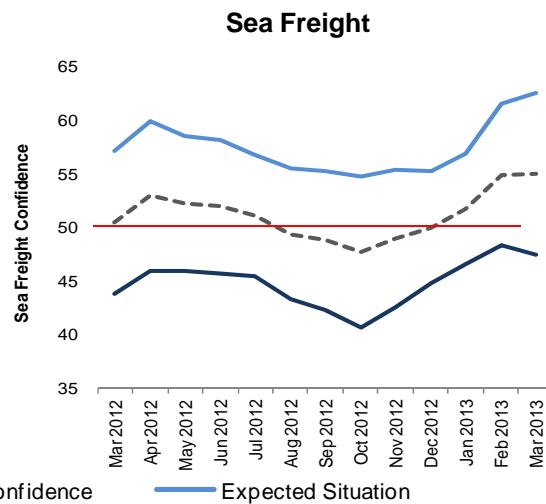
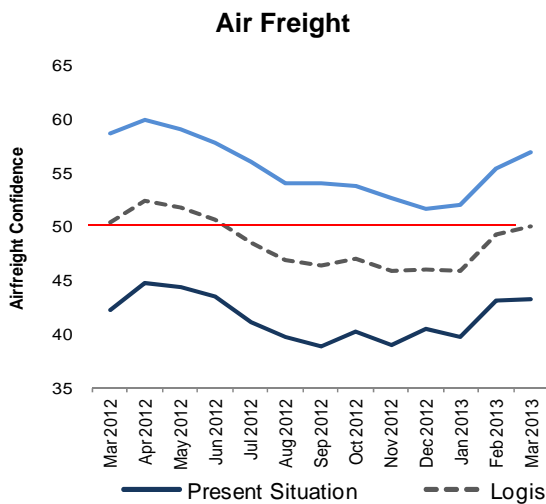
In terms of the present logistics situation, the index registered a marginal decline of 0.3 index points to 45.4 from 45.7 in February. Since beginning in March 2012, the index has remained below the 50 threshold, indicating weaker volumes relative to the time of year.

While slightly less optimistic about the current market, forwarders continue to expect higher volumes over the next six months. The index for logistics expectations increased 1.3 points to 59.7 in March.

This month's one-off survey question asked if there was a visible trend towards increased consolidation (through mergers and acquisitions). Over three quarters of survey participants (76%) acknowledged such a trend, while only 14% did not. The remaining 10% 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.



Mode	Present Situation	Expected Situation	Confidence
	Mar 2013	Sep 2013	Average
Air Freight	43.2	56.9	50.1
Sea Freight	47.5	62.5	55.0
Total Freight	45.4	59.7	52.5

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

Air Freight Confidence Index

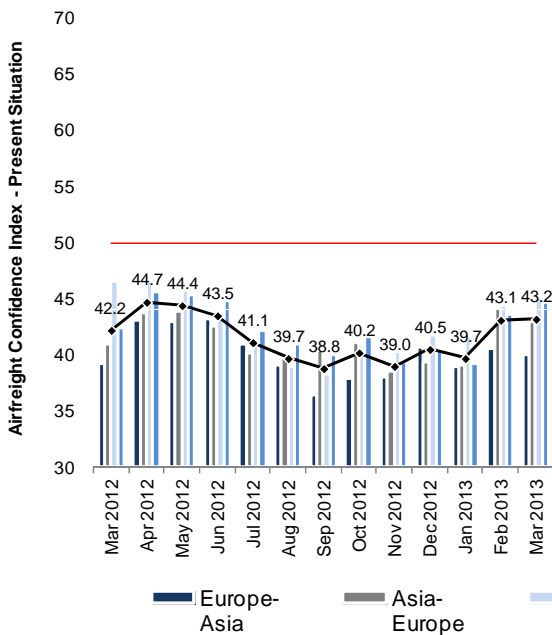
The overall air freight index registered above the 50 threshold for the first time since June 2012, rising 0.9 points to 50.1 from 49.2 in the previous month.

The index for the current logistics situation remained virtually unchanged at 43.2 compared with 43.1 in February. There were, however, some minor changes among individual trade lanes. Forwarders on Asia-based lanes were less confident regarding the current environment. For the Europe-to-Asia route, the index fell 0.6 points to 40.0 in March, while the Asia-to-Europe route was down 1.1 points to 43.0.

