

Survey Summary

European Airfreight Volumes Improving Slowly, While Ocean Freight Just Treads Water

In April, the Stifel Logistics Confidence Index (LCI) saw little inspiration as it continued its YTD trend of slow growth off the December 2015 bottom. Global trade growth remains muted, in our view, and this month's Index results show that to be true, at least on major Europe-based air and ocean freight lanes. In general, airfreight recovered marginally, as ocean freight further stagnates, and Europe-U.S. lanes continue to operate closer to normal seasonal volumes, whereas Asia-based lanes are much weaker. We continue to view 2016 as a slow growth year for global GDP (2%-3%), and an slower year for global trade volumes. Our forecast for slow growth seems to be corroborated by the LCI expected situation index, which calls for only a slight improvement over the next six months, yielding an index reading of 51.1—just above the no-growth threshold of 50.0. In this environment, we see little, if any upside potential in European-based freight forwarding stocks, including DHL Global Forwarding (DPW.XE, EUR 25.32, Hold), DSV A/S (DSV-KO, DKK 274.20, Hold), Kuehne and Nagel (KNIN-SIX, CHF 137.80, Hold), and Panalpina (PWTN-SIX, CHF 107.40, Hold). Our lone Buy recommendation among the forwarding group is Expeditors International of Washington (EXPD, \$48.70, Buy)—a U.S.-based forwarder that we prefer for its market share growth opportunity, flexible cost model, and history of strong operational execution.

- **The overall LCI improved sequentially by 0.6 points to 47.5, continuing a slow and choppy ascent from the December 2015 bottom of 45.4.** We note that the absolute index value remains below the 50.0 level, indicating slower-than-normal volumes for this time of year. Comparatively, the index is down nearly 10 points versus the same month in 2014 (generally a solid year for Europe-based intercontinental freight growth), and likewise for 2015 (which started off strong before petering out in 2H15).
- **Airfreight results were the primary driver of the overall improvement, but growth there was still far from spectacular.** Despite a sequential improvement of 0.6 points, absolute volume levels remain in relative contraction. In fact, only one lane—Asia to Europe—experienced sequential growth, with others either contracting or stagnating. As for near-term expectations, respondents were more optimistic this month than last month on all Europe-based lanes, but overall levels of optimism remain muted.
- **Ocean Freight LCI results were not as positive. In fact, they were stagnant versus last month with a blended confidence reading of 45.3 on the index scale.** In terms of present volumes, European trade with the U.S. improved slightly over last month in both directions, while trade with Asia declined over last month. Six-month look-forward sentiment was dour, improving on only one lane—U.S. to Europe. Global trade remains muted, and we expect it to do so for at least the remainder of the year. As such, we do not expect much improvement for global forwarding market volumes.
- **Question of the month: Hong Kong Port Volumes.** We asked respondents if they believe the Port of Hong Kong to be ceding its status as a primary regional hub given its recent volume declines. A substantial percentage of respondents did believe this case to be true—32% of them—but a larger proportion, at 45%, stated that a turnaround at the port was *possible*, but only with significant reform. The remaining 23% of participants believe that the lull was temporary, and that the port would remain a fixture of regional trade.
- **Investment conclusions:** This month's results give us another data point to support our expectation for a weak global freight environment in 2016. We still believe that late 2015/early 2016 marked the trough for European air and sea freight volumes, but we do not expect any major or sudden shifts toward the upside. In terms of publicly-traded forwarding stocks, we likewise do not expect any sudden shifts toward the upside, and given current valuation, remain

David G. Ross, CFA

dross@stifel.com

(443) 224-1316

J. Bruce Chan

chanb@stifel.com

(443) 224-1386

Stifel Equity Trading Desk

(800) 424-8870



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Hold-rated on the bulk of the forwarding group. Our lone Buy-recommendation is EXPD, as Expeditors has both market share growth potential and better returns, in our view, than most and a more reasonable valuation than high-quality peers.

To participate in next month's survey, and in order to receive an advanced copy of the results, please visit <https://www.surveymonkey.co.uk/r/StifelMay16> .

Prices are as of the close, April 14, 2016.

