## Economic & Market Report- Newsletter- January Edition 2013

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# Macroeconomic Indicators:

- **Exchange Rates:**

| Currency 13th Sept. – 13th Dec. 2013 | 3 Month Low | 3 Month High | 3 Month Average | Actual Trading Price: 14th Jan. 2014 |
|---|---|---|---|---|
| **Euro-to-US Dollar (€1)** | USD 1.3365 | USD 1.3814 | USD 1.3618 | USD 1.3671 |
| **Euro-to-Rupee (€1)** | INR 83.14 | INR 85.62 | INR 84.51 | INR 84.04 |
| **Euro-to-Yuan (€1)** | CNY 8.1420 | CNY 8.3998 | CNY 8.2835 | CNY 8.2271 |
| **Euro-to-GBP (€1)** | GBP 0.8257 | GBP 0.8567 | GBP 0.8388 | GBP 0.8320 |
| **Euro-to-AUD (€1)** | AUD 1.4088 | AUD 1.5520 | AUD 1.4777 | AUD 1.5201 |
| **Euro-to-BRL (€1)** | BRL 2.9448 | BRL 3.2753 | BRL 3.1273 | BRL 3.2255 |
| **Euro-to-ZAR (€1)** | ZAR 13.3871 | ZAR 14.7150 | ZAR 13.9528 | ZAR 14.8145 |

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

- **Interest Rates**

| Country | Current Rate | Previous Rate | Last Change |
|---|---|---|---|
| **Australia** | 2.50% | 2.75% | 08/2013 |
| **Brazil** | 10.00% | 9.50% | 11/2013 |
| **China** | 6.00% | 6.31% | 07/2012 |
| **European Monetary Union** | 0.25% | 0.50% | 11/2013 |
| **India** | 7.75% | 7.50% | 10/2013 |
| **South Africa** | 8.50% | 9.00% | 08//2012 |
| **United Kingdom** | 0.50% | 1.00% | 03/2009 |
| **United States** | 0.25% | 1.00% | 12/2008 |

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

- **Oil Prices**

**BRENT CRUDE FEB4** LCOG4 : Intercontinental Exchange Europe


(Source: CNBC Market Data, http://data.cnbc.com/quotes/LCOU3/tab/2 January 8th.2014)

| Crude Oil | 2 Year | 1 Year | 3 Month | 1 Month | Trading Price Jan. 8th |
|---|---|---|---|---|---|
| | USD 110.88 | USD 111.24 | USD 109.95 | USD 111.48 | USD 107.52 |

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

| Country | 2011 | 2012 | 2013 | Forecast Q1 2014 | Forecast 2014 | Forecast 2015 |
|---|---|---|---|---|---|---|
| **Australia** | 2,10% | 3,70% | 2,40% | 2,30% | 2,60% | 1,00% |
| **Brazil** | 2,70% | 0,90% | 2,20% | 2,20% | 2,20% | 1,20% |
| **China** | 9,30% | 7,70% | 7,70% | 7,50% | 7,40% | 7,70% |
| **Euro Area** | 1,50% | -0,60% | -0,40% | -0,40% | 0,80% | 1,00% |
| **France** | 1,70% | 0,00% | 0,20% | 0,20% | 0,60% | 1,00% |
| **Germany** | 3,10% | 0,90% | 0,60% | 1,10% | 1,70% | 1,50% |
| **India** | 7,50% | 5,10% | 4,70% | 4,80% | 5,00% | 6,20% |
| **South Africa** | 3,10% | 2,50% | 1,80% | 1,80% | 2,60% | 3,10% |
| **South Korea** | 3,60% | 2,00% | 2,70% | 3,30% | 3,20% | 3,40% |
| **United Arab Emirates** | 4,20% | 3,70% | 4,50% | 4,40% | 5,10% | 5.20% |
| **United Kingdom** | 0,80% | 0,20% | 1,40% | 1,90% | 2,60% | 2,70% |
| **United States** | 1,80% | 2,80% | 1,80% | 2,00% | 2,30% | 2,50% |

