

# RUNNING SIGNAL



YOUR GUIDE IN A RIVER OF TRENDS

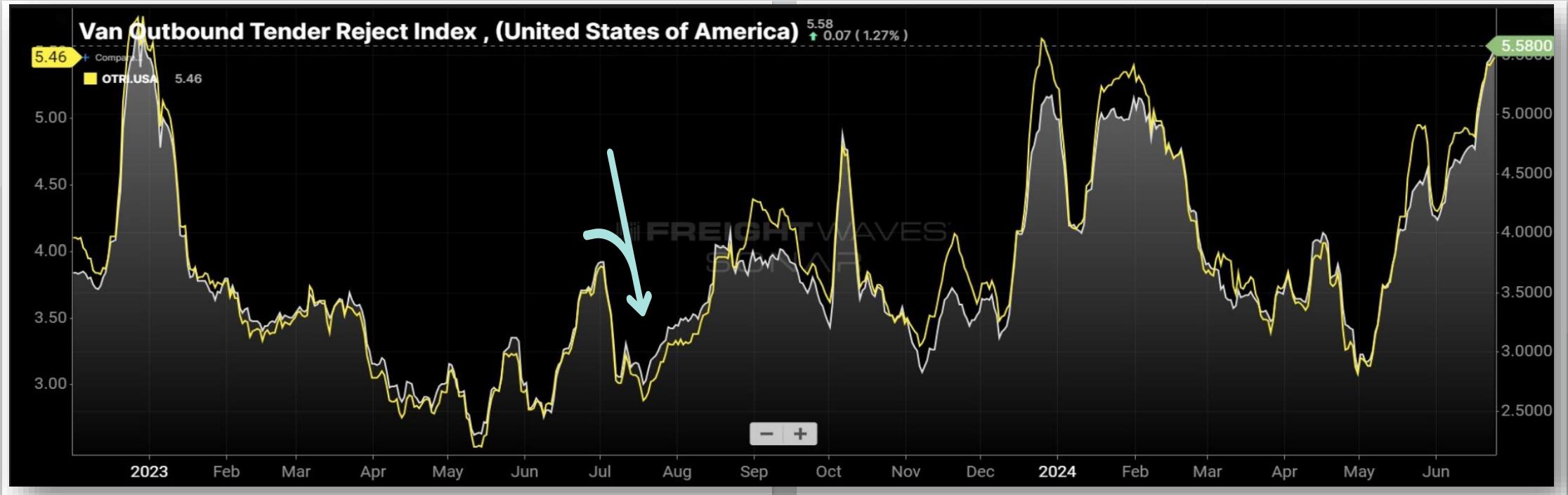
June 26





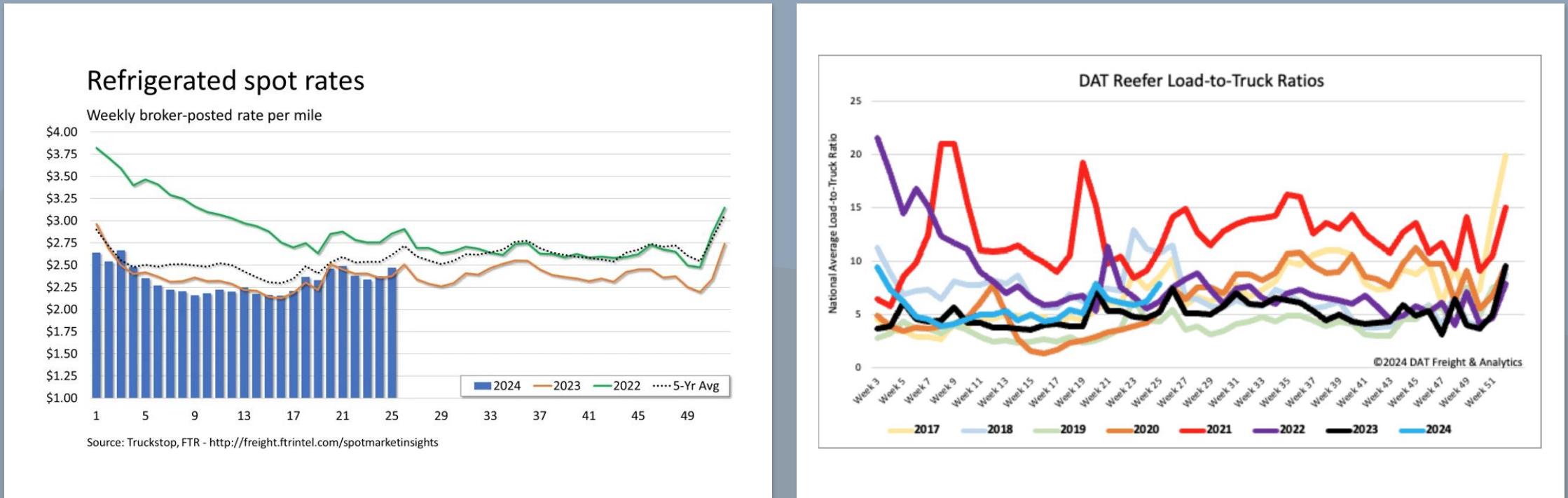
INTEL ON THE OPEN HIGHWAY

# VAN: FIREWORKS



- α Dry Van outbound tender rejections are at their highest point in 18 months per FreightWaves' Thomas Wasson. A positive sign through the long trough, especially as it eclipses peak season highs of 2023.
- α Buyer beware. A mid-year lull is typical post July 4<sup>th</sup> through mid-August. Rejections deflated by a full percentage point last year through July.

