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Economic & Market Report- Newsletter - February Edition 2015

- **Exchange Rates:**

Currency 20th Nov.14 –20th Feb. 15	3 Month Low	3 Month High	3 Month Average	Actual Trading Price: 20th Feb. 2015
Euro-to-US Dollar (€1)	USD 1.1198	USD 1.2539	USD 1.2132	USD 1.1327
Euro-to-Rupee (€1)	INR 69.03	INR 80.22	INR 75.90	INR 70.48
Euro-to-Yuan (€1)	CNY 6.9750	CNY 7.7624	CNY 7.5287	CNY 7.1139
Euro-to-GBP (€1)	GBP 0.7372	GBP 0.7989	GBP 0.7871	GBP 0.7371
Euro-to-AUD (€1)	AUD 1.4113	AUD 1.5206	AUD 1.4925	AUD 1.4451
Euro-to-BRL (€1)	BRL 2.9057	BRL 3.6388	BRL 3.4196	BRL 3.2584
Euro-to-ZAR (€1)	ZAR 12.8430	ZAR 14.6054	ZAR 13.9234	ZAR 13.1930

(Source: European Central Bank: http://www.ecb.int)

- **Interest Rates**

Country	Current Rate	Previous Rate	Last Change
Australia	2.25%	2.55%	02/2015
Brazil	12.25%	11.75%	01/2015
China	5.60%	6.00%	11/2014
European Monetary Union	0.05%	0.15%	09/2014
India	7.75%	7.50%	01/2015
South Africa	5.75%	5.50%	07/2014
United Kingdom	0.50%	1.00%	03/2009
United States	0.25%	1.00%	12/2008

(Source: http://www.global-rates.com)

- **Oil Prices**

(Source: CNBC Market Data, http://data.cnbc.com/quotes/LCOU3/tab/2 Feb. 20th 2015)

Crude Oil	2 Year	1 Year	3 Month	1 Month	Trading Price Feb. 20th
	USD 118.57	USD 108.93	USD 79.64	USD 45.96	USD 60.27

- **Gross Domestic Product (% year)**

Country	2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015 Forecast	Forecast 2015	Forecast 2016
Australia	2,40%	3,00%	3,56%	3,50%	2,70%	2,80%	2,70%	2,80%	3,20%
Brazil	2,50%	0,01%	1,90%	0,90%	-0,90%	0,20%	-0,20%	-1,20%	2,30%
China	7,70%	6,00%	7,20%	7,50%	7,30%	7,40%	7,30%	7,30%	7,40%
Euro Area	-0,40%	0,50%	1,50%	1,00%	0,80%	0,90%	0,90%	1,20%	1,30%
France	0,40%	0,65%	0,64%	0,40%	0,40%	0,40%	0,20%	1,10%	1,30%
Germany	0,50%	2,10%	1,80%	1,00%	1,20%	1,60%	1,60%	1,30%	1,70%
India	4,70%	4,76%	5,30%	5,70%	7,50%	5,10%	8,20%	5,90%	6,70%
South Africa	1,90%	2,00%	1,60%	1,30%	1,30%	1,40%	2,70%	1,60%	1,90%
South Korea	3,40%	4,08%	3,90%	3,50%	3,20%	3,30%	3,20%	3,10%	3,10%
United Arab Emirates	5,20%	5,50%	4,40%	4,40%	5,20%	4,90%	4,30%	3,10%	3,40%
United Kingdom	1,70%	1,35%	3,70%	3,20%	2,60%	2,60%	2,70%	2,60%	2,50%
United States	1,90%	2,40%	1,80%	2,60%	2,50%	2,40%	2,70%	3,00%	2,80%

(Sources: HSBC Global Research – Key Economic Forecast; http://www.tradingeconomics.com)

