

Survey Summary

Present & Expected Volume Divergence Continues; Europe-Based Market Still Tough

In March, the overall Stifel Logistics Confidence Index improved sequentially by a full index point, but it wasn't all good news. While optimism for the six-month outlook in the forwarding environment continues to improve, sentiment in the present situation continues to decline and is now back to flattish growth. 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 major trade lane volumes. After record performance in December 2013, the spread between the present situation and the future outlook has continued to widen. Looking more closely at the present situation, sea freight volumes appear slightly healthier than their air counterparts, but across both modes, results for the Asia-Europe trade have been bolstering the overall picture.

- **Overall Logistics Confidence, a composite of the current situation and the six-month outlook for both intercontinental modes, was 8.4% above last year's 52.4 reading.** We continue to believe that volumes in both ocean and air forwarding are stronger than a year ago, but that doesn't mean that all is rosy. Optimism over the next six months continues to reach new highs, but the spread between the current picture and future expectations continues to widen. In fact, the blended index for present ocean and air volumes now sits at 50.2—about as little growth as possible—and has been declining sequentially now for three months.
- **Current sea freight volumes appear more robust than airfreight, growing sequentially in just about all of the Europe-based lanes.** But while sea freight volumes are decidedly better than a year ago, and especially two years ago, they remain below normal seasonal levels on the U.S.-Europe and Europe-U.S. lanes, and at the seasonal norm from Europe to Asia. Only on the Asia to Europe lane do current volumes look decidedly robust. Even with container demand growth, overcapacity and an erratic rate environment continue to be a drag on the market. Perhaps the P3 Alliance will improve stability to some degree, as might the Hapag Lloyd-CSAV merger.
- **Results for the present situation in airfreight were once again below normal seasonal expectations in all lanes except Asia to Europe (although that lane dropped significantly on a sequential basis from 59.5 to 50.5—just barely in positive growth territory).** While both U.S. trade lanes are still below the 50.0 growth threshold, both improved sequentially, in contrast to the Asia-Europe and Europe-Asia lanes. Monthly IATA data suggests an improving global airfreight market, and while growth in the Stifel LCI expected situation index corroborates that view, the market still appears challenging for forwarders at the time being, as the growth is only modest.
- **In this month's one-off question, we asked what trade lane will be most affected by the P3 alliance. Almost 51% of respondents expect the Asia-Europe lane to see the most impact, while 13.4% suggested it would be the Trans-Pacific lane.** Some 12.7% suggested that all lanes would be affected equally. Of the remainder, 10.4% selected Europe to Asia, 8.2% selected the Trans-Atlantic lane, and 4.5% believe the P3 will have no impact.
- **Investment Conclusions:** Volume developments so far this year suggest continued but slow global trade recovery (similar to our view of the U.S. economy). The end of 2013 saw a spike in present volumes, which temporarily closed the gap with increasing growth expectations. However, recent results show that freight growth is closer to flat y/y, with airfreight in particular looking more challenging in Europe-based lanes, which seems to corroborate large public forwarder comments about the market. While a positive outlook remains, we believe it will be a slow march forward and these bullish outlooks may prove too optimistic. We thus maintain our Hold ratings on Deutsche Post DHL (DPW, EUR

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25.22, Hold), Kuehne + Nagel (KNIN-SIX, CHF 119.10, Hold), and Panalpina (PWTN-SIX, CHF 137.20, Hold).
Prices are U.S. market intraday, 3/14/2014.

