

▪ **Exchange Rates:**

Currency 17 <sup>th</sup> July – 17th Oct. 2014	3 Month Low	3 Month High	3 Month Average	Actual Trading Price: 17th Aug. 2014
Euro-to-US Dollar (€1)	USD 1.2565	USD 1.3525	USD 1.3088	USD 1.2808
Euro-to-Rupee (€1)	INR 77.25	INR 82.04	INR 79.65	INR 78.82
Euro-to-Yuan (€1)	CNY 7.7149	CNY 8.397	CNY 8.0533	CNY 7.8637
Euro-to-GBP (€1)	GBP 0.7773	GBP 0.8026	GBP 0.7926	GBP 0.7958
Euro-to-AUD (€1)	AUD 1.3826	AUD 1.4645	AUD 1.4317	AUD 1.4572
Euro-to-BRL (€1)	BRL 2.9041	BRL 3.1688	BRL 3.0208	BRL 3.1611
Euro-to-ZAR (€1)	ZAR 13.8787	ZAR 14.5073	ZAR 14.1839	ZAR 14.1715

(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	11.00%	10.75%	04/2014
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> Oct 17<sup>th</sup> 2014)

Crude Oil	2 Year	1 Year	3 Month	1 Month	Trading Price Oct 17th
	USD 114.42	USD 109.95	USD 106.40	USD 97.96	USD 87.27

- Gross Domestic Product (% year)

Country	2012	2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014 Forecast	Forecast 2014	Forecast 2015
Australia	3,70%	2,40%	3,00%	3,56%	3,50%	2,30%	2,80%	3,20%
Brazil	0,90%	2,50%	-0,01%	1,90%	1,90%	-0,40%	0,40%	1,00%
China	7,70%	7,70%	6,00%	7,20%	7,40%	7,58%	7,50%	7,70%
Euro Area	-0,60%	-0,40%	0,50%	1,50%	1,00%	1,59%	0,70%	1,00%
France	0,00%	0,40%	0,65%	0,64%	0,80%	0,80%	0,30%	0,70%
Germany	0,90%	0,50%	2,10%	1,80%	2,50%	1,30%	1,50%	1,60%
India	5,10%	4,70%	4,76%	5,30%	4,60%	4,80%	5,50%	6,30%
South Africa	2,50%	1,90%	2,00%	1,60%	1,60%	1,00%	1,40%	2,10%
South Korea	2,00%	3,40%	4,08%	3,90%	3,90%	4,30%	3,40%	3,70%
United Arab Emirates	3,70%	5,20%	5,50%	4,40%	4,40%	5,40%	4,90%	4,80%
United Kingdom	0,20%	1,70%	1,35%	3,70%	2,90%	2,70%	3,10%	2,60%
United States	2,80%	1,90%	2,40%	1,80%	1,90%	2,20%	2,10%	2,60%

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

■ JP Morgan Global Manufacturing Purchasing Managers Index (PMI) – Sept. 2014

	July	August	September	Summary, Rate of Change
Global PMI	52.4	52.5	52.2	Expanding, slower rate
Output	53.8	53.7	53.2	Expanding, slower rate
New Orders	53.8	53.8	52.9	Expanding, slower rate
Australia	50.7	47.3	46.5	Contracting, faster rate
Brazil	49.3	50.2	49.3	Contracting, change of direction
China	51.6	50.5	50.2	Expanding, slower rate
Euro Area	51.8	50.7	50.3	Expanding, slower rate
France	47.8	46.9	48.8	Contracting, slower rate
Germany	52.4	51.4	49.9	Contracting, change of direction
India	53.0	52.4	51.0	Expanding, slower rate
United Kingdom	59.1	64.0	64.2	Expanding, faster rate

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

**Commentary: Global manufacturing growth eases to four-month low** The global manufacturing sector ended the third quarter on a steady growth footing.