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

- **JP Morgan Global Manufacturing Purchasing Managers Index (PMI) –December 2013**

| | October | November | December | Summary, Rate of Change |
|---|---|---|---|---|
| **Global PMI** | 52.1 | 53.1 | 53.3 | Expanding, faster rate |
| **Output** | 52.9 | 55.2 | 55.3 | Expanding, faster rate |
| **New Orders** | 53.3 | 54.8 | 54.7 | Expanding, slower rate |
| | | | | |
| **Australia** | 53.1 | 47.7 | 47.6 | Contracting, faster rate |
| **Brazil** | 52.1 | 52.3 | 51.7 | Expanding, slower rate |
| **China** | 51.8 | 52.3 | 51.2 | Expanding, slower rate |
| **Euro Area** | 51.3 | 51.6 | 52.7 | Expanding, faster rate |
| **France** | 49.1 | 48.4 | 47.0 | Contracting, faster rate |
| **Germany** | 51.7 | 52.7 | 50.7 | Expanding, slower rate |
| **India** | 47.5 | 48.5 | 46.7 | Contracting, faster rate |
| **United Kingdom** | 59.4 | 62.6 | 58.8 | Expanding, slower rate |

(Source: Market Economics http://www.ism.ws/ISMReport/content.cfm?ItemNumber=23

**Commentary**: **Manufacturing output rises at fastest pace since February 2011** The end of 2013 saw growth of the global manufacturing sector accelerate to a 32-month high. The J.P.Morgan Global Manufacturing PMI™ – a composite index1 produced by JPMorgan and Markit in association with ISM and IFPSM – rose to 53.3 in December, up from 53.1 in November, to signal expansion for the twelfth month in a row. **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.ism.ws/files/ISMReport/JPMorgan/JPMorganMfg110413.pdf * 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 | 2010 | 2011 | 2012 | 2013 | Forecast 2014 | Forecast 2015 |
|---|---|---|---|---|---|---|
| **Australia** | 2,80% | 3,40% | 1,80% | 2,30% | 2,70% | 2,80% |
| **Brazil** | 5,00% | 6,60% | 5,40% | 6,20% | 6,00% | 6,00% |
| **China** | 3,30% | 5,40% | 2,70% | 2,60% | 2,70% | 3,10% |
| **Euro Area** | 1,60% | 2,70% | 2,50% | 1,40% | 1,00% | 1,20% |
| **France** | 1,70% | 2,30% | 2,20% | 1,30% | 0,80% | 1,10% |
| **Germany** | 1,20% | 2,50% | 2,10% | 1,60% | 1,70% | 1,70% |
| **India** | 10,40% | 8,40% | 10,20% | 9,50% | 7,20% | 7,80% |
| **South Africa** | 4,30% | 5,00% | 5,70% | 5,80% | 5,70% | 5,50% |
| **South Korea** | 3,00% | 4,00% | 2,20% | 1,20% | 2,60% | 3,00% |
| **United Arab Emirates** | 1,80% | 1,50% | 0,40% | 1,10% | 3,50% | 5,50% |
| **United Kingdom** | 3,30% | 4,50% | 2,80% | 2,60% | 2,40% | 2,40% |
| **United States** | 1,60% | 3,10% | 2,10% | 1,50% | 1,70% | 1,90% |

(Source: HSBC Global Research – Key Economic Forecast)

# Sea Freight Indicators:

- **Growth and Cycles**

**Commentary: RWI/ISL Container Throughput Index: Ongoing upward trend in world trade**

The RWI/ISL Container Throughput Index has improved again in November. It rose from its October value of 117.0 to 117.4. At the same time, the September value was slightly revised upwards as some ports retroactively published higher handling volumes than in the previously reported preliminary data. The Index thereby increased for the fifth month in a row, hence confirming that the international merchandise exchange has left behind the period of stagnation. However, the upward momentum is not very pronounced yet.

The October value remained unchanged from the flash forecast published last month. The current flash forecast was carried out somewhat earlier than usually due to the upcoming holiday season. It hence only includes 40 ports representing roughly 72% of the container handling included in the Index. This could mean that the November value may have to be revised more strongly than normally during its next computation.

The Index is based on data of 73 world container ports covering approximately 60% 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.


own estimates after information for 73 port

**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 72 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. Hitherto, 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 November 2013**

Air freight markets surged in November with a 6.1% rise in global freight tonne kilometers compared to a year ago. This is a solid improvement on the October increase of 4.4%.