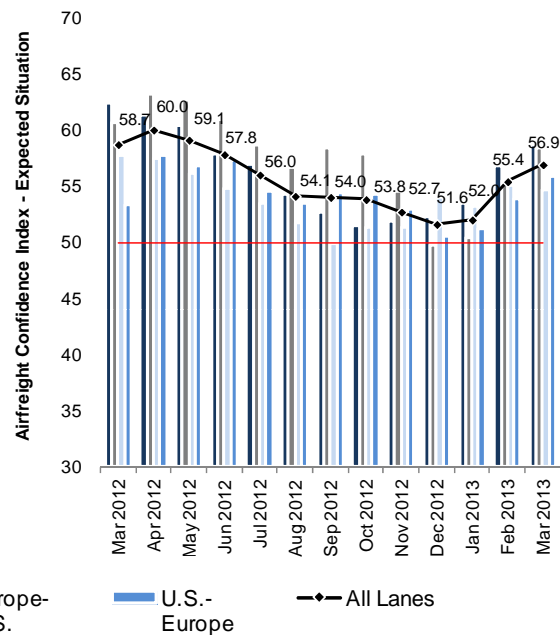
In contrast, the Europe-to-US and US-to-Europe lanes were up 0.7 and 1.1 index points respectively.

Despite little improvement in current market conditions, air forwarders' expectations for the next six months remained hopeful. Overall, the logistics expectations index rose 1.5 index points to 56.9. On individual routes, the greatest increase was on the Asia-to-Europe lane which was up 3.0 index points to 58.4. The indices for the Europe-to-Asia and US-to-Europe routes also increased compared with February. In contrast, the expectations index for Europe-to-US fell slightly, down 0.4 index points to 54.7.

Current Market



Six-Month Outlook



Air Freight			
Trade Lane	Mar 2013	Sep 2013	Confidence
Europe-Asia	40.0	58.6	49.3
Asia-Europe	43.0	58.4	50.7
Europe-U.S.	45.1	54.7	49.9
U.S.-Europe	44.7	55.8	50.3
Total Index	43.2	56.9	50.1

Source for all data and graphs: Stifel Logistics Confidence Index

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Logistics Confidence Index

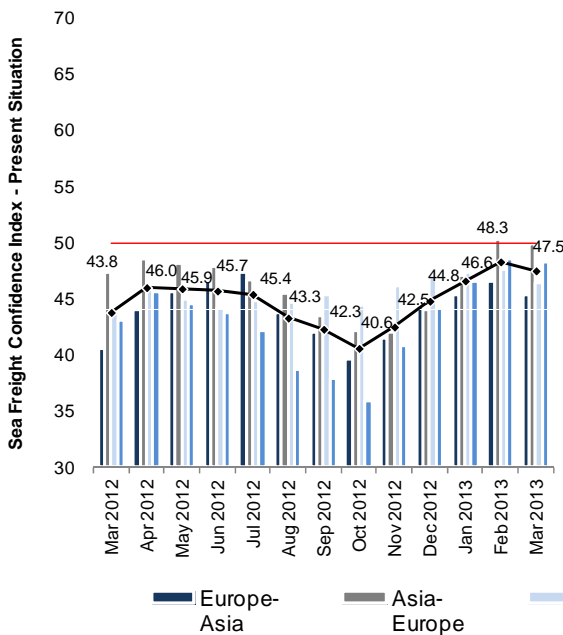
Sea Freight Confidence Index

The overall index registered 55.0 in March, up 0.1 points from February. The index has now remained above the 50 threshold for four consecutive months.

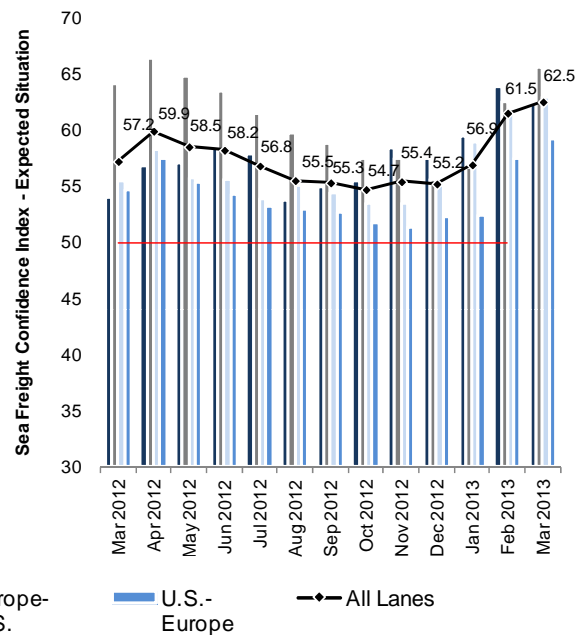
In terms of the current logistics situation, the index fell 0.8 index points to 47.5. Declines were consistent across all trade lanes, although the Europe-to-Asia and Europe-to-US lanes fared the worst, down 1.3 and 1.2 index points respectively. Meanwhile, the Asia-to-Europe route, which broke the 50 threshold for the first time last month, fell back 0.4 points to 49.9 in March. Forwarders' on the US-to-Europe route were slightly less confident compared with February; the index for