- **JP Morgan Global Manufacturing Purchasing Managers Index (PMI) – Jan. 2015**

	November	December	January	Summary, Rate of Change
Global PMI	58.7	52.4	52.8	Expanding, faster rate
Output	53.4	52.4	52.8	Expanding, faster rate
New Orders	66.0	52.1	52.0	Expanding, slower rate
Australia	50.1	46.9	49.0	Contracting, slower rate
Brazil	48.7	50.2	50.7	Expanding, faster rate
China	50.0	49.6	49.7	Contracting, slower rate
Euro Area	50.6	50.6	51.0	Expanding, faster rate
France	48.4	47.5	49.2	Contracting, slower rate
Germany	49.5	51.7	52.3	Expanding, faster rate
India	54.5	52.9	54.5	Expanding, faster rate
United Kingdom	53.5	52.7	53.0	Expanding, faster rate

Source: http://www.markiteconomic.com/Survey/Page.mvc/PressRelease

Commentary: **Global economic growth accelerates in January**
The start of 2015 saw a modest acceleration in the rate of global economic expansion. The JPMorgan Global All-Industry Output Index1,2 – which is produced by JPMorgan and Markit in association with ISM and IFPSM – posted 52.8 in January, up from December's 14-month low of 52.4.
JPMorgan Global Manufacturing PMI™-a composite index* produced by JPMorgan and Markit in association with ISM and IFPSM – posted 48.9, up slightly from August's 38-month low of 48.1, but below the neutral 50.0 mark for the fourth month running.
Full document available http://www.markiteconomics.com/Survey/PressRelease.mvc/52b184024a1446779fe747f37d5df0ef
The key figure for PMI is 50. A reading of 50 or higher generally indicates that the industry is expanding. If manufacturing is expanding, the general economy should be doing likewise. As such, it is considered a good indicator of future GDP levels. Many economists will adjust their GDP estimates after reading the PMI report. Another useful figure to remember is 42. An index level higher than 42%, over time, is considered the benchmark for economic (GDP) expansion. The different levels between 42 and 50 speak to the strength of that.

- **Market Inflation Rate**

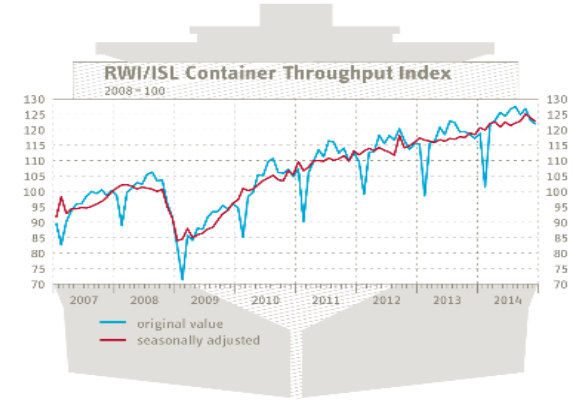
Country	2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015 Forecast	Forecast 2015	Forecast 2016
Australia	2,40%	2,70%	2,90%	3,00%	2,30%	2,50%	1,70%	1,90%	3,00%
Brazil	6,20%	6,10%	6,50%	6,75%	6,56%	6,30%	7,10%	7,20%	5,90%
China	2,60%	1,80%	2,30%	1,60%	1,50%	2,00%	0,80%	1,80%	1,90%
Euro Area	1,30%	0,70%	0,40%	0,30%	-0,20%	0,40%	-0,60%	-0,50%	0,80%
France	1,00%	0,60%	0,50%	0,40%	0,30%	0,60%	0,10%	-0,10%	0,90%
Germany	1,60%	1,30%	0,85%	0,80%	0,20%	0,80%	-0,40%	-0,30%	1,60%
India	9,40%	8,30%	7,96%	7,73%	5,00%	6,50%	5,10%	5,20%	5,80%
South Africa	5,80%	6,60%	6,60%	6,40%	5,80%	6,10%	5,30%	4,20%	6,20%
South Korea	1,30%	1,70%	1,60%	1,10%	0,80%	1,30%	0,80%	1,50%	2,30%
United Arab Emirates	1,10%	1,80%	2,30%	2,40%	2,80%	2,30%	3,10%	2,90%	3,00%
United Kingdom	2,50%	1,50%	1,90%	1,50%	1,00%	1,40%	0,50%	0,20%	1,70%
United States	1,50%	2,00%	2,10%	1,70%	1,30%	1,60%	0,80%	0,20%	2,20%

(Source: HSBC Global Research – Key Economic Forecast)

Commentary: RWI/ISL Container Throughput Index significantly decreases

The Container Throughput Index of the Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) and the Institute of Shipping Economics and Logistics (ISL) experienced a significant decline of (revised) 123.9 to 122.7 points in December. Also the value for November was revised downwards by 0.5 points. All in all, the index is now just slightly above the level of mid-year 2014.

