

Survey Summary

Index Remains Elevated In November, Thanks To Sustained Air Freight Peak

The overall Stifel Logistics Confidence Index (LCI) remains at elevated levels, posting a reading of 59.0 in November, which was just 0.2 index points shy of September's record 59.2. Relative to November 2013, the Index improved 1.9 points, as it continues to rise gradually over the long run. Results have now exceeded the 50.0 benchmark for 22 consecutive months as the global economy and global trade have continued to improve, though slowly. Airfreight continues to rise to new highs, driven by current peak volumes in the Asia-Europe lane, while expectations remain strong over the next six months. Ocean volumes dipped again after a sharp and abbreviated peak on the Asia-Europe lane in September, but remain fairly strong on an absolute basis. We believe that volumes have and should continue to get better for forwarders into 2015, but remain generally Hold-rated on the industry, as structural headwinds pressure forwarder unit profits.

- **The overall LCI remains near September's record levels, suggesting that forwarding volumes are stable in major European trade lanes.** Airfreight in particular ticked upwards, with current volumes from Asia to Europe driving much of the increase, which suggest that peak season volumes are holding strong, and 4Q14 is looking good for the European-based forwarders.
- **In fact, current Asia-to-Europe traffic has exceeded normal, seasonal expectations for five consecutive months to reach another record high (since the beginning of our index in March 2012), and is by far the strongest of the four measured lanes.** U.S. to Europe volumes also showed decent strength relative to normal seasonal levels, even after contracting 3.6% sequentially, while European export lanes were a bit weaker on the absolute scale. Despite the mixed results, growth expectations remain generally high for all lanes over the next six months.
- **After taking a sharp turn down in October, the current Sea Freight Index remained at similar but slight lower levels in November.** While the abruptness of change was interesting to us, the downtrend in volume this time of year is to be expected, as peak volumes transition into air. Current volumes remain strong on an absolute basis, and optimism over the next six months remains likewise robust.
- **For November's monthly question, we asked pointedly whether respondents expected an airfreight peak in the fourth quarter.** At 52%, a majority indicated that they expected a peak, while 36% expected no peak in airfreight. The remaining 12% was unsure. Of those expecting a peak season in airfreight, the majority of survey participants—51%—expect a duration of 3-4 weeks, whereas 25% expected a peak of more than 4 weeks, and 24% expected a peak of less than 3 weeks.
- **Investment Conclusions:** We believe that freight forwarding volumes in 4Q14 should grow year-over-year, with more growth in airfreight than in ocean freight, especially as global trade returns to GDP+ levels. Longer term, overcapacity is an issue in both modes, but airfreight's situation can change much quicker than ocean's, in our opinion, due to the fact it is a much smaller market with inherently more volatile demand. Also, gross profit per unit (yields) remain under pressure for most public forwarders, and we believe that pressure should continue into 2015, as more capacity enters the market and shippers continue to optimize their service and modal mix. We continue to believe that valuation for the global forwarding group remains full, and we maintain our Hold ratings on those most exposed to the European markets—Deutsche Post DHL (DPW-XE, Hold, EUR 24.60), Kuehne + Nagel (KNIN-SIX, Hold, CHF 127.20), and Panalpina (PWTN-SIX, Hold, CHF 131.20).

Prices as of U.S. market close, 11/19/2014.

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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/M3MT76B>

Prepared in conjunction with U.K.-based Transport Intelligence, the LCI is a survey-based measure of activity in major European import and export trade lanes, blending present conditions and six-month expectations for both airfreight and ocean freight volumes.

