

## Economic & Market Report- Newsletter - November Edition 2014

### ▪ Exchange Rates:

Currency 13 <sup>th</sup> Aug. – 13 <sup>th</sup> Nov. 2014	3 Month Low	3 Month High	3 Month Average	Actual Trading Price: 13 <sup>th</sup> Nov. 2014
Euro-to-US Dollar (€1)	USD 1.2393	USD 1.3388	USD 1.2847	USD 1.2466
Euro-to-Rupee (€1)	INR 76.38	INR 81.83	INR 78.47	INR 76.70
Euro-to-Yuan (€1)	CNY 7.587	CNY 8.237	CNY 7.8810	CNY 7.6400
Euro-to-GBP (€1)	GBP 0.7773	GBP 0.8026	GBP 0.7909	GBP 0.7911
Euro-to-AUD (€1)	AUD 1.3826	AUD 1.4645	AUD 1.4330	AUD 1.4236
Euro-to-BRL (€1)	BRL 2.9041	BRL 3.2150	BRL 3.0587	BRL 3.1918
Euro-to-ZAR (€1)	ZAR 13.737	ZAR 14.3604	ZAR 14.0776	ZAR 13.9340

(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	11.25%	11.00%	10/2014
China	6.00%	6.31%	07/2012
European Monetary Union	0.05%	0.15%	09/2014
India	8.00%	7.75%	01/2014
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

### BRENT CRUDE DEC4 BRN/14Z : Intercontinental Exchange Europe



(Source: CNBC Market Data, <http://data.cnbc.com/quotes/LCOU3/tab/2> Nov 13<sup>th</sup> 2014)

Crude Oil	2 Year	1 Year	3 Month	1 Month	Trading Price Nov. 13th
	USD 114.42	USD 106.28	USD 103.75	USD 87.27	USD 79.64

- Gross Domestic Product (% year)

Country	2012	2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014 Forecast	Forecast 2014	Forecast 2015	Forecast 2016
Australia	3,70%	2,40%	3,00%	3,56%	3,50%	3,10%	2,90%	3,20%	3,00%
Brazil	0,90%	2,50%	-0,01%	1,90%	1,90%	-0,90%	0,40%	1,00%	2,00%
China	7,70%	7,70%	6,00%	7,20%	7,40%	7,30%	7,50%	7,70%	7,60%
Euro Area	-0,60%	-0,40%	0,50%	1,50%	1,00%	0,80%	0,70%	1,00%	1,30%
France	0,00%	0,40%	0,65%	0,64%	0,80%	0,10%	0,30%	0,70%	1,30%
Germany	0,90%	0,50%	2,10%	1,80%	2,50%	0,80%	1,50%	1,60%	1,70%
India	5,10%	4,70%	4,76%	5,30%	4,60%	5,70%	5,50%	6,30%	7,30%
South Africa	2,50%	1,90%	2,00%	1,60%	1,60%	1,00%	1,40%	2,10%	2,50%
South Korea	2,00%	3,40%	4,08%	3,90%	3,90%	3,20%	3,50%	3,70%	3,70%
United Arab Emirates	3,70%	5,20%	5,50%	4,40%	4,40%	5,20%	4,90%	4,80%	4,80%
United Kingdom	0,20%	1,70%	1,35%	3,70%	2,90%	3,00%	3,10%	2,60%	4,50%
United States	2,80%	1,90%	2,40%	1,80%	1,90%	2,30%	2,10%	2,60%	2,50%

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

▪ **JP Morgan Global Manufacturing Purchasing Managers Index (PMI) – Oct. 2014**

	August	September	October	Summary, Rate of Change
<b>Global PMI</b>	52.5	56.6	59.0	Expanding, faster rate
<b>Output</b>	53.7	55.2	53.7	Expanding, slower rate
<b>New Orders</b>	53.8	60.0	65.8	Expanding, faster rate
<b>Australia</b>	47.3	46.5	49.4	Contracting, slower rate
<b>Brazil</b>	50.2	49.3	49.1	Contracting, faster rate
<b>China</b>	50.5	50.2	50.4	Expanding, faster rate
<b>Euro Area</b>	50.7	50.3	50.6	Expanding, faster rate
<b>France</b>	46.9	48.8	48.5	Contracting, faster rate
<b>Germany</b>	51.4	49.9	51.4	Expanding, change of direction
<b>India</b>	52.4	51.0	51.6	Expanding, faster rate
<b>United Kingdom</b>	64.0	51.5	53.2	Expanding, faster rate

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

**Commentary: Service sector growth eases to six-month low** The growth rate of the global service economy cooled further at the start of the final quarter.