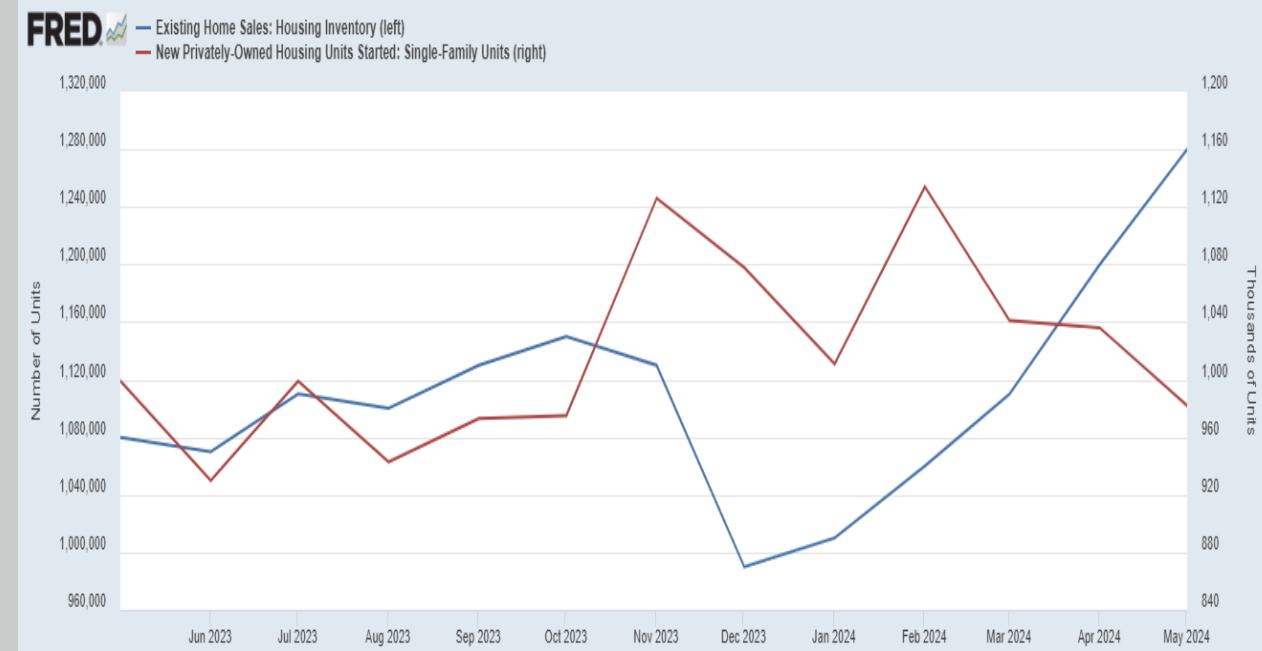
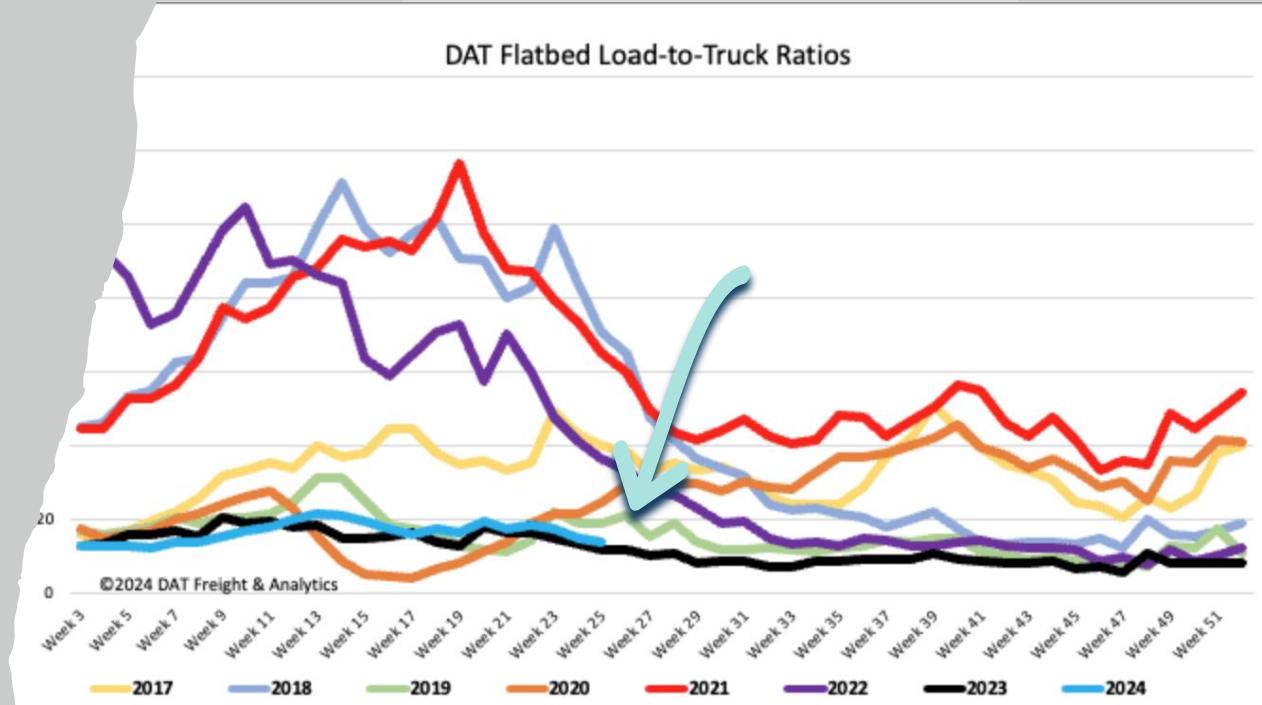
# REEFER: GRAPES OF WRATH



- α Refrigerated segments continue to outperform. Spot rates rose w/w by 9 cents. The largest gain since CVSA Week per FTR.
- α L:T ratios move to multi-year highs with RPMs breaching \$2/mi for the first time since January. Both volumes and capacity are down w/w, but falling capacity moves the L:T higher. North and West FL remain in shortage per the USDA.

# FLATBED: NON- STARTERS

- Flatbed continues to ride countercyclical to the other modes, taking a nosedive in May as single family starts fall with rising inventory.
- Less resourced buyers and builders begin to show exhaustion against higher borrowing costs.
- DAT reports rates falling w/w further than any point since February while FTR claims the largest drop since July '23.



Shaded areas indicate U.S. recessions.

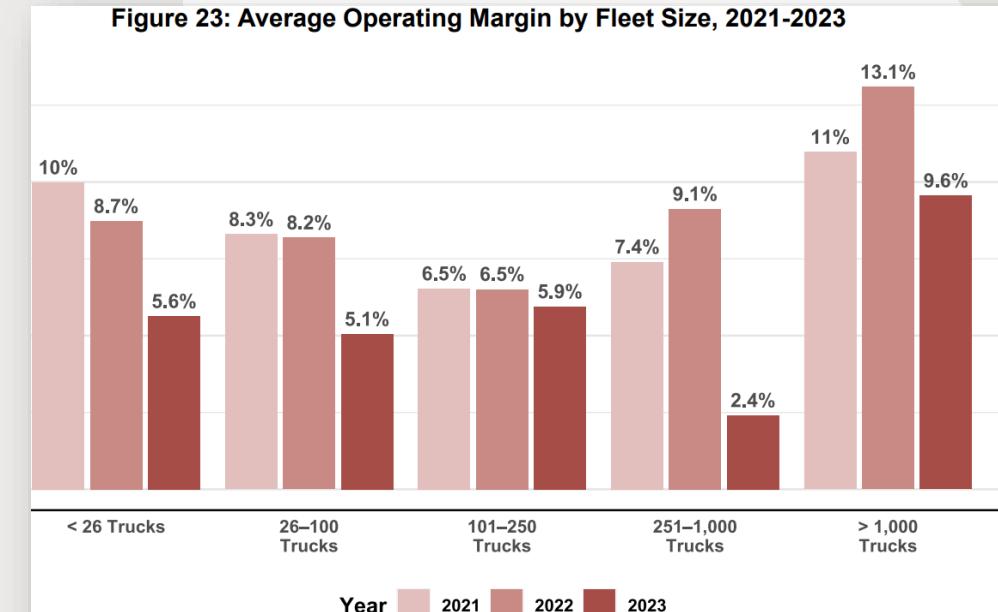
Sources: Census; HUD; National Association of Realtors

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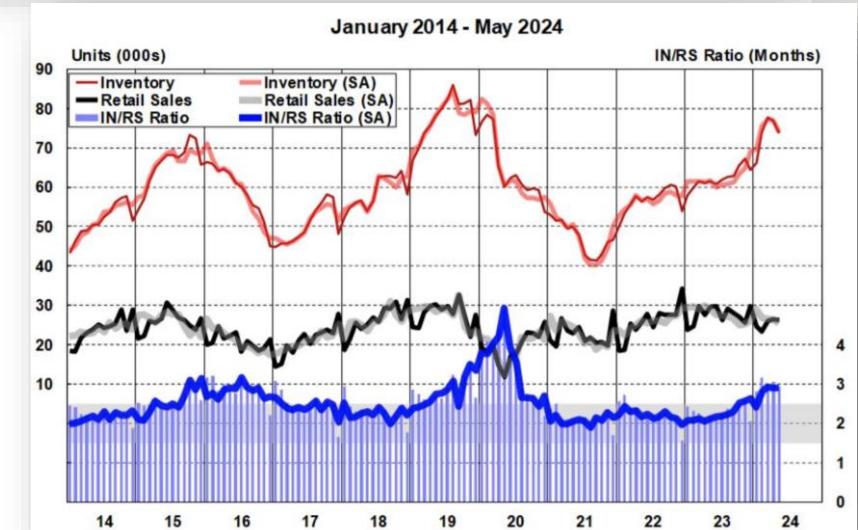
# CAPACITY: SQUEEZED