*** 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/JP8X83R>**

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Logistics Confidence Index

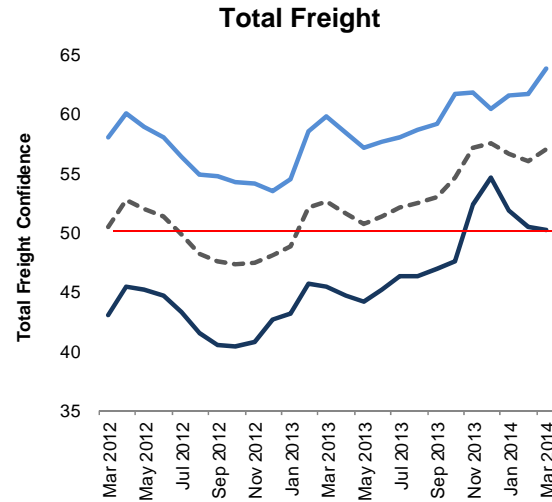
Overview – March 2014

The present situation was mixed as sea remained above the neutral 50 mark while air slipped below this level. However the growth in expectations for both air and sea were enough to result in an increase in this month's Logistics Confidence Index.

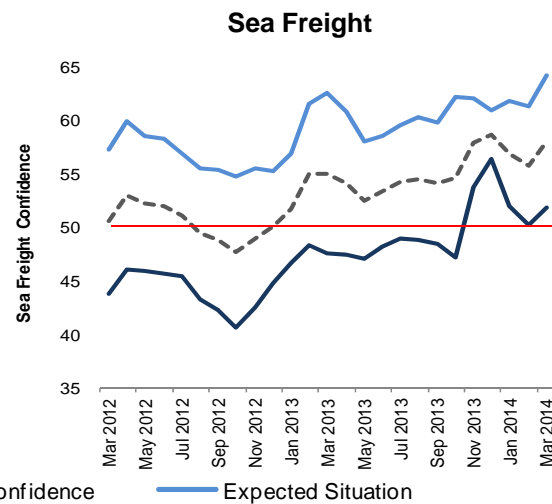
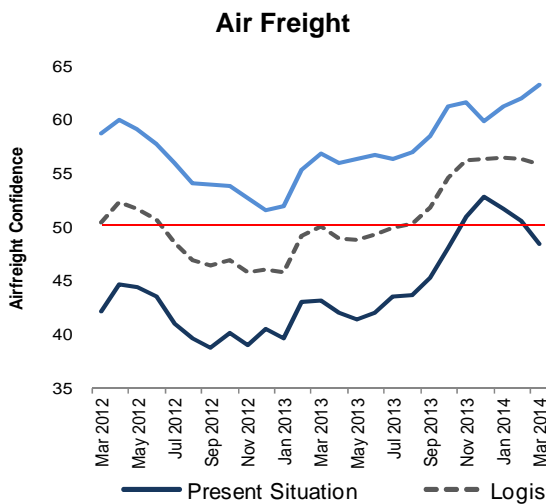
At 57.0, the Logistics Confidence Index score recorded in March was 1.0 index points higher than that recorded in February. The index remained above the 50-mark for a fourteenth consecutive month.

In terms of the present situation, the total freight index declined 0.2 points to 50.2 in March. The index for sea freight increased 1.6 points from February to 51.8. Meanwhile, the air freight index decreased 2.1 points to 48.5 for the month. For total freight, the expected situation index rose 2.2 index points to 63.8.

For March's one off question, we asked survey participants what trade lane will be most affected by the P3 alliance. Some 50.7% expected the Asia-Europe lane to be most affected, followed by Transpacific at 13.4%, all trade lanes equally at 12.7%, Europe-Asia at 10.4%, Transatlantic at 8.2%, and finally, no impact at 4.5%.



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	Mar 2014	Sep 2014	Average
Air Freight	48.5	63.3	55.9
Sea Freight	51.8	64.2	58.0
Total Freight	50.2	63.8	57.0