**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/fd40c528859a43fb9da53bfb0a8df860>

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	2012	2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014 Forecast	Forecast 2014	Forecast 2015	Forecast 2016
<b>Australia</b>	1,80%	2,40%	2,70%	2,90%	3,00%	2,30%	2,50%	2,60%	2,80%
<b>Brazil</b>	5,40%	6,20%	6,10%	6,50%	6,75%	6,75%	6,30%	6,30%	6,00%
<b>China</b>	2,70%	2,60%	1,80%	2,30%	1,60%	1,60%	2,40%	2,90%	2,70%
<b>Euro Area</b>	2,50%	1,30%	0,70%	0,40%	0,30%	0,40%	0,50%	0,90%	1,10%
<b>France</b>	2,20%	1,00%	0,60%	0,50%	0,40%	0,30%	0,60%	0,90%	1,30%
<b>Germany</b>	2,10%	1,60%	1,30%	0,85%	0,80%	0,80%	0,90%	1,40%	1,60%
<b>India</b>	10,20%	9,40%	8,30%	7,96%	7,73%	6,46%	7,20%	6,50%	6,20%
<b>South Africa</b>	5,70%	5,80%	6,60%	6,60%	6,40%	5,90%	6,20%	6,00%	6,00%
<b>South Korea</b>	2,20%	1,30%	1,70%	1,60%	1,10%	1,20%	1,50%	2,70%	2,80%
<b>United Arab Emirates</b>	0,40%	1,10%	1,80%	2,30%	2,40%	2,90%	2,20%	3,60%	4,80%
<b>United Kingdom</b>	2,80%	2,50%	1,50%	1,90%	1,50%	1,20%	1,70%	1,70%	2,00%
<b>United States</b>	2,10%	1,50%	2,00%	2,10%	1,70%	1,70%	1,80%	1,70%	1,80%

(Source: HSBC Global Research – Key Economic Forecast )

## Commentary: RWI/ISL Container Throughput Index: Slight decrease

The Container Throughput Index of the Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) and the Institute of Shipping Economics and Logistics (ISL) has slightly decreased from (revised) 122.2 to 121.8 points in September. The Index hence fluctuates around 122 points since six months now.

The data for August were revised by 0.2 points up compared to the flash estimate one month ago, which is clearly below the long-term average. The flash estimate for September is based on data from 41 ports, covering a total of about 71% of container throughput shown in the index. Therefore only small revisions of the September data are to be expected.

The index is based on data of 75 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.



## 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 published 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 September 2014

Air freight volumes were up 5.2% in September compared to a year ago. This is an acceleration on August when volumes rose 3.8%, and is consistent with improving demand conditions in some regions.

Freight tonne kilometres (FTKS) also expanded in September compared to August. A positive growth trend in air freight volumes resumed at the start of Q2, after a H1 pause in improvements seen toward the end of 2013.

The performance of air freight markets has closely followed developments in world trade and business activity, which both showed solid gains toward the end of 2013, only to taper off earlier this year. Recent data, however, suggest that there has been a resumption in prior improvements in Asia and North America, especially.

Growth in FTKs carried by Asia Pacific carriers continues to show steady improvement. There was a 5.7% rise in volumes in September compared to a year ago. Emerging Asia trade volumes continue to rise after a sharp decline in Q1, and the release of the latest Apple iPhone also provided a boost to air freight demand from the manufacturing center in China to various parts of the world.