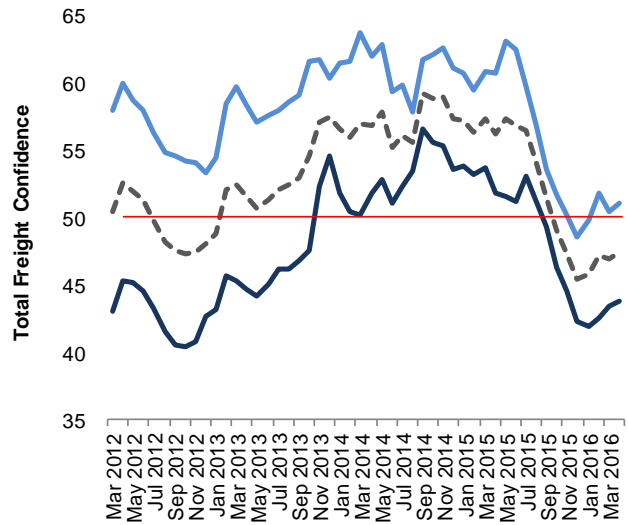
Overview – April 2016

Overall logistics confidence improved marginally over March, but remains negative for April. At 47.5, aggregate results are 8.8 points below last year, and 9.4 points lower than in April 2014.

Air freight confidence saw a 1.0 point rise over last month, the year-to-date trend and rising slowly off the bottom. The six-month outlook drove most of this improvement, as it climbed 1.5 points. But current volumes also improved sequentially. Overall sea freight confidence remained roughly flat

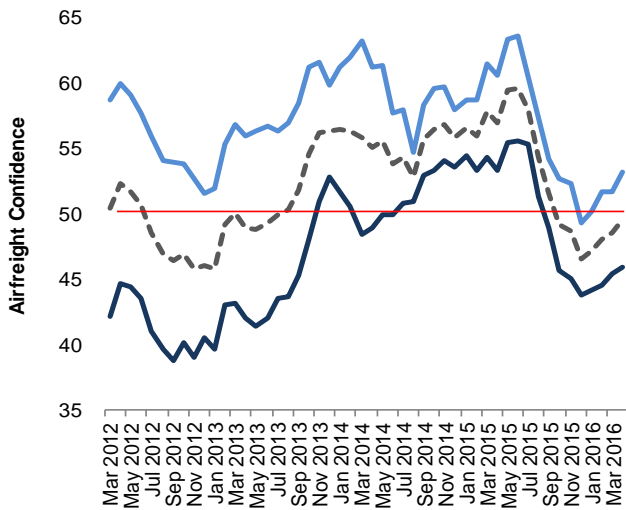
Referencing falling container volumes at the Port of Hong Kong, the one-off question for April asked survey respondents whether they believed the port to be in a terminal decline as a regional hub facility. A substantial number of respondents—32%—believed this to be the case, but 45% stated they believed the decline was temporary, with a turnaround being possible, though only with the implementation of significant reforms. The remaining 23% of participants stated that the trend would cease, and that the port would retain its market position.

Total Freight

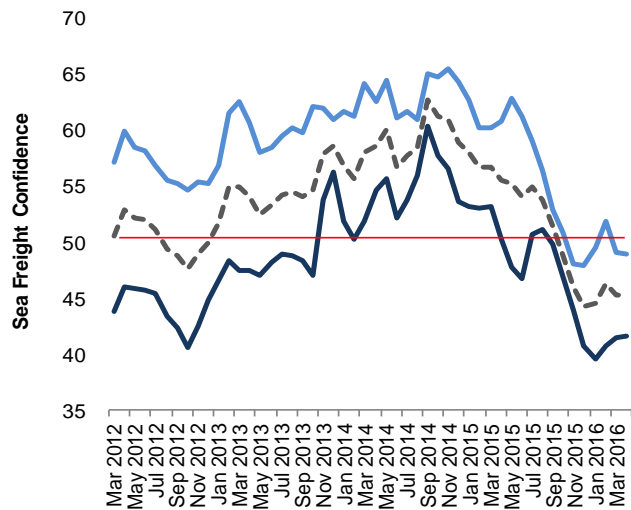


The logistics situation index illustrates current condition faced by forwarders, while the logistics expectations index shows how the situation is expected to develop over the next six months. The logistics confidence index, an average of both the present situation and expected situation indices, expresses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