At this stage, however, it is still not possible to leave a statement whether the recovery in world trade in the previous months was only an intermediate high or if it is only a temporary decline, e.g. due to this year's situation of the Christmas holidays. The flash estimate for December is based on data of 38 ports, covering a total of about two-thirds of container throughput shown in the index.



RWI/ISL computations based on data provided by 75 ports. December 2014: flash estimate.

The index is based on data of 75 world container ports covering approximately 60 per cent of worldwide container handling. The ports are continuously monitored by the ISL as part of their market analysis. Because large parts of international merchandise trade are transported by ship, the development of port handling is a good indicator for world trade. As many ports release information about their activities only two weeks after the end of the respective month, the RWI/ISL Container Throughput Index is a reliable early indicator for the development of international merchandise trade and hence for the activity of the global economy.

Background Information: Construction of the RWI/ISL-Container Throughput Index

The Container Throughput Index is a joint project of RWI with the Institute of Shipping Economics and Logistics (ISL). It aims at providing timely information on short term trends in international trade. The index is based on the consideration that containers have become the most important means of transporting processed products. Therefore, the global container throughput and international trade can be expected to be highly correlated.

As a part of their monthly reporting many ports publish data on container throughput expressed in twenty foot equivalent units (TEU). ISL collects these data systematically in its port database. Currently, the data base covers 75 ports providing time series of monthly figures which are long enough to be integrated into the indicator. In these ports about 60% of world container throughput is handled.

Calculating the indicator starts about 20 days after the end of each month. At that time about 25 ports have already publish information about the container throughput in the latest months, which allow a flash estimate of the indicator. Data still missing are forecasted using statistical time series models. Thereafter, the data are added up and the sum is adjusted for seasonal and calendar effects. Furthermore, the trend-cycle component of the seasonally adjusted figures is estimated to eliminate irregular influences. One month later, as a rule data on 65 ports are available. Then an update of the figures already published is made and a new flash estimate for the latest month is released.

The RWI/ISL-Container Throughput Index shows a close correlation with world trade. The index provides valuable input into business cycles analyses, since it is available 3 to 4 months in advance of data on world trade published by international organizations, and one month in advance of the first estimates of world trade volumes.

Source: http://en.rwi-essen.de/forschung-und-beratung/wachstum-und-konjunktur/projekte/containerumschlagindex/

Air Freight Indicators:

- **Key Points December 2014**

  Economic conditions around the world showed considerable variation throughout 2014, but the environment for air freight demand was supportive overall. Freight tonne kilometers (FTKs) expanded 4.5% in 2014 compared to 2013; a significant improvement on growth of just 1.4% in 2013 versus 2012.

  Concerns have been rising about the health of the global economy at the start of 2015, and business confidence has weakened. But there was no sign of weakness in the December air freight data. Growth in air freight volumes reflects acceleration in world trade activity in mid-2014. In fact, the 4.9% rise in FTKs in December compared to a year ago is above the growth trend for the year overall.

  During the first half of 2014, air freight volumes and world trade overall went through a weak patch, but there was a marked acceleration during the second half of last year. Notably, this improvement in international trade during the past six months has taken place while domestic industrial production growth remained stable.

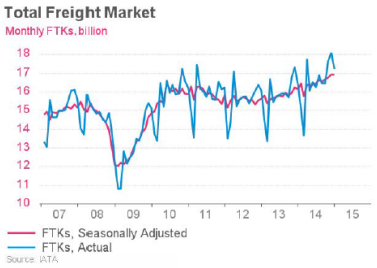
  As the second chart below shows, the acceleration of world trade relative to domestic production in the second half of 2014, comes after several years of interruption to the previous upward trend. This flat-lining of the trade-production ratio has been bad news for demand for air freight in recent years, dampening the strength of the cyclical upturn in air freight last year. It is too soon to say whether the last half year signals a diminution of the adverse impact of recent on-shoring and trade protectionism, but it certainly is a development worth watching.