**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
Australia	1,80%	2,40%	2,70%	2,90%	2,90%	3,00%	2,80%	2,90%
Brazil	5,40%	6,20%	6,10%	6,50%	6,50%	6,75%	6,30%	6,30%
China	2,70%	2,60%	1,80%	2,30%	2,00%	1,60%	2,40%	2,90%
Euro Area	2,50%	1,30%	0,70%	0,40%	0,40%	0,30%	0,50%	0,90%
France	2,20%	1,00%	0,60%	0,50%	0,40%	0,30%	0,60%	0,90%
Germany	2,10%	1,60%	1,30%	0,85%	0,80%	0,80%	0,80%	1,50%
India	10,20%	9,40%	8,30%	7,96%	7,70%	6,45%	7,20%	6,50%
South Africa	5,70%	5,80%	6,60%	6,60%	6,30%	6,40%	6,20%	6,00%
South Korea	2,20%	1,30%	1,70%	1,60%	1,40%	1,10%	1,90%	2,90%
United Arab Emirates	0,40%	1,10%	1,80%	2,30%	2,30%	2,40%	2,20%	3,60%
United Kingdom	2,80%	2,50%	1,50%	1,90%	1,50%	1,20%	1,70%	1,70%
United States	2,10%	1,50%	2,00%	2,10%	2,00%	1,70%	1,80%	1,70%

(Source: HSBC Global Research – Key Economic Forecast )

## Commentary: RWI/ISL Container Throughput Index: Unclear development of global trade continues

The Container Throughput Index of the Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) and the Institute of Shipping Economics and Logistics (ISL) has slightly increased from (revised) 121.4 to 122.0 points in August. Despite this increase, the level of June was not reached again. The current value roughly corresponds to the average of the past six months, which indicates a further unclear trend of global trade.

The data for July were revised by 0.5 points down compared to the flash estimate a month ago, which corresponds with the long term average. The flash estimate for August is based on data from 32 ports, covering a total of about 65% of container throughput shown in the index.

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 August 2014

Air freight volumes were up 5.1% in August compared to a year ago. This is the second month of solid performance, following a 6.1% rise in July, and reflects improving demand conditions in some regions.

There was further expansion in volumes in August compared to July. But it was driven by domestic markets, with international FTKs contracting month-on-month. The fall in international volumes is likely a correction after the strong increase in July. Importantly, the growth trend in air freight volumes remains positive and suggests demand conditions in some parts of the world are starting to improve again.

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, suggests that there has been a resumption in prior improvements in Asia and North America, especially.

Growth in FTKs carried by Asia Pacific airlines started to accelerate toward the end of Q2, and despite a decline in August compared to July, volumes are still above the flat trend earlier in the year, and up 6.3% compared to a year ago. Emerging Asia trade volumes have now recovered after declining throughout Q1, with a solid expansion in volumes in July. North American airlines recorded a strong rise in FTKs in August, up 5.5%, supported by increasing trade and business activity after a weather-related slowdown in early-2014.

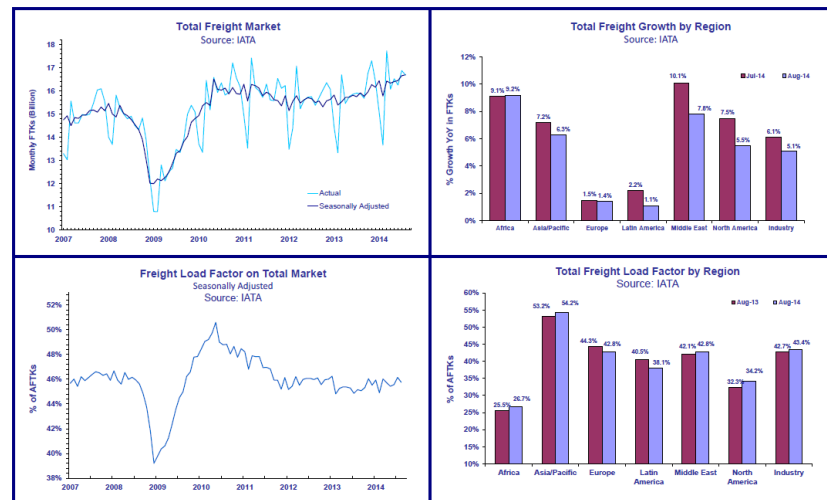
By contrast, airlines in Europe recorded slow growth in August, with a weak 1.4% rise in FTKs compared to a year ago. The Russia-Ukraine crisis and ensuing EU sanctions have resulted in downward pressure on growth momentum in the region, particularly for nations like Germany with significant exposure to Russian industries.

Load factors improved strongly compared to July on domestic air freight markets but fell on international services due to the correction in FTK volumes. Nonetheless, load factors are up on a year ago for the industry overall.