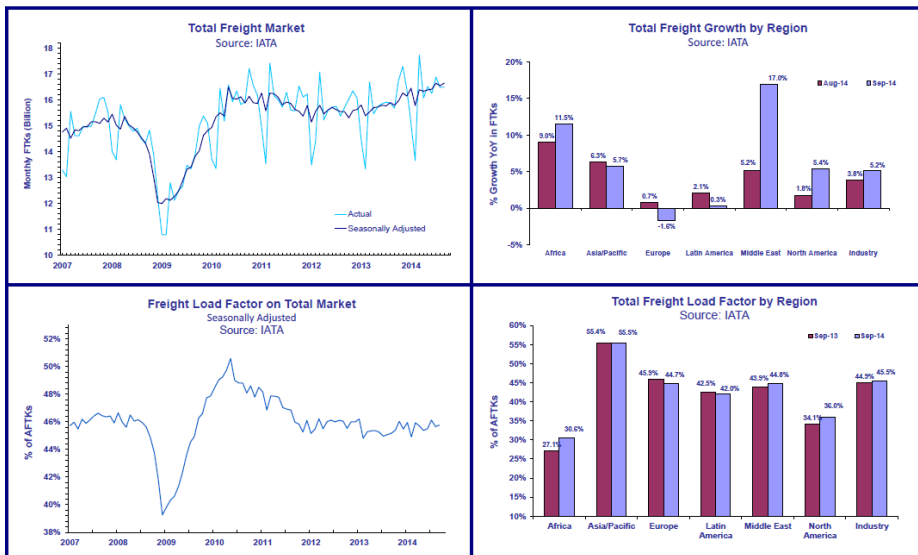
By contrast, data for airlines in Europe are showing the impact of the Russia-Ukraine crisis as well as crew strikes by Air France – FTKs were down 1.6% in September compared to a year ago. Carriers in Latin America also experienced weakness, with only a 0.3% rise in volumes in September – this is inconsistent with latest trade data which show rising volumes, particularly exports.

Load factors improved slightly in September, both compared to the previous month and on a year ago. The steady growth in air freight demand over recent months has supported some improvement in loads, but continued expansion in capacity through the passenger business has kept load factors low at 45%.

The outlook for air freight volumes has started to look better again for some regions, but the extent of future gains could be limited. Latest trade data show volumes are expanding at a stronger rate than earlier in the year, but still at a slower pace than global economic growth. Business confidence indicates slightly stronger global growth when compared to levels in Q1, but improvements have stagnated again due to the presence of political and economic risks.

## ■ Traffic Growth & Load Factors & Capacity Volume

	YTD 2014 vs. YTD 2013	Sept. 2014 vs. Sept. 2013
Freight Tonne Kilometres (13.5bn)	4,6%	5,1%
Available Freight Tonne Kilometres	3,9%	4,2%
Freight Load Factor	48,6%	48,4%



**Commentary :**

Growth in FTKs carried by Asia Pacific continues to show steady improvements. There was a 5.7% rise in volumes in September compared to a year ago. Emerging Asia trade volumes continue to rise after a sharp decline in Q1, and the release of the latest Apple iPhone also provided a boost to air freight demand from the manufacturing center in China to various parts of the world. Moreover, the Chinese economy has slowed compared to double-digit rates of expansion during previous years, but government stimulus earlier this year has helped manage the transition onto a slower growth path. In fact, recent results of purchasing manager surveys (Markit) indicate gains in business activity in the manufacturing sector and a notable rise in export orders. This should help sustain positive trade momentum in the region, which in turn ought to continue driving demand for air freight services on local carriers.

FTKs carried by Middle Eastern airlines increased 17.0% in September year-on-year. Airlines in the region are capturing opportunities for growth by introducing services to regions of strong and developing trade activity, including Africa and Central America. They are also increasing service offerings for important commodities like perishables, and linking markets in Asia Pacific with produces in Africa, for example.

African airlines recorded the second strongest rise in FTKs in September, up 11.5% year-on-year. Regional trade volumes are yet to show consistent improvement, but key economies like South Africa have shown recent signs of better performance. South Africa managed to avoid entering a recession after seeing 0.6% growth in GDP in Q2. Easing downward pressure from the region's largest economy could be providing support to air freight demand on local carriers.

