

Airfreight Gains Ground In March Stifel Logistics Confidence Index Results

Results for the Stifel Logistics Confidence Index (LCI) strengthened in March, echoing reports from the public forwarders of growth in both air and ocean freight markets. While there had been some concerns earlier of slowing growth in European and Asian end markets, many of those fears have been put to rest, at least temporarily. U.S. dollar strength and spill-over freight from the U.S. West Coast ports congestion to the U.S. East Coast ports helped drive very strong performance on the Westbound Trans-Atlantic airfreight lane, in particular, in our view. Overall, global trade in/out of Europe remains in good shape, and expectations over the next six months remain optimistic. However, we still find shares of the Europe-centric forwarders to be fully-valued, especially in light of longer-term structural industry challenges like shortening supply chains, and thus maintain our Hold rating on the group.

- In March, the overall LCI strengthened 1.0 index point to 57.3 and remains above the critical 50.0 level, which suggests that global forwarding volumes continue to be stronger than normal, seasonal levels, at least on Europe-based lanes. Most of the improvement was driven by airfreight, as ocean freight results were sequentially flat from February.
- At 54.3, the current airfreight environment showed positive results in March for a ninth consecutive month. Europe to Asia remains the only lane experiencing challenged volumes, having seen weakness now for four straight months. Headhaul Asia to Europe tonnage remains strong, although that lane was overtaken by the Europe to U.S. lane as the fastest-growing lane this month for the first time since June 2014. That phenomenon, in our view, is at least partially due to the relative strength of the dollar vs. the Euro. The six-month outlook remains favorable for all lanes.
- Overall ocean results were flat versus February, although all measured lanes are now showing positive volume trends for the present situation. Last month, both the U.S. to Europe and Europe to Asia lanes reported a sub-50 index score. The six-month outlook remains favorable for all lanes, indicating that the market expects continued growth in ocean freight volumes over the near term.
- Question of the month - "Have you seen any abnormal rate volatility on the Asia-Pacific trade lane?" Most respondents, at about 38.5%, said that they had experienced abnormal rate volatility, but that it was temporary, while 28.4% said that the volatility was due to structural changes. Only a third of respondents indicated that rate volatility on the Asia-Europe lane was normal.
- Investment conclusions: Read-through of these survey results is neutral to positive for those with significant European trade exposure, like Kuehne + Nagel (KNIN-SIX; CHF145.50, Hold), Panalpina (PWTN-SIX; CHF144.50, Hold), and DHL (DPW.XE; EU29.28, Hold). This month's Stifel LCI results, our industry channel checks, and recent reports by the public carriers suggest steady, modest growth for 2015, but continued overcapacity in ocean freight couple with ocean rate volatility, as well as structural pressure on GP/unit, and what we believe to be full valuation, lead us to maintain our neutral ratings on shares of these companies.

*Prices are as of 3/17/15 market close.

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/JKS6P6B>

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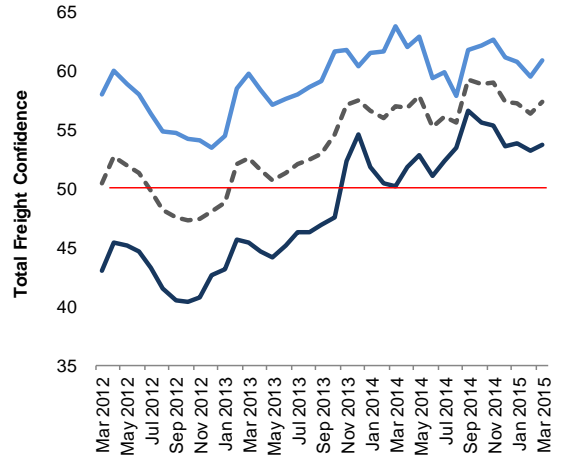
Overview – March 2015

In March, the overall Stifel Logistics Confidence Index score rose sequentially by 1.0 points to 57.3, with strengthening in both the current airfreight market and the 6-month airfreight outlook, while the current sea freight market and the sea freight outlook remained unchanged from February. The overall index is 0.3 points higher than March 2014 and 4.8 points higher than March 2013.

The overall airfreight index increased 1.9 points to 57.9 for the current month. The present situation increased 1.0 points and the expected situation increased 2.8 points. Meanwhile, the status quo in the overall sea freight index was driven by the present situation increasing just 0.1 index points and the six month outlook remaining unchanged.