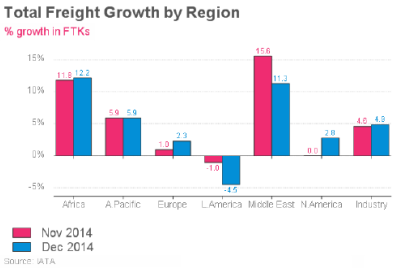
  Most of the improvement in air freight in 2014 has been carried by airlines in Asia Pacific and the Middle East. Airlines in these regions carried 46% and 29% of the expansion in FTKs in 2014, respectively. Acceleration in trade volume growth in Emerging Asia has helped airlines in Asia Pacific experience growth of 5.4% in 2014 overall, a notable turnaround after a 1.0% decline in 2013.

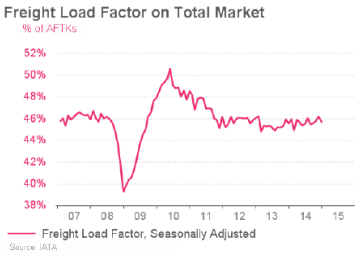
  Nonetheless, growth in trade flows and air freight demand has been uneven. Other regions remain relatively weak, including Europe and Latin America. Recent weakening in business confidence has not had any negative impact on trade momentum and air freight, but concerns over the health of the global economy present downside risks to the current positive trend in trade and air cargo.

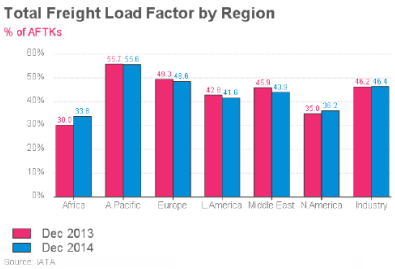
- **Traffic Growth & Load Factors & Capacity Volume**

	YTD 2014 vs. YTD 2013	Dec. 2014 vs. Dec. 2013
Freight Tonne Kilometres (13.5bn)	4,5%	4,9%
Available Freight Tonne Kilometres	3,7%	4,6%
Freight Load Factor	45,7%	46,4%









Commentary :

Most of the improvement in air freight in 2014 has been carried by airlines in Asia Pacific and the Middle East. Airlines in Asia Pacific were only the third fastest growing region in FTKs carried in 2014, expanding 5.4%, but that increase over the year still represented over 46% of the total expansion in the market. This is the most important region for air freight, mostly because a large part of the world's manufacturing takes place in this region but increasingly because there are growing numbers of middle-income consumers. Emerging Asian economies have seen a sharp rise of imports in the past six months, which has supported the air freight businesses of carriers in this region. The acceleration in trade has resulted from better performance of the Japanese economy (despite the adverse impacts of the consumption tax), as well as strength in Chinese exports (reflecting improvement in advanced economy (US) demand). The performance in 2014 was also a marked turnaround compared to 2013, when FTKs for airlines in Asia Pacific contracted by 1.0% overall.

Middle East airlines have been responsible for carrying 29% of the increase in industry FTKs in 2014. Their growth rate in 2014 was 11.0% compared to 2013, the fastest among regions. Trade has been increasing with Middle East economies but a large part of the airlines business success is due to network and capacity expansion that has encouraged air freight to go through Middle East hubs. Airlines in this region contributed over 37% of the increase in worldwide air freight capacity in 2014 – as a result load factors in this region declined.

North America airlines have benefited from improving economic performance of the US during 2014. Growth is strong for a mature region, and trade--both exports and imports--has continued to show robust growth. In fact airlines in this region experienced a 2.4% expansion in FTKs in 2014, a solid improvement on 2013 when volumes fell 0.4% for the year as a whole. However, the North American airlines have been cutting back on capacity, as they seek to improve financial performance. Load factors have been improving in this region.