North American airlines recorded a strong gain in FTKs in September, up 5.4% compared to a year ago, supported by increasing trade and business activity after a weather-related slowdown in early 2014. Latest data show a rebound in trade volumes and underlying growth trends in business activity are positive, which should provide some support for stronger growth in trade and air freight demand ahead.

By contrast, data for airlines in Europe are showing the impact of the Russia-Ukraine crisis as well as crew strikes by Air France – FTKs were down 1.6% in September compared to a year ago. The Russia-Ukraine crisis and ensuing EU sanctions have resulted in downward pressure on growth momentum in the region, including key economies like Germany. In addition, a 14-day strike by Air France-KLM pilots reduced air freight capacity and we estimate led to a 4% point reduction in the September year-on-year growth result for European airlines.

Carriers in Latin America also experienced weakness, with only a 0.3% rise in volumes in September – this is inconsistent with latest trade data which show rising volumes, particularly exports. If the trend continues, stronger trade growth could lead to improvements in demand for air freight.

**Source: IATA - Air Transport Market Analysis September 2014 published on [www.iata.org/economic](http://www.iata.org/economic)**

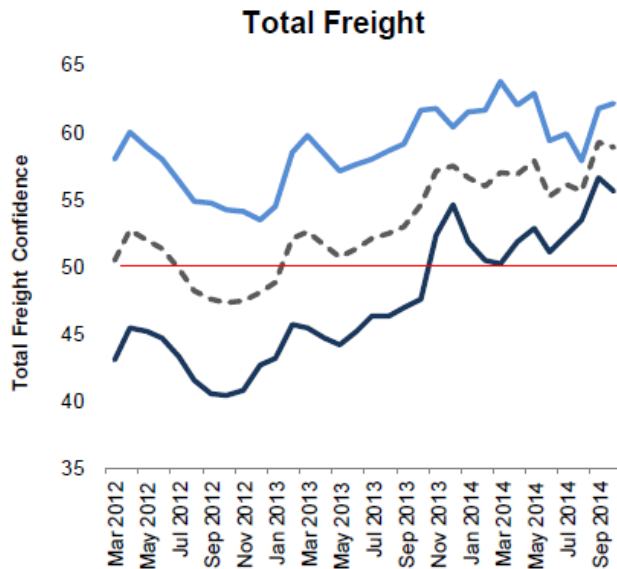
# STIFEL NICOLAUS – Logistics Confidence Index

## Commentary: Overview – October 2014

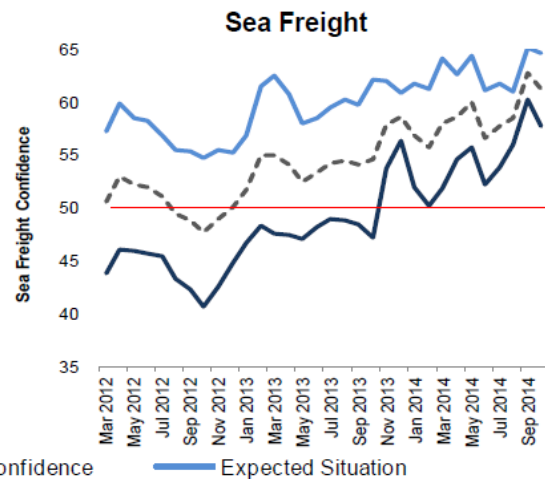
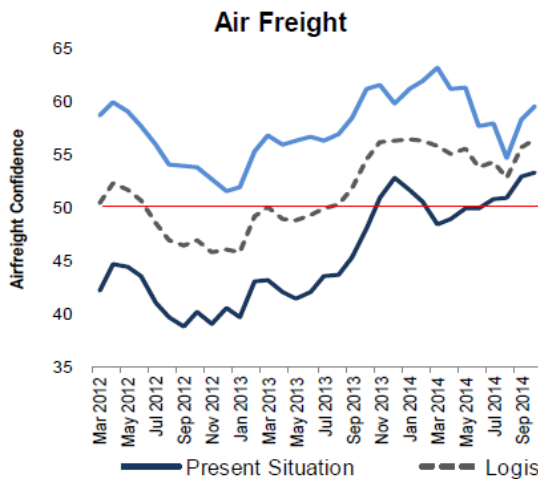
October's Stifel Logistics Confidence Index results showed continued positive momentum in airfreight volumes, while sea freight turned down sequentially. We believe these trends are consistent with the holiday shipping lead times inherent in each mode. The net result was modest slippage in the overall Index (down 0.4 points to 58.9), but we believe the picture remains indicative of a positive freight forwarding volume environment (up 3.8 points vs. October 2013).

