

Survey Summary

Index Remains Above Threshold, But Current And Future Sentiment Continue To Moderate

The Stifel Logistics Confidence Index continued its downward trend in May as it fell for the second consecutive month. 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. Results showed a sequential deterioration of 0.8 points from April's reading of 51.5 and a 1.3 point drop versus May of 2012. Even with the dip in sentiment, the Index continues to register above the 50.0 threshold, indicating growth for a fourth consecutive month.

- **While May's LCI reading of 50.7 exceeded the benchmark value, it did not do so by much.** Any continuation in downward trend could drive results back into contraction for the first time since January of this year. Respondents indicated a slight (2% sequential and a 1% year-over-year) degradation in the present environment relative to normal seasonal expectations, and also registered a decline in the six-month outlook, which could suggest further tempering of optimism for European markets, in our view.
- **In terms of airfreight, the results indicated a further weakening of conditions on Europe's import lanes.** The index for the Asia-to-Europe route fell 2.4 points to 39.7 in May, while the index for the U.S. to Europe dropped 1.5 points. In contrast, European outbound lanes saw sequential increases of 0.8 points and 0.9 points to Asia and the U.S., respectively. At considerably below the 50.0 benchmark, all lanes currently indicate weaker volumes than seasonal normal, but the 6-month outlook in all lanes remains above 50.
- **The overall seafreight index saw a slight sequential dip (down 0.4 points from April), but posted a 1.1 point increase over May 2012.** Consistent with results in airfreight, conditions on Europe's import lanes deteriorated in May versus April, while the Europe-to-Asia and Europe-to-U.S. outbound routes saw month-over-month increases. Future expectations for seafreight volumes also dropped in May, with the phenomenon occurring across all trade lanes.
- **In this month's one-off question, we asked survey participants whether they believe North Korea presents a tangible threat to Asia Pacific supply chains.** Over half of respondents (or 52%) did not consider North Korea to be a danger to Asian supply chains, while 34% did. The remaining 14% were unsure. Irrespective of these views, we believe that episodes of geopolitical instability, or events such as the Japanese earthquake/tsunami in 2011, only serve to highlight the risks associated with single-sourcing and elongated supply chains, and the less tangible costs associated therewith. As a result, the secular trend toward supply chain outsourcing, and the push for more sophisticated supply chain planning should continue, in our view.
- **Investment Conclusions:** Typically, volumes in the second quarter see a seasonal uptick, but survey respondents have so far failed to observe such an increase at least in Europe-based markets. Indeed optimism for marked improvement in the back half of the year also seems to have tempered as the economy settles into stagnation and/or tepid growth. Reiterating our views in prior months, without an appreciable strengthening in European fundamentals, we remain on the sidelines for firms like Kuehne + Nagel (KNIN-SIX, CHF 106.70, Hold) and Panalpina (PWTN-SIX, CHF 98.50, Hold), which have a high degree of exposure to the continent. Instead, we prefer to focus our attention on FedEx (FDX, \$100.28, Buy), which not only has a more diversified geography and service portfolio, but also has a comprehensive self-help plan that is not wholly reliant on macro improvement.

Prices as of 5/15/2013, U.S. market close.

