

## Survey Summary

**Ocean Container Freight Softening Drives European Forwarding Index Lower In April**

Results for the Stifel Logistics Confidence Index (LCI) softened in April, driven mostly by declines in current sea freight volumes, which saw uniform deterioration in all Europe-based lanes. Present volumes in airfreight were mixed, driven by recent significant swings in the euro, as European exports to Asia turned to expansion after four months of contraction, and European imports from the U.S. slowed. Global freight forwarder, Kuehne + Nagel, reported yesterday on its conference call that volumes, particularly in ocean, were muffled by currency effects due to its concentration on the Asia-Europe route, but that underlying consumption remains strong. Moreover, they said year-to-date airfreight market is shaping up to be one of the strongest in years, especially on the U.S. import and intra-Asia lanes. The results of this month's LCI, in our view, seem to corroborate those comments. The near-term benefits of these circumstances should be most beneficial for U.S.-based Expeditors International (EXPD, \$46.78, Hold), though we remain neutral on the Europe-centric forwarders, given slow growth on the continent and what we see as full valuations.

- In March, the overall LCI gave back 1.0 index points, settling at 56.3, but remains above the critical 50.0 level, which suggests that global forwarding volumes continue to be stronger than normal, seasonal levels on Europe-based lanes. In total, there is still growth in trade between Europe, the U.S., and Asia. As with last month, airfreight remains stronger than ocean freight, which, in our view, has suffered a disproportional impact from the weak euro.
- At 53.3, April airfreight volumes showed expansion for a 10th consecutive month. The trans-Atlantic inbound to Europe lane moved into contraction after 10 months of expansion, while the Europe-Asia lane moved from four months of contraction into expansion. Europe-U.S. has now eclipsed head-haul Asia to Europe as the lane with the highest level of freight confidence, implying a significant appetite for now cheaper European high-value goods. Again, these results point collectively to the relative strength of the dollar and RMB vs. the euro, in our view. The six-month outlook remains favorable for all lanes.
- Overall ocean results ticked down sequentially from March, with current volume sentiment deteriorating in every measured lane, and moving into contraction on the U.S.-Europe and Europe-Asia routes. The six-month outlook remains favorable for all lanes (which is actually hard to believe on the import side, unless folks are expecting a reversal in the relative value of the euro), and even improved on average by 0.6 points across all lanes. In our view, the latter result suggests that demand softening should be short-lived but that growth from here will also be modest.
- **Question of the month** - "Have larger vessels created problems with port congestion, land-side planning, and on-time performance?" Most respondents, at about 54.3%, suggested that larger vessels were causing service problems, while 30.9% did not see any problems arising from new, larger ships. 14.9% of respondents were still unsure of the impact. Not only are the larger vessels weighing down already largely unprofitable rates for the carriers, but they also create some inefficiencies in/around ports that we are not sure most had anticipated that decrease their benefit (lower-cost was the target).
- **Investment conclusions:** We remain Hold rated on freight forwarders with significant European trade exposure, like Kuehne + Nagel (KNIN-SIX, CHF 141.40), Panalpina (PWTN-SIX, CHF 141.00), and DHL (DPWXE, EUR 30.69). While fundamentals appear relatively stable, European growth remains slow, currency effects are creating headwinds to increased European imports, and stocks remain fairly-to-fully valued, in our view.

Prices are U.S. market intraday, 4/15/15. **To participate in next month's survey and receive an advanced copy of the results, please use the following link: <http://https://www.surveymonkey.com/s/StifelMay15>**

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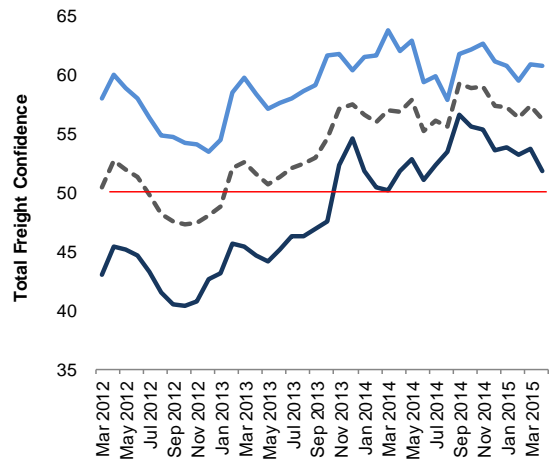
## Overview – April 2015

The second quarter saw the Stifel Logistics Confidence Index slip 1.0 points sequentially to an overall reading of 56.3, as both air and ocean freight indices declined. This month's figure was 0.6 points lower than April 2014, but 4.8 points higher than April 2013.