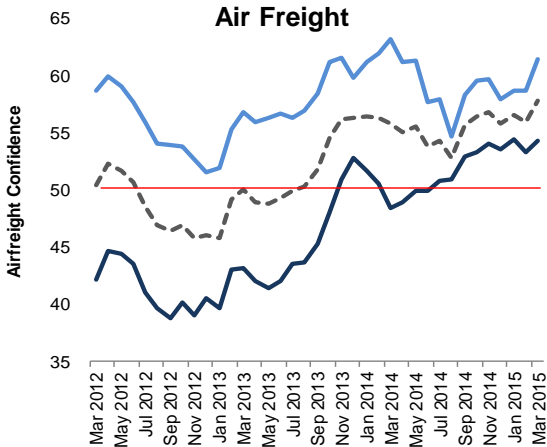
For the March one off question, we asked survey participants if there had been any abnormal rate volatility on the Asia-Pacific trade lane. Most respondents, 38.5%, noted there had, but that it was temporary, while 28.4% said that volatility was due to structural changes. Some 33.0% indicated that Asia-Pacific rate volatility was normal.

Total Freight

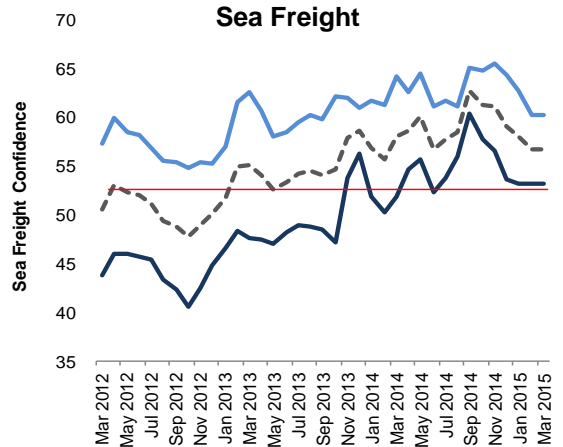


The logistics situation index illustrates current condition faced by forwarders, while the logistics expectations index shows how the situation is expected to develop over the next six months. The logistics confidence index, an average of both the present situation and expected situation indices, expresses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

Air Freight



Sea Freight



— Present Situation - - - Logistics Confidence — Expected Situation

	Present Situation	Expected Situation	Confidence
Mode	Mar 2015	Sep 2015	Average
Air Freight	54.3	61.5	57.9
Sea Freight	53.2	60.2	56.7
Total Freight	53.8	60.9	57.3

Source for all data and graphs: Stifel Logistics Confidence Index

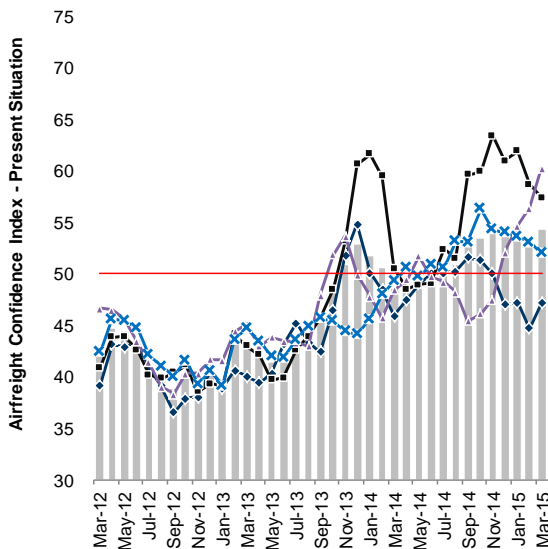
Air Freight Confidence Index

The total airfreight logistics confidence index increased sequentially by 1.9 points to 57.9 in March 2015. Compared with March 2014, the index is 2.0 points higher and 7.8 points higher than March 2013.

