

Economic & Market Report- Newsletter - September Edition 2014

Exchange Rates:

| Currency 16 th Jun. – 16th Sept. 2014 | 3 Month Low | 3 Month High | 3 Month Average | Actual Trading Price: 16th Aug. 2014 |
|--|-------------|--------------|-----------------|---|
| Euro-to-US Dollar (€1) | USD 1.2902 | USD 1.3688 | USD 1.3383 | USD 1.2943 |
| Euro-to-Rupee (€1) | INR 78.00 | INR 82.23 | INR 80.87 | INR 79.08 |
| Euro-to-Yuan (€1) | CNY 7.917 | CNY 8.4884 | CNY 8.270 | CNY 7.9778 |
| Euro-to-GBP (€1) | GBP 0.7903 | GBP 0.8177 | GBP 0.8007 | GBP 0.7984 |
| Euro-to-AUD (€1) | AUD 1.3826 | AUD 1.4552 | AUD 1.4332 | AUD 1.4322 |
| Euro-to-BRL (€1) | BRL 2.9041 | BRL 3.0657 | BRL 3.0054 | BRL 3.0268 |
| Euro-to-ZAR (€1) | ZAR 13.8787 | ZAR 14.7099 | ZAR 14.3068 | ZAR 14.1805 |

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

Interest Rates

| Country | Current Rate | Previous Rate | Last Change |
|-------------------------|--------------|---------------|-------------|
| Australia | 2.50% | 2.75% | 12/2008 |
| Brazil | 11.00% | 10.75% | 04//2014 |
| China | 6.00% | 6.31% | 07/2012 |
| European Monetary Union | 0.05% | 0.25% | 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 NOV4 BRN/14X : Intercontinental Exchange Europe



(Source: CNBC Market Data, <http://data.cnbc.com/quotes/LCOU3/tab/2> Sep 16th 2014)

| Crude Oil | 2 Year | 1 Year | 3 Month | 1 Month | Trading Price Sept 16th |
|-----------|------------|------------|------------|------------|----------------------------|
| | USD 114.93 | USD 112.10 | USD 111.19 | USD 103.75 | USD 97.96 |

- Gross Domestic Product (% year)

| Country | 2011 | 2012 | 2013 | Q1 2014 | Q2 2014 | Q3 2014 | Forecast 2014 | Forecast 2015 |
|----------------------|-------|--------|--------|---------|---------|---------|------------------|------------------|
| Australia | 2,10% | 3,70% | 2,40% | 2,70% | 3,50% | 3,10% | 2,80% | 3,20% |
| Brazil | 2,70% | 0,90% | 2,50% | 2,20% | 1,90% | -0,90% | 0,40% | 1,00% |
| China | 9,30% | 7,70% | 7,70% | 7,40% | 7,40% | 7,50% | 7,50% | 7,70% |
| Euro Area | 1,50% | -0,60% | -0,40% | 0,50% | 1,00% | 0,70% | 0,70% | 1,00% |
| France | 1,70% | 0,00% | 0,40% | 0,80% | 0,70% | 0,30% | 0,30% | 0,70% |
| Germany | 3,10% | 0,90% | 0,50% | 1,30% | 2,50% | 0,80% | 1,50% | 1,60% |
| India | 7,50% | 5,10% | 4,70% | 4,70% | 4,60% | 5,70% | 5,00% | 6,20% |
| South Africa | 3,10% | 2,50% | 1,90% | 2,00% | 1,60% | 1,00% | 1,70% | 2,70% |
| South Korea | 3,60% | 2,00% | 3,40% | 3,90% | 3,90% | 3,50% | 3,40% | 3,70% |
| United Arab Emirates | 4,20% | 3,70% | 5,20% | 4,70% | 4,40% | 5,20% | 4,10% | 4,80% |
| United Kingdom | 0,80% | 0,20% | 1,70% | 3,00% | 3,00% | 3,20% | 3,20% | 2,50% |
| United States | 1,80% | 2,80% | 1,90% | 2,40% | 1,90% | 2,50% | 2,00% | 2,60% |