Air Freight



Sea Freight



— Present Situation - - - Logistics Confidence — Expected Situation

	Present Situation	Expected Situation	Confidence
Mode	Apr 2016	Oct 2016	Average
Air Freight	46.0	53.2	49.6
Sea Freight	41.6	49.0	45.3
Total Freight	43.8	51.1	47.5

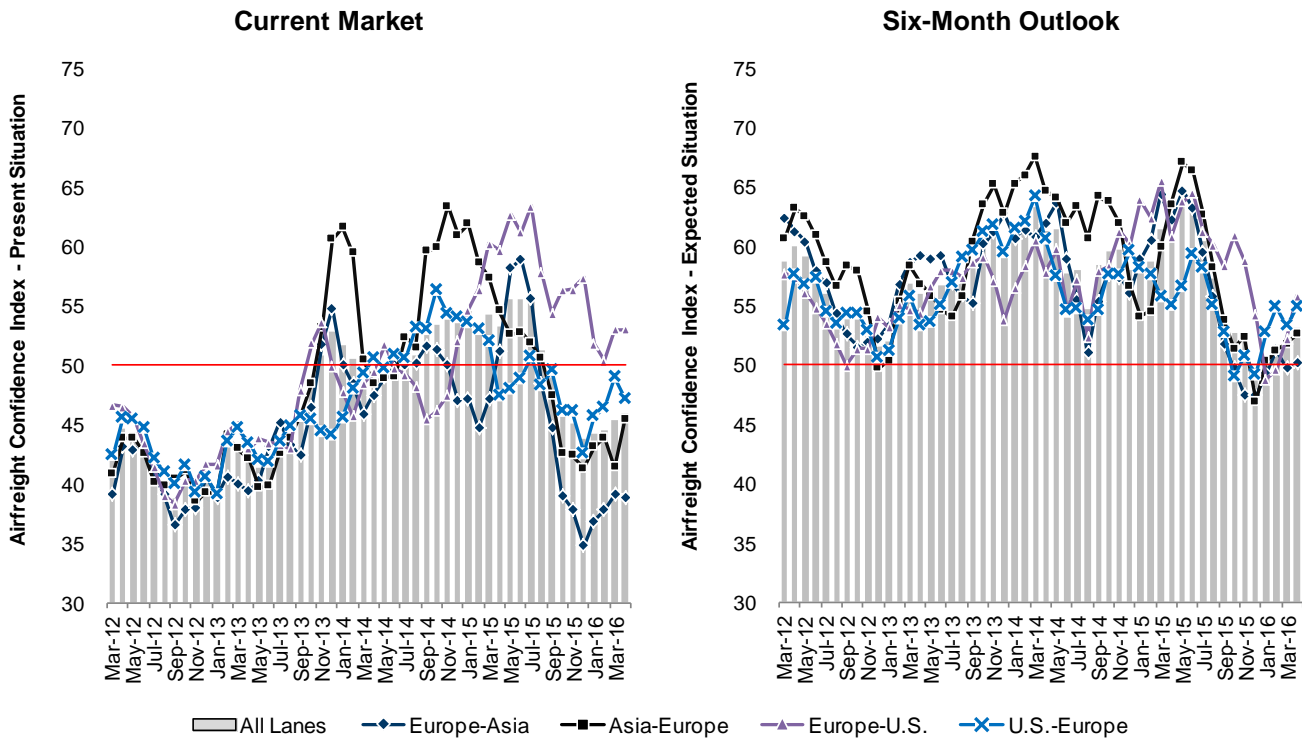
Source for all data and graphs: Stifel Logistics Confidence Index

Air Freight Confidence Index

The air freight logistics confidence Index gained 1.0 points in April 2016 to reach 49.6. This result is 7.4 points below that for April 2015 and 5.6 points lower than in April 2014.

The overall air freight present situation results rose by 0.6 points to 46.0. The increase was chiefly due to a 4.0 gain in the Asia to Europe lane, to a still-sub-50 result of 45.4. Asia to Europe was the only lane to register an improvement in present volumes. Of the remainder, U.S. to Europe declined 1.8 points to 47.2, Europe to Asia notched down 0.2 points to 38.9, and Europe to U.S. was flat against the March results at 53.0—the only lane above 50.0.