November is typically a strong month for air freight as businesses increase inventories for the upcoming holiday season. But the first chart below shows that global FTKs increased in November compared to October even after adjustment for seasonal factors. While month-to-month changes can show significant volatility, the increase in volumes in November (and recent past months) is consistent with improvements in the business environment.

The strong global result was driven by a solid rise in freight volumes carried by Asia Pacific airlines, which constitute the largest share of global FTKs. Airlines in this region saw a 4.9% increase in air freight volumes in November compared to a year ago, in contrast to the 1.0% contraction seen throughout the year as a whole. Over recent months, economic growth in China has picked up and Asian trade volumes have rebounded after significant declines mid-year. Improving demand for Asian manufactured consumer goods in North America and Europe has also supported the rise in Asian trade and air freight volumes.

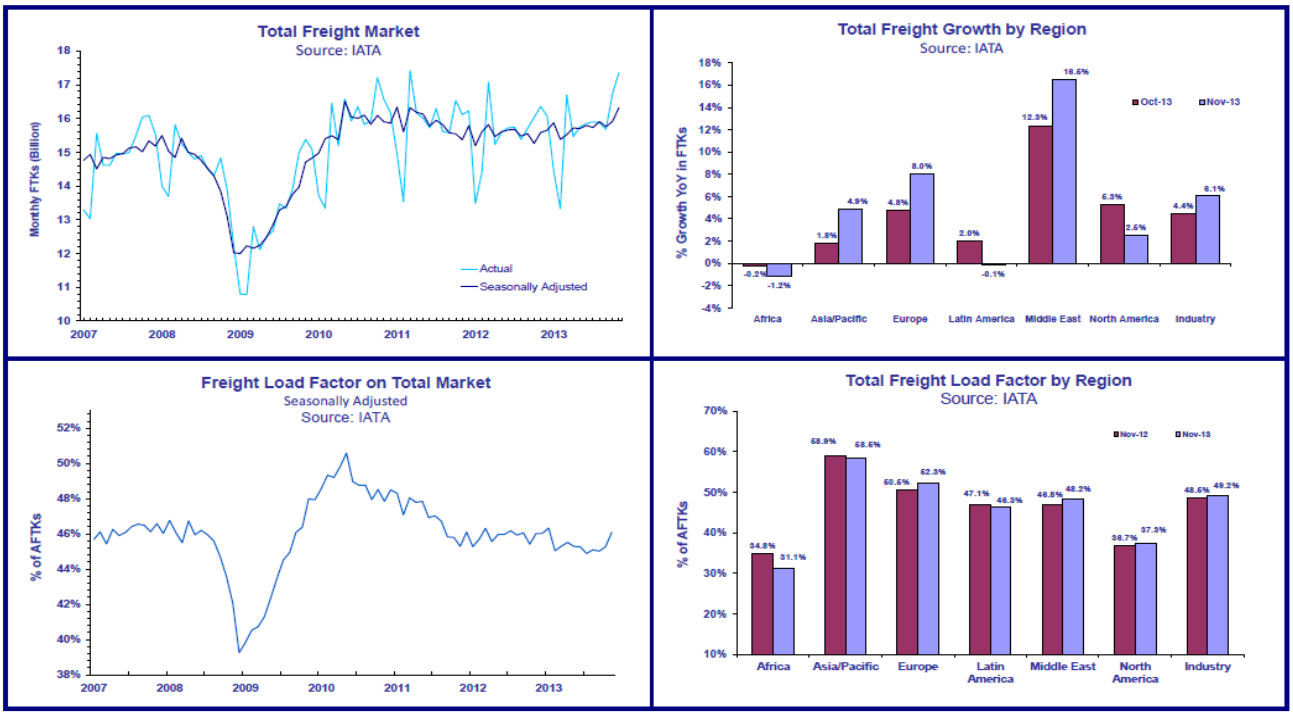
The November air freight results also show solid growth for Middle Eastern and European carriers, rising 16.5% and 8.0%, respectively, compared to year ago. November performance of European airlines is above year-to-date growth (1.7%), maintaining the steady improvements in demand over recent months and is consistent with the region's emergence from economic contraction in 2013. Carriers in the Middle East have benefited from improvements in demand in Europe and solid economic and trade growth of nations in the Gulf.