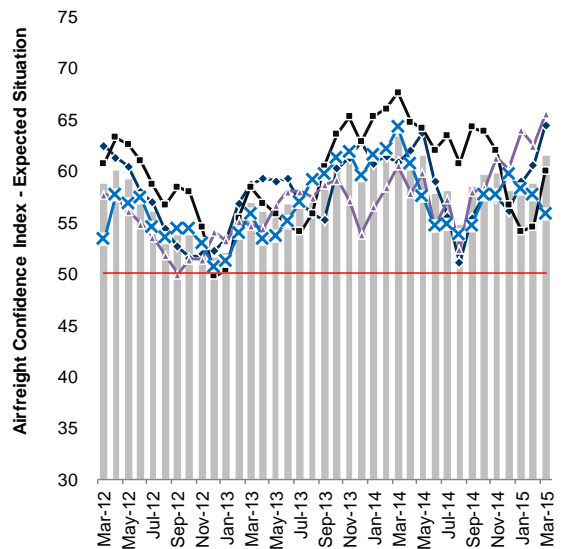
In terms of the present situation, the airfreight index registered a 1.0 point increase to 54.3 in March. Lanes were mixed for the month. Europe to Asia increased 2.4 points to 47.1 and Europe to the U.S. increased 3.9 points to 60.3. Asia to Europe declined 1.3 points to 57.4 and the U.S. to Europe declined 1.1 points to 52.0.

Looking ahead at the six-month outlook, the expected situation index for total airfreight increased 2.8 points to 61.5. Only one lane declined—the U.S. to Europe, which declined 1.9 points sequentially to 55.8. Asia to Europe increased 5.5 points to 60.0 and Europe to Asia increased 3.9 points versus February to reach 64.4. Lastly, Europe to US gained 3.1 points to 65.5.

Current Market



Six-Month Outlook



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

Trade Lane	Air Freight		
	Mar 2015	Sep 2015	Confidence
Europe-Asia	47.1	64.4	55.8
Asia-Europe	57.4	60.0	58.7
Europe-U.S.	60.3	65.5	62.9
U.S.-Europe	52.0	55.8	53.9
Total Index	54.3	61.5	57.9

Source for all data and graphs: Stifel Logistics Confidence Index

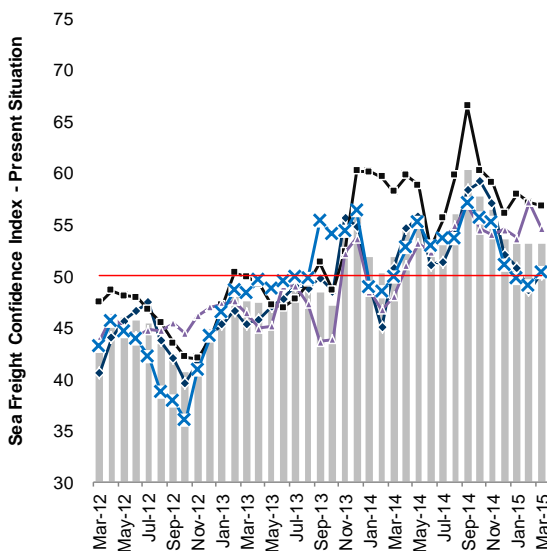
Sea Freight Confidence Index

For sea freight, the logistics confidence index remained at 56.7, the same as in February. Compared with the same month in 2014, the index is 1.3 points lower, but it is up 1.7 points compared to March 2013.

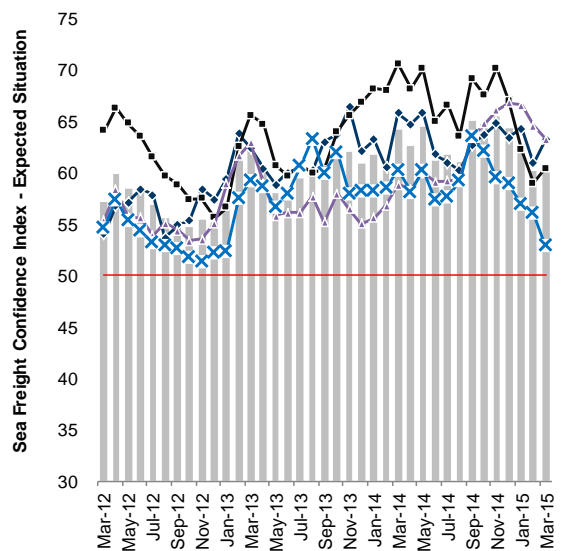
For the present situation, the index inched up 0.1 points sequentially to 53.2. Lanes were mixed this month with Asia to Europe and Europe to the U.S. declining 0.3 and 2.5 points, respectively, to 56.8 and 54.7. Europe to Asia increased 1.6 points to 50.2 and the U.S. to Europe lane increased 1.4 points to 50.4. This is the first time this year that the U.S. to Europe trade route was above the 50-level.

The expected situation index for sea freight was unchanged from February at 60.2. Similar to the present situation, lane results were mixed. Europe to the U.S. declined 1.3 points to 63.3, and the U.S. to Europe fell 3.1 points to 52.9. Europe to Asia increased 2.3 points to 63.2, while Asia to Europe increased 1.4 points to 60.4.