this lane fell 0.3 index points to 48.3 for the month. Looking ahead, forwarders were slightly more positive surrounding volumes developments for the next six months. The index for logistics expectations increased 1.0 index point to 62.5 in March. The breakdown by trade lanes shows that the index for the Europe-to-Asia route fell 1.5 points, indicating that forwarders were slightly less positive about future volume developments on this lane. Logistics expectations for all other routes were up, with the Asia-to-Europe lane seeing the greatest development, increasing 3.1 points to 65.6 for the month.

Current Market



Six-Month Outlook



Trade Lane	Sea Freight		
	Mar 2013	Sep 2013	Confidence
Europe-Asia	45.3	59.4	52.4
Asia-Europe	49.9	65.6	57.8
Europe-U.S.	46.4	62.9	54.7
U.S.-Europe	48.3	59.2	53.8
Total Index	47.5	62.5	55.0

Source for all data and graphs: Stifel Logistics Confidence Index

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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.

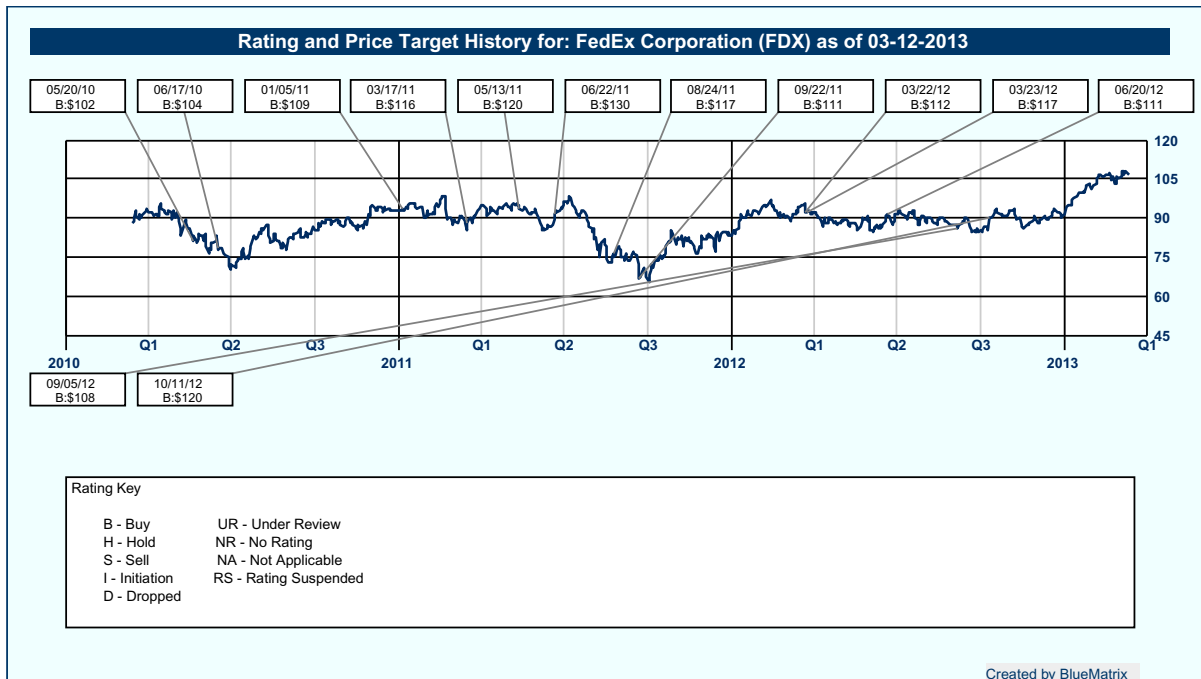
To participate in next month's survey, and in order to receive an advanced copy of the results, please use the following link: <https://www.surveymonkey.com/s/StifelMAp13>

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