Load factors have turned up after continued decline throughout much of 2013. In November, load factors were buoyed by the solid growth in demand and slower capacity expansion, resulting in a 0.8% rise compared to October. Load factors are now finally above year-ago levels, supported by the improvement over the past two months, which could help alleviate downward pressure on cargo profitability.

The outlook for air freight markets continues to improve slowly. Business confidence has sustained an upward trend since mid-2013, and improvements in export orders over recent months appear now to be translating to a pick-up in world trade growth. But additional gains in trade growth have been limited by an increase in on-shoring, which if continued could suppress further acceleration in both trade and air freight.

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

| | YTD 2013 vs. YTD 2012 | Nov. 2013 vs. Nov. 2012 |
|---|---|---|
| **Freight Tonne Kilometres (13.5bn)** | 1,4% | 6,1% |
| **Available Freight Tonne Kilometres** | 2,5% | 4,8% |
| **Freight Load Factor** | 45,2% | 49,2% |




**Commentary**:. Air freight markets surged in November with a 6.1% rise in global freight tonne kilometers compared to a year ago. This is a solid improvement on October growth of 4.4%. Global FTKs also increased strongly in November compared to October, expanding 2.5%. The rise has taken air freight volumes to highs not seen since the start of 2011. The improvements are consistent with a more supportive business environment, with continued increases in business confidence and world trade growth. World trade growth momentum (measured as the average growth of the latest three months) is now the fastest it has been since February 2011. But additional gains in trade growth have been limited by an increase in on-shoring and protectionist measures, which if continued could suppress further acceleration in both trade and air freight.

The strong global result was driven by a solid rise in freight volumes carried by Asia Pacific airlines, which constitute the largest share of global FTKs. Airlines in this region saw a 4.9% increase in air freight volumes in November compared to a year ago, in contrast to the 1.0% contraction seen throughout the year as a whole. Over recent months, economic growth in China has picked up and that has benefitted other major Asian export economies. Japan leads the manufacturing upturn in Asia, but growth in manufacturing has also picked up in Taiwan and South Korea and helped maintain solid growth in this sector in Vietnam and Indonesia. As a result, Asian trade volumes have rebounded after significant declines mid-year. Improving demand for Asian manufactured consumer goods in North America and Europe has also supported the rise in trade and air freight volumes for Asia Pacific carriers.

The November air freight results also show solid growth for Middle Eastern and European carriers, rising 16.5% and 8.0%, respectively, compared to year ago. November performance of European airlines is above growth year-to-date (1.7%) maintaining the steady improvements in demand over recent months, consistent with the region's emergence from economic contraction in 2013. Indicators of manufacturing activity in the Eurozone (measured by JPMorgan/Markit) show that Q4 2013 has been the strongest quarter for two and a half years. It is important to note, however, that further recovery in the Eurozone economy is likely to remain slow and fragile, and improvements throughout the region remain patchy and volatile. Carriers in the Middle East have benefited from improvements in advanced economies, including better demand in Europe, as well as solid economic and trade growth of nations in the Gulf. The trend is likely to continue with indicators showing record high increases for exports orders in the United Arab Emirates, which bodes well for continued growth in the region's trade volumes.

North American airlines recorded a solid 2.5% rise in FTKs in November compared to a year ago, above the growth trend so far this year (a 0.4% contraction). Indicators of business activity in the manufacturing sector have been improving over recent months, recovering from any adverse impacts of the government shutdown in October. But the rates of expansion are significantly slower than they were at the start of 2013, so the outlook for air freight demand for carriers in the region remains challenging.

Latin American carriers saw a slight decline (0.1%) in FTKs in November compared to a year ago. However there was a rise in volumes over the month of 1.7% in November compared to October. In fact there have been steady increases in FTKs carried by Latin American carriers since Q3, after weakness in the first half of the year. Growth so far this year (3.2%) is second fastest among regions. Air freight demand has been supported by solid growth in Latin American trade volumes, but also contained by sluggish growth in Brazil, the continent's largest economy.

While African airlines experienced a contraction in November compared to a year ago (1.2%) they also recorded a 5.0% increase in volumes in November compared to October, which suggests an upturn in the recent growth trend. The data for this region, however, continues to show significant volatility and a clear trend is difficult to establish. What is clear, however, is that after a solid start to the year, growth in air freight carried by African airlines was weak throughout mid-2013. Although trade volumes for the region continue to increase and local economies are seeing fast growth, competition from airlines registered in other regions is intense on important trade routes and lack of adequate infrastructure and political stability continue to hinder growth potential. Moreover, profitability prospects for African airline cargo business remain weak, with load factors falling further, from 34.8% in November 2012 to 31.1% in November 2013.