The overall airfreight index fell 0.9 points to 57.0 for the current month as both the present and expected situations declined, falling 1.0 points 0.9 points, respectively. The overall sea freight index also declined, dropping 1.1 points to 55.6. Results in that mode came from a 2.9 point decline in the present situation, offset by a slight 0.6 point improvement in the six month ocean freight outlook.

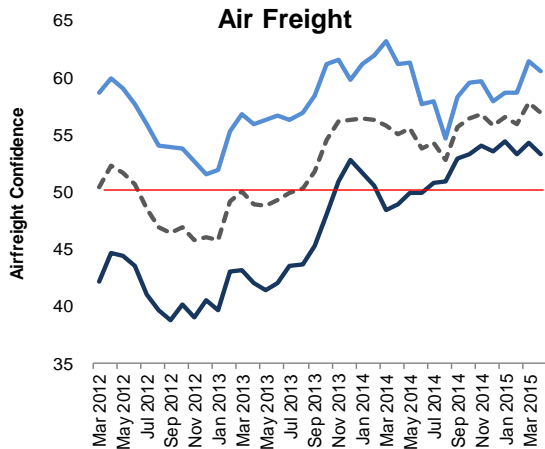
For the April one-off question, we asked survey participants if larger vessels have created problems with port congestion, landside planning, and on-time deliveries. Over 54% of respondents have experienced problems on some level, whereas approximately 31% have not had any such issues arise from larger vessels. The remainder were unsure.

### Total Freight

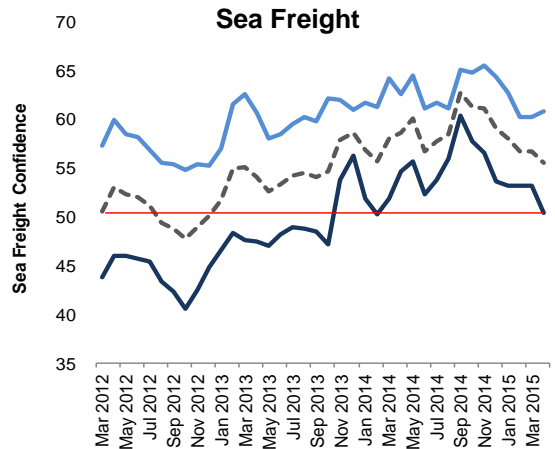


The logistics situation index illustrates current condition faced by forwarders, while the logistics expectations index shows how the situation is expected to develop over the next six months. The logistics confidence index, an average of both the present situation and expected situation indices, expresses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

### Air Freight



### Sea Freight



— Present Situation      - - - Logistics Confidence      — Expected Situation

	Present Situation	Expected Situation	Confidence
<b>Mode</b>	<b>Apr 2015</b>	<b>Oct 2015</b>	<b>Average</b>
Air Freight	53.3	60.6	57.0
Sea Freight	50.3	60.8	55.6
<b>Total Freight</b>	<b>51.8</b>	<b>60.7</b>	<b>56.3</b>

Source for all data and graphs: Stifel Logistics Confidence Index

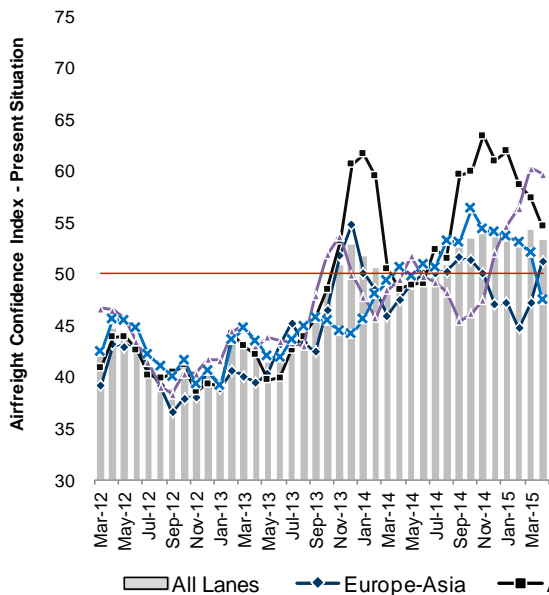
## Air Freight Confidence Index

The total airfreight logistics confidence index slipped 0.9 points to 57.0 in April 2015. Compared with April 2014, the index was 1.8 points higher, and compared to April 2013, it was 8.0 points higher.