Source for all data and graphs: Stifel Logistics Confidence Index



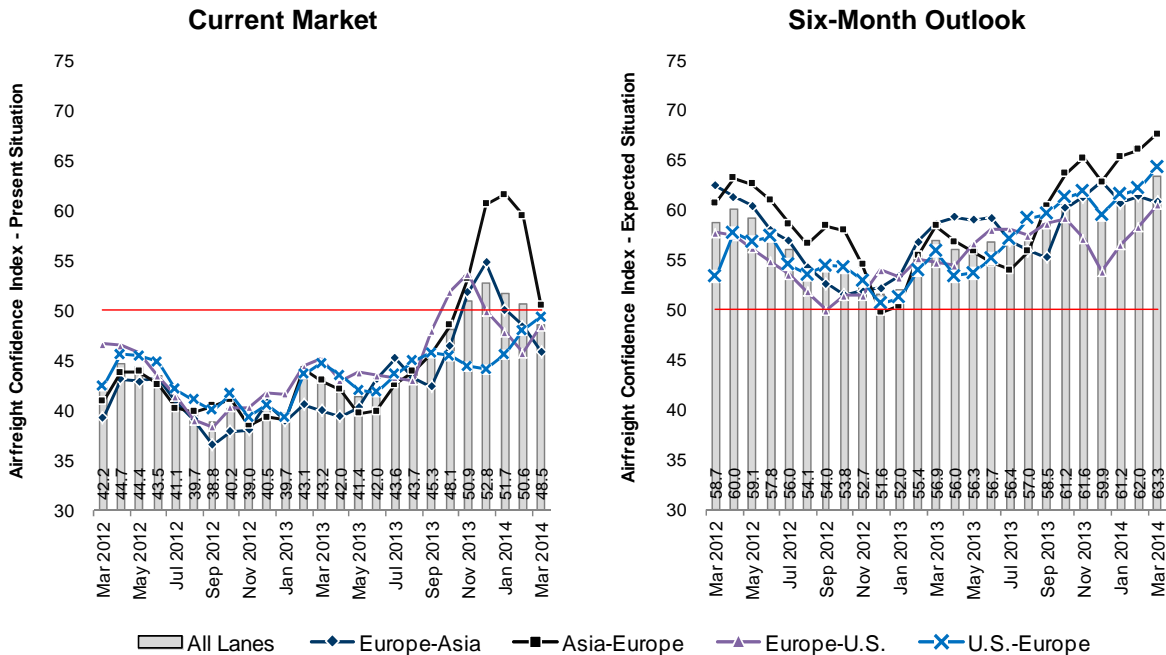
Logistics Confidence Index

Air Freight Confidence Index

The logistics confidence index for air freight decreased for a second consecutive month by 0.4 points to 55.9 in March 2014. When compared with March 2013, the index was 5.8 points higher.

In terms of the present situation, the total air index registered 48.5 for the month, compared with 50.6 in February. Only the U.S. lanes saw growth for the month. The Europe to U.S. route increased 2.7 points to 48.4, U.S.-to-Europe increased 1.3 points to 49.3, while Europe to Asia declined 2.5 points to 45.9 and Asia to Europe declined 9.0 points to 50.5.

Looking ahead over the next six months, the expected situation index for total air freight increased 1.3 points to 63.3 in March. Only the Europe to Asia lane registered a decline, dropping 0.6 points to 60.8. The Asia to Europe lane grew 1.6 points to 67.6. The U.S. to Europe lane saw an increase of 2.1 points to 64.2 while the Europe to U.S. lane increased 2.2 points to 60.5. All lanes now are seeing index scores in excess of 60 points, indicating that forwarders' maintain optimism in the airfreight market over the next six months.



Trade Lane	Air Freight		
	Mar 2014	Sep 2014	Confidence
Europe-Asia	45.9	60.8	53.4
Asia-Europe	50.5	67.6	59.1
Europe-U.S.	48.4	60.5	54.5
U.S.-Europe	49.3	64.2	56.8
Total Index	48.5	63.3	55.9