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

** 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/LogisticsConfidence>*

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Logistics Confidence Index

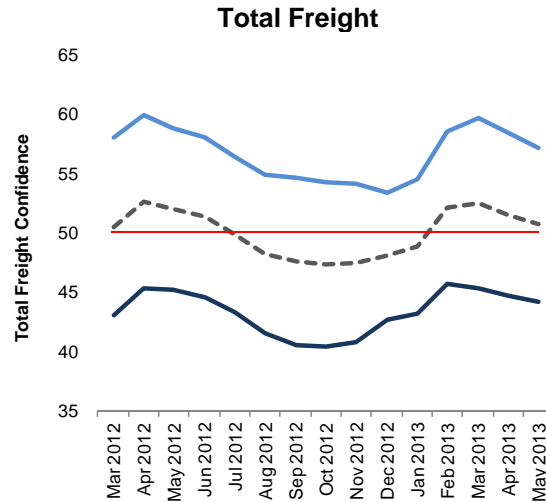
Overview – May 2013

Index holds above 50 despite second consecutive decline

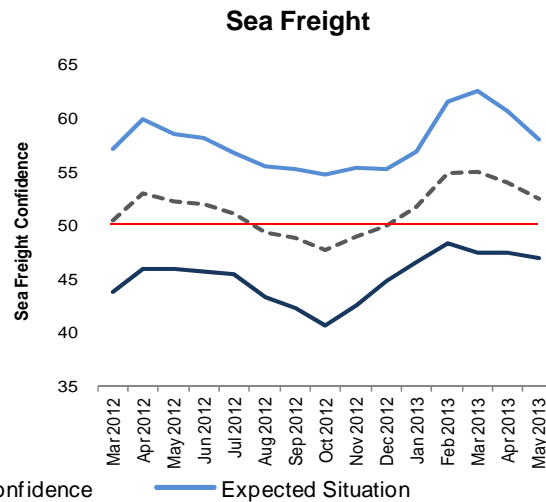
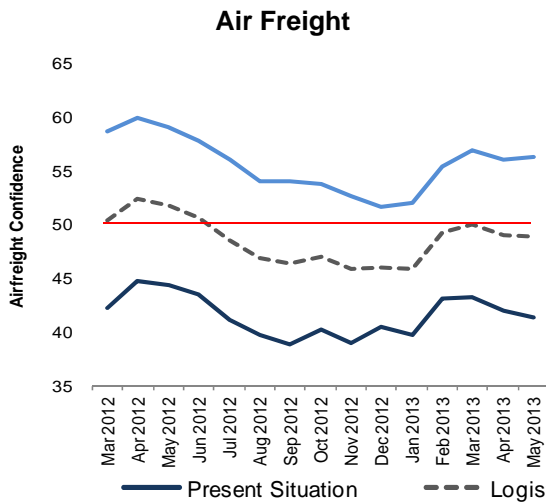
Confidence in the logistics industry continued its downward trend in May, as the Stifel Logistics Confidence Index fell for the second consecutive month. The overall index was down 0.8 points to 50.7 from the previous month and was 1.3 points lower compared with the same month in 2012. Yet, even with deteriorating confidence, the index registered above the 50 threshold for the fourth consecutive month.

In terms of air freight, the overall index stood virtually still; down just 0.1 points to 48.9 in May from the previous month. However, when compared to last year the index was 2.9 points lower. Meanwhile, the overall index for sea freight fell 1.6 points to 52.5 in May from the previous month, but was 0.3 points higher compared with the index for the same period of the previous year.

In this month's unique question, we asked survey participants whether they believe North Korea presents a tangible threat to Asia Pacific supply chains. Over half of respondents (52%) did not consider North Korea as a danger to Asia's supply chains, while 34% did. The remaining 14% 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.



	Present Situation	Expected Situation	Confidence
Mode	May 2013	Nov 2013	Average
Air Freight	41.4	56.3	48.9
Sea Freight	47.0	58.0	52.5
Total Freight	44.2	57.2	50.7

Source for all data and graphs: Stifel Logistics Confidence Index

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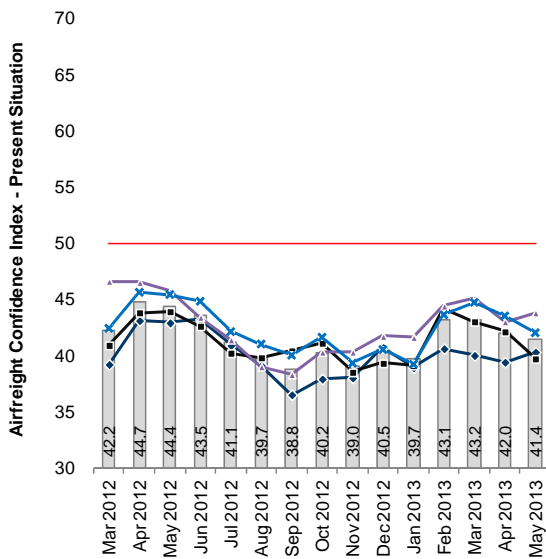
Logistics Confidence Index