Current Market



Six-Month Outlook



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

Sea Freight			
Trade Lane	Mar 2015	Sep 2015	Confidence
Europe-Asia	50.2	63.2	56.7
Asia-Europe	56.8	60.4	58.6
Europe-U.S.	54.7	63.3	59.0
U.S.-Europe	50.4	52.9	51.7
Total Index	53.2	60.2	56.7

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:

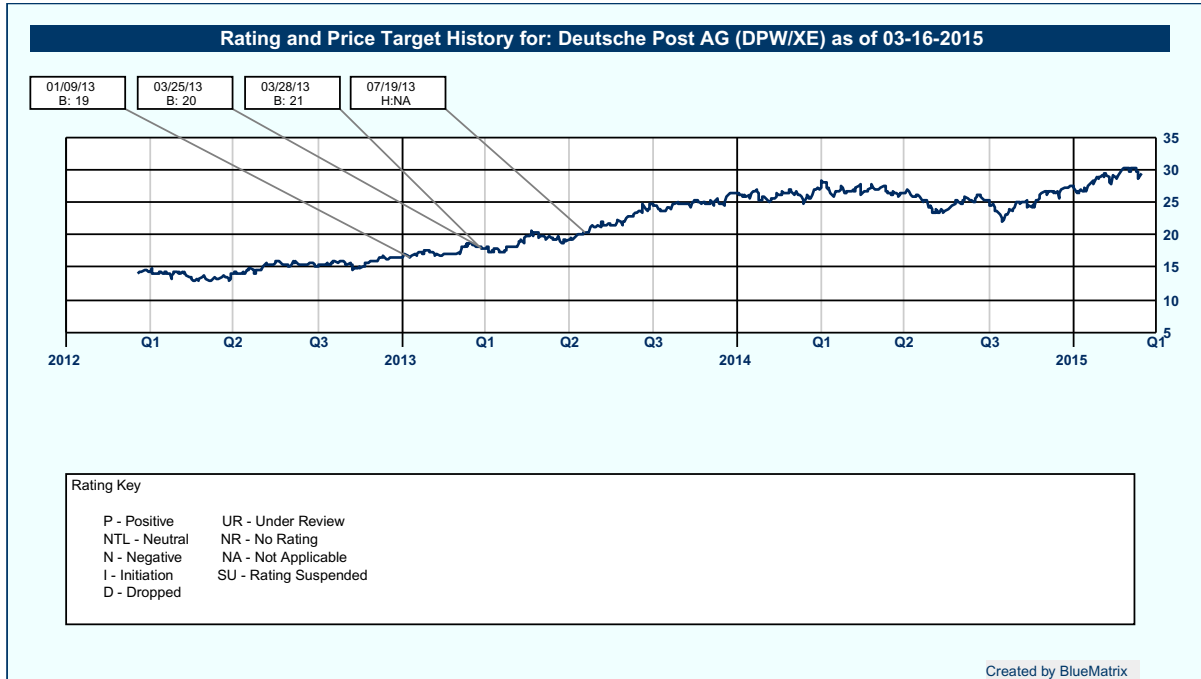
- Europe to Asia
- Asia to Europe
- Europe to U.S.
- U.S. to Europe

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.