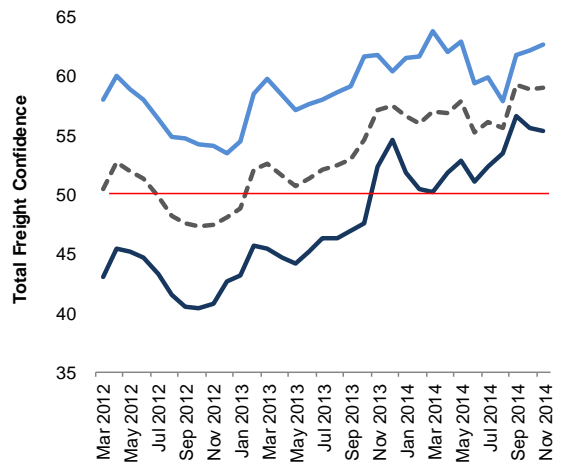
Overview – November 2014

There was little change from October as airfreight increased less than 1.0 points and sea slipped slightly in November 2014. As a result, the overall Logistics Confidence Index noted only a slight gain for November 2014, though absolute readings remain near peak levels.

In terms of the present situation, the total freight index declined 0.3 points to 55.3 for the current month. The index for sea freight declined 1.2 points from October to 56.5. Meanwhile, the air freight index increased 0.7 points to 54.1 for the month. For total freight, the expected situation index rose 0.4 index points to 62.6 as air increased 0.1 points to 59.7, and sea rose 0.8 points to 65.5.

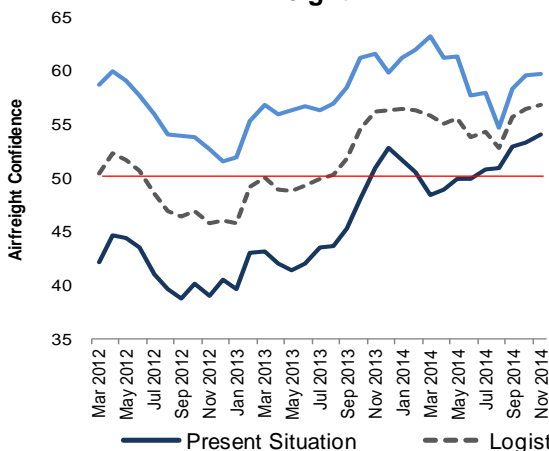
For November's one off question, we asked survey participants if they expected an airfreight peak in Q4, and if so, for how long did they expect it to last? At 51.5%, a majority expect a peak, while 36.4% do not expect a peak, and 12.1% are unsure. Of those expecting a peak, 50.8% expect it to last 3-4 weeks, 25.4% expect it to last longer than 4 weeks, and 23.9% expect it to last less than 3 weeks.

Total Freight

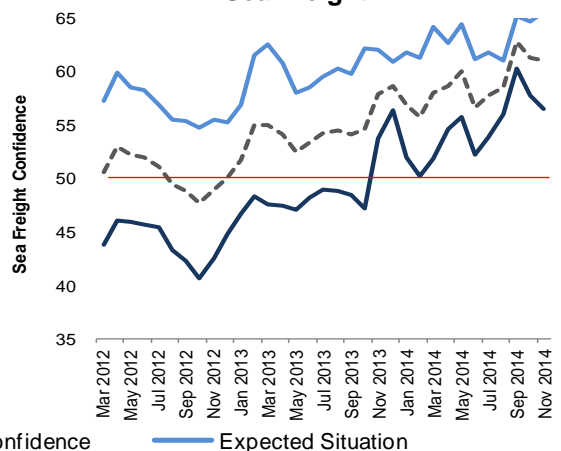


The logistics situation index illustrates current condition faced by forwarders, while the logistics expectations index shows how the situation is expected to develop over the next six months. The logistics confidence index, an average of both the present situation and expected situation indices, expresses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

Air Freight



Sea Freight



	Present Situation	Expected Situation	Confidence
Mode	Nov 2014	May 2015	Average
Air Freight	54.1	59.7	56.9
Sea Freight	56.5	65.5	61.0
Total Freight	55.3	62.6	59.0