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

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

| | June | July | August | Summary, Rate of Change |
|----------------|------|------|--------|----------------------------------|
| Global PMI | 55.3 | 52.4 | 52.6 | Expanding, faster rate |
| Output | 55.8 | 53.8 | 53.8 | no-change |
| New Orders | 58.9 | 53.8 | 53.8 | no-change |
| | | | | |
| Australia | 48.9 | 50.7 | 47.3 | Contracting, change of direction |
| Brazil | 48.7 | 49.3 | 50.2 | Expanding, change of direction |
| China | 52.4 | 51.6 | 51.6 | no-change |
| Euro Area | 51.8 | 51.8 | 50.7 | Expanding, slower rate |
| France | 48.2 | 47.8 | 46.9 | Contracting, faster rate |
| Germany | 52.0 | 52.4 | 51.4 | Expanding, slower rate |
| India | 51.5 | 53.0 | 52.4 | Expanding, slower rate |
| United Kingdom | 57.2 | 59.1 | 60.5 | Expanding, faster rate |

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

Commentary: Global manufacturing growth sustained in August Growth in the global manufacturing sector remained in a holding pattern during August, with the rate of output expansion broadly unchanged from those registered in June and July.

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/f97bd4c02a58405dac4ce0b0afb4f57a>

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 | 2011 | 2012 | 2013 | Q1 2014 | Q2 2014 | Q3 2014 | Forecast 2014 | Forecast 2015 |
|----------------------|-------|--------|-------|---------|---------|---------|---------------|---------------|
| Australia | 3,40% | 1,80% | 2,40% | 2,70% | 2,90% | 3,00% | 2,80% | 2,90% |
| Brazil | 6,60% | 5,40% | 6,20% | 6,10% | 6,50% | 6,51% | 6,40% | 6,10% |
| China | 5,40% | 2,70% | 2,60% | 1,80% | 2,30% | 2,00% | 2,40% | 2,90% |
| Euro Area | 2,70% | 2,50% | 1,30% | 0,70% | 0,40% | 0,30% | 0,60% | 0,80% |
| France | 2,30% | 2,20% | 1,00% | 0,60% | 0,50% | 0,40% | 0,80% | 1,20% |
| Germany | 2,50% | 2,10% | 1,60% | 1,30% | 0,85% | 0,80% | 0,80% | 1,50% |
| India | 8,40% | 10,20% | 9,40% | 8,30% | 7,96% | 7,80% | 8,10% | 7,70% |
| South Africa | 5,00% | 5,70% | 5,80% | 6,60% | 6,60% | 6,30% | 6,10% | 5,70% |
| South Korea | 4,00% | 2,20% | 1,30% | 1,70% | 1,60% | 1,40% | 1,90% | 2,90% |
| United Arab Emirates | 1,50% | 0,40% | 1,10% | 1,80% | 2,30% | 2,20% | 2,70% | 4,50% |
| United Kingdom | 4,50% | 2,80% | 2,50% | 1,50% | 1,90% | 1,60% | 1,70% | 1,70% |
| United States | 3,10% | 2,10% | 1,50% | 2,00% | 2,10% | 2,00% | 2,00% | 2,00% |

(Source: HSBC Global Research – Key Economic Forecast)

Commentary: RWI/ISL Container Throughput Index: Global trade without clear tendency

The Container Throughput Index of the Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) and the Institute of Shipping Economics and Logistics (ISL) has decreased from (revised) 123.0 to 121.9 points in July. Thus, the unsteady development proceeds, which has been observed already for half a year - even if the index continues to range at a high level. This indicates that global trade is still a topic without a clear tendency.

The data for June were revised slightly by 0.2 points down compared to the flash estimate a month ago, which is clearly below the long term average. The flash estimate for July based on data from 34 ports, covering a total of about two-thirds 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 July 2014

Air freight volumes were up by a strong 5.8% in July compared to a year ago. This is an acceleration on June when freight tonne kilometers rose 2.4%, and reflects improving demand conditions in some regions.

There was also a strong expansion in volumes in July compared to June of 1.1%. In fact, it appears that demand conditions in some parts of the world are now starting to improve again, after a pause in earlier months this year, with July FTK levels finally exceeding the post-crisis peak in mid-2010.

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. Most recent data, however, suggests that there has been a resumption in prior improvements in some regions.

The most notable improvement over recent months has been for the Asia Pacific region. Carriers in this region have experienced a 7.1% rise in FTKs in July year-on-year. Emerging Asia trade volumes have now recovered after decline throughout Q1, with a solid expansion in volumes in June.