. **Source: IATA - Air Transport Market Analysis November 2013 published on www.iata.org/economics**

# STIFEL NICOLAUS – Logistics Confidence Index

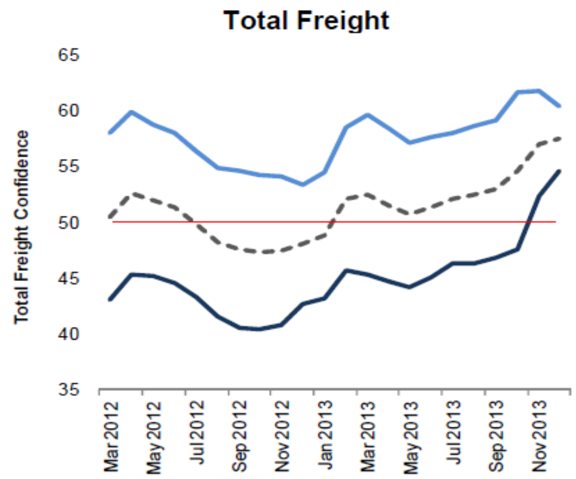
## Commentary: Overview – December 2013

**It appears 2013 will end on a positive note as the current logistics situation remained above the 50-level for both Air and Sea. This month's overall Logistics Confidence Index climbed again and is at its highest point since the index began in March 2012.**

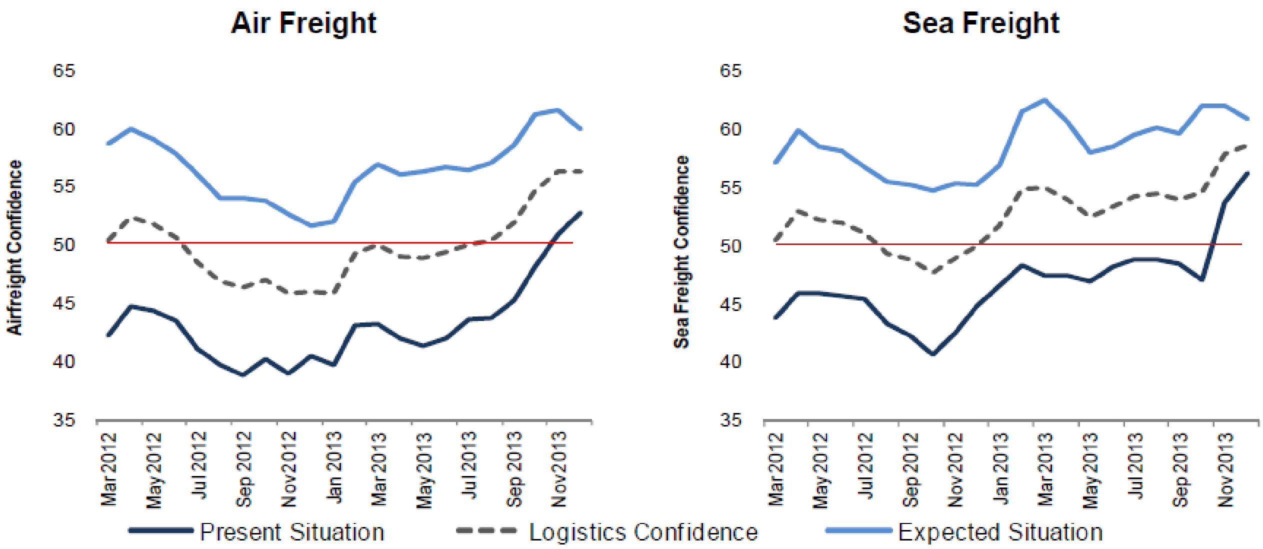
The overall Stifel Logistics Confidence Index increased 0.4 index points to 57.5 in December. The index has remained above the significant 50-mark since February 2013 and is at the highest point since the index began in March 2012.