- α The annual operating cost report from the American Transportation Research Institute (ATRI) notes a sub 1% increase in marginal costs y/y to \$2.27 or \$1.72 ex-fuel in 2023.
- α Linehaul rates from DAT rose last week to \$1.77/mi for dry van. FW's NTIL is at \$1.72/mi, leaving no room for margin even as rejections move higher.
- α Although smaller fleets have felt the brunt of lower revenues, it was the 25-100 and 251-1,000 operations that were sandwiched further by higher operational and admin costs. Another sizeable TX based firm closed this week.

Figure 23: Average Operating Margin by Fleet Size, 2021-2023

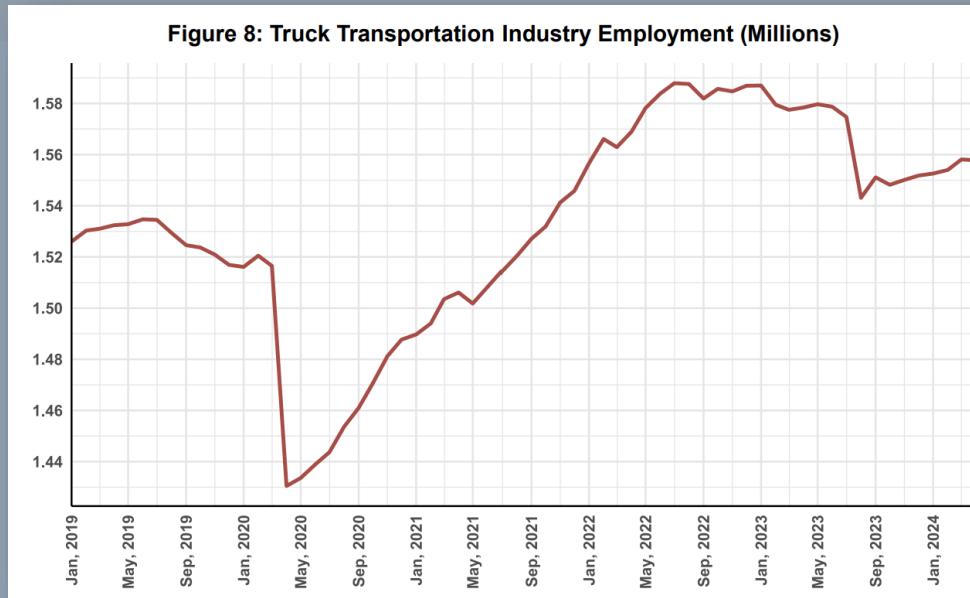


Source: [ATRI](#)



Source: ACT Research

# CAPACITY: MEAN REGRESSION



**Table 20: Driver-to-Truck Ratio**

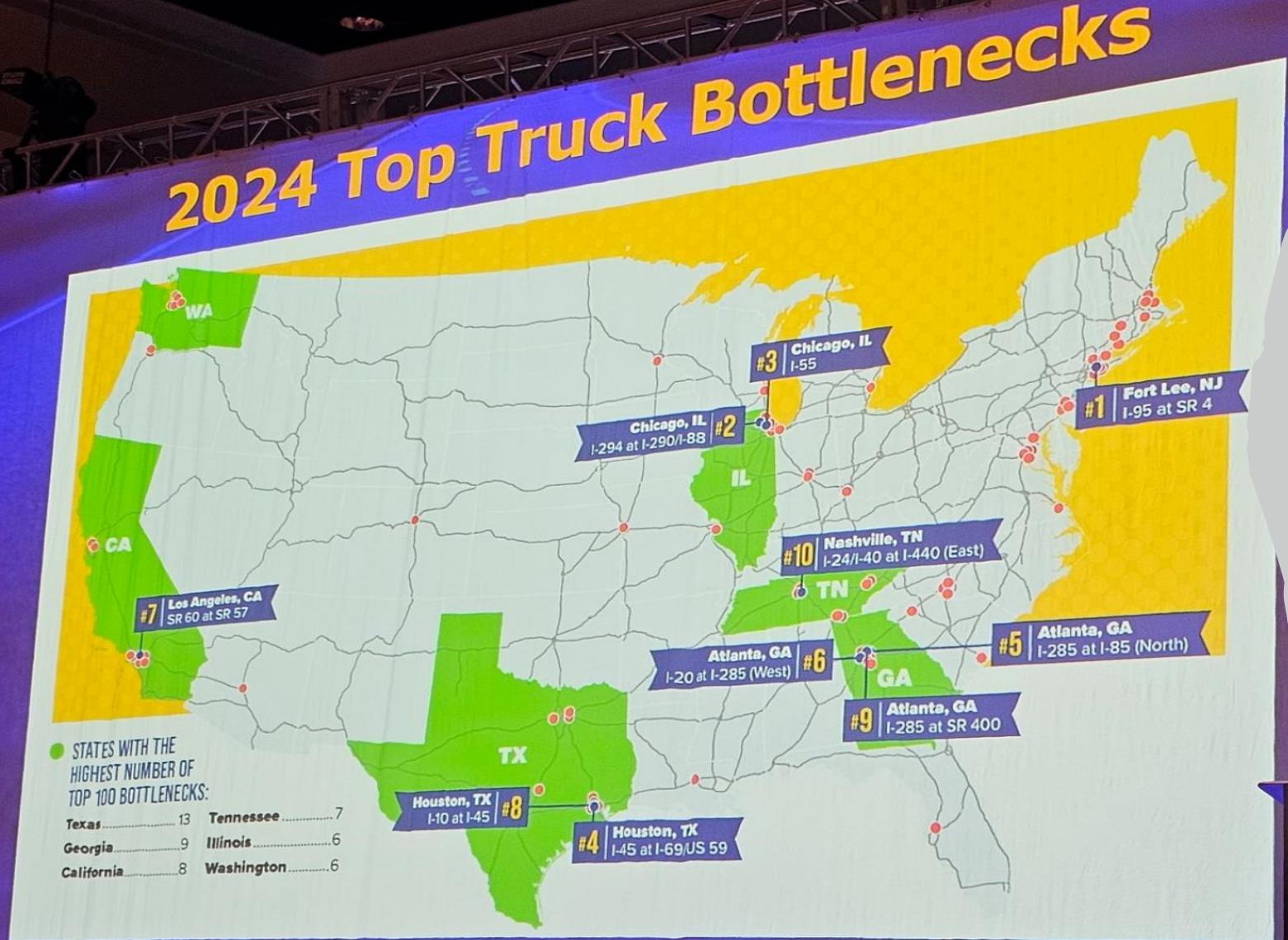
Year	Average Number of Drivers per Truck
2023	0.97
2022	0.98
2021	0.96
2020	1.03
2019	1.02
2018	0.95

**Table 19: Trailer-to-Truck Ratio**

Year	Average Number of Trailers per Truck
2023	2.63
2022	2.71
2021	2.82
2020	2.90
2019	2.55
2018	2.70

- α Drops in employment have helped regress the ratios of worker to types of equipment, further curbing total capacity in 2023 that continued into the year as purchases of equipment stall.
- α Capacity conditions have room for marginal deterioration going forward, but the risk is only higher sensitivity to higher demand or shock into the second half of the year.