In the expected outlook, which measures sentiment concerning air freight volumes six months from now, the results by lane were unanimously positive, with gains across the board. Europe to U.S. was the biggest gainer, with a 3.6 point increase taking the index to 55.8. That was followed by U.S. to Europe, which gained 1.6 points to 54.9. Next was Asia to Europe, which rose 0.8 points to 52.6. And finally, Europe to Asia was up 0.5 points to reach 50.2.



Trade Lane	Air Freight		
	Apr 2016	Oct 2016	Confidence
Europe-Asia	38.9	50.2	44.6
Asia-Europe	45.4	52.6	49.0
Europe-U.S.	53.0	55.8	54.4
U.S.-Europe	47.2	54.9	51.1
Total Index	46.0	53.2	49.6

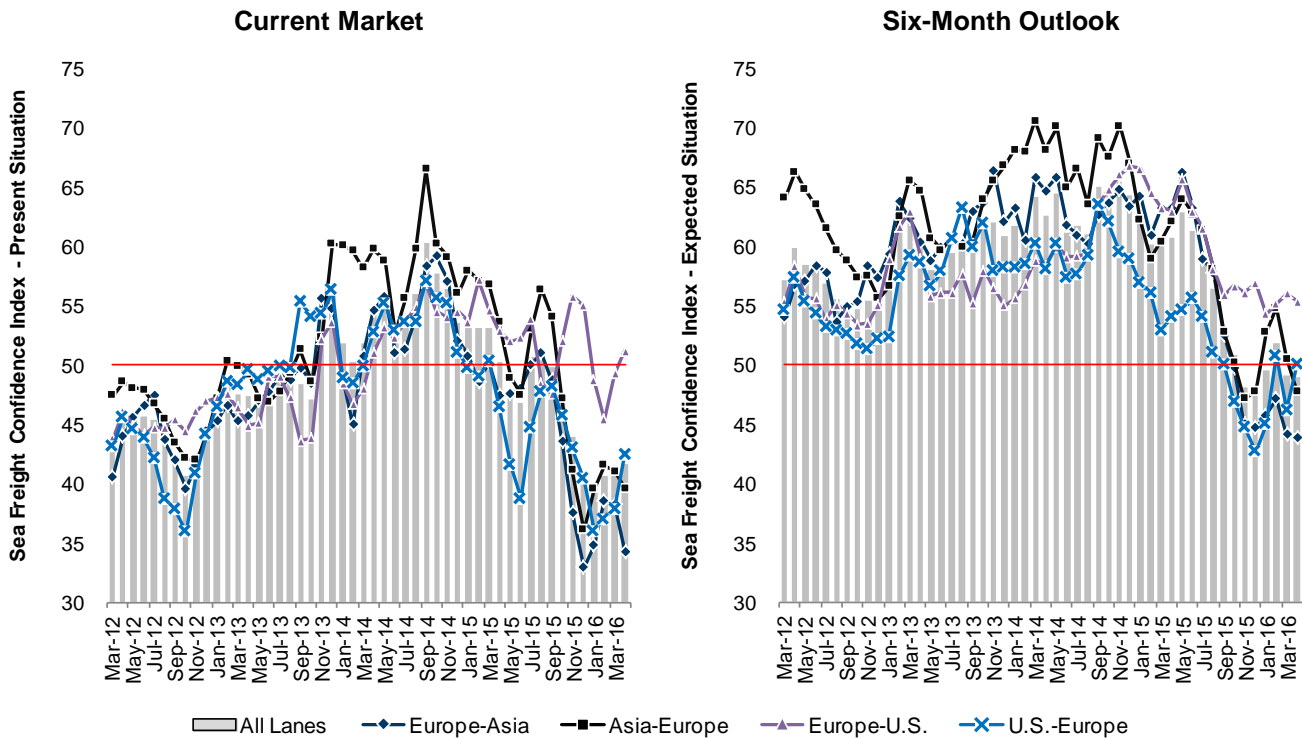
Source for all data and graphs: Stifel Logistics Confidence Index

Sea Freight Confidence Index

The logistics confidence Index for sea freight remained unchanged at 45.3, kept in balance by a slight improvement in the current situation offsetting a slight decline in the expected situation.