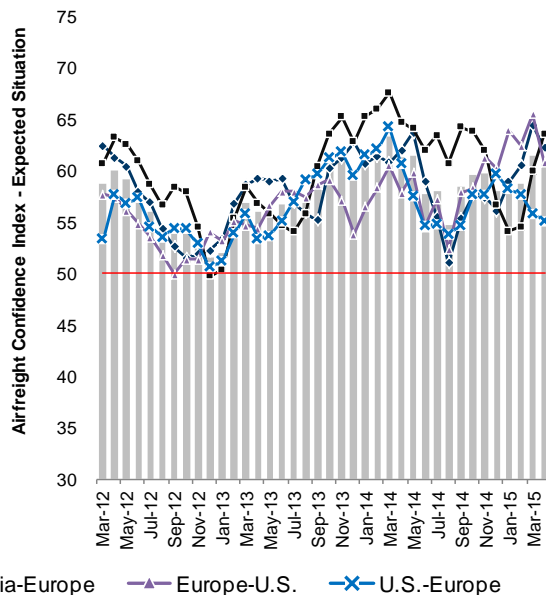
In terms of the present situation, the airfreight index registered a 1.0 point decline to 53.3. Lanes were mostly down for the month with Europe to Asia noting the only gain (up 4.1 points to 51.2). Europe to the U.S. fell 0.6 points to 59.7, Asia to Europe declined 2.8 points to 54.6, and U.S. to Europe experienced the largest delta, falling 4.6 points into contraction territory at 47.4. This result was notable after 10 months of expansion, and we believe it is at least partially attributable to the strong U.S. dollar.

For the six month outlook, the expected situation index for total airfreight fell 0.9 points to 60.6. Only one lane increased, Asia to Europe, up 3.6 points to 63.6. Europe to Asia fell 2.2 points to 62.2 while Europe to U.S. declined 4.7 points to 60.8. Lastly, U.S. to Europe slipped 0.7 points to 55.1.

**Current Market**



**Six-Month Outlook**



Air Freight			
Trade Lane	Apr 2015	Oct 2015	Confidence
Europe-Asia	51.2	62.2	56.7
Asia-Europe	54.6	63.6	59.1
Europe-U.S.	59.7	60.8	60.3
U.S.-Europe	47.4	55.1	51.3
<b>Total Index</b>	<b>53.3</b>	<b>60.6</b>	<b>57.0</b>

Source for all data and graphs: Stifel Logistics Confidence Index

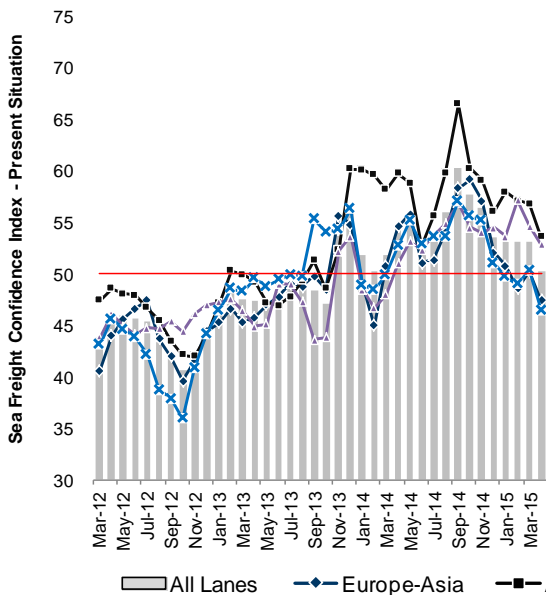
## Sea Freight Confidence Index

For sea freight, the logistics confidence index fell 1.1 points to 55.6. Compared with the same month in 2014, the index is 3.0 points lower, but up 1.5 points compared to April 2013.