In terms of the present logistics situation, the overall index increased 2.3 points to 54.6 for December. The index for sea freight climbed 2.6 points from November to 56.3. Meanwhile, the index for air freight increased 1.9 points to 52.8 for the month. Regarding the six-month outlook, the overall index slipped 1.4 index points to 60.4.

In this month's one off question, we asked survey participants if they anticipated strong demand during the holiday season. Some 44.0% of respondents indicated yes, while 37.0% said no and 19.0% were unsure.



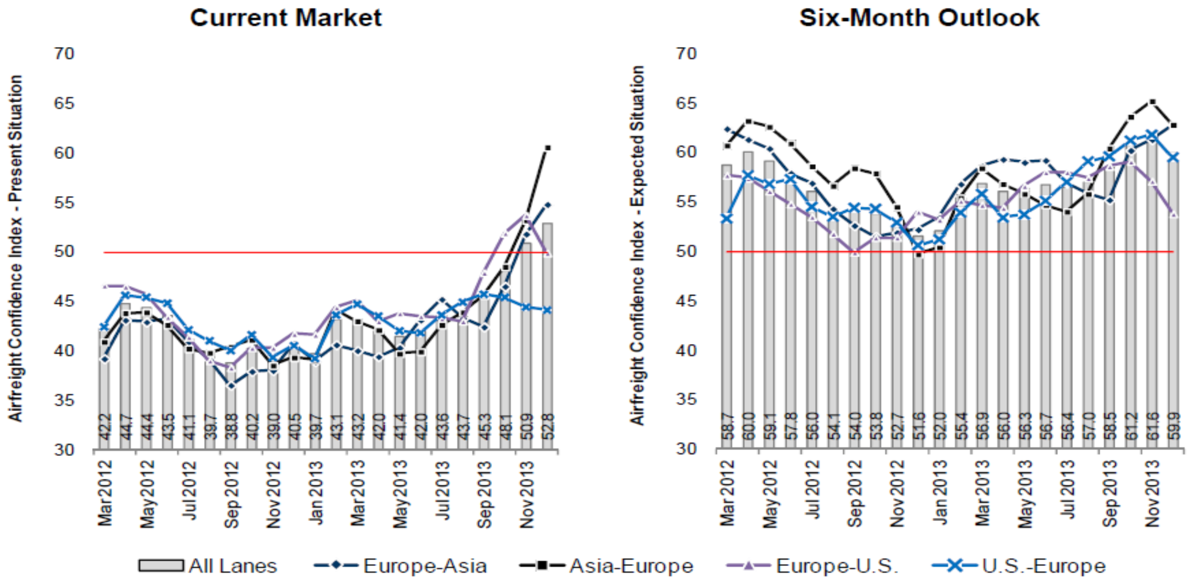

*The logistics situation index illustrates current condition faced by forwarders, while the logistics expectations index shows how the situation is expected to develop over the next six months. The logistics confidence index, an average of both the present situation and expected situation indices, expresses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




| Mode | Present Situation | Expected Situation | Confidence |
|---|---|---|---|
| | Dec 2013 | Jun 2014 | Average |
| Air Freight | 52.8 | 59.9 | 56.4 |
| Sea Freight | 56.3 | 60.9 | 58.6 |
| **Total Freight** | **54.6** | **60.4** | **57.5** |

### Air Freight Confidence Index

The overall index for air freight increased slightly by 0 1points to 56.4 in December 2013. When compared with December 2012, the index was 10.3 points higher.
In terms of the current logistics situation, the index registered 52.8 for the month compared with 50.9 in November. Changes among the lanes were mixed for the month. The US to Europe lane slipped 0.3 points to 44.1. The Europe to Asia route increased 3.0 points to 54.8, Asia to Europe increased 7.4 index points to 60.6 and the Europe to US lane declined 3.8 index points to 49.9.
In terms of expectations for the next six months the index declined 1.7 points to 59.9 in December. By lane, the index for Europe to Asia increased 1.5 points, to 62.8 for the month, and the Asia to Europe lane declined 2.4 points to 62.8. The Europe to US lane noted a 3.3 point decline to 53.8 and the US to Europe lane declined 2.3 points to 59.5. The index for all lanes remained above the 50 mark indicating that forwarders' continue to be optimistic for an improving airfreight market over the next six months.