For the present situation, the Index rose by 0.1 points to 41.6. Half of the lanes noted improvements—those that were the U.S.-based lanes. U.S. to Europe was up by 4.6 points to 42.5 and Europe to U.S., the only lane to exceed an absolute 50.0 reading, gained 1.9 points to 51.2. Those European lanes connecting to Asia did not perform as well, with a decline of 3.9 points on the Europe to Asia route, which stood at 34.3, and a decline of 1.4 points on the opposing Asia to Europe route, which amounted to 39.6.

Unlike air freight, where there seems to be some optimism over the near term environment, the six month outlook for sea freight was rather mediocre. Overall, the expected situation Index for sea freight fell by 0.1 points to 49.0. The solitary gain came on the U.S. to Europe lane, which rose 3.8 points to a breakeven 50.0. That increase was not enough to offset declines of 2.7 for Asia to Europe, 0.6 for Europe to U.S., and 0.2 for Europe to Asia. Respectively, those three lanes settled-in at an absolute reading of 47.8, 55.4, and 43.9.



Sea Freight			
Trade Lane	Apr 2016	Oct 2016	Confidence
Europe-Asia	34.3	43.9	39.1
Asia-Europe	39.6	47.8	43.7
Europe-U.S.	51.2	55.4	53.3
U.S.-Europe	42.5	50.0	46.3
Total Index	41.6	49.0	45.3

Source for all data and graphs: Stifel Logistics Confidence Index

Methodology

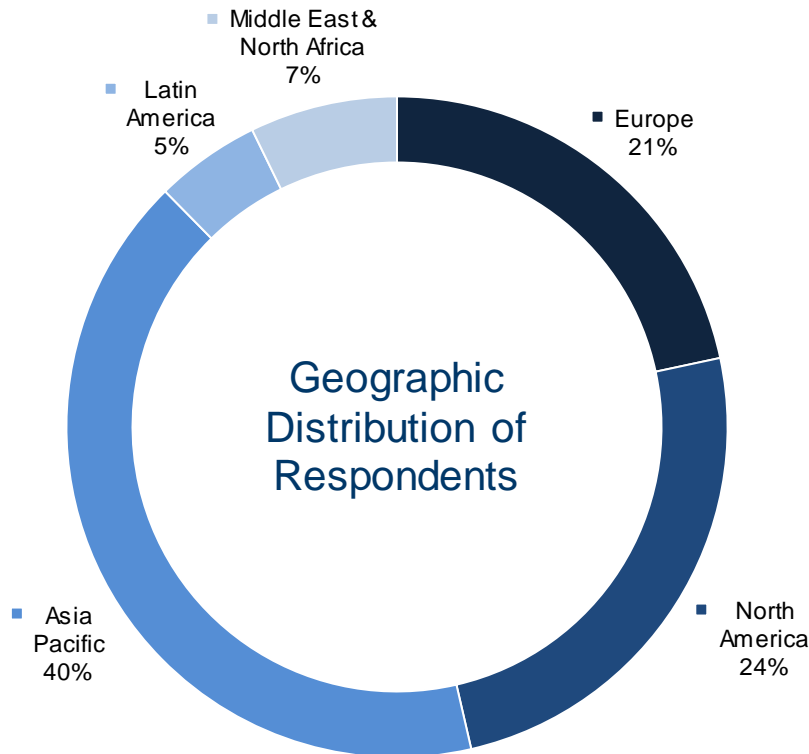
The Stifel Logistics Confidence Index is calculated based on approximately 200 responses from a monthly survey, administered and analyzed by a number of logistics professionals. The survey questions participants as to volumes that they are currently experiencing, relative to the time of year, as well 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.co.uk/r/StifelMay16>