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

Sea Freight Confidence Index

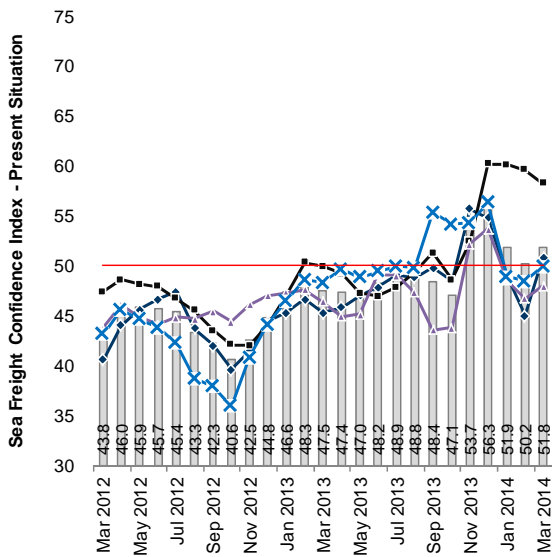
For sea freight, the logistics confidence index increased 2.3 points to 58.0 in March. Compared with the same month in 2013, the index was 3.0 points higher.

For the present situation, the index saw a decline on one lane—the Asia to Europe lane—which fell 1.4 points to 58.2. The Europe to Asia lane recorded an increase of 5.8 index points to 50.8 in March. The Europe to U.S. route increased 1.3 index points to 48.0, while the U.S. to Europe lane experienced an increase of 1.5 points to 49.9.

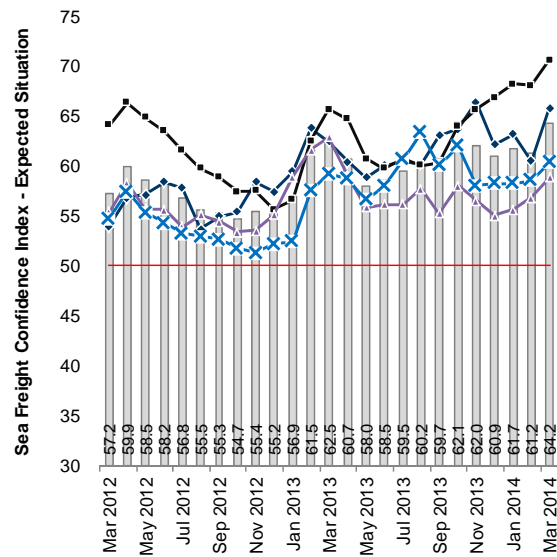
Sea forwarders appeared more positive in March versus February as the expected situation index for sea freight increased 3.0 points to 64.2. All lanes reported positive gains.

The Europe to Asia lane increased 5.3 points to 65.8 for the month while the Asia to Europe noted a gain of 2.6 points to 70.6. Meanwhile, the Europe to U.S. lane increased 2.0 points to 58.8 and the U.S. to Europe lane also grew—up 1.8 points to 60.3.

Current Market



Six-Month Outlook



Legend: All Lanes (grey square), Europe-Asia (black diamond), Asia-Europe (black square), Europe-U.S. (purple triangle), U.S.-Europe (blue cross)

Trade Lane	Sea Freight		
	Mar 2014	Sep 2014	Confidence
Europe-Asia	50.8	65.8	58.3
Asia-Europe	58.2	70.6	64.4
Europe-U.S.	48.0	58.8	53.4
U.S.-Europe	49.9	60.3	55.1
Total Index	51.8	64.2	58.0

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:

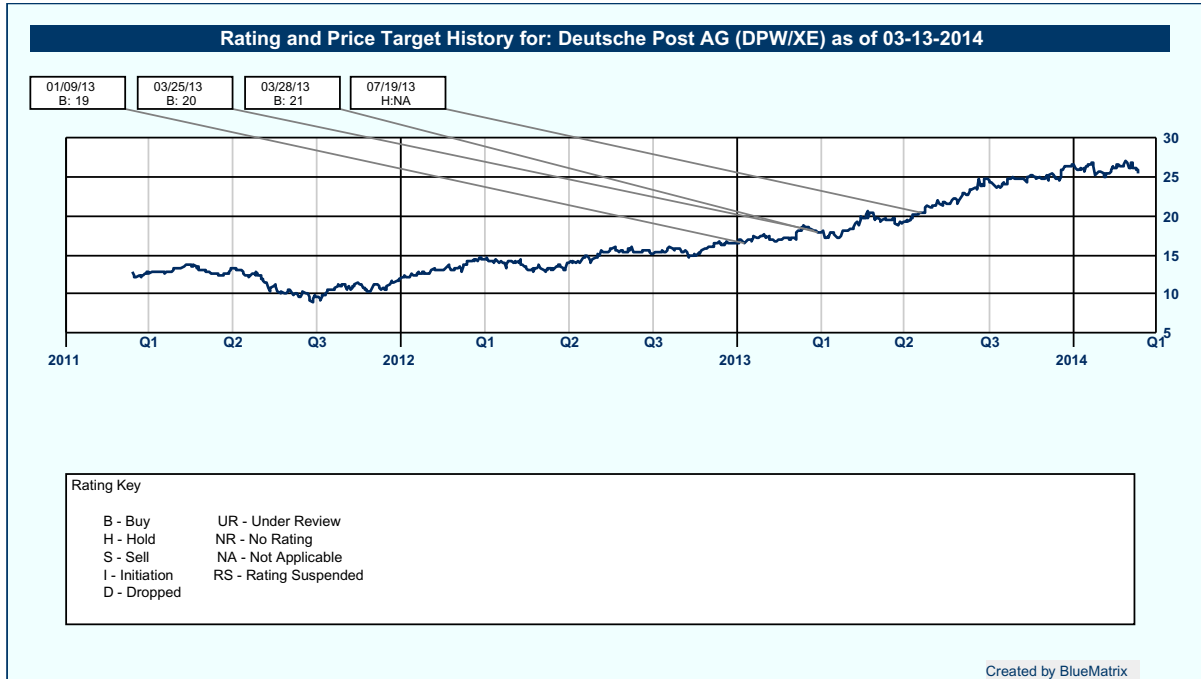
- Europe to Asia
- Asia to Europe
- Europe to U.S.
- U.S. to Europe

These trade lanes form four sub-indices, from which an overall index for both the airfreight 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.

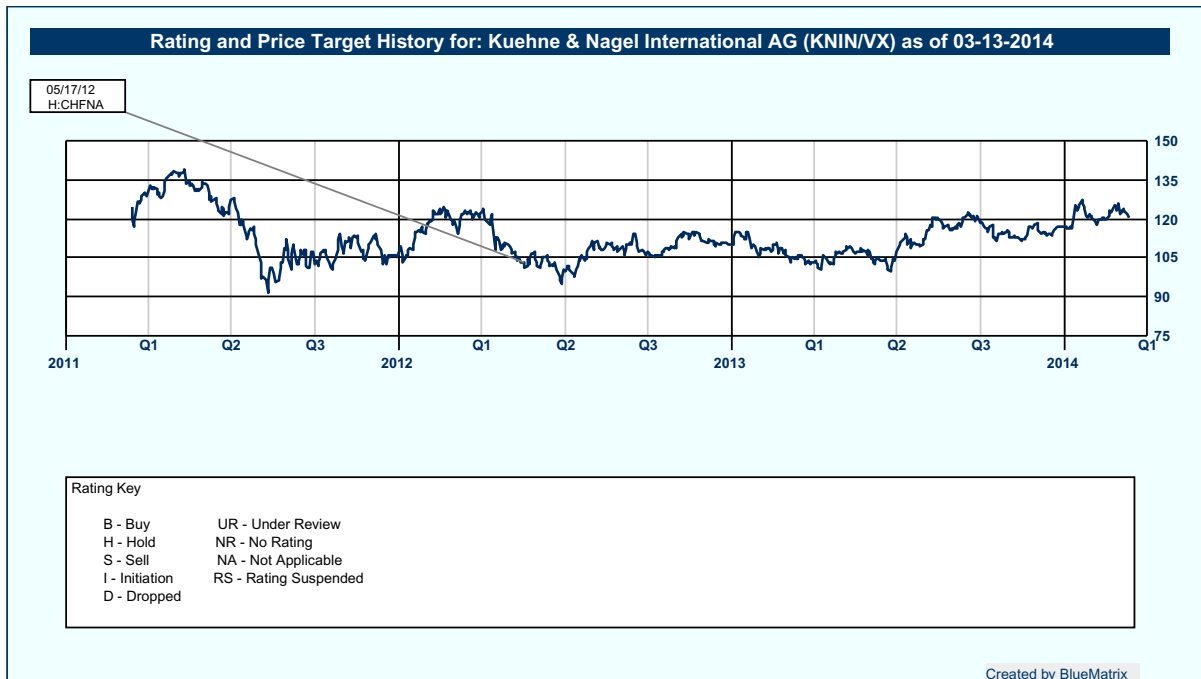
To participate in next month's survey, and in order to receive an advanced copy of the results, please use the following link: <https://www.surveymonkey.com/s/JP8X83R>

