

Survey Summary

Index Drifts Higher, As Europe-Based Airfreight Continues To Ascend, While Sea Freight Sinks Further

Results for the Stifel Logistics Confidence Index (LCI) improved in May, but underlying trends have been largely the same as previous months—namely, sequentially improving airfreight results set against deteriorating sea freight demand. Present volumes in airfreight were strong in most markets, increasing sequentially in all lanes except the core Asia to Europe trade, which was hindered, in our view, by persistent FX headwinds and sluggish demand early in the year. We expect this year to remain positive for airfreight forwarders overall, given our expectations for good demand in high-tech consumer goods, and shippers looking for alternatives to spotty ocean service reliability. On the ocean side, the six-month outlook remains intact, but survey respondents indicated that current volumes are decelerating sufficiently in almost every lane, so that the current demand picture has fallen into contraction for the first time in 19 months. In light of this mixed bag of performance across modes, the tepid European environment, and current valuation, we remain neutral on the Europe-based freight forwarders.

- In May, the overall LCI increased 1.1 index points, clawing back last month's losses to reach 57.4. The positives are that the overall index remains above the three-year mean of 53.8 and above the critical 50.0 level, which suggests that global forwarding volumes continue to be stronger than normal seasonal levels on Europe-based lanes. The six-month outlook is strong in both modes, and current airfreight volumes are accelerating. On the downside, tepid macro, lingering currency effects, and service issues in the underlying carrier market pushed current sea freight sentiment below the 50.0 growth threshold for the first time in over a year-and-a-half (leading us to wonder, "should the outlook be so strong in sea freight?").
- At 55.5, May airfreight volumes have been in expansion mode now for 11 consecutive months. Europe-Asia and Europe-U.S. saw strong sequential and y/y upticks, bolstered, in our view, by favorable currency swings. Results on European import lanes were not as favorable, with the core Asia-Europe trade tapering 2.0 index points, although it remains above 50.0. While the U.S.-Europe lane did improve sequentially to 48.1, it still remains below the 50.0 growth threshold after plunging there last month for the first time in 10 months. Encouragingly, the six-month outlook improved in all lanes and remains at comfortable absolute levels.
- Overall ocean results ticked down sequentially from April by 0.3 index points, but that seemingly innocuous result belies a significant turn-down in present sea freight confidence. The present volume index in sea freight dropped below the 50.0 level for the first time since November 2013, falling 2.6 index points to 47.7. Again, inbound Europe trades were the biggest contributors to the decline, with Asia-Europe dropping 4.7 index points to 48.9, and the U.S.-Europe route dropping precipitously by 5.0 index points to 41.5—a level not seen since the height of the sovereign debt crisis. Somewhat surprisingly, the six-month outlook remains favorable for all lanes, suggesting that respondents believe current demand softening will be temporary.
- Question of the month - "Has currency had a meaningful impact on shipments from Europe to the U.S.?" A clear majority of respondents, totaling 62.4%, suggested that currency has had an impact on shipment volume, while 16.5% percent did not see an impact, and 21.2% were unsure of any impact.
- **Investment conclusions:** We remain Hold rated on freight forwarders with significant European trade exposure, like Kuehne + Nagel (KNIN-SIX, CHF 133.70), Panalpina (PWTN-SIX, CHF 128.40), and DHL (DPW.XE, EUR 28.15). Fundamentals appear relatively stable, but European growth has been sluggish year-to-date, and currency effects

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continue to be a headwind for European imports. We believe that stocks are currently fairly-to-fully valued, especially considering multi-year IT roll-outs at Panalpina and DHL Global Forwarding, which should be near-term drags on productivity, in our view. Kuehne +Nagel is the most stable and highest-quality of the above, but we believe Panalpina has the most long-term opportunity for margin expansion/capital appreciation.