Current total freight declined 1.1 points to 55.6 for the current month with a 2.6-point sequential decline in sea freight offsetting a 0.4 points increase in the Air Freight Index. For total freight, the expected situation index rose 0.4 index points to 62.2.

For October's one-off question, we asked survey participants if they expect their supply chain to lengthen, shorten, or remain the same over the next 12 months. Slightly over half, or 50.5%, expect their supply chain to remain the same, while 29.4% expect a shortening and 20.2% a lengthening of their supply chains.



*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.*



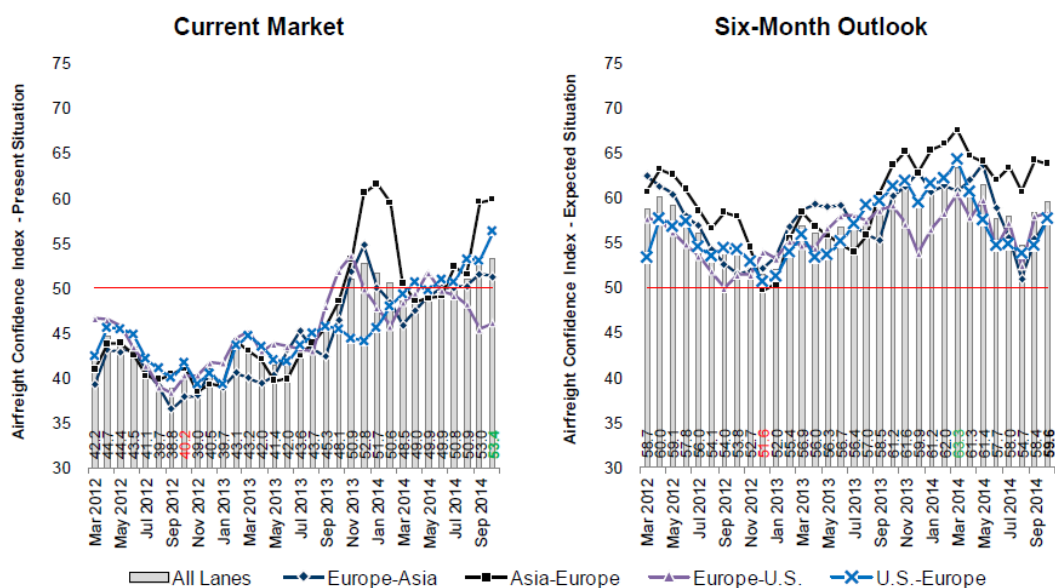
	Present Situation	Expected Situation	Confidence
Mode	Oct 2014	Apr 2015	Average
Air Freight	53.4	59.6	56.5
Sea Freight	57.7	64.7	61.2
<b>Total Freight</b>	<b>55.6</b>	<b>62.2</b>	<b>58.9</b>

## Air Freight Confidence Index

The total Air Freight Logistics Confidence Index increased 0.8 points to 56.5 in October 2014, up 1.8 points versus October 2013.

In terms of the present situation, the total air index registered 53.4 for the month. All lanes saw an increase in activity, except the Europe to Asia lane, which ticked down 0.3 index points to 51.3. The Europe to U.S. lane increased 0.7 points to 46.1, the U.S. to Europe lane rose a healthy 3.2 points to 56.3, and the Asia to Europe lane rose 0.3 points to a robust 59.9, which may be indicative of a stronger and earlier peak than normal.

Looking at expectations over the next six months, the Expected Situation Index for total air freight improved 1.2 points to 59.6 in October. The improved outlook was seen in all lanes except Asia to Europe, which dipped by 0.4 points to 63.8. Among the remaining lanes, Europe to Asia increased 2.3 points to 57.7, Europe to U.S. increased 0.4 points to 58.3, and the U.S. to Europe lane increased 3.0 points to 57.7.