| | Air Freight | | |
|---|---|---|---|
| Trade Lane | Dec 2013 | Jun 2014 | Confidence |
| Europe-Asia | 54.8 | 62.8 | 58.8 |
| Asia-Europe | 60.6 | 62.8 | 61.7 |
| Europe-U.S. | 49.9 | 53.8 | 51.9 |
| U.S.-Europe | 44.1 | 59.5 | 51.8 |
| **Total Index** | **52.8** | **59.9** | **56.4** |

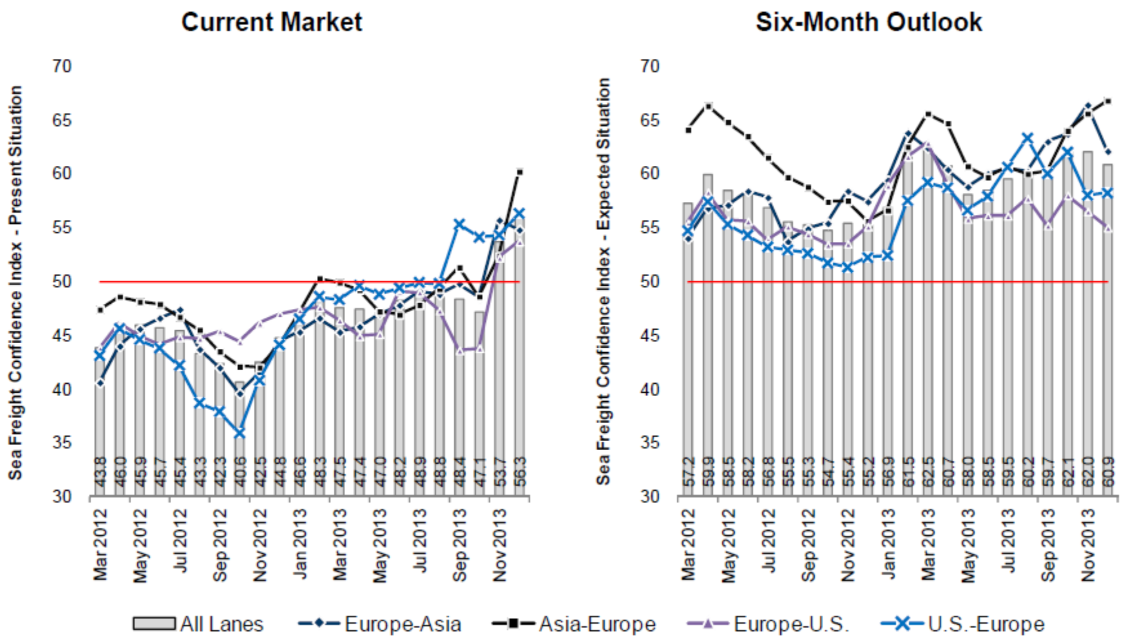
### Sea Freight Confidence Index

For sea freight the overall index increased 0 7 points freight, 0.7 to 58.6 in December. Compared with the same month in 2012, the index was 8.6 points higher.

For the present situation, the index noted good increases in most lanes. The Europe to Asia lane was the only lane to note a decline of 0.9 points to 54.8, while the Asia to Europe lane jumped 7.8 points to 60.2. Meanwhile, the Europe to the US route increased 1.5 index points to 53.7 while the US to Europe lane increased 2.0 points to 56.3.

Sea forwarders continued to remain mixed on all lanes covered for the next six months. The index for logistics expectations declined 1.1 points to 60.9 in December.

The Europe to Asia lane declined 4.3 points to 62.1 for the month. Forwarders on the Asia to Europe lane noted an increase of 1.2 points to 66.8. Meanwhile, the US to Europe lane increased 0.2 points to 58.2 while the Europe to US lane declined 1.5 points to 55.0.




| | Sea Freight | | |
|---|---|---|---|
| **Trade Lane** | **Dec 2013** | **Jun 2014** | **Confidence** |
| Europe-Asia | 54.8 | 62.1 | 58.5 |
| Asia-Europe | 60.2 | 66.8 | 63.5 |
| Europe-U.S. | 53.7 | 55.0 | 54.4 |
| U.S.-Europe | 56.3 | 58.2 | 57.3 |
| **Total Index** | **56.3** | **60.9** | **58.6** |

## 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**: Stifel Nicolaus Logistics Confidence Index December 2013 published on

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

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