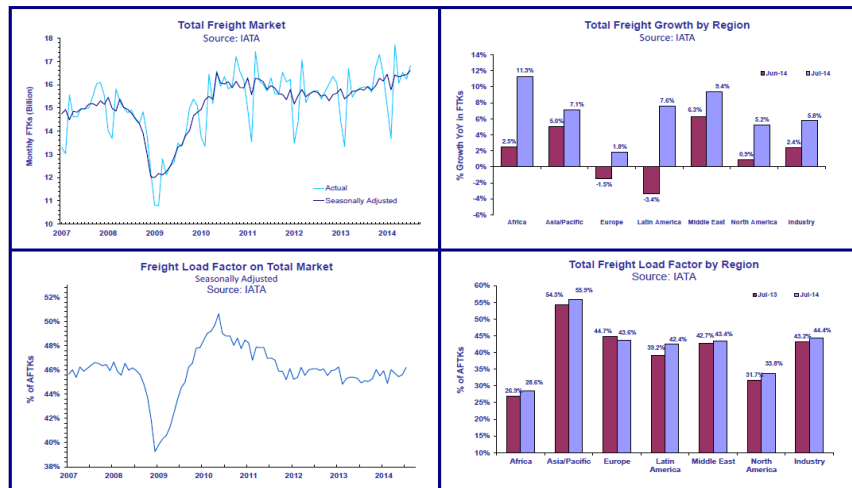
By contrast, airlines in Europe have seen little improvement in air freight demand over recent months. Local carriers experienced a 1.8% increase in FTKs in July compared to a year ago, the weakest rate of growth among regions. While industrial production measures over recent months has pointed to accelerating growth in the Eurozone, 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 increased by a solid 0.6% in July compared to June, helped both by the rise in volumes and contraction in capacity. Load factors are also improved on a year ago in all regions except Europe.

The outlook for air freight markets remains broadly positive. Trade volumes in Emerging Asia have fully rebounded from weakness in Q1, and the Chinese government stimulus earlier in the year is now starting to have positive impacts on that economy. Global business conditions remain positive, even though further improvement has been limited by weakness in some part of the Eurozone. And although new exports orders have been volatile over recent months, levels still indicate growth in world trade, which bodes well for air freight demand.

■ Traffic Growth & Load Factors & Capacity Volume

| | YTD 2014 vs. YTD 2013 | July 2014 vs. July 2013 |
|---|-----------------------|-------------------------|
| Freight Tonne Kilometres (13.5bn) | 4,4% | 5,8% |
| Available Freight Tonne Kilometres | 3,5% | 2,9% |
| Freight Load Factor | 45,2% | 44,9% |



Commentary :

The most notable improvement over recent months has been for the Asia Pacific region. Carriers in this region have experienced a 7.1% rise in FTAs in July year-on-year. Emerging Asia trade volumes have now recovered after decline throughout Q1, with a solid expansion in volumes in June. After a slow start to the year, the Chinese economy has been stabilizing over recent months. GDP growth reached 7.5% year on year in Q2, picking up from 7.4% in Q1, suggesting that modest loosening of fiscal and monetary policy is having positive impacts.

Airlines in other emerging markets also experienced solid growth in July. African airlines recorded the strongest rise in FTAs in July, up 11.3% year-on-year, which is a strong acceleration on June when volumes rose just 2.5%. Latest trade data for Africa shows a rise in volumes, which could in part explain the strong increase in FTAs in July 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. Given that there has been significant slowdown in major economies like South Africa this year, it is too early to conclude acceleration in the growth trend due to this month's result alone.

FTAs carried by Middle Eastern airlines increased 9.4% in July year-on-year. Airlines in the region are capturing opportunities for growth by introducing services to regions of strong and developing trade activity, including Mexico in Central America and Uganda in Africa. The growth rate in July is slightly negatively impacted by the timing of Ramadan, which took place mostly in July 2014, and a month later in the previous year. The holiday tends to suppress demand for air freight.

Airlines in Latin America recorded a strong 7.6% rise in air freight volumes in July 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, so this result is in stark contrast to the trend seen over recent months. There are signs, however, that prior weakness in regional trade growth is now reversing, with latest data showing a solid month-on-month increase in both imports and exports to/from the region.