# TRUCKING: OLD NECK BOTTLE



Cathy Morrow Roberson posts from a presentation given by ATRI's Rebecca Brewster on top bottlenecks around the country at SMC3 Connections.

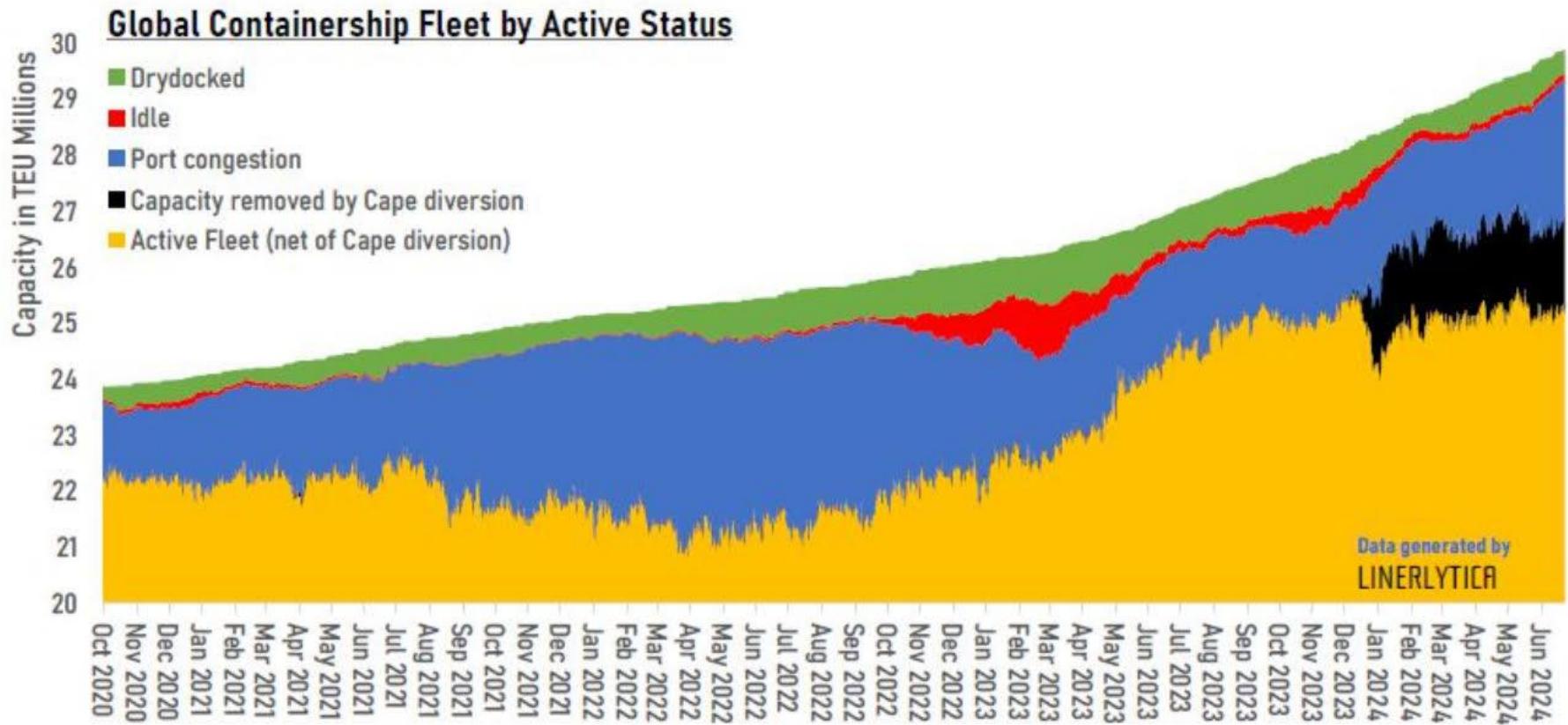


MULTI-MODAL

## OCEAN: CHARTERING AHEAD

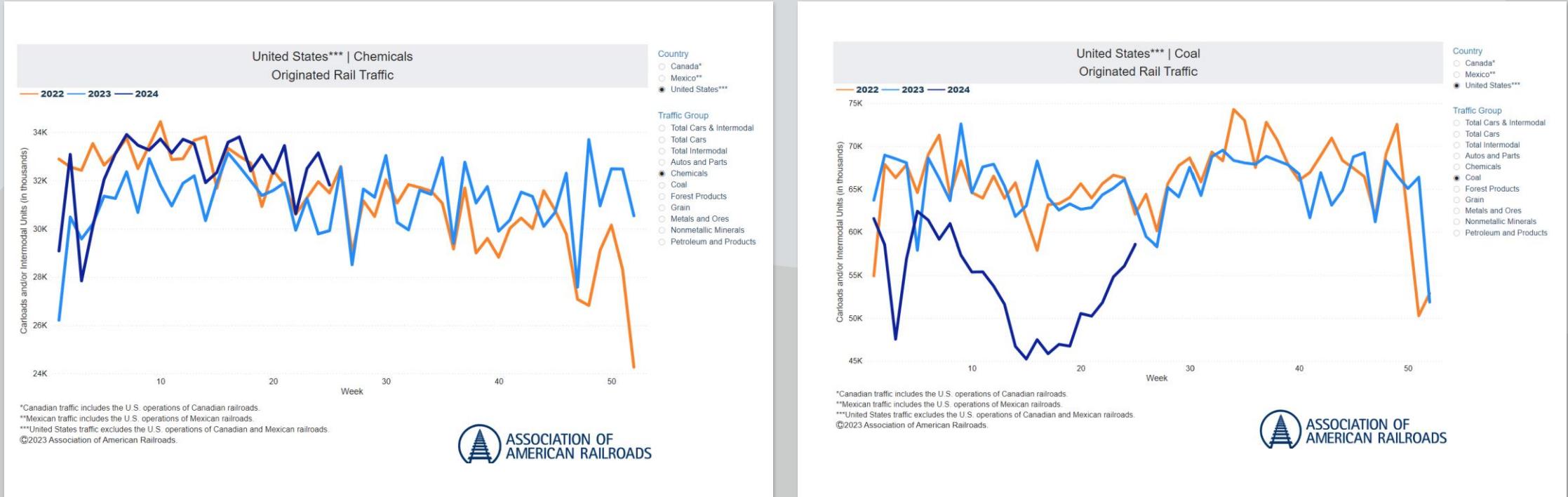
- α Maersk sets a new record for chartering at \$150,000 per day per The Loadstar. This eclipses the \$100K daily rate agreed by CMA CGM two weeks ago as ocean capacity tightens.
- α In a surprise move, the Leatherman terminal in South Carolina's Charleston port will come further online mere days after the Post and Courier's editorial staff demanded it be opened.
- α The Houthi have only ramped up their attacks, releasing video of explosions after their attack on MV Tutor on June 12<sup>th</sup>.