Growth in air freight carried by European airlines was weak in 2014, expanding 2.0%. The Eurozone is once more close to recession and worries are increasing about another Euro crisis, while in the East of the region there are sanctions on Russia and its economy is already in recession. The North Atlantic and markets to Asia remain sources of potential growth, but the negative impacts of weak home markets are large. As a result European airlines have seen very little growth in the FTKs they carry and face declining load factors.

In Latin America there are major economic problems in Brazil and Argentina, as well as a number of the smaller economies. Air freight, for the airlines in this region, increased only 0.1% in 2014 overall.

African airlines, although carrying a small part of worldwide FTKs, saw the second fastest expansion in air freight volumes, 6.7% in 2014 overall. Although major economies Nigeria and South Africa underperformed during parts of 2014, regional trade activity held-up, supporting demand for air transport of goods.

Source: IATA - Air Transport Market Analysis Dec. 2014 published on www.iata.org/economic

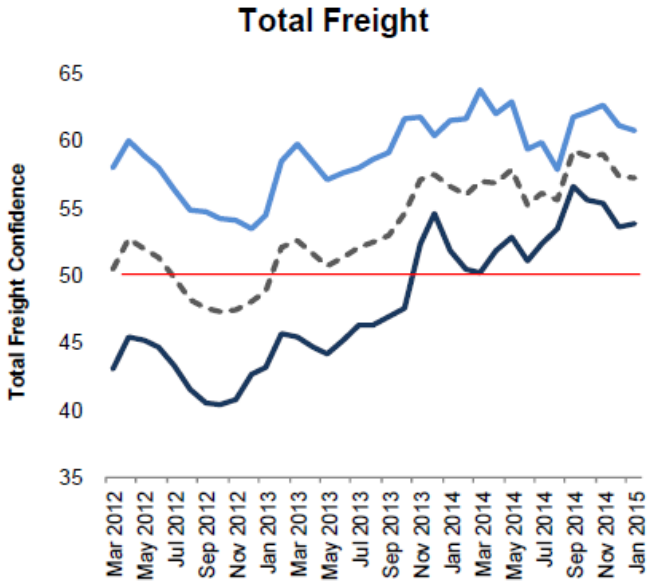
STIFEL NICOLAUS – Logistics Confidence Index

Commentary: Overview – January 2015

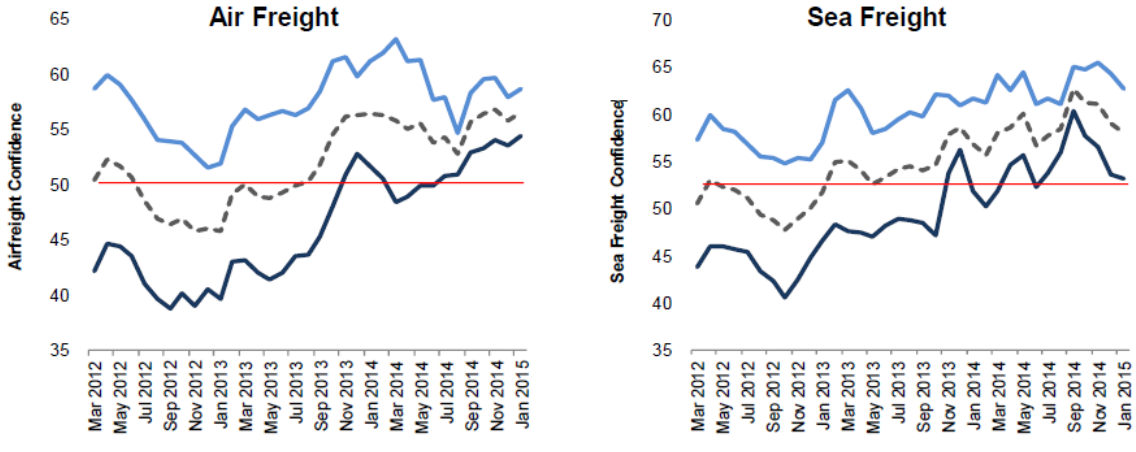
The overall Stifel Logistics Confidence Index began 2015 with a slight dip, falling sequentially by 0.1 points with a general improvement in airfreight volumes being offset by a general degradation in sea freight volumes. On an absolute basis, a score of 57.3 still compares favorably with normal seasonal patterns.