Air Freight Confidence Index

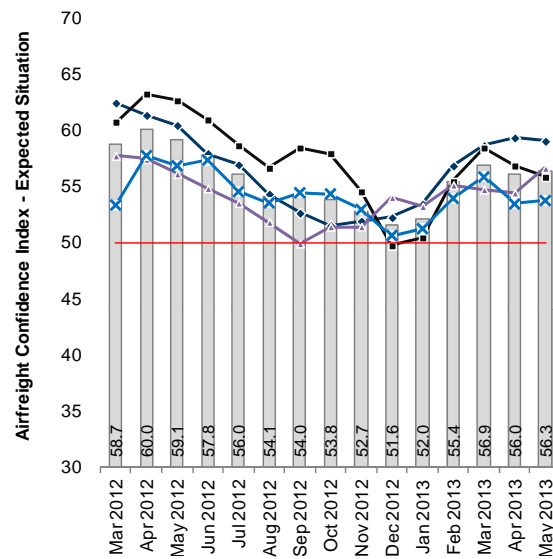
In terms of the present logistics situation, the index for air freight fell 0.6 points to 41.4 in May. In comparison to May 2012, the index had fallen by 3.0 points. The results indicated a further weakening of conditions on Europe's import lanes. The index for the Asia to Europe route fell 2.4 points to 39.7 in May, while the index for US to Europe declined 1.5 points to 42.0. In contrast, the Europe to Asia and Europe to US routes saw month-on-month increases of 0.8 and 0.9 points respectively. However, at considerably below the 50 mark, all lanes indicated weaker volumes relative to those expected for the time of year.

Despite a deterioration in the current situation, the index indicated a minor improvement in forwarders' confidence for the next six months. The index for logistics expectations increased 0.3 points to 56.3. Looking at the breakdown by trade lane, air forwarders were more optimistic for an increase in volumes (compared with April) on the Europe to US and US to Europe routes; with the indices up 2.2 and 0.3 points respectively. Meanwhile, logistics expectations for Europe to Asia and Asia to Europe routes were down 0.3 and 1.0 points. With all indices above 50, forwarders across all routes continue to expect a pick-up in volumes over the next six months.

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 (cyan cross)

Air Freight			
Trade Lane	May 2013	Nov 2013	Confidence
Europe-Asia	40.3	59.0	49.7
Asia-Europe	39.7	55.8	47.8
Europe-U.S.	43.8	56.6	50.2
U.S.-Europe	42.0	53.7	47.9
Total Index	41.4	56.3	48.9

Source for all data and graphs: Stifel Logistics Confidence Index

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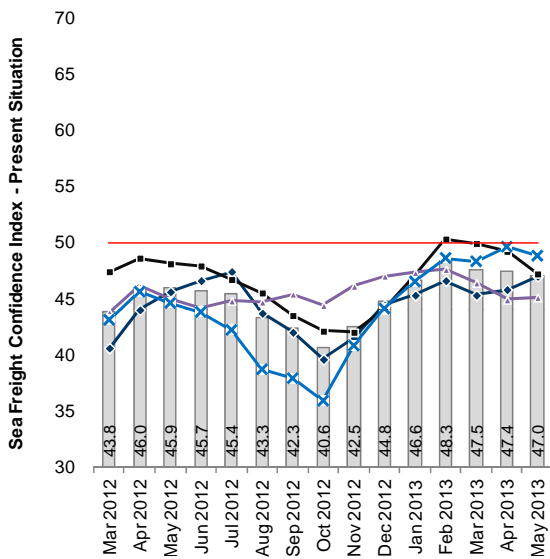
Logistics Confidence Index

Sea Freight Confidence Index

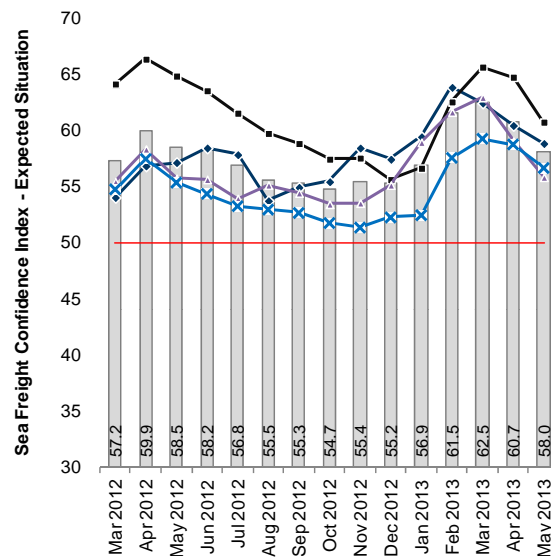
The index for the current situation fell 0.4 points to 47.0 in May. However, when compared with May 2012, the index was 1.1 points higher. Consistent with the results for air freight, conditions on Europe's import lanes deteriorated in May compared with April. The indices for the Asia to Europe and US to Europe routes were down 2.0 and 0.8 points respectively. Meanwhile, the Europe to Asia and Europe to US routes saw month-on-month increases of 1.2 and 0.2 points.