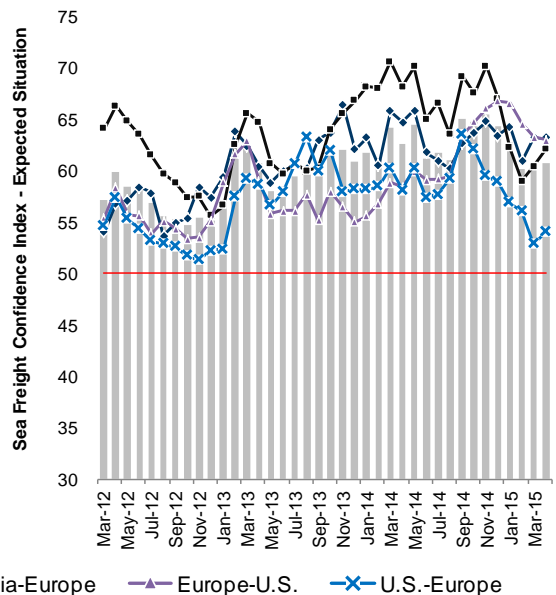
For the present situation, the index fell 2.9 points to 53.2. All lanes noted declines this month. US to Europe noted the biggest decline at 3.9 points to 46.5 followed by Asia to Europe falling 3.2 points to 53.6. Europe to Asia fell by 2.8 points to 47.4, and Europe to US fell 1.8 points to 52.9.

The expected situation index for sea freight inched upwards 0.6 points to 60.8. Lanes were mostly positive with Asia to Europe up 1.7 points to 62.1, US to Europe up 1.1 points to 54.0, and Europe to Asia unchanged from March at 63.2. Europe to US slipped 0.3 points to 63.0.

Current Market



Six-Month Outlook



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

Sea Freight			
Trade Lane	Apr 2015	Oct 2015	Confidence
Europe-Asia	47.4	63.2	55.3
Asia-Europe	53.6	62.1	57.9
Europe-U.S.	52.9	63.0	58.0
U.S.-Europe	46.5	54.0	50.3
<b>Total Index</b>	<b>50.3</b>	<b>60.8</b>	<b>55.6</b>

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:

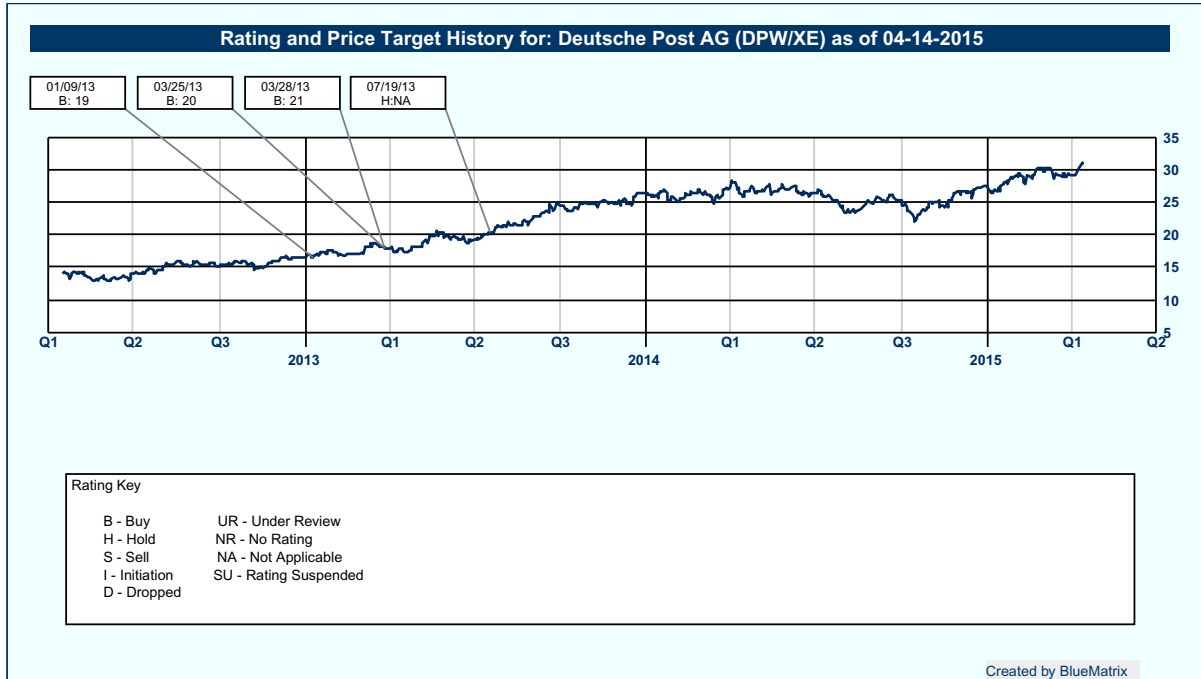
- Europe to Asia
- Asia to Europe
- Europe to U.S.
- U.S. to Europe

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.