The outlook for air freight markets has started to look better again, but the extent of future gains could be limited. Latest trade data shows 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 ahead, but improvements have been slow due to the presence of political and economic risks. The European economic recovery, for example, remains fragile and susceptible to the outcomes of the Russia-Ukraine crisis.

## ■ Traffic Growth & Load Factors & Capacity Volume

	YTD 2014 vs. YTD 2013	August 2014 vs. August 2013
Freight Tonne Kilometres (13.5bn)	4,5%	5,1%
Available Freight Tonne Kilometres	3,5%	3,4%
Freight Load Factor	45,0%	43,4%



**Commentary :**

Growth in FTKs carried by Asia Pacific airlines started to accelerate during recent months, and despite a decline in August compared to July, volumes are still above the flat trend earlier in the year, and up 6.3% compared to a year ago. Demand for freight on Asia Pacific carriers has been supported by trade developments - emerging Asia trade volumes have now recovered after declining throughout Q1, with a solid expansion in volumes adjusted in June and July. 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.

African airlines recorded the strongest rise in FTKs in August, up 9.2% year-on-year. Latest trade data for Africa shows a rise in volumes, which could in part explain the strong increase in FTKs in August compared to a year ago. There is also the issue of high volatility in volumes for this region, which could cause some distortions in the monthly figures. This is the second consecutive month of strong growth, but given the slowdown in major economies like South Africa this year, it is too early to conclude there is acceleration in the growth trend.

FTKs carried by Middle Eastern airlines increased 7.8% in August 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.

Air freight carried by North American airlines increased by a solid 5.5% in August compared to a year ago. The first quarter had seen weakness in trade volumes, impacted by severe weather conditions. 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, airlines in Europe recorded slow growth in August, with a weak 1.4% rise in FTKs compared to a year ago. The Russia-Ukraine crisis and ensuing EU sanctions have resulted in downward pressure on growth momentum in the region, particularly for nations like Germany with significant exposure to Russian industries. Latest trade data, however, show that there has been some pick-up in Eurozone imports and exports. If the momentum continues, it could alleviate some of the demand weakness in air freight markets.

Airlines in Latin America recorded the weakest increase of just a 1.1% rise in air freight volumes in August year-on-year. Declines in regional trade volumes earlier in the year and continued weakness in economies like Brazil have restricted growth in air freight so far this year. There are signs, however, that prior weakness in regional trade growth is stabilizing. There is little to suggest a strong moderate pick-up in trade activity, although economic activity within the Eurozone continues to deteriorate.

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

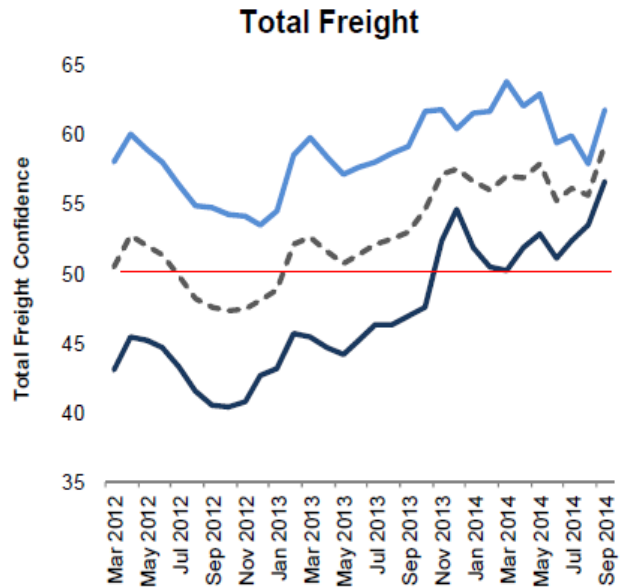
# STIFEL NICOLAUS – Logistics Confidence Index