Sea forwarders' expectations for a volume increase were down compared with April; the index fell 2.7 points to 58.0 in May. This deterioration in optimism was consistent across all trade lanes. The index for the Asia to Europe lane recorded the greatest decline; down 4.0 points. However, at 60.7 the index still registered higher in comparison with other lanes. Despite declines, the indices for all routes remained above 50, indicating an expectation for increasing volumes over the coming 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)

Trade Lane	Sea Freight		
	May 2013	Nov 2013	Confidence
Europe-Asia	47.0	58.8	52.9
Asia-Europe	47.2	60.7	54.0
Europe-U.S.	45.1	55.8	50.5
U.S.-Europe	48.8	56.6	52.7
Total Index	47.0	58.0	52.5

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 US
- US to Europe

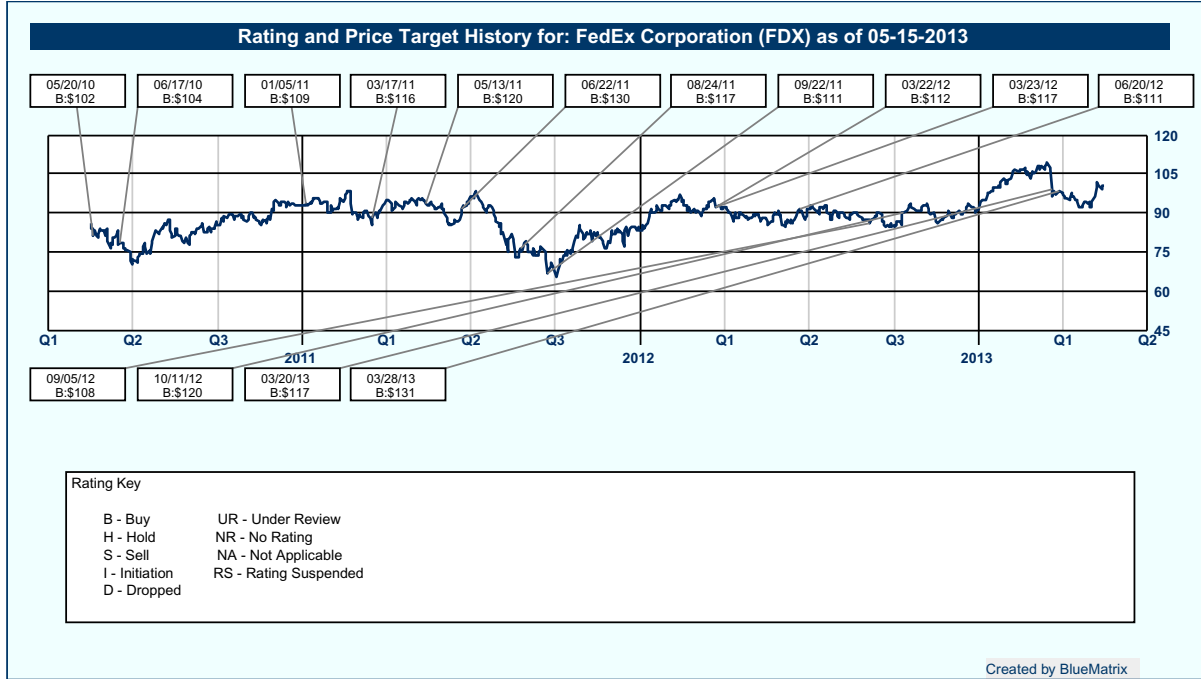
These trade lanes form four sub-indices, from which an overall index for both the air freight industry and sea freight industry is calculated. An index value of 50 indicates no change in the volumes of partaking logistics companies; above 50 indicates higher volumes, while below 50 indicates lower volumes.

To participate in next month's survey, and in order to receive an advanced copy of the results, please use the following link:

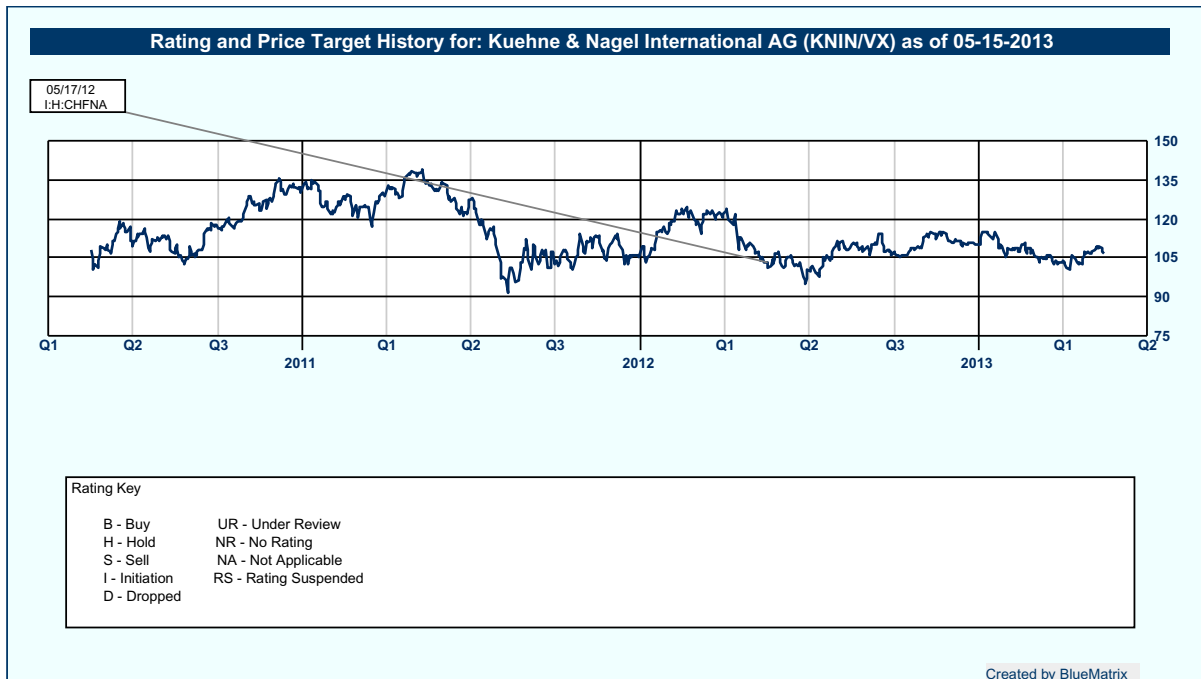
<https://www.surveymonkey.com/s/LogisticsConfidence>

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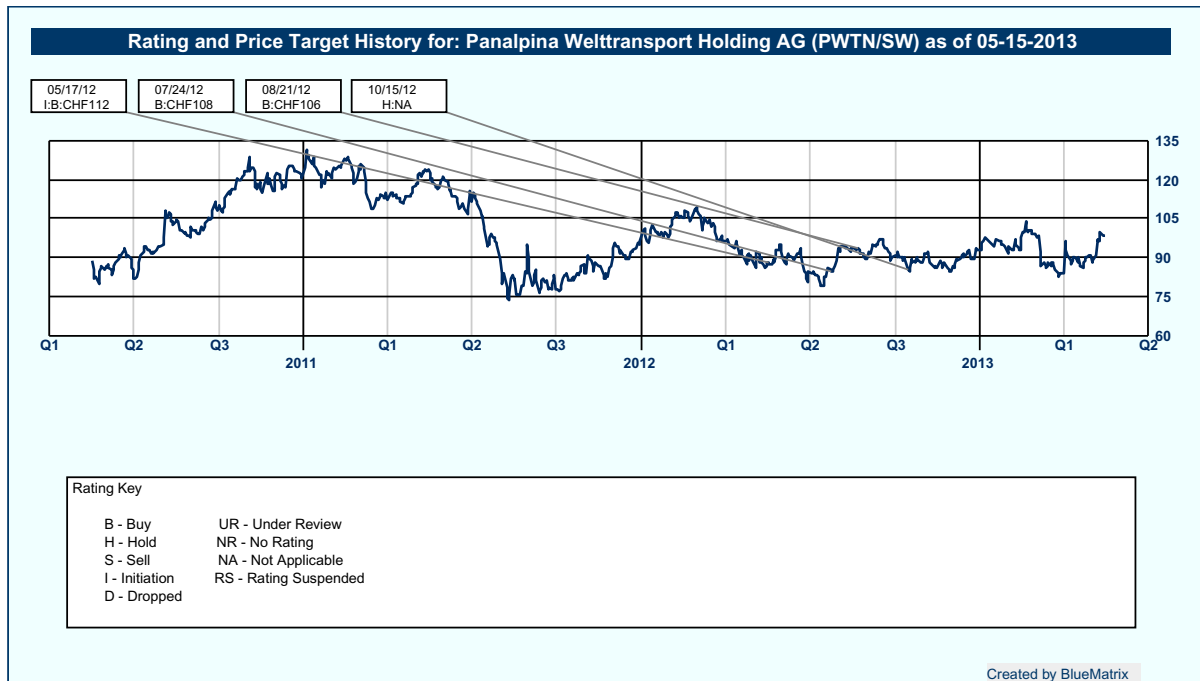
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