Prices as of 5/15/15 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/HTMGPFPP>

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Logistics Confidence Index

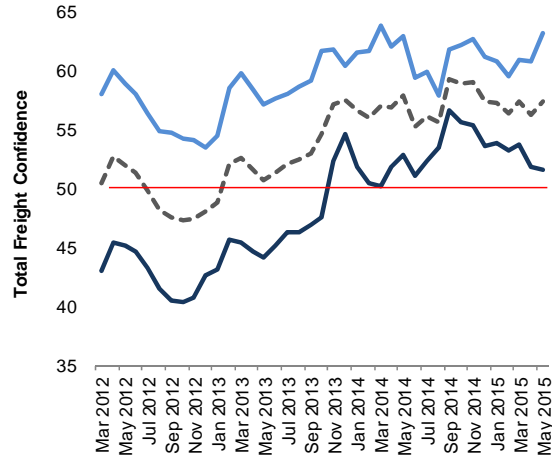
Overview – May 2015

The May Logistics Confidence Index score rose 1.1 index points from April to reach 57.4. The gain was the result of a generally optimistic 6-month outlook and supported by solid current airfreight demand, but dragged down by a generally worse result in current sea freight demand.

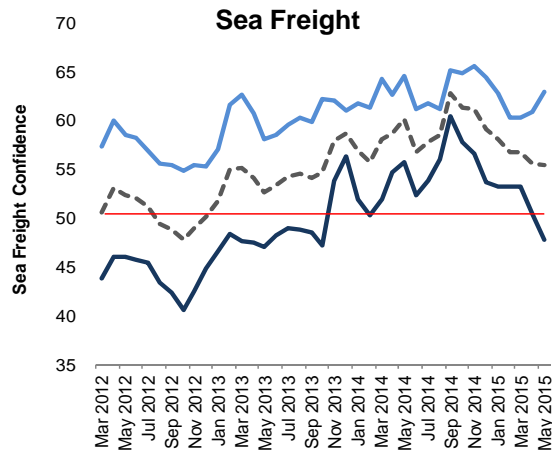
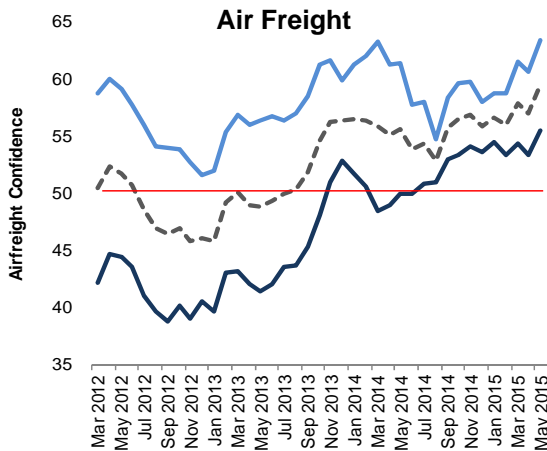
The overall airfreight index jumped 2.5 points to 59.5 this month. The present situation increased 2.2 points and the expected situation improved 2.8 points. The overall sea freight index slipped 0.3 points, due to a 2.6 point decline in the present situation. The expected situation in sea freight held fast, gaining 2.1 points for the month. It is worth noting that the sea freight present situation index fell below the 50-level, denoting contraction, for the first time since October 2013.

For the May one-off question, we asked survey participants if currency has had a meaningful impact on shipments from Europe to the U.S. A majority of respondents at 62.4% indicated it has had an effect, whereas 16.5% believed that currency had not been a factor and 21.2% 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.