## Commentary: Overview – September 2014

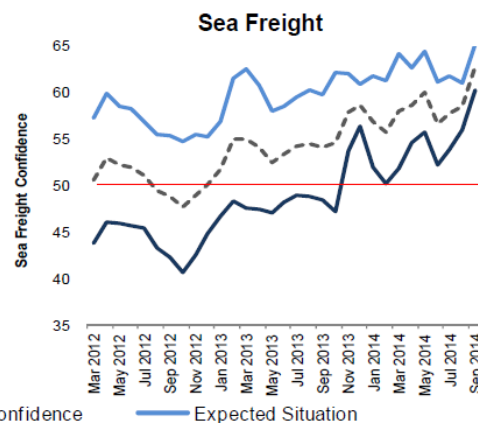
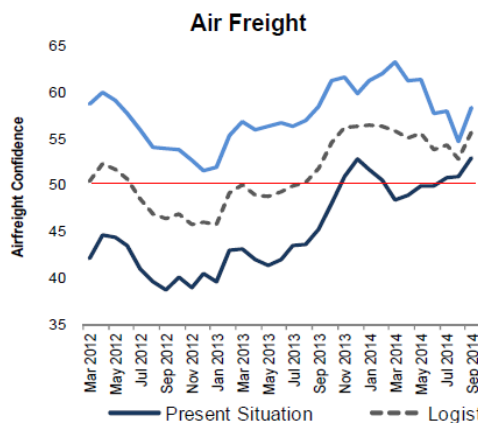
The overall Logistics Confidence Index saw its biggest sequential increase this year, climbing 3.5 index points from August to reach 59.2. Increasing optimism resulted in improvements across the board, with both air and ocean posting strong gains. The index has now remained above the 50.0 growth benchmark for twenty consecutive months.

In terms of the present situation, the September Total Freight Index increased 3.2 points to 56.7. Looking at it by mode, the Sea Freight Index increased 4.3 points from August to 60.3, while the Air Freight Index increased 2.1 points to 53.0. In terms of the expected situation, the September Total Freight Index increased 3.9 index points to 61.8

For the September one-off question, we asked survey participants if they had experienced volume changes on lanes with origin/destination in Europe or the U.S. Some 46.6% indicated increases, whereas 26.0% indicated declines. Of the remainder, 13.7% reported that volumes remained unchanged and 13.7% were not active on the surveyed lanes.



*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.*



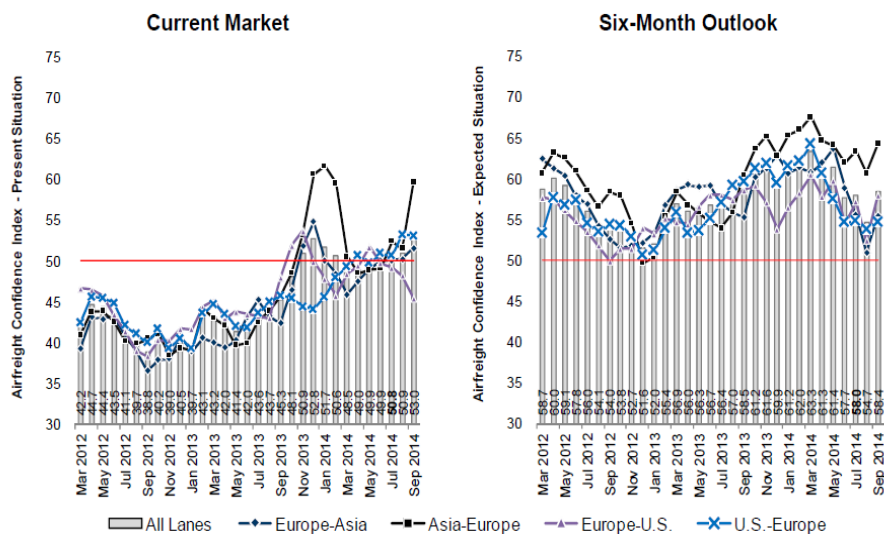
	Present Situation	Expected Situation	Confidence
<b>Mode</b>	<b>Sep 2014</b>	<b>Mar 2015</b>	<b>Average</b>
Air Freight	53.0	58.4	55.7
Sea Freight	60.3	65.1	62.7
<b>Total Freight</b>	<b>56.7</b>	<b>61.8</b>	<b>59.2</b>

## Air Freight Confidence Index

The overall Air Freight Logistics Confidence Index increased 2.9 points to 55.7 in September 2014. Compared with September 2013, the index is 3.8 points higher.

In terms of the present situation, the total air index registered 53.0 for the month. Asia to Europe was the clear outperformer, in our view, rising 8.1 points to 59.6. Results in other lanes were muted, with declines of 2.8 and 0.1 points noted on the Europe to U.S. and U.S. to Europe lanes, respectively, while Europe to Asia increased 1.4 points to 51.6.