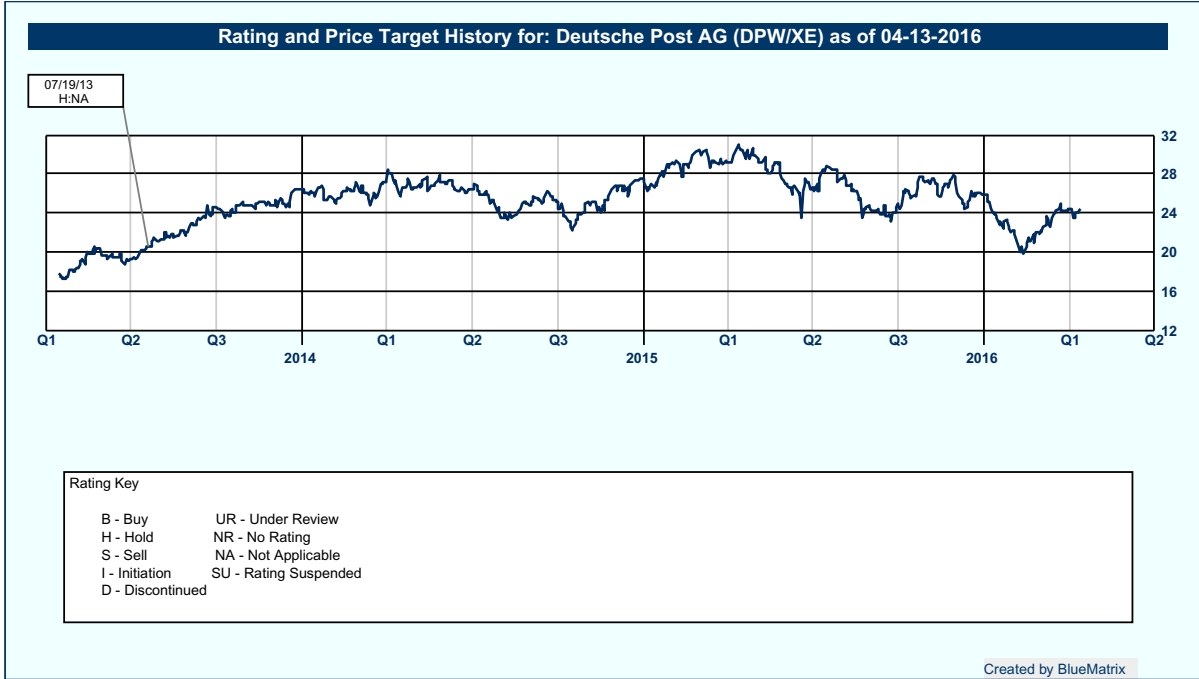
Geographic Distribution of Stifel LCI Respondents



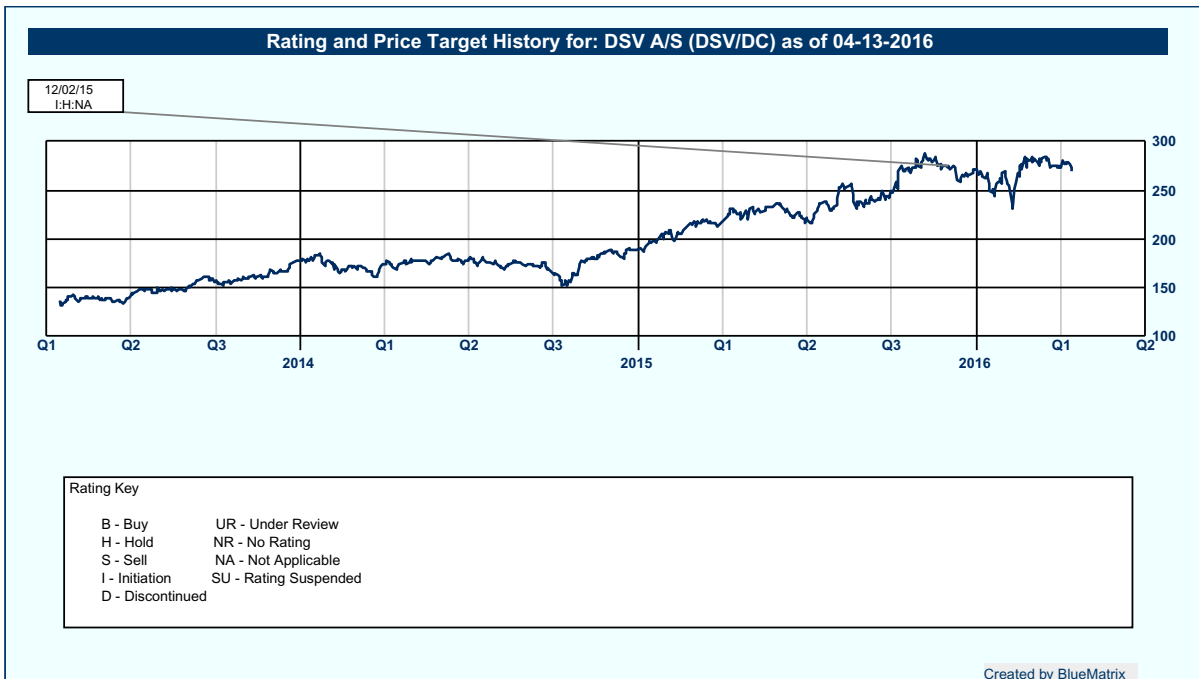
Source for all data and graphs: Stifel Logistics Confidence Index