— Present Situation - - - Logistics Confidence — Expected Situation

	Present Situation	Expected Situation	Confidence
Mode	May 2015	Nov 2015	Average
Air Freight	55.5	63.4	59.5
Sea Freight	47.7	62.9	55.3
Total Freight	51.6	63.2	57.4

Source for all data and graphs: Stifel Logistics Confidence Index



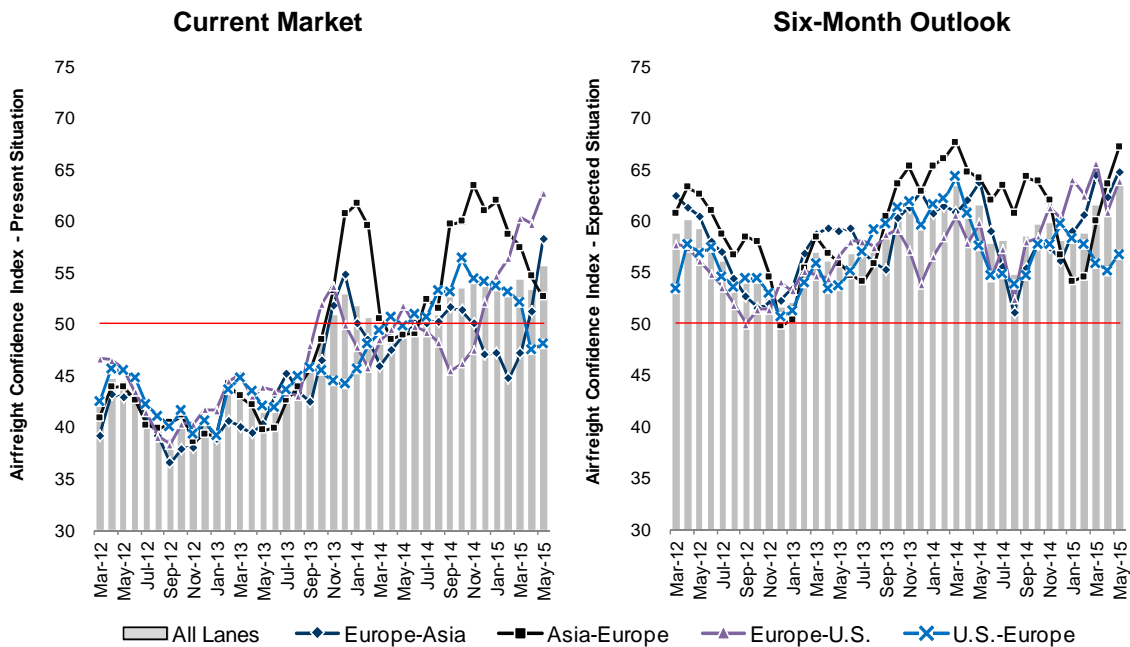
Logistics Confidence Index

Air Freight Confidence Index

The total airfreight logistics confidence index increased 2.5 points to 59.5 in May 2015. Compared with May 2014, the index is 3.8 points higher, while it is 10.6 points higher than May 2013.

In terms of the present situation, the airfreight index registered a 2.2 point gain to 55.5 in May. Lanes were mostly up for the month. Europe to Asia experienced the largest increase, climbing 7.0 points to 58.2, while Europe to the U.S. increased 3.0 points to 62.7, and the U.S. to Europe was up 0.7 points to 48.1. The Asia to Europe lane continues to slide, this time declining 2.0 points to 52.6.

For the six month outlook, the expected situation index for total airfreight increased 2.8 points to 63.4. The outlook for all lanes improved sequentially, with Asia to Europe rising 3.5 points to 67.1, Europe to Asia increasing 2.5 points to 64.7, Europe to the U.S. gaining 3.0 points to 63.8, and the U.S. to Europe increasing 1.6 points to 56.7.



Air Freight			
Trade Lane	May 2015	Nov 2015	Confidence
Europe-Asia	58.2	64.7	61.5
Asia-Europe	52.6	67.1	59.9
Europe-U.S.	62.7	63.8	63.3
U.S.-Europe	48.1	56.7	52.4
Total Index	55.5	63.4	59.5