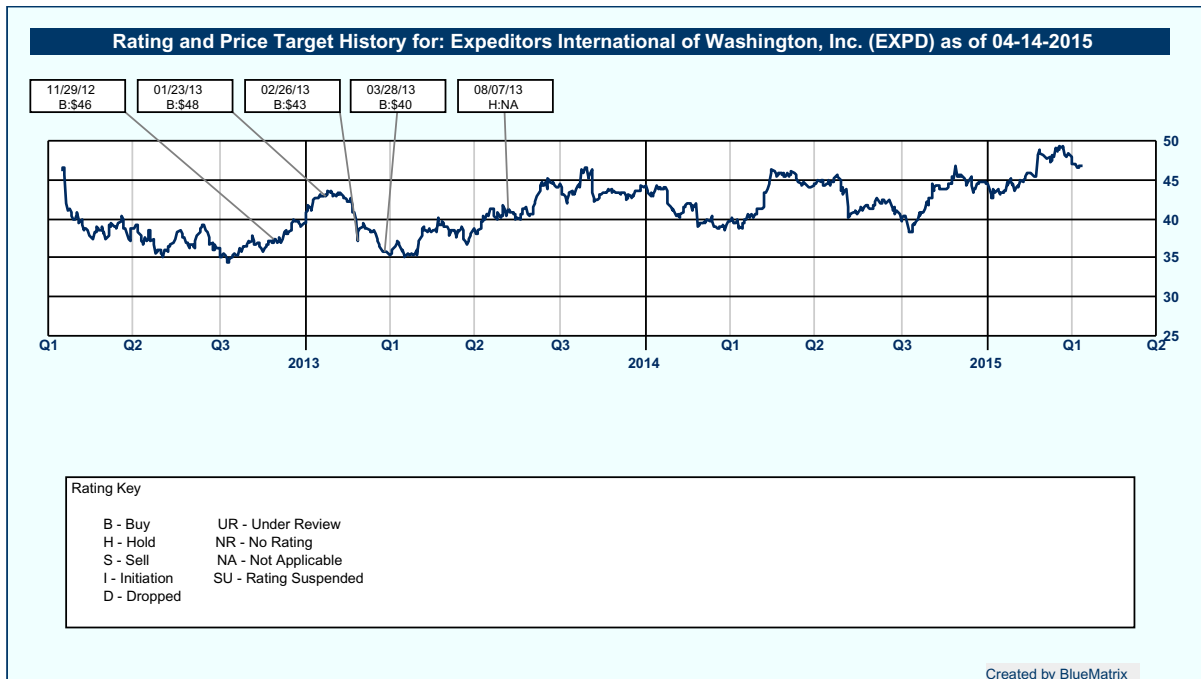
***To participate in next month's survey, and in order to receive an advanced copy of the results, please use the following link: <https://www.surveymonkey.com/s/StifelMay15>***