L I N E R L Y T I C A V I S U A L I Z E S C A P A C I T Y L O S T V I A D I V E R S I O N S  
A R O U N D T H E C A P E

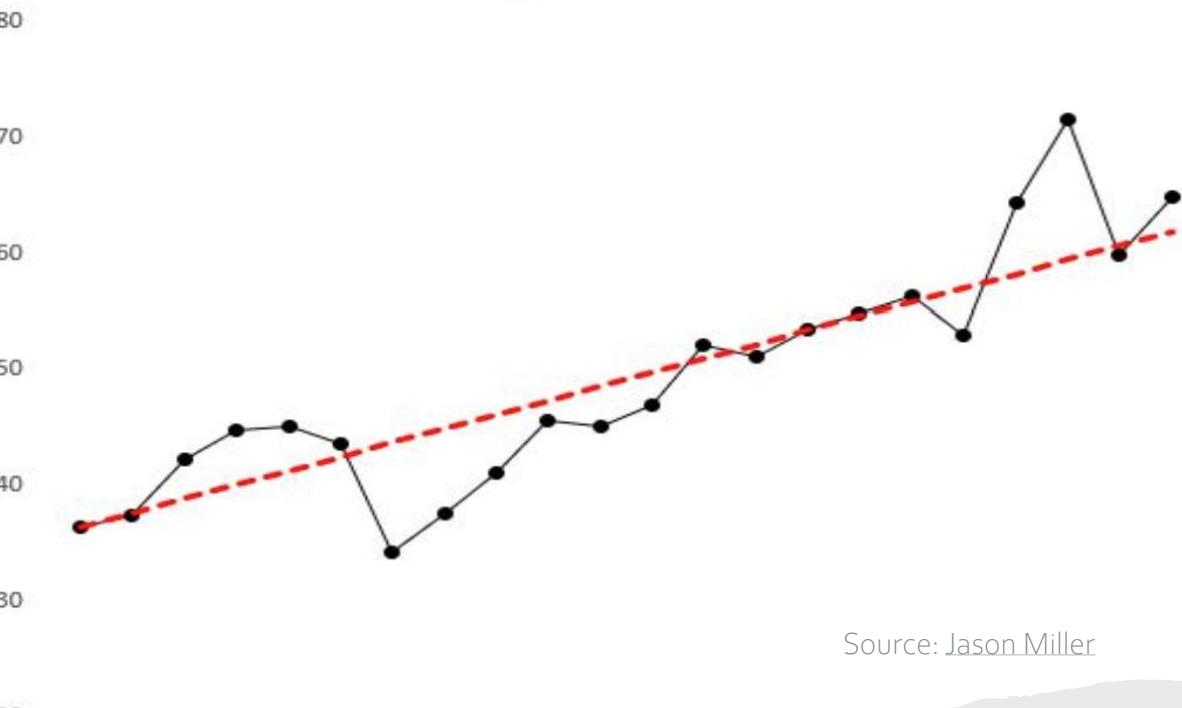
# RAIL: CHASING CARS



- Weekly rail traffic data from the [AAR](#) on chemicals corroborates budding strength being possible in the manufacturing sector.
- The effects of the Francis Scott Key collision are visible in the sharp decline in coal car traffic, giving a robust rebound since sections were cleared as it is the primary coal exporting port in the country.

Millions of Metric Tons of Containerized Waterborne Imports to the USA for Jan - April for 2003 - 2024 with 2003 - 2019 Trendline

● Tons    - - - 2003 - 2019 Trendline



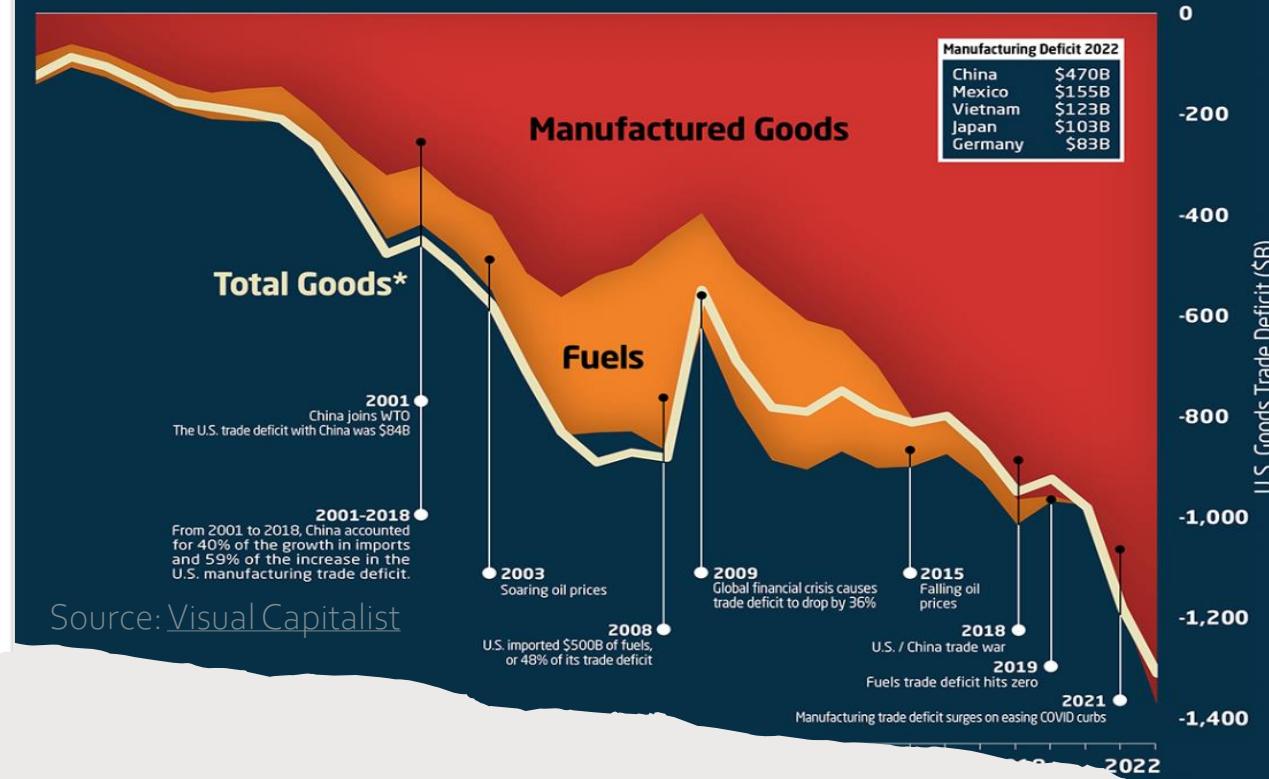
## OCEAN: KEY DRIVERS

- α Jason Miller cautions to draw inference from imports as primary drivers of TL volume. Of the 100M estimated shipments a year over the TL/LTL limit, maybe 4 million containers transfer to OTR with the other 2/3 going to rail and local moves.
- α Imports are 4.7% above the 17-year average and portend to higher volumes given the share of imports that feed into manufacturing processes or final assembly that can offer leading indications.