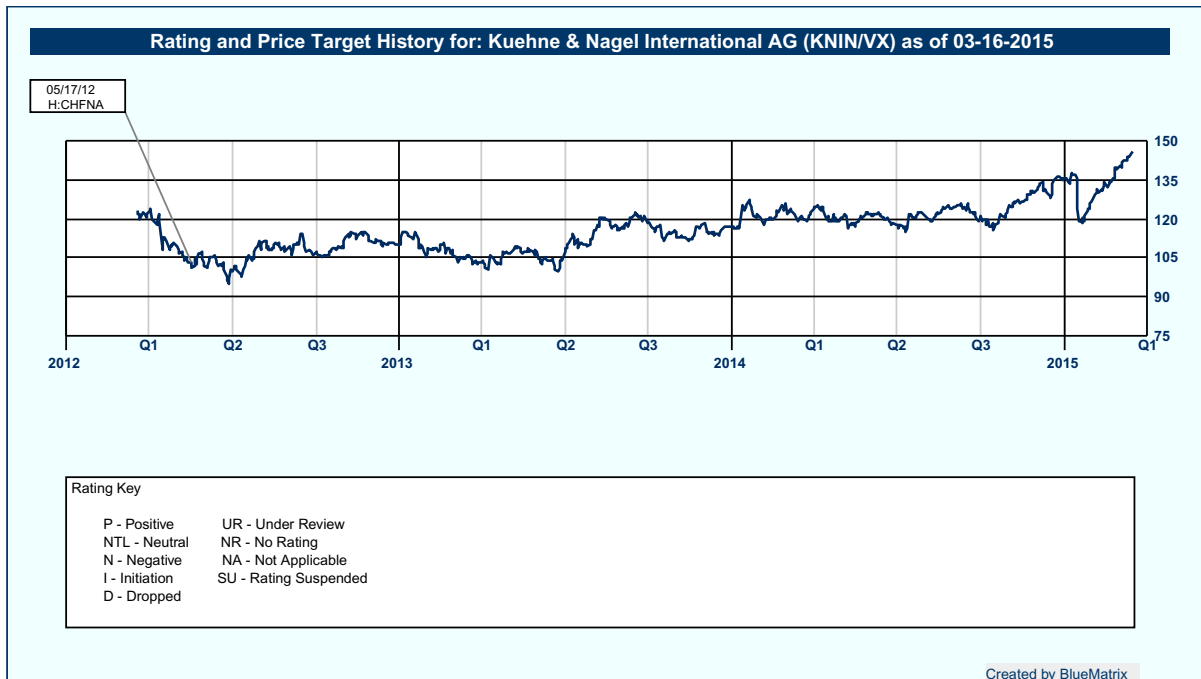
To participate in next month's survey, and in order to receive an advanced copy of the results, please use the following link: <https://www.surveymonkey.com/s/JKS6P6B>

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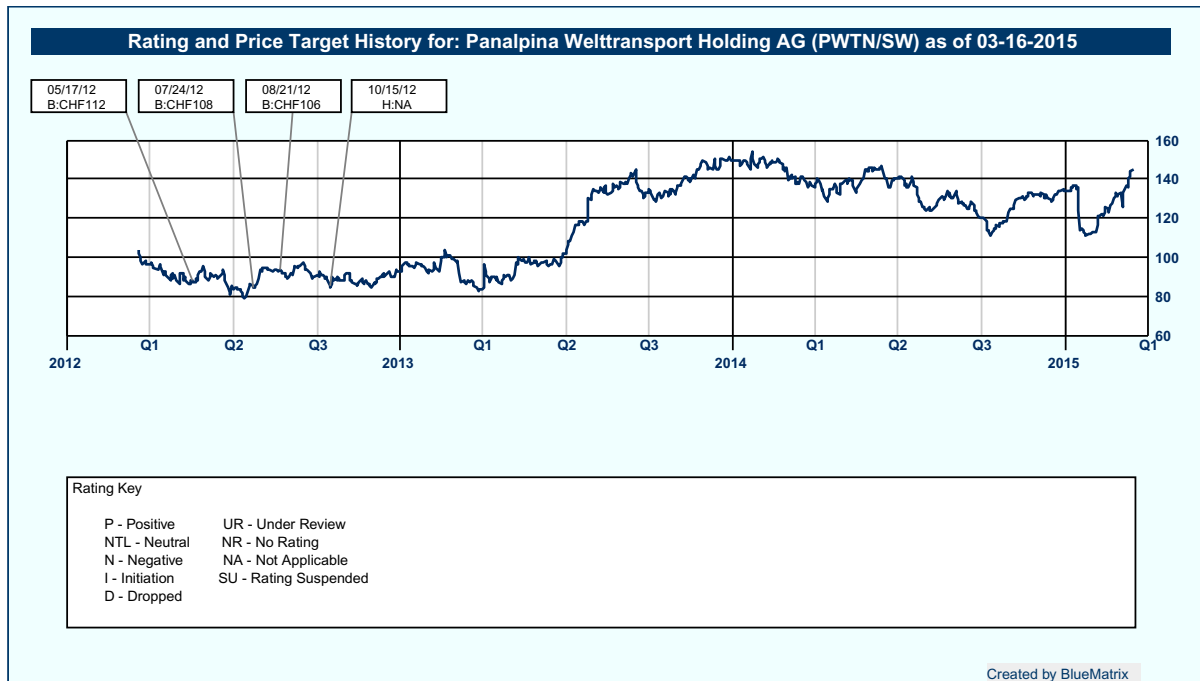
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