Source for all data and graphs: Stifel Logistics Confidence Index

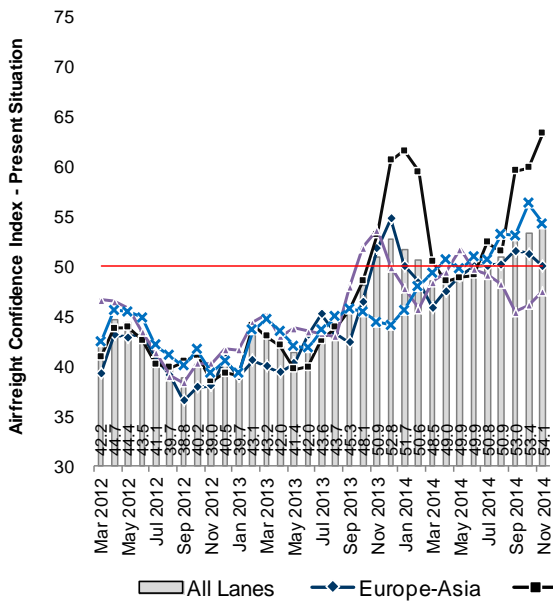
Air Freight Confidence Index

The total air freight logistics confidence index increased 0.4 points to 56.9 in November 2014. Compared with November 2013, the index is 0.7 points higher.

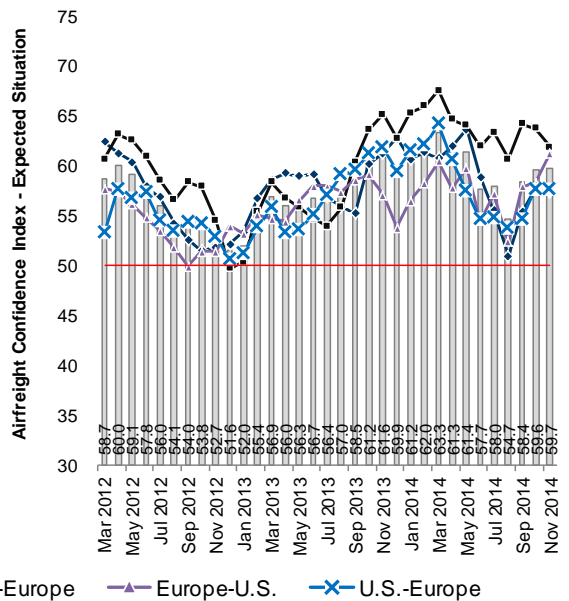
In terms of the present situation, the total air index registered 54.1 for the month. Lanes were mixed with a decline of 1.3 points to 50.0 noted on the Europe to Asia lane, and a 2.0 point decline to 54.3 recorded for the U.S. to Europe lane. Meanwhile, the Asia to Europe and Europe to U.S. lanes increased 4.5 and 1.4 points to 63.4 and 47.5, respectively.

Looking ahead six months, the expected situation index for total air freight improved 0.1 points to 59.7 in November. Results were mixed across the lanes, with Europe to Asia declining 0.3 points to 57.4 and Asia to Europe down 1.9 points to 61.9. Results were more positive on the transatlantic lanes: Europe to U.S. gained 3.0 points for a score of 61.3 as the U.S. to Europe lane was flat at 57.7 for the month.

Current Market



Six-Month Outlook



Air Freight			
Trade Lane	Nov 2014	May 2015	Confidence
Europe-Asia	50.0	57.4	53.7
Asia-Europe	63.4	61.9	62.7
Europe-U.S.	47.5	61.3	54.4
U.S.-Europe	54.3	57.7	56.0
Total Index	54.1	59.7	56.9