## Dominance of Manufactured Goods in the U.S. Trade Deficit

U.S. Trade Deficit 2022  
Total goods \$1,311B

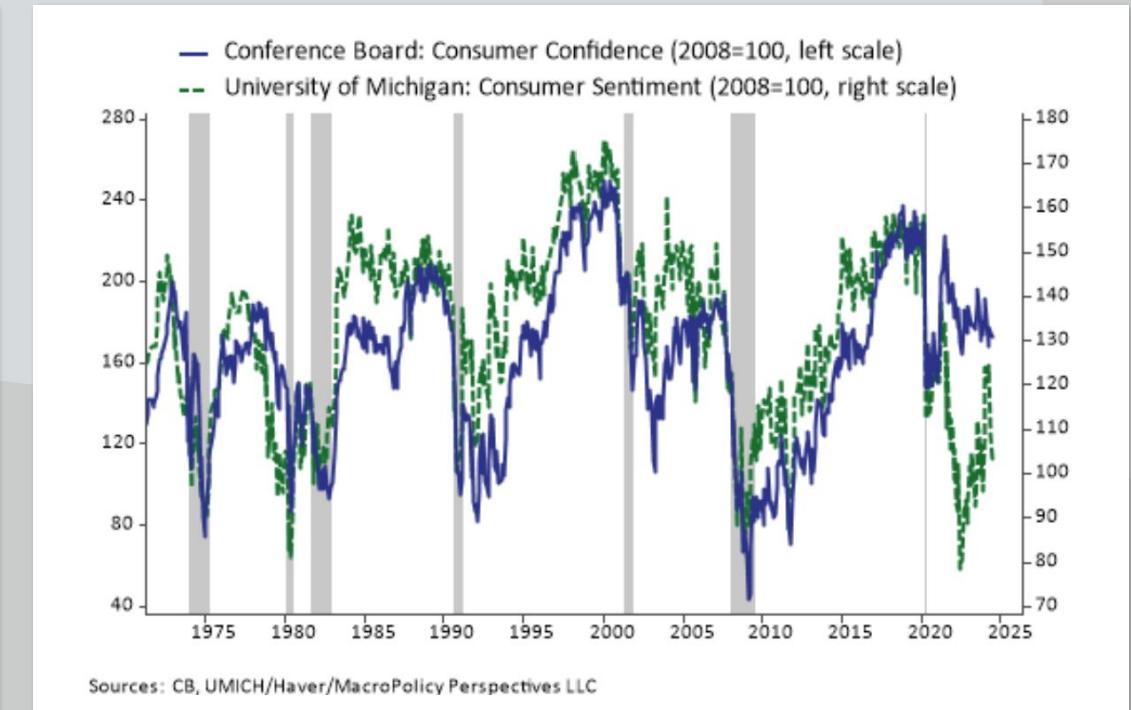
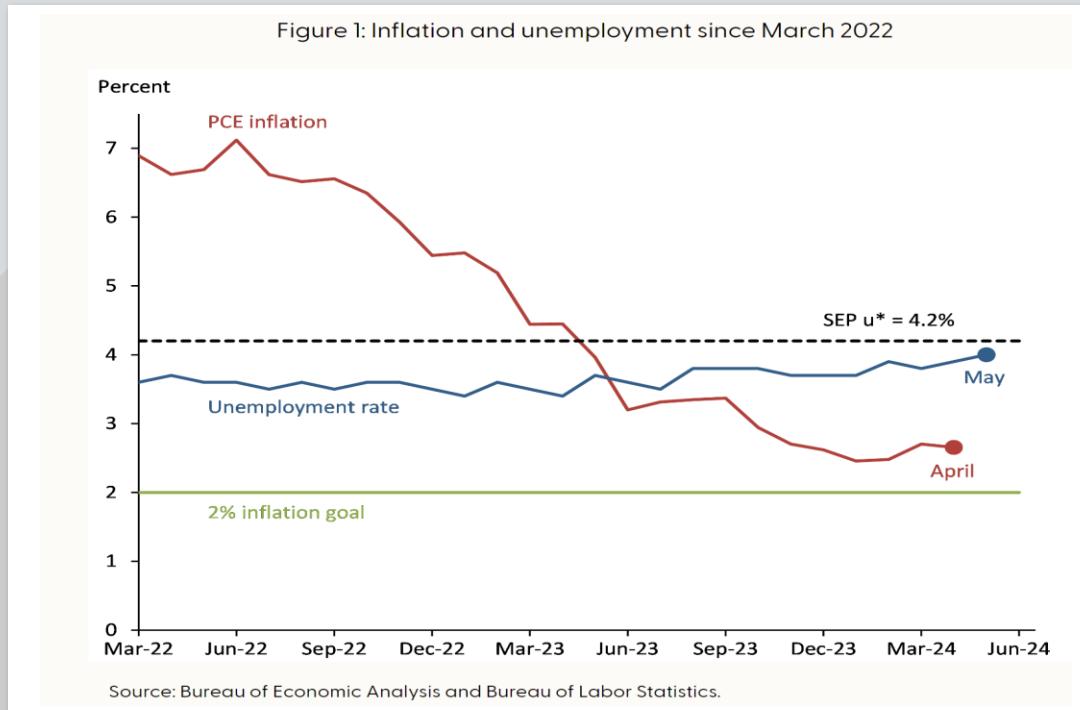
Manufacturing Deficit 2022	
China	\$470B
Mexico	\$155B
Vietnam	\$123B
Japan	\$103B
Germany	\$83B





ECONOMY: ALL  
MIXED UP

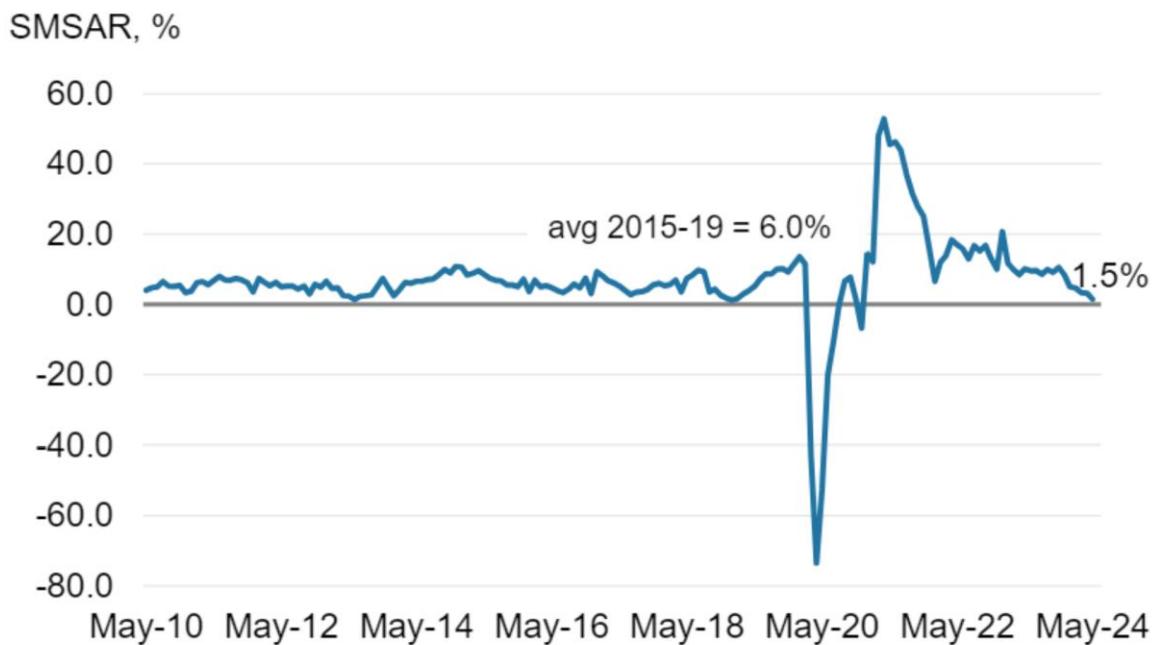
# ECONOMY: EXPECTATIONS



- α Federal Reserve Bank of San Francisco's President Mary C. Daly delivered a speech that speaks to being ever closer but more cautionary en route to their 2% target.
- α Michigan's consumer sentiment dovetails from the conference board again, which slightly beat expectations. Some point to the new web-based surveying process to have some weight.