Looking at the component modes, the overall airfreight confidence index increased 0.8 points to 56.6 sentiment in both the present situation and the six month expected outlook improved. On the other hand, the overall sea freight confidence index declined 1.0 index points, falling sequentially in both the present situation and the expected situation.

For January's one off question, we asked respondents how the overall European economy would affect freight volumes over the next six months. Unsurprisingly, 6.5% indicated volumes would be mixed depending on the region. Meanwhile, 17.4% said deteriorating macro conditions would stifle volumes, 13% expected improving macro conditions to boost volumes, 10% were unsure, and 2.9% anticipated no effect.



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.



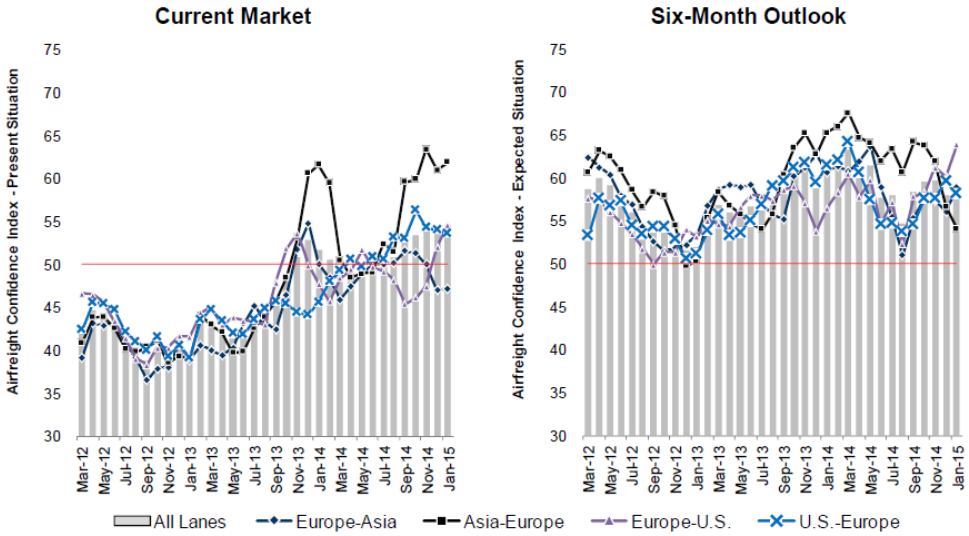
	Present Situation	Expected Situation	Confidence
Mode	Jan 2015	Jul 2015	Average
Air Freight	54.5	58.7	56.6
Sea Freight	53.2	62.7	58.0
Total Freight	**53.9**	**60.7**	**57.3**

Air Freight Confidence Index

The total airfreight logistics confidence index increased 0.8 points from last month, reaching 56.6 in January 2015. Compared with January 2014, the index has increased only modestly 0.1 points.

In terms of the present situation, the airfreight index has continued its relatively steady upward trend since March 2014, registering 54.5 for the month. All lanes experienced gains in the current month except U.S. to Europe, which declined 0.4 points to 53.6. Europe to the U.S. was the biggest gainer, rising 2.6 points to 54.7. Europe to Asia increased 0.2 points to 47.2 and Asia to Europe gained 0.9 points to 61.9.

Looking ahead six months, the expected situation index for total airfreight was up 0.7 points to 58.7 in January. European import lanes declined, with Asia to Europe falling 2.6 points to 54.1 and U.S. to Europe down 1.4 points to 58.2. Europe to the U.S. saw the biggest jump, climbing 3.7 points to 63.9, while Europe to Asia was up 2.8 points to 58.9.