Source for all data and graphs: Stifel Logistics Confidence Index

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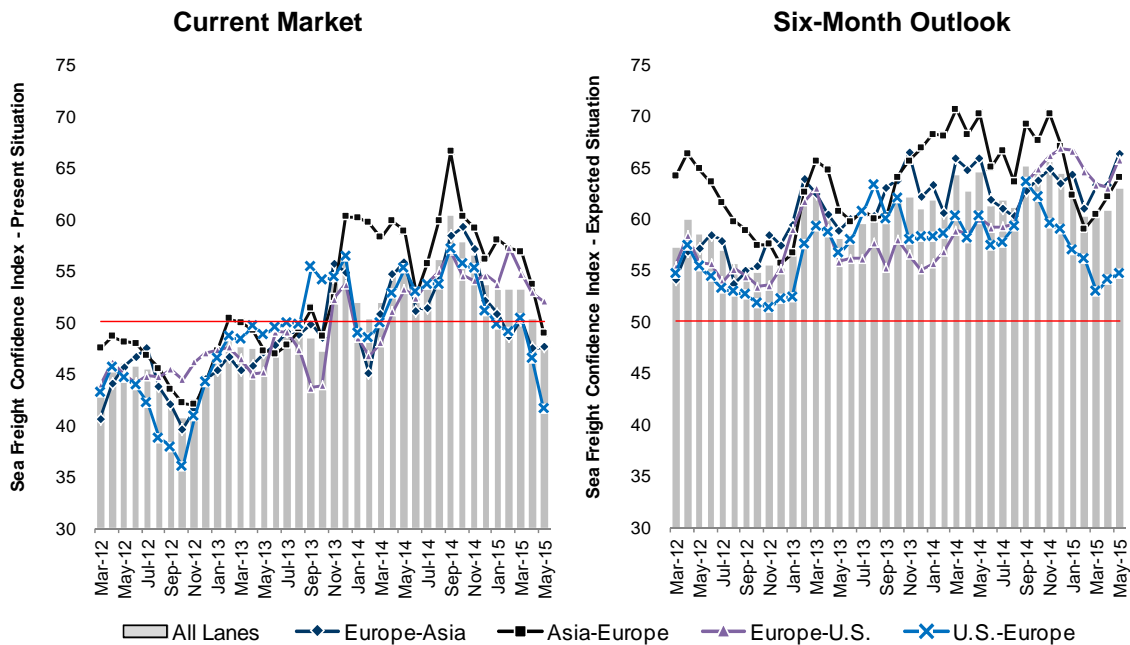
Logistics Confidence Index

Sea Freight Confidence Index

For sea freight, the logistics confidence index fell 0.3 points to 55.3, with an increase in the six-month outlook being insufficient to offset the decline in the present situation. Compared with the same month in 2014, the index was 4.8 points lower, but up 2.8 points compared to May 2013.

For the present situation, the index continued to slip, falling 2.6 points sequentially to 47.7. All lanes except one contributed to the decline. The U.S. to Europe lane experienced the largest drop, moving down 5.0 points to 41.5, followed by Asia to Europe falling 4.7 points to 48.9, and Europe to the U.S., which fell 0.9 points to 52.0. Europe to Asia inched up 0.2 points to 47.6.

The expected situation index for sea freight increased 2.1 points to 62.9. All lanes were positive with Asia to Europe up 1.9 points to 64.0, U.S. to Europe up 0.7 points to 54.7, and Europe to Asia increasing 3.0 points to 66.2. Europe to U.S. jumped 2.7 points to 65.7. Europe to Asia inched up 0.2 points to 47.6.



Sea Freight			
Trade Lane	May 2015	Nov 2015	Confidence
Europe-Asia	47.6	66.2	56.9
Asia-Europe	48.9	64.0	56.5
Europe-U.S.	52.0	65.7	58.9
U.S.-Europe	41.5	54.7	48.1
Total Index	47.7	62.9	55.3

Source for all data and graphs: Stifel Logistics Confidence Index

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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:

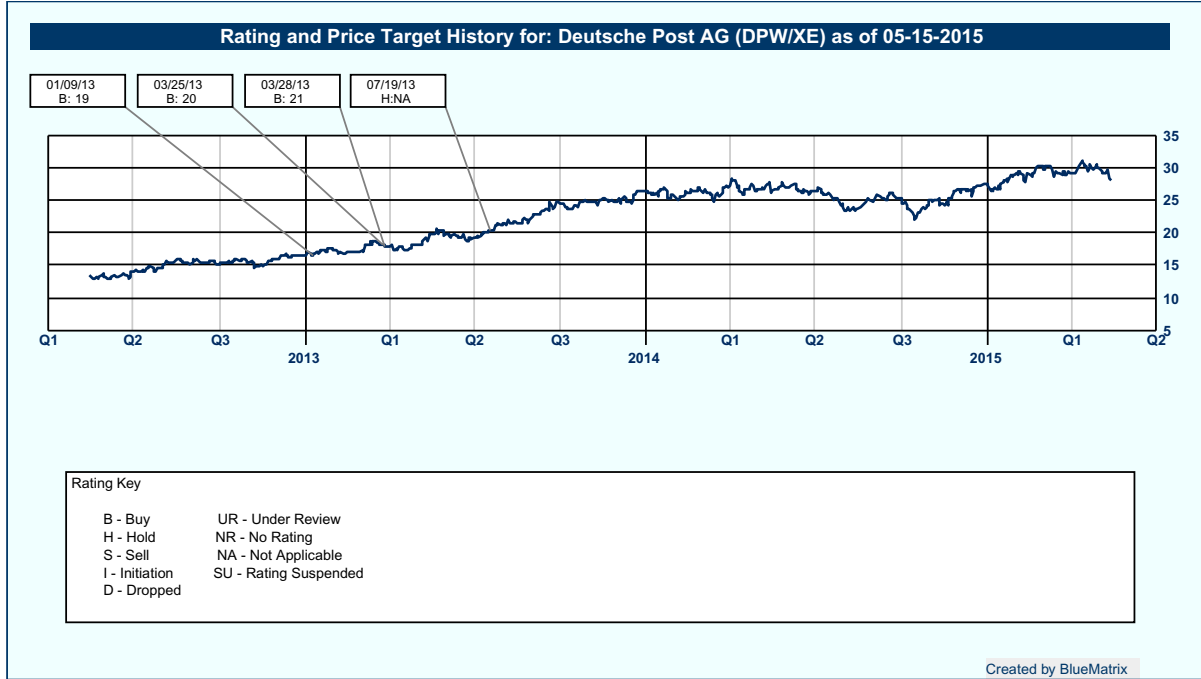
- Europe to Asia
- Asia to Europe
- Europe to U.S.
- U.S. to Europe

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.