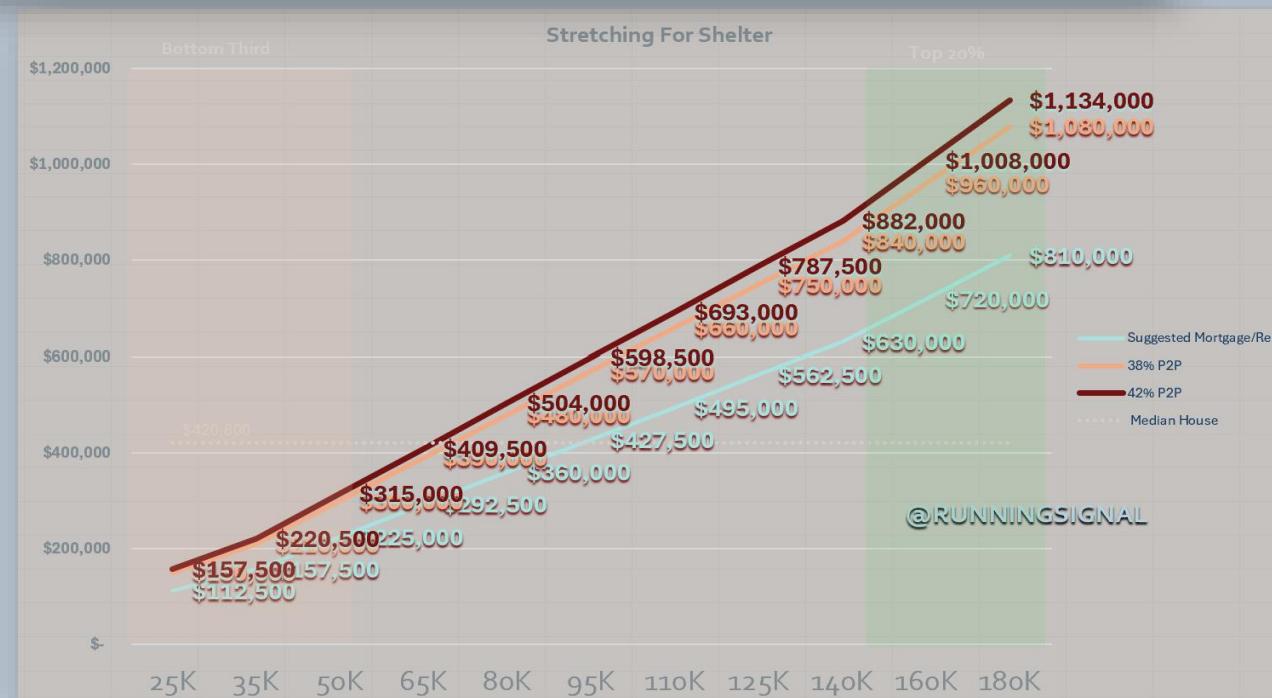
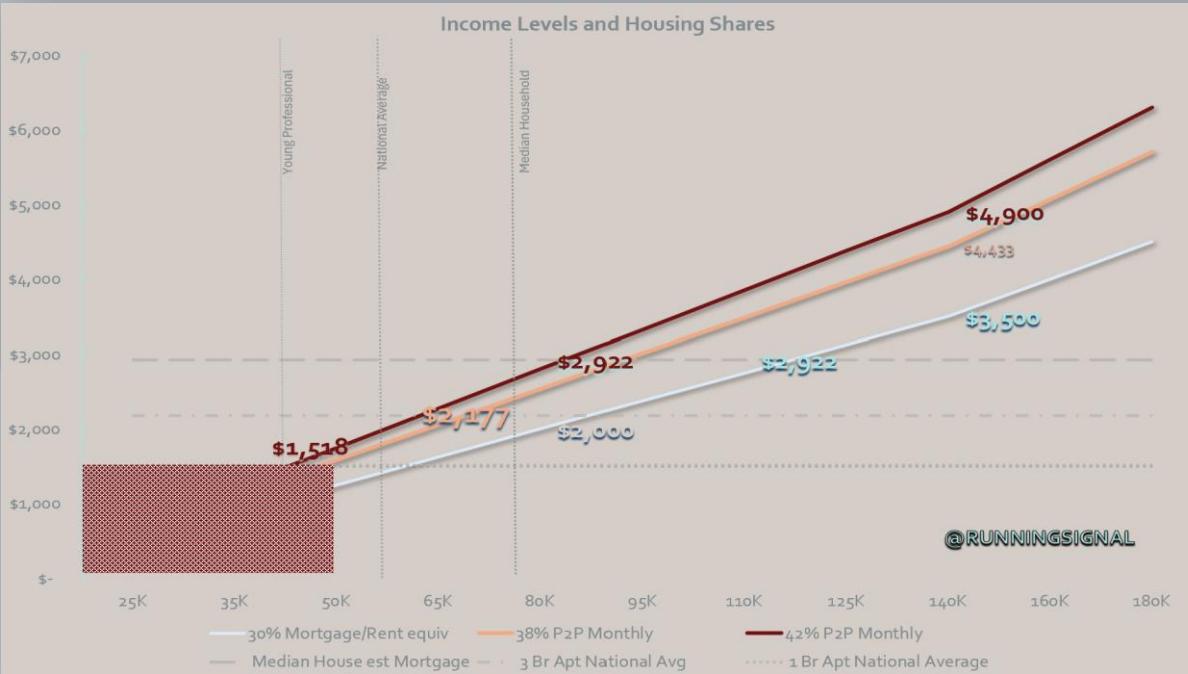
# ECONOMY: CUTTING BACK?

**Exhibit 1:** The loss of momentum in dining out is notable.



Note: The 6-month smoothed annualized rate of change is calculated by dividing the figure for a given month  $m$  by the 12-month moving average centered on  $m-6.5$ . Using this method, it is easier to interpret the annualized 6-month rate of change since the volatility has been smoothed out. Source: Census Bureau, Morgan Stanley Research

# HOUSING: THE BIG STRETCH



The median house was \$319K at a 3.5% Int rate in 2019, ~\$1450/ mo

Median is \$421K today at 7.5% for a \$2900/mo mortgage

Rising values have stretched buyers into higher shares of income along the distribution. Especially for the lower third of earners.

