

Survey Summary

Airfreight Improving, as European Economic Activity (Slowly) Picks Up

The overall Stifel Logistics Confidence Index saw solid sequential improvement in May, increasing 1.0 index point after a modest overall decrease of 0.1 points in April. 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. In 1Q14, we saw a trend of diverging future sentiment (increasing optimism) and present sentiment (perceived volumes declining). April results saw a reversal of that trend, and so far in May, both indicators have been improving. More specifically, the present situation gained 1.0 index points, with airfreight volumes strengthening on every measured lane except U.S.-Europe. Sea freight volumes improved in every lane except the biggest one measured—Asia-Europe—which was a repeat of last month's trend. The six-month outlook for both modes improved sequentially by 0.9 index points.

- **Overall Logistics Confidence, a composite of the current situation and the six-month outlook for both air and sea freight forwarding, posted an index value of 57.9—a significant 7.2 points ahead of May 2013, and 1.0 points ahead of last month.** These volume improvements came in both air and ocean modes, for both the present and expected situations, which is consistent with anecdotal accounts from public forwarders of improving markets in both air and sea, and slow, but perceptible growth in both the European and the global economies.
- **This month, the overall airfreight confidence index turned positive for the first time in four months.** In terms of current airfreight volumes, total Europe-based lanes increased 0.9 index points to 49.9—just shy of the 50.0 threshold separating higher-than-normal and lower-than-normal freight volumes. Absolute readings teetering on the 50.0 threshold indicate that the market remains fragile, but YTD 2014 readings have been some of the strongest in the history of the index, showing slow aggregate improvement off the bottom. By lane, almost every trade grew, with only U.S.-Europe contracting. Forward sentiment was mixed, with European import lanes posting a sequential decline, while European export lanes registered a sequential increase.
- **Seafreight index readings for the present situation improved in all lanes except Asia-Europe.** Europe-Asia continues to trend comfortably in growth territory, and Europe-U.S. and U.S.-Europe have likewise registered above 50.0 for two consecutive months. Asia-Europe declined 1.0 index points, due in part to continued erratic rates, in our view, but that lane still remains the strongest by absolute volume. Forward sentiment improved in all lanes.
- **Are shipment sizes declining? (See Exhibit 2).** Of those respondents to this month's one-off question who use airfreight (see Exhibit 1) a majority believe that shipment sizes are not declining (at 53%), while only 38% believe that shipment sizes are, in fact, declining. The remaining 9% are not seeing any change. These results are somewhat at odds with what we have been hearing from our industry contacts, which might have to do with our feedback bias toward large forwarders/shippers, and the more balanced survey distribution of the Stifel LCI.
- **Investment Conclusions:** As with April, volume developments in May suggest a continued slow recovery in airfreight and stable but growing demand in seafreight, all against a backdrop of slow global and European economic growth, in our view. Our expectations for 2014 remain for low-to-mid single digit market volume growth for seafreight and airfreight. Overcapacity continues to be an issue in both modes, but the environment should improve slowly in step with the global economy. However, we still believe that valuations reflect slow market improvement (perhaps and then some), so we maintain our Hold ratings on DPW (Deutsche Post DHL, EUR 27.61, Hold), KNIN-SIX (Kuehne + Nagel, CHF 118.00, Hold), and PWTN-SIX (Panalpina, CHF 136.50, Hold).

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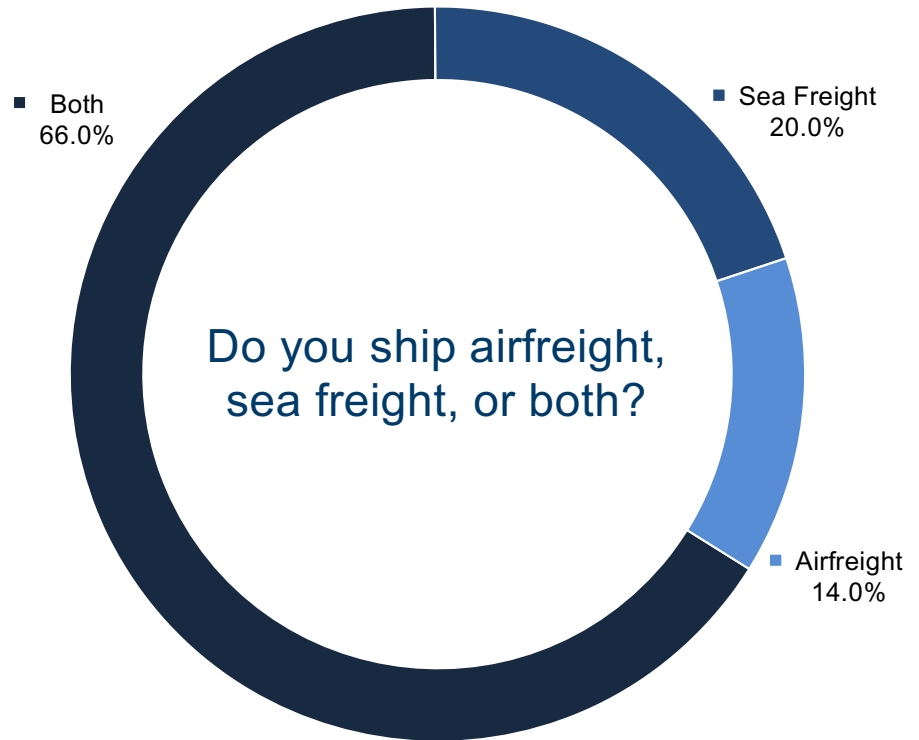
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All relevant disclosures and certifications appear on pages 8 - 9 of this report.