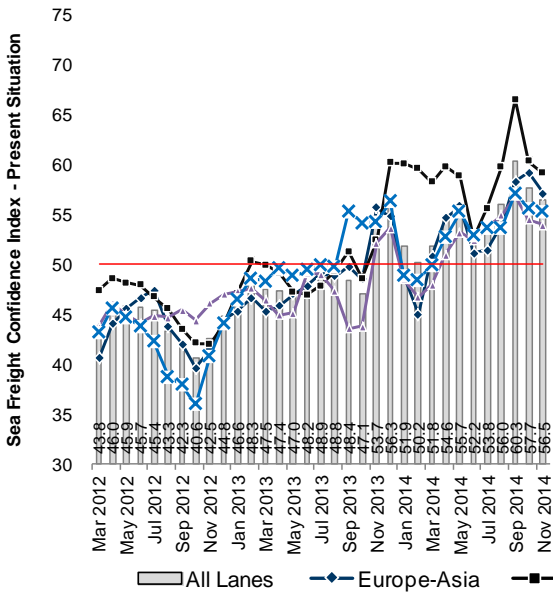
Source for all data and graphs: Stifel Logistics Confidence Index

Sea Freight Confidence Index

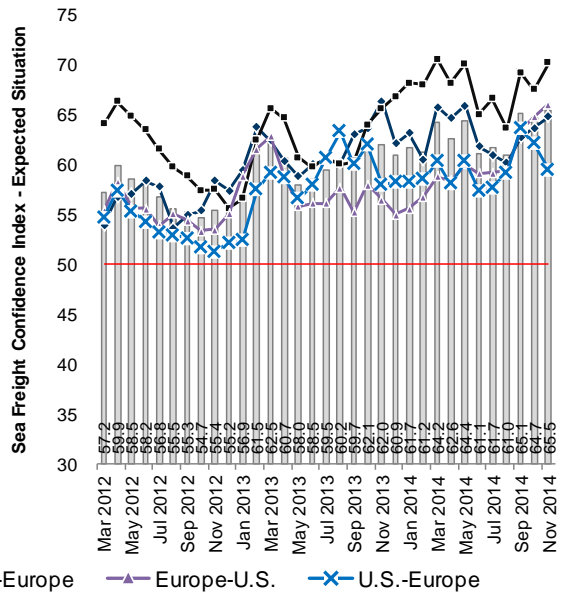
For sea freight, the logistics confidence index declined 0.2 points to 61.0 in November. Compared with the same month in 2013, the index was 3.1 points higher. For the present situation, the index declined 1.2 points to 56.5 as all lanes recorded falls. The Europe to Asia lane declined 2.1 points to 57.1, Asia to Europe fell 1.2 points to 59.1, Europe to U.S. declined 0.5 points to 54.0, and the U.S. to Europe lane dropped 0.4 points to 55.2.

The expected situation index for sea freight increased 0.8 points to 65.5. Europe to Asia noted a 1.1 point gain to 64.8. The Asia to Europe lane increased 2.7 points to 70.2 for the month. The Europe to U.S. lane climbed 1.3 points to 66.1, although the U.S. to Europe lane fell 2.6 points to 59.5.

Current Market



Six-Month Outlook



Sea Freight			
Trade Lane	Nov 2014	May 2015	Confidence
Europe-Asia	57.1	64.8	61.0
Asia-Europe	59.1	70.2	64.7
Europe-U.S.	54.0	66.1	60.1
U.S.-Europe	55.2	59.5	57.4
Total Index	56.5	65.5	61.0

Source for all data and graphs: Stifel 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:

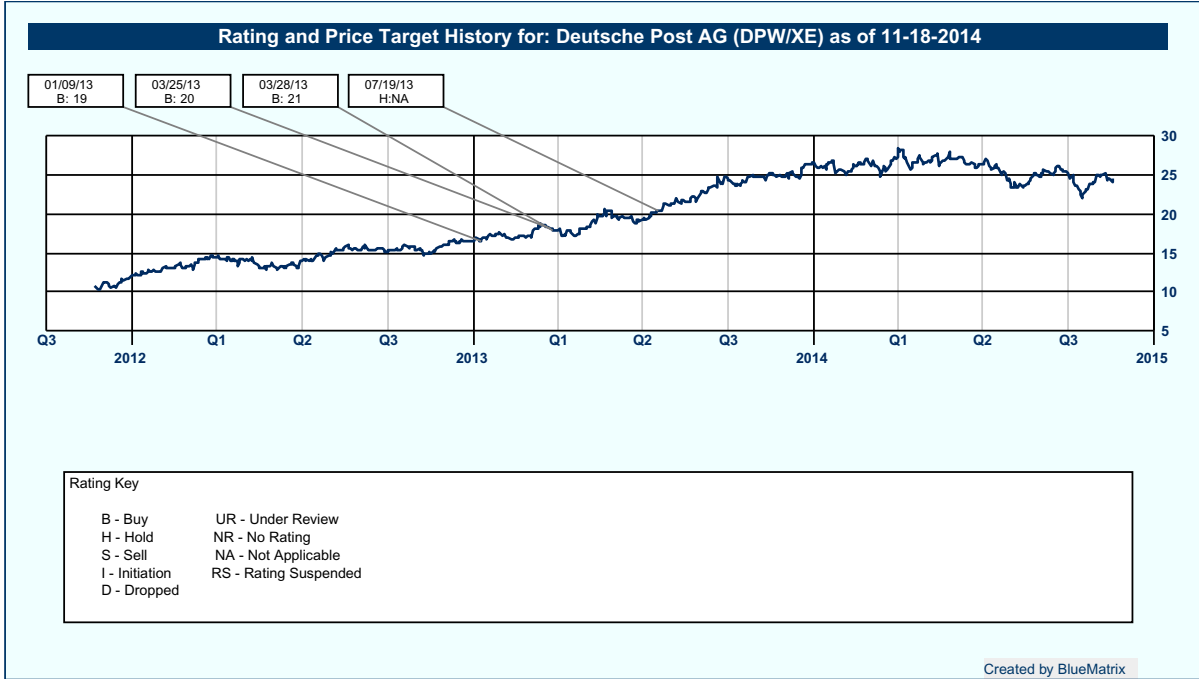
- Europe to Asia
- Asia to Europe
- Europe to U.S.
- U.S. to Europe

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.

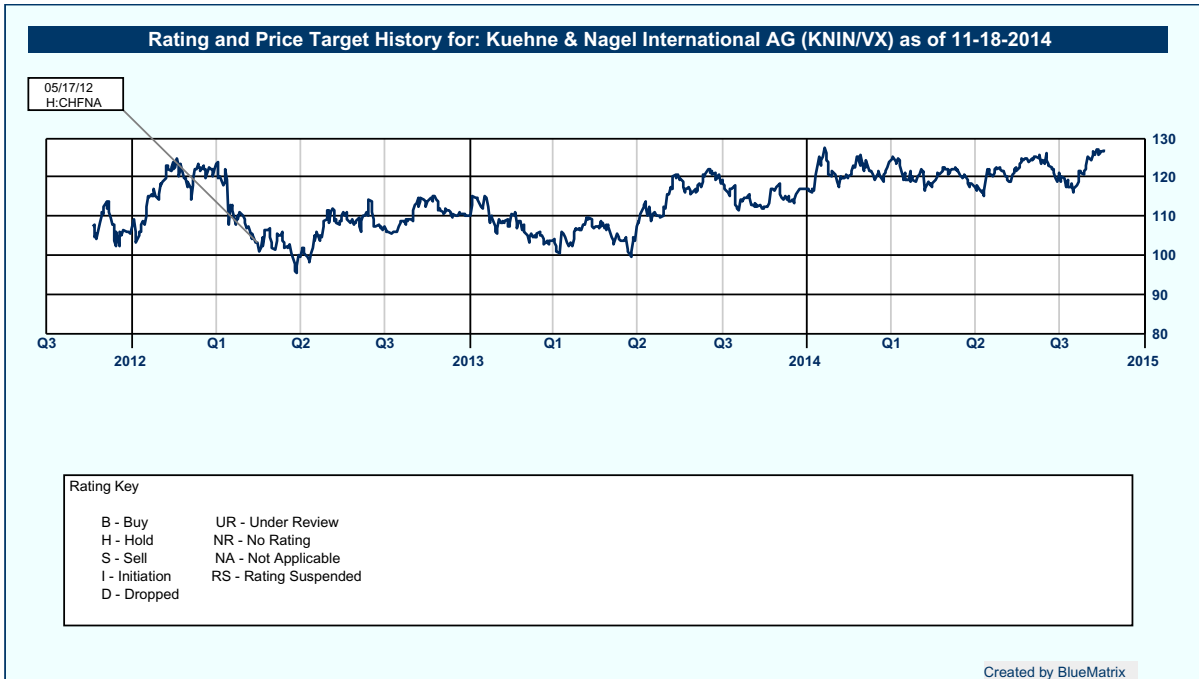
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Important Disclosures and Certifications