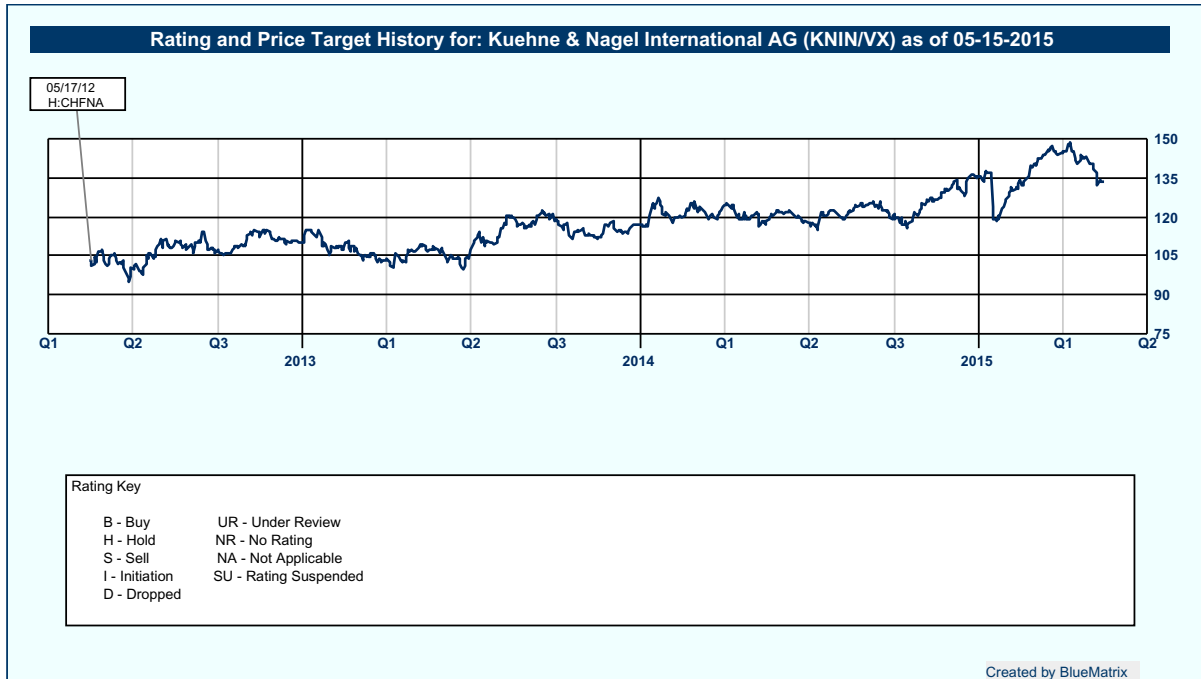
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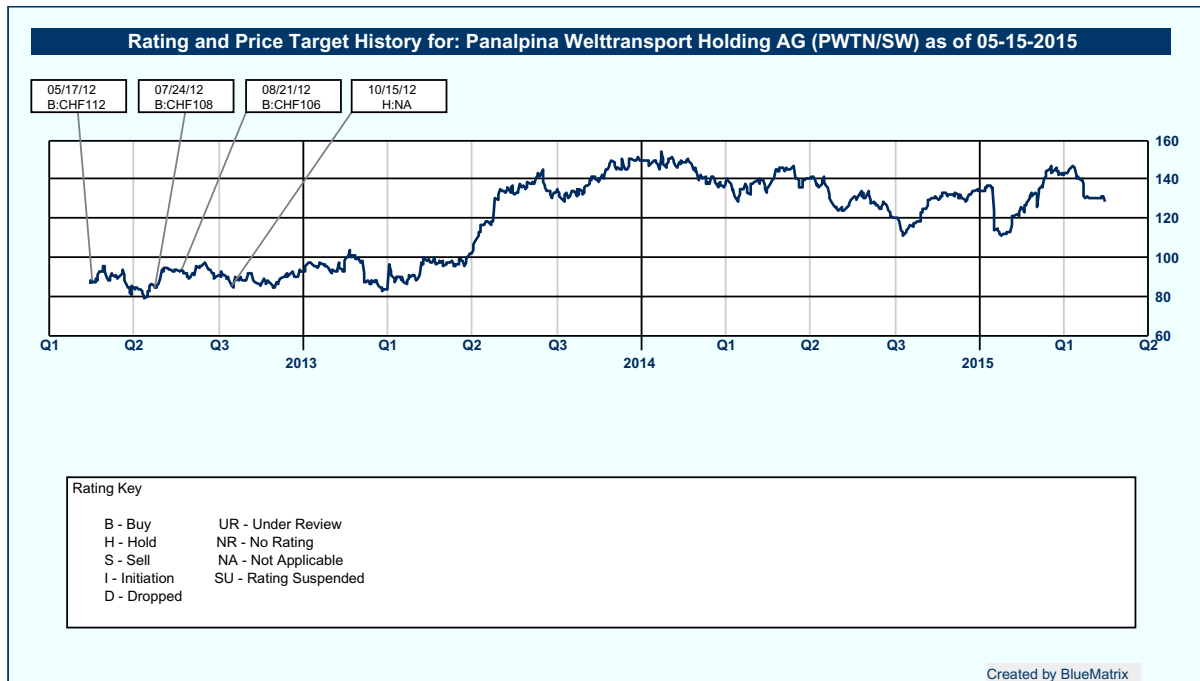
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