Prices are for U.S. market close, 5/13/2014.

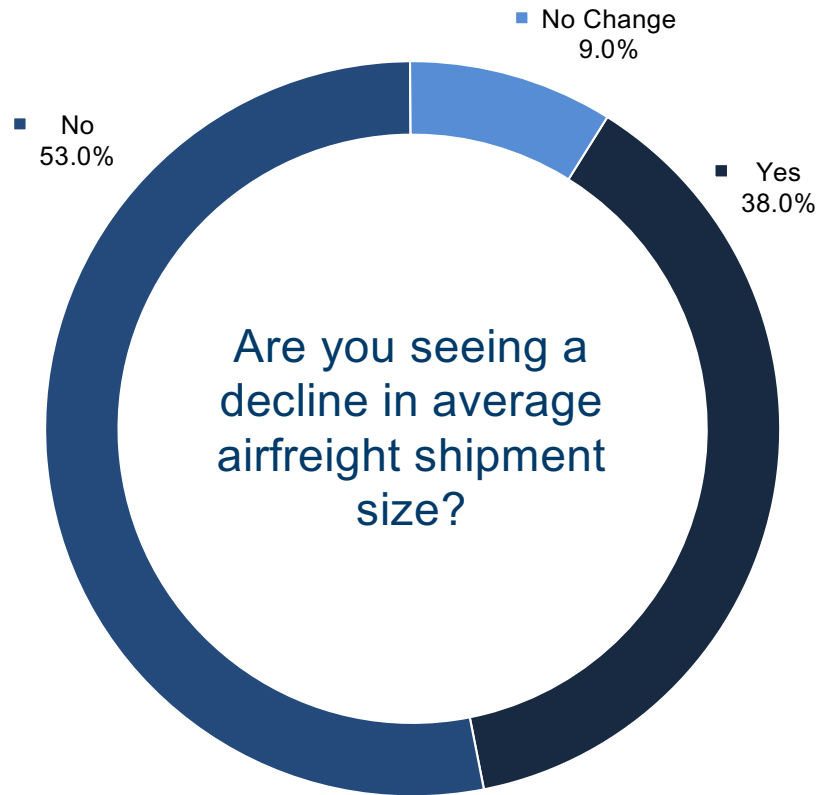
* To participate in next month's survey and receive an advanced copy of the results, please use the following link: <https://www.surveymonkey.com/s/G3JD68F>

Exhibit 1: The Majority of Stifel Logistics Confidence Index Survey Respondents Use Both Air And Ocean Freight Modes.



Source: Stifel Logistics Confidence Index

Exhibit 2: Of The Respondents Who Ship Airfreight, A Little Over 50% Indicated That They Are Not Seeing A Decline In Average Airfreight Shipment Size.



Source: *Stifel Logistics Confidence Index*

STIFEL

Logistics Confidence Index

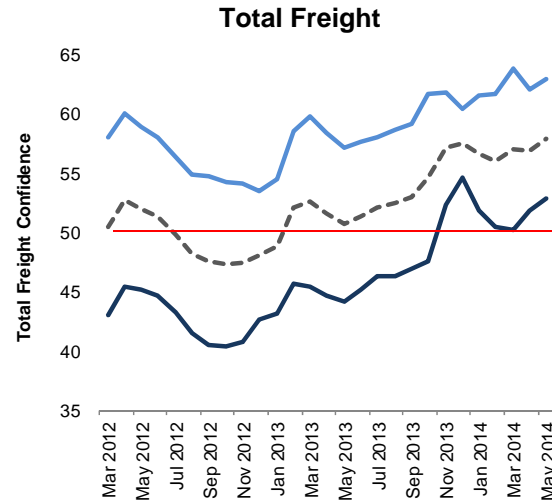
Overview – May 2014

The overall present situation noted increases for both sea and air. Expectations also grew for both modes, resulting in a rising overall Logistics Confidence Index score for May 2014.