TECHNOLOGY

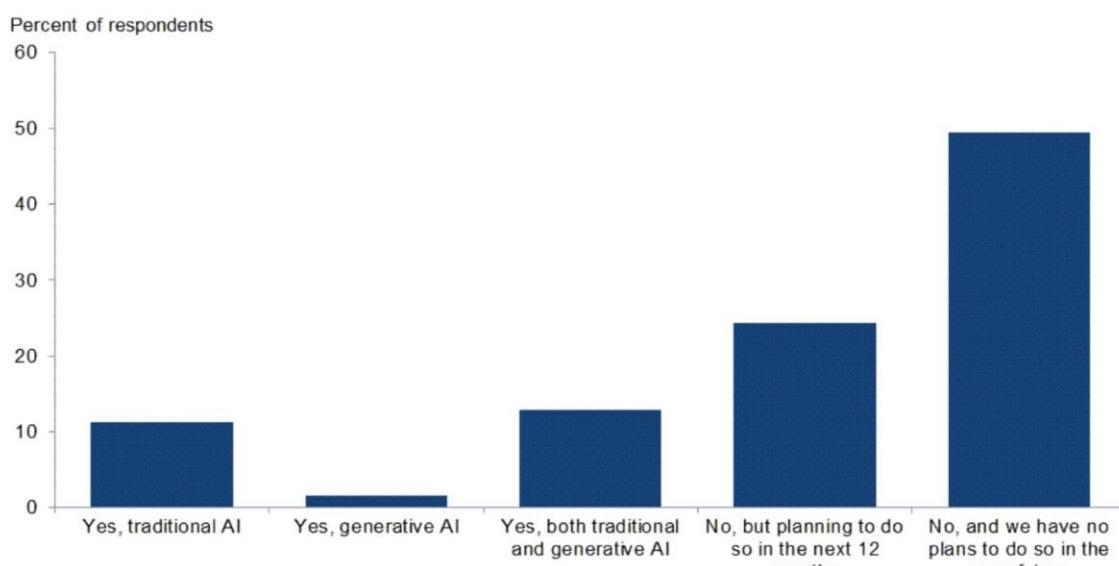


# INTEGRATIONS: IT AIN'T MOVIN' FAST

## Is your firm currently using artificial intelligence (AI)?

Executives were provided examples of traditional AI and generative AI before they responded to the question. Fifty percent of executives said their firm is not using AI and has no plans to do so in the near future. Twenty-six percent of executives note their firm is using either traditional AI, generative AI or both. The remaining 24 percent of executives said their firm is currently not using AI but plans to do so in the next 12 months.

Responses differed depending on the firm's size and type. Roughly half of the executives surveyed from large exploration and production (E&P) firms (with crude oil production of 10,000 barrels per day or more as of the fourth quarter of 2023) note they are using some form of AI, compared with 32 percent of executives from oil and gas support services firms and 16 percent of executives from small E&P firms (fewer than 10,000 barrels per day). Small E&P firms were also more likely than large E&P firms and services firms to indicate they have no plans to use AI in the near future. A breakdown of the data can be found in the table below.



NOTE: Executives from 123 oil and gas firms answered this question during the survey collection period, June 12–20, 2024.  
SOURCE: Federal Reserve Bank of Dallas.

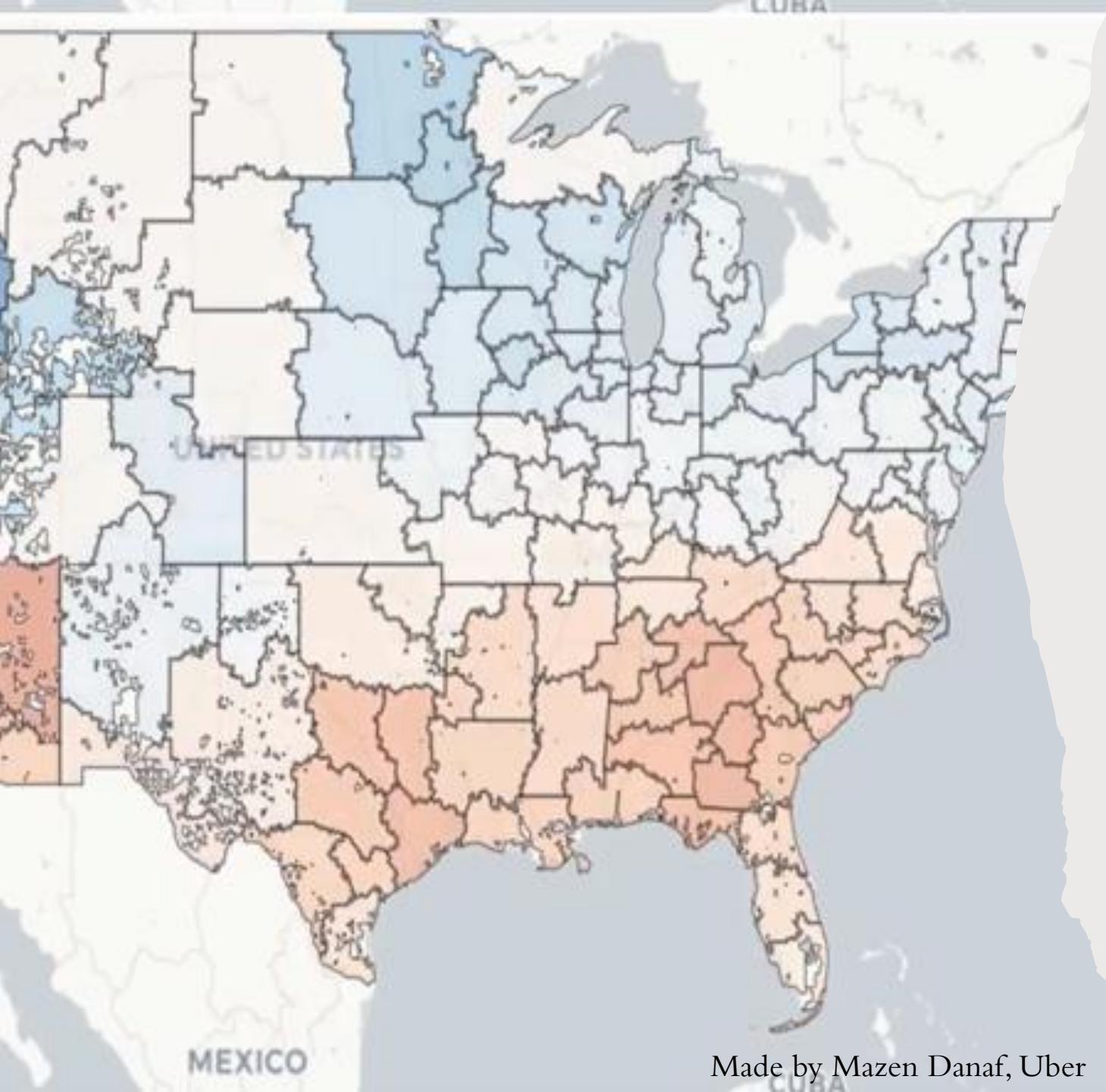
## Bigger Firms Have the Least Knowledge About Internal AI Usage



- α The Federal Reserve Bank of Dallas found 50% of respondents don't intend to use AI.
- α Most respondents tell the Burning Glass Institute say they don't know if they'll use it in the next 6 months.



GUIDANCE



# WHAT'S THE PLAN?

- Truckload pressures culminate for the first half of the year leading into the Independence Day holiday. Expect high rates through early next week, especially on poorly planned or pinned short hauls.
- Resist banking on an inflection. Pressures and rates typically plummet following the holiday until mid August. Prepare for longer hauls and a tighter Midwest ahead.
- Ocean bookings tend to peak after July 4<sup>th</sup> as activity builds on the final days before schools start up again. If volumes are being pulled forward, however, expect bookings to trail in July, bringing pressure off spot rates. If not, expect constriction into August.
- Flatbed will likely weaken with housing conditions, offering headwinds elsewhere.
- Don't know where to start with AI? Try internal use cases first, this limits risk of GTM while delivering for your workforce while working out the kinks.