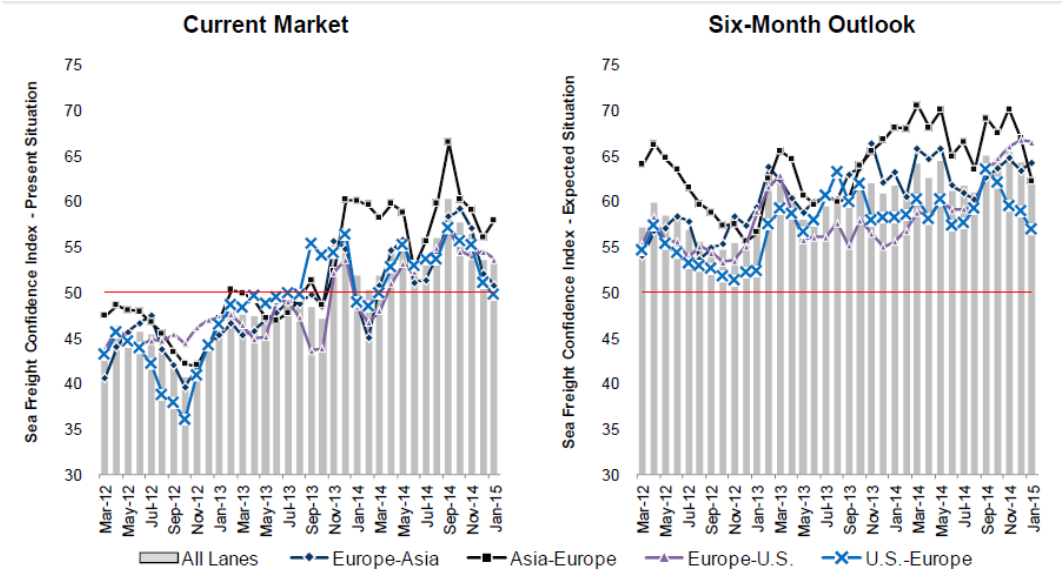
	Air Freight		
Trade Lane	Jan 2015	Jul 2015	Confidence
Europe-Asia	47.2	58.9	53.1
Asia-Europe	61.9	54.1	58.0
Europe-U.S.	54.7	63.9	59.3
U.S.-Europe	53.6	58.2	55.9
Total Index	**54.5**	**58.7**	**56.6**

Sea Freight Confidence Index

For sea freight, the logistics confidence index declined 1.0 points to 58.0 in January. Compared with the same month in 2014, the index was 1.2 points higher.

For the present situation, the index declined 0.4 points to 53.2. Asia to Europe was the only lane to post a positive growth figure, up 2.0 points to 58.0. Europe to Asia declined 1.3 points to 50.8, Europe to the U.S. slipped 0.8 points to 53.7, while U.S. to Europe had the biggest decline at 1.4 points to 49.7, dropping below the 50.0 level for the first time since March 2014, and indicating lower volumes than the seasonal norm.

The expected situation index for sea freight fell 1.6 points to 62.7. Europe to Asia noted the only gain, rising 0.9 points to 64.3. The Asia to Europe lane fell 4.8 points to 62.2 for the month. Meanwhile, the Europe to U.S. lane slipped 0.2 points to 66.6, and the U.S. to Europe lane fell 2.0 points to 56.9.



	Sea Freight		
Trade Lane	**Jan 2015**	**Jul 2015**	**Confidence**
Europe-Asia	50.8	64.3	57.6
Asia-Europe	58.0	62.2	60.1
Europe-U.S.	53.7	66.6	60.2
U.S.-Europe	49.7	56.9	53.3
Total Index	**53.2**	**62.7**	**58.0**

Methodology

The Stifel Nicolaus 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 US • US 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.

About Stifel Nicolaus

Stifel Nicolaus is the main subsidiary of Stifel Financial Corp. (NYSE: SF) and provides securities brokerage, investment banking, trading, investment advisory, and related financial services to individual investors, professional money managers, businesses, and municipalities. Stifel's Transportation & Logistics Group is one of the leading teams on Wall Street in assisting both investors and companies at better understanding the ever-changing global logistics landscape. For more information about the group or the index, please contact Bruce Chan at chanb@stifel.com or (443) 224-1386.

Source: http://www.transportintelligence.com/articles_papers/

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