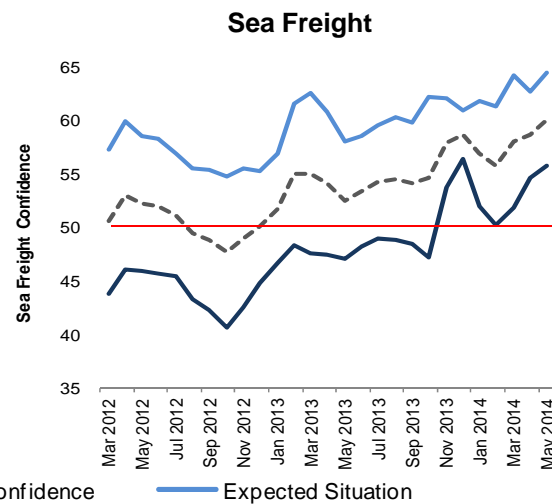
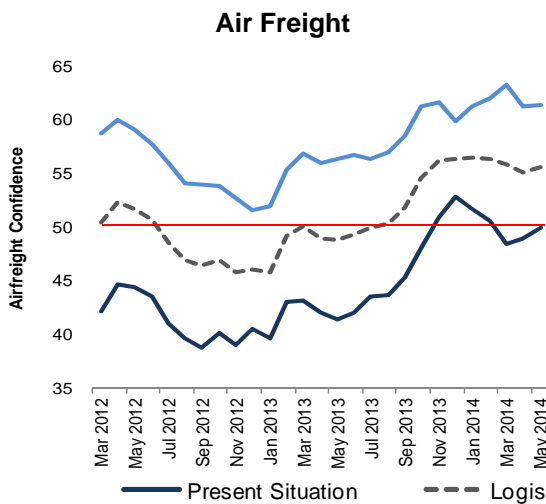
At 57.9, the Logistics Confidence Index score recorded in May was 1.0 index points higher than the score recorded in April. The index remained above the 50-mark for a sixteenth consecutive month.

In terms of the present situation, the total freight index increased 1.0 points to 52.8 in May. The index for sea freight increased 1.1 points from April to 55.7. Meanwhile, the air freight index increased 0.9 points to 49.9 for the month. For total freight, the expected situation index also grew 0.9 index points to 62.9.

For May's one off question, we asked survey participants whether they ship airfreight, sea freight or both; 66% responded with 'both', while 20% ship sea freight and 14% airfreight only. When asked whether the average size of airfreight shipments were declining, 38% said yes, while 53% were not seeing declines. The remaining 9% saw no change.



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 2014	Nov 2014	Average
Air Freight	49.9	61.4	55.7
Sea Freight	55.7	64.4	60.1
Total Freight	52.8	62.9	57.9

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

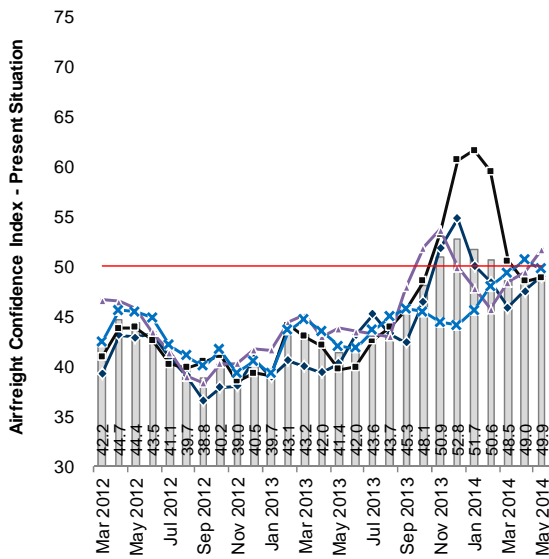
Air Freight Confidence Index

The logistics confidence index for air freight increased for the first time in four months, climbing 0.5 points to 55.7 in May 2014. Compared with May 2013, the index is 6.8 points higher.

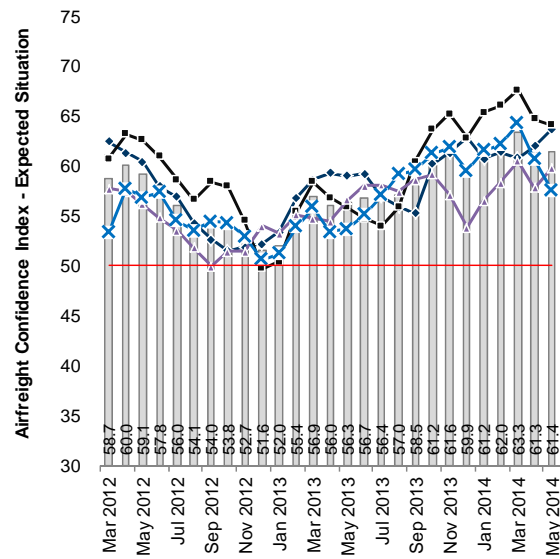
In terms of the present situation, the total air index registered 49.9 for the month, compared with 49.0 in April. All lanes noted increases except US to Europe which declined 0.9 points to 49.7. The Europe to US route increased 2.3 points to 51.7, Asia to Europe increased 0.4 points to 48.9 while Europe to Asia increased 1.5 points to 49.0.