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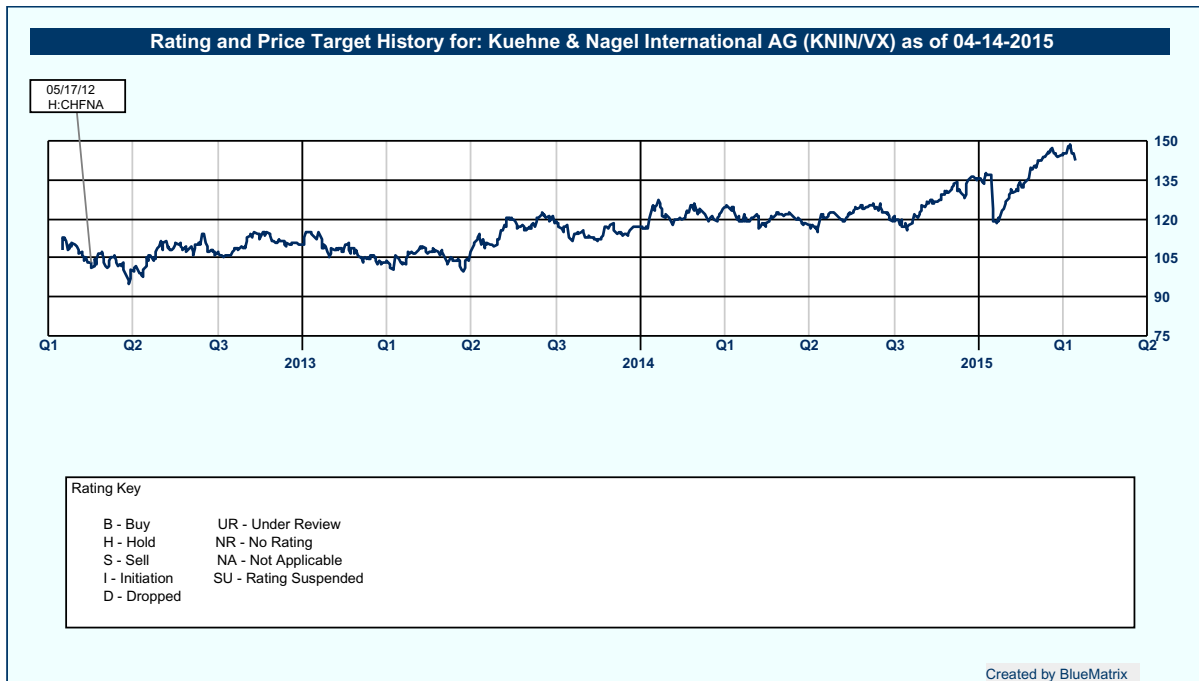
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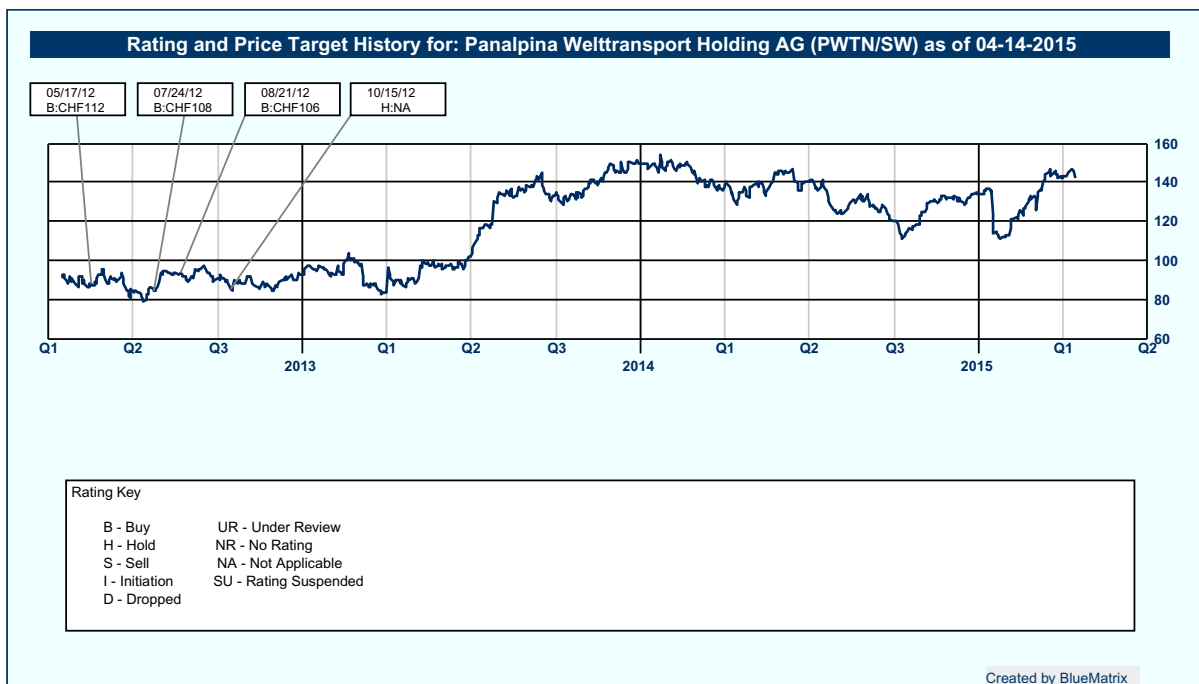
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