Important Disclosures and Certifications

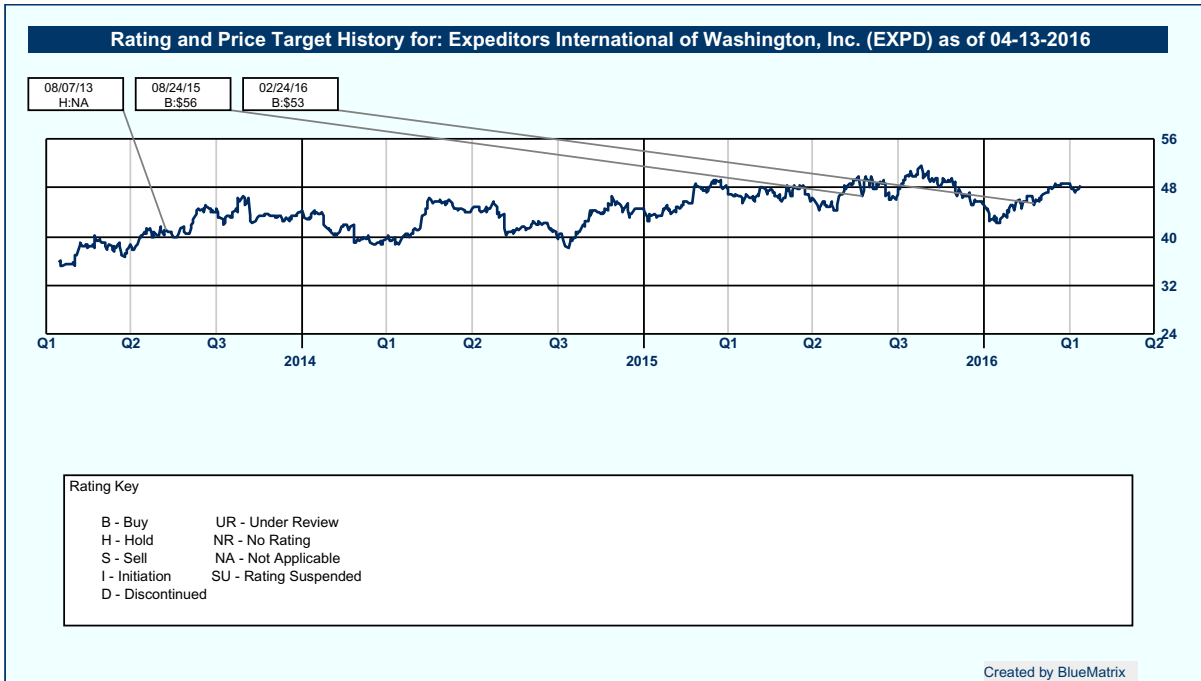
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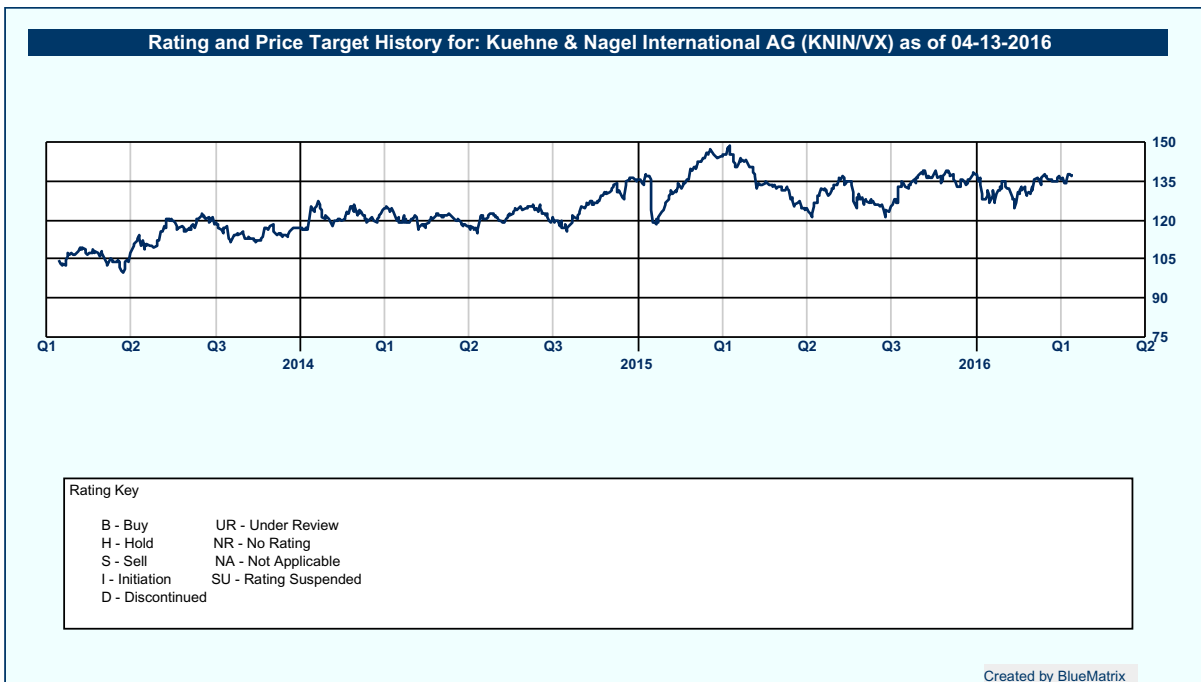