Air freight carried by North American airlines increased by a solid 5.2% in July compared to a year ago. The first quarter had seen weakness in trade volumes, potentially impacted by severe weather conditions. Latest data show a rebound in trade volumes and underlying growth trends in business activity are positive, which could provide some support for stronger growth in trade and air freight demand ahead.

By contrast, airlines in Europe have seen little improvement in air freight demand over recent months. Local carriers experienced a 1.8% increase in FTAs in July compared to a year ago, the weakest rate of growth among regions. 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 markets, including high-end capital goods and banking. Performance of other major economies like France and Italy has not been able to offset these developments in Germany.

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

STIFEL NICOLAUS – Logistics Confidence Index

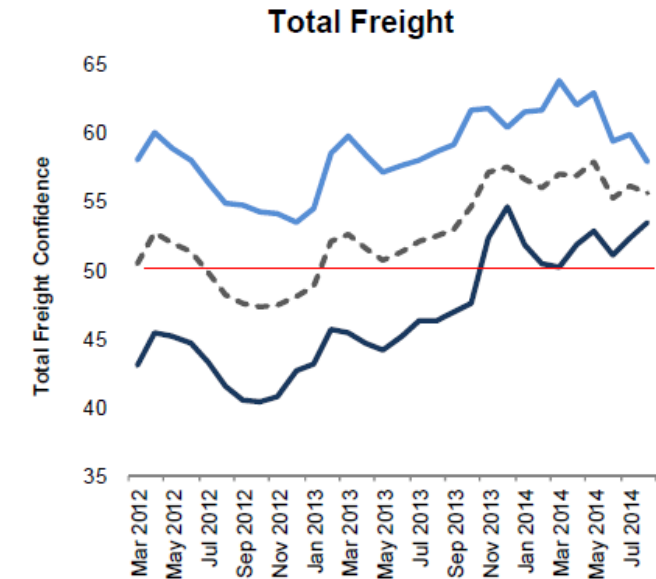
Commentary: Overview – August 2014

The overall present situation edged higher as both air and sea made positive gains. However, expectations were mixed as the outlook for airfreight dimmed. As a result, the overall Logistics Confidence Index slipped for August 2014.

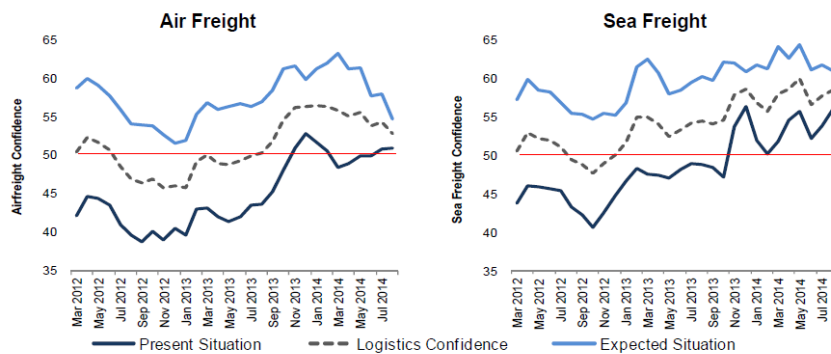
At 55.7, the Logistics Confidence Index score recorded in August was 0.4 index points lower than the score recorded in July. Still, the index remained above the 50-mark for a nineteenth consecutive month.

Regarding the present situation, the total freight index increased 1.2 points to 53.5 for the current month, the index for sea freight increased 2.2 points from July to 56.0, and the air freight index increased 0.1 points to 50.9 for the month. For total freight, the expected situation index stumbled 2.0 index points to 57.9.

For the August one off question, we asked survey participants if they had converted airfreight to ocean freight in the past 12 months—48.0% indicated yes whereas 52.0% said no. As for converting ocean to airfreight, 38.7% had, while 61.3% had not.



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 | Aug 2014 | Feb 2015 | Average |
| Air Freight | 50.9 | 54.7 | 52.8 |
| Sea Freight | 56.0 | 61.0 | 58.5 |
| Total Freight | 53.5 | 57.9 | 55.7 |

Source for all data and graphs: Stifel Logistics Confidence Index

Air Freight Confidence Index

The total air freight logistics confidence index declined 1.6 points to 52.8 in August 2014. Compared with August 2013, the index is 2.4 points higher.