Important Disclosures and Certifications

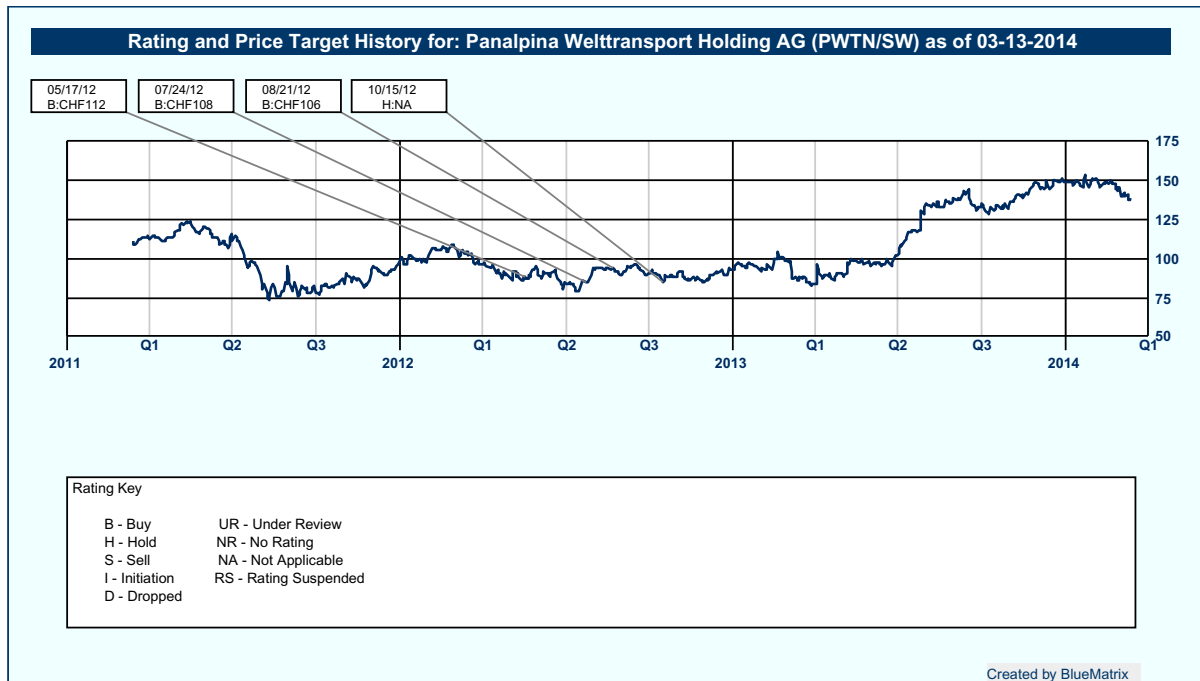
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