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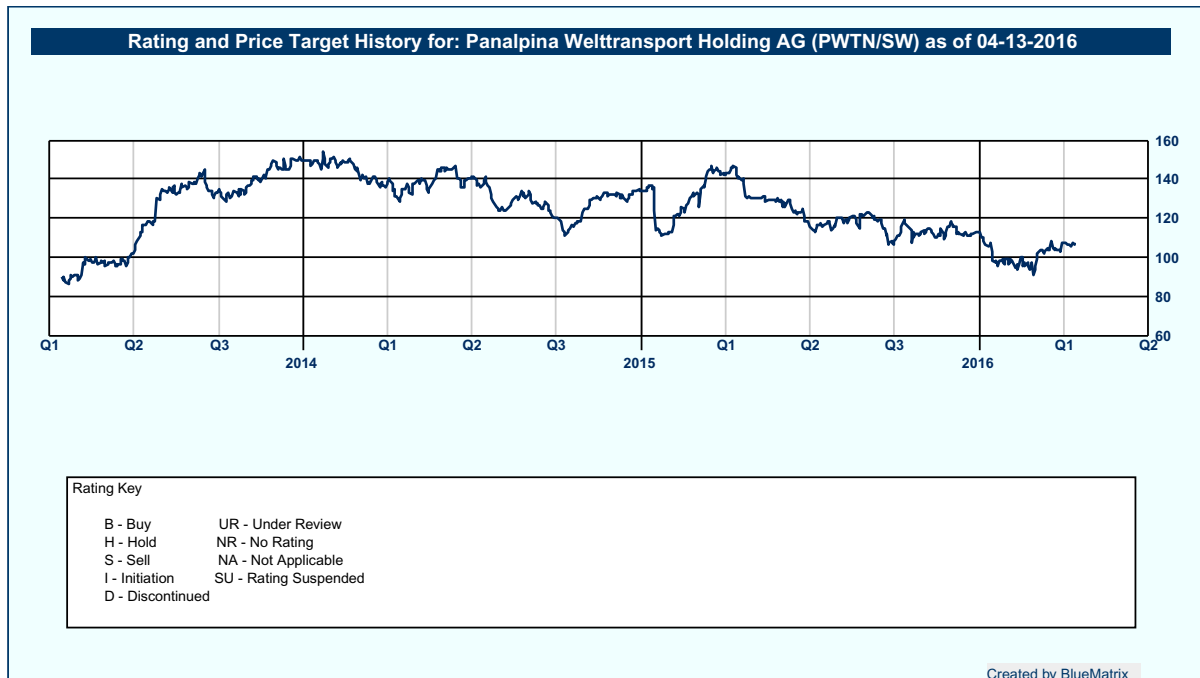
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