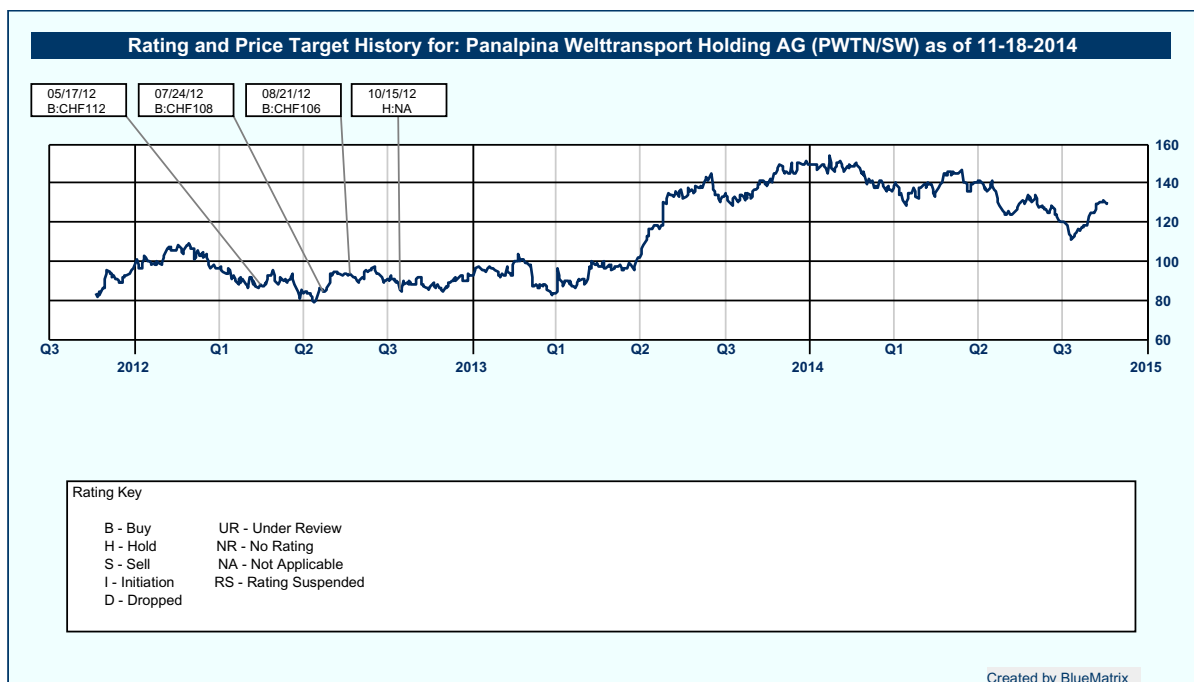
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