Looking ahead six months, the expected situation index for total air freight improved 3.7 points to 58.4 in September. Increases were recorded for all lanes, with Europe to U.S. increasing 5.5 points to 57.9, followed by Europe to Asia improving 4.4 points to 55.4. Asia to Europe increased 3.5 points to 64.2 and the U.S. to Europe gained 0.9 points to 54.7.



Air Freight			
Trade Lane	Sep 2014	Mar 2015	Confidence
Europe-Asia	51.6	55.4	53.5
Asia-Europe	59.6	64.2	61.9
Europe-U.S.	45.4	57.9	51.7
U.S.-Europe	53.1	54.7	53.9
<b>Total Index</b>	<b>53.0</b>	<b>58.4</b>	<b>55.7</b>

## Sea Freight Confidence Index

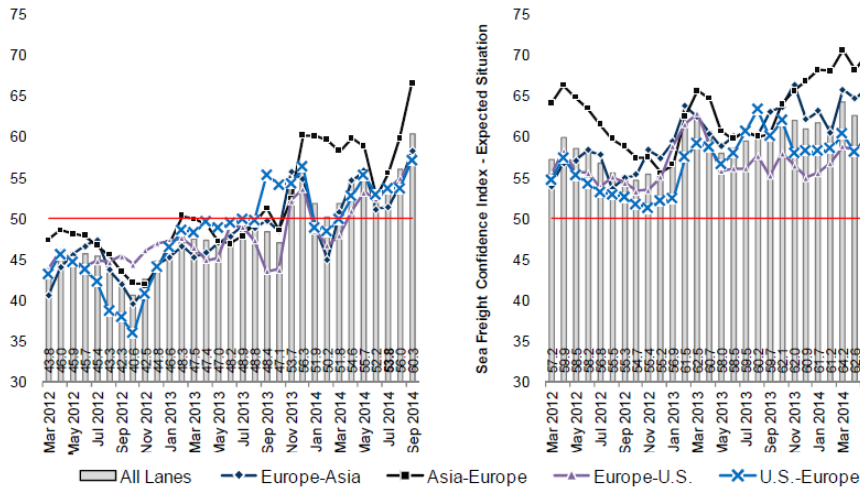
For sea freight, the Logistics Confidence Index increased 4.2 points to 62.7 in September. Compared with the same month in 2013, the index was 9.3 points higher.

For the present situation, the index climbed 4.3 points to 60.3. Performance here was more consistent than with air, as all trade lanes registered increases. The Asia to Europe lane increased 6.7 points to 66.5. Meanwhile, the Europe to Asia lane recorded a 4.3 point rise to 58.3 in September. The Europe to U.S. route rose 2.0 index points to 56.9, while the U.S. to Europe lane noted 3.4 point gain to 57.1.

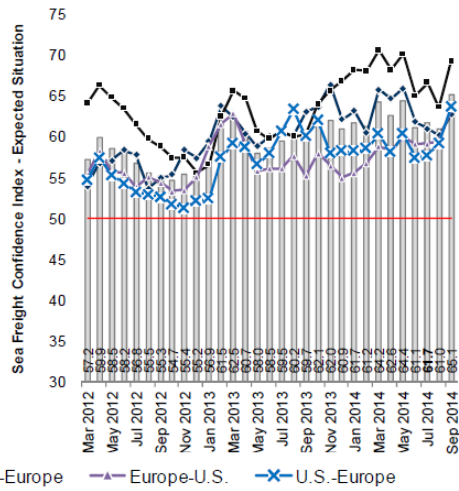
The Expected Situation Index for sea freight rose 4.1 points to 65.1. Lanes were positive as Europe to Asia noted a 2.5 point gain to 62.7. The Asia to Europe lane increased 5.6 points to 69.2 for the month. The Europe to U.S. lane climbed 4.1 points to 63.5 and U.S. to Europe increased 4.4 points to 63.6.



**Current Market**



**Six-Month Outlook**



Trade Lane	Sea Freight		
	Sep 2014	Mar 2015	Confidence
Europe-Asia	58.3	62.7	60.5
Asia-Europe	66.5	69.2	67.9
Europe-U.S.	56.9	63.5	60.2
U.S.-Europe	57.1	63.6	60.4
<b>Total Index</b>	<b>60.3</b>	<b>65.1</b>	<b>62.7</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 or (443) 224-1386.

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

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