Looking ahead six months, the expected situation index for total air freight increased 0.1 points to 61.4 in May. The trade lanes saw mixed fortunes for the month. Europe to Asia noted an increase of 1.7 points to 63.7, while the Europe to US lane also grew, up 2.0 points to 59.8. The two remaining lanes declined, however. The Asia to Europe lane declined 0.6 points to 64.1, while the US to Europe lane fell 3.1 points to 57.5. Overall, the six month outlook remains positive.

Current Market



Six-Month Outlook



All Lanes
 Europe-Asia
 Asia-Europe
 Europe-U.S.
 U.S.-Europe

Trade Lane	Air Freight		
	May 2014	Nov 2014	Confidence
Europe-Asia	49.0	63.7	56.4
Asia-Europe	48.9	64.1	56.5
Europe-U.S.	51.7	59.8	55.8
U.S.-Europe	49.7	57.5	53.6
Total Index	49.9	61.4	55.7

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

Sea Freight Confidence Index

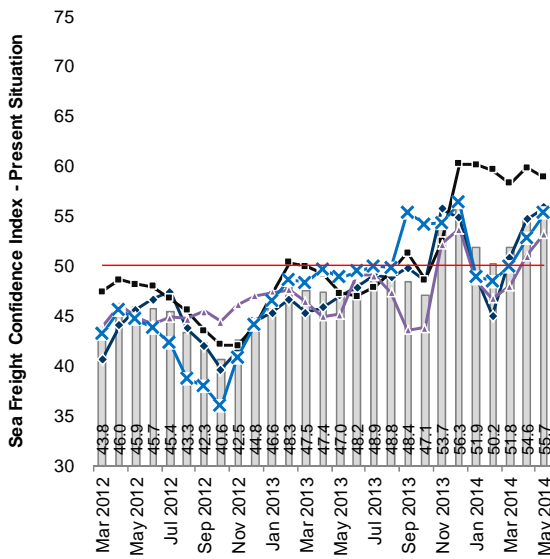
For sea freight, the logistics confidence index increased 1.5 points to 60.1 in May. Compared with the same month in 2013, the index was 7.6 points higher.

For the present situation, the index noted increases on all but one lane as the Asia to Europe lane decreased 1.0 points to 58.8. Meanwhile, the Europe to Asia lane recorded an increase of 1.2 index points to 55.8 in May. The Europe to US route increased 2.2 index points to 53.2, while the US to Europe lane noted an increase of 2.5 points to 55.2.

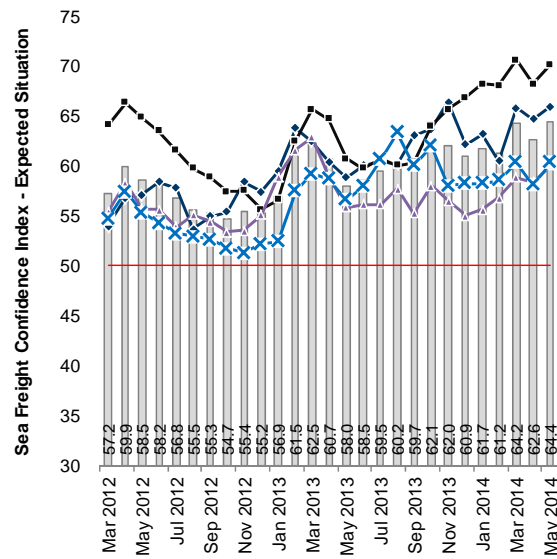
Sea forwarders showed positivity in May as the expected situation index for seafreight grew 1.8 points to 64.4, with all lanes reporting increases.

The Europe to Asia lane gained 1.2 points to 65.9 for the month while the Asia to Europe noted an increase of 1.9 points to 70.1. Meanwhile, the Europe to US lane grew 1.6 points to 60.0, and the US to Europe lane was 2.2 points higher at 60.3.

Current Market



Six-Month Outlook



All Lanes
 Europe-Asia
 Asia-Europe
 Europe-U.S.
 U.S.-Europe

Trade Lane	Sea Freight		
	May 2014	Nov 2014	Confidence
Europe-Asia	55.8	65.9	60.9
Asia-Europe	58.8	70.1	64.5
Europe-U.S.	53.2	60.0	56.6
U.S.-Europe	55.2	60.3	57.8
Total Index	55.7	64.4	60.1

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.
- U.S. 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/G3JD68F>

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