In terms of the present situation, the total air index registered 50.9 for the month. Lanes were mixed with declines noted on the Asia to Europe and Europe to US lanes, with falls of 0.9 and 1.0 points recorded respectively. US to Europe increased 2.6 points to 53.2 while Europe to Asia increased slightly, up 0.1 points to 50.2.

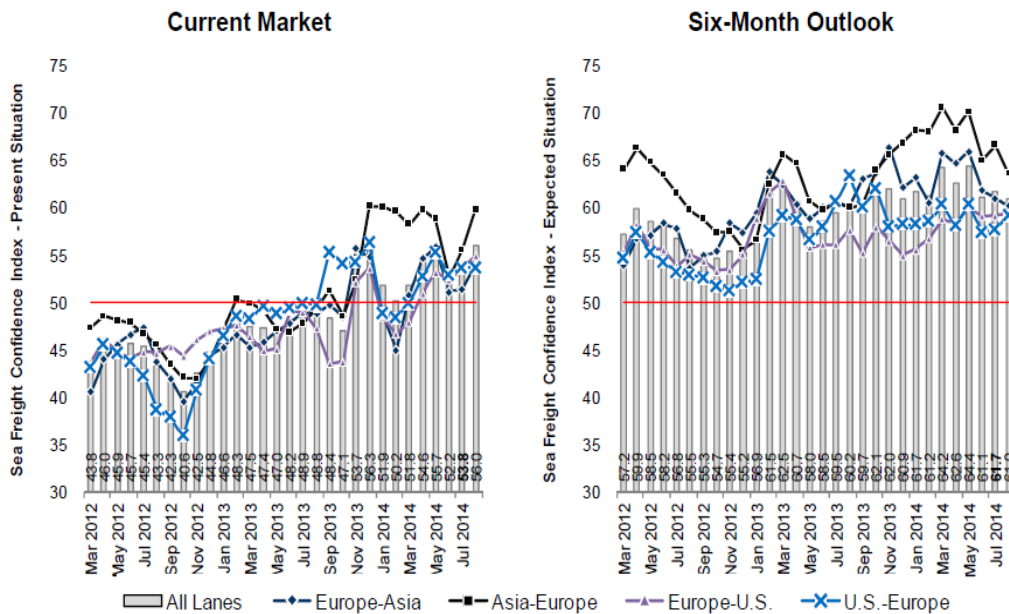
Looking ahead six months, the expected situation index for total air freight fell 3.3 points to 54.7 in August. Declines were recorded for all lanes with Europe to US declining the most at 4.8 points to 52.4, followed by Europe to Asia which fell 4.5 points to 51.0. Asia to Europe declined 2.7 points to 60.7, with the US to Europe lane declining the least – down 1.0 points to 53.8.

Sea Freight Confidence Index

For sea freight, the logistics confidence index increased 0.7 points to 58.5 in August. Compared with the same month in 2013, the index was 4.3 points higher.

For the present situation, the index climbed 2.2 points to 56.0. Three trade lanes noted increases. The Asia to Europe lane increased 4.2 points to 59.8. Meanwhile, the Europe to Asia lane recorded a 2.6 point rise to 54.0 in August. The Europe to US route rose 1.2 index points to 54.9, while the US to Europe lane noted no change at 53.7.

The expected situation index for sea freight declined 0.7 points to 61.0. Lanes were mixed as Europe to Asia noted a 0.8 slip to 60.2 while the Asia to Europe lane declined the most, falling 3.0 points to 63.6 for the month. The Europe to US lane climbed 0.2 points to 59.4 and US to Europe increased 1.5 points to 59.2.



| Sea Freight | | | |
|--------------------|-------------|-------------|-------------|
| Trade Lane | Aug 2014 | Feb 2015 | Confidence |
| Europe-Asia | 54.0 | 60.2 | 57.1 |
| Asia-Europe | 59.8 | 63.6 | 61.7 |
| Europe-U.S. | 54.9 | 59.4 | 57.2 |
| U.S.-Europe | 53.7 | 59.2 | 56.5 |
| Total Index | 56.0 | 61.0 | 58.5 |

Source for all data and graphs: Stifel Logistics Confidence Index

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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