Air Freight			
Trade Lane	Oct 2014	Apr 2015	Confidence
Europe-Asia	51.3	57.7	54.5
Asia-Europe	59.9	63.8	61.9
Europe-U.S.	46.1	58.3	52.2
U.S.-Europe	56.3	57.7	57.0
<b>Total Index</b>	<b>53.4</b>	<b>59.6</b>	<b>56.5</b>

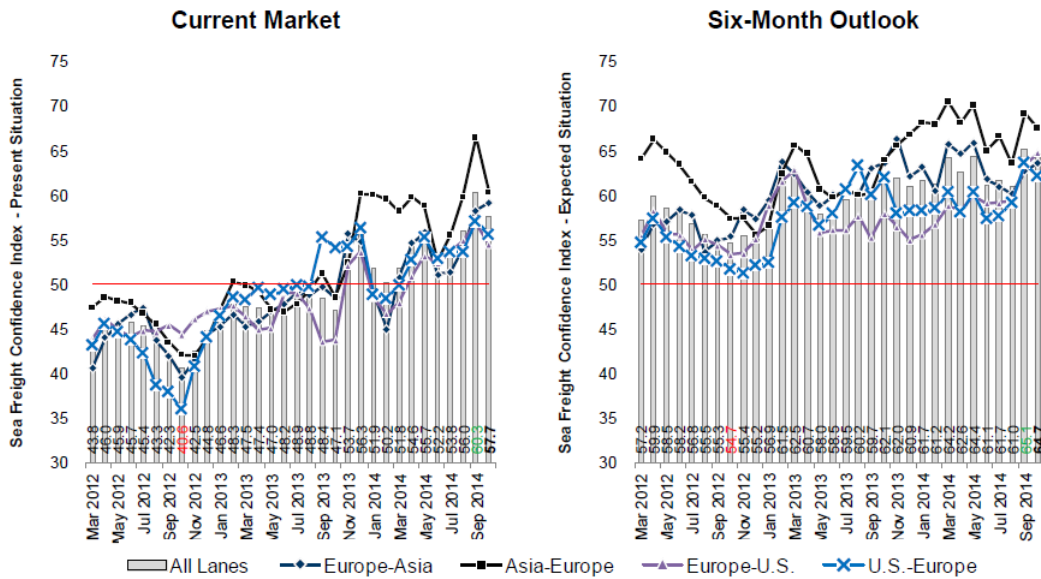
## Sea Freight Confidence Index

For sea freight, the Logistics Confidence Index declined sequentially by 1.5 points to 61.2 in October. Compared with the same month in 2013, the index was 5.6 points higher.

For the present situation, the Index declined 2.6 points to 57.7, reflecting the results of all but one trade lane. Europe to Asia increased 0.9 points to 59.2. Europe to U.S. declined 2.4 points to 54.5, U.S. to Europe dropped 1.5 points to 55.6, and Asia to Europe saw the sharpest fall, tapering 6.2 points to 60.3, and likely reflecting the conclusion of peak shipping.

The Expected Situation Index for sea freight slipped slightly, down 0.4 points to a still-robust 64.7. Sequential lane results were mixed, but European export lanes fared directionally better (Europe to Asia +1.0 point to 63.7; Europe to U.S. +1.3 points to 64.8), while European import lanes fared directionally worse (Asia to Europe: -1.7 points to 67.5, U.S. to Europe: 1.5 points to 62.1).





Sea Freight			
Trade Lane	Oct 2014	Apr 2015	Confidence
Europe-Asia	59.2	63.7	61.5
Asia-Europe	60.3	67.5	63.9
Europe-U.S.	54.5	64.8	59.7
U.S.-Europe	55.6	62.1	58.9
<b>Total Index</b>	<b>57.7</b>	<b>64.7</b>	<b>61.2</b>

## 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](mailto:chanb@stifel.com) or (443) 224-1386.

Source: [http://www.transportintelligence.com/articles\\_papers/](http://www.transportintelligence.com/articles_papers/)

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