TRANSPORTATION GUIDE

JULY 24

RUNNING SIGNAL

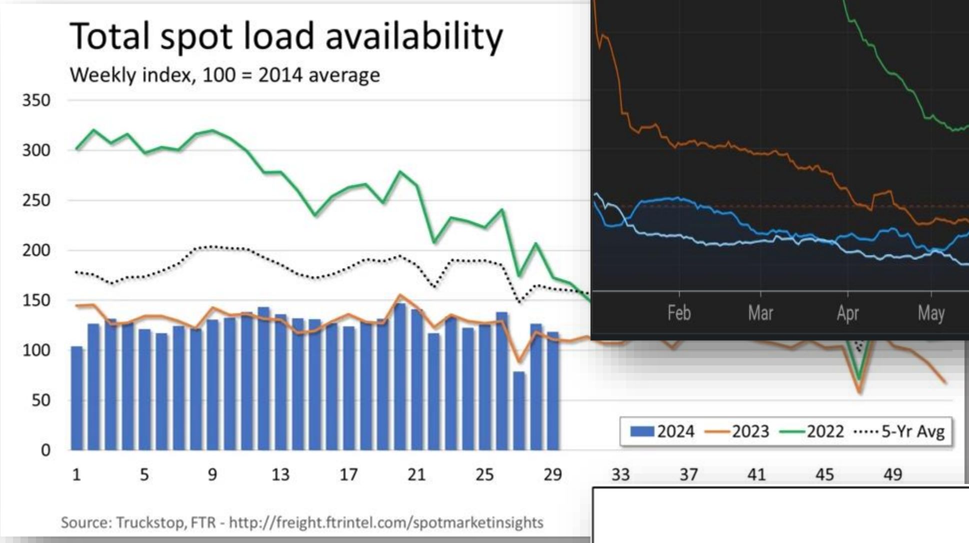
Crafted by Beau King | Newsletter

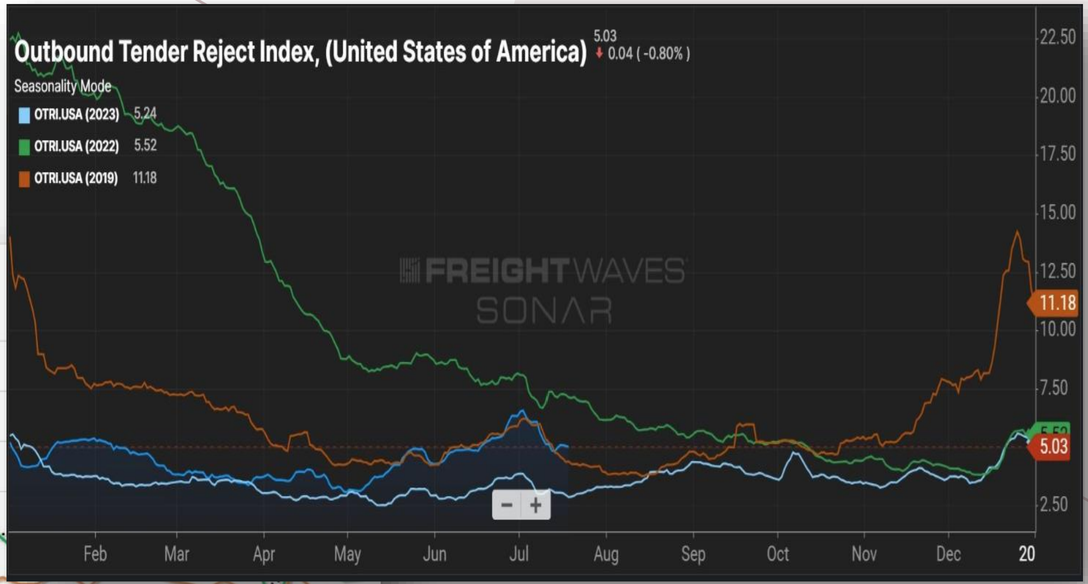

FREIGHT MARKET INTELLIGENCE
RUNNING SIGNAL

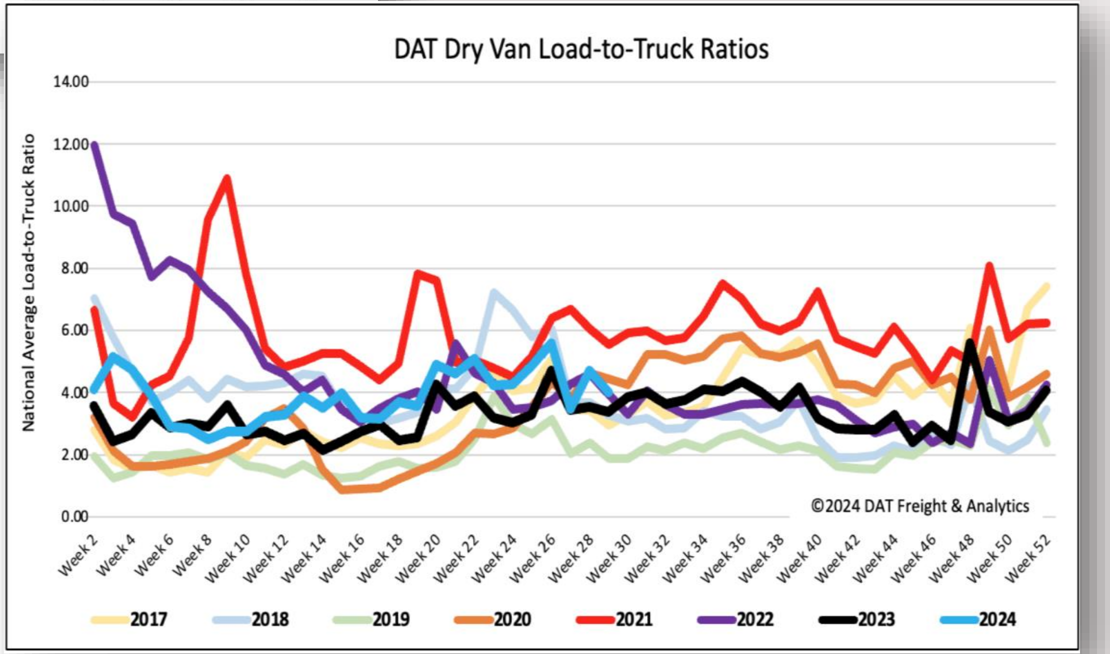
- FTR total spot load availability falls w/w yet is 7% above 2023, the 3rd out of the last 4 weeks above the prior year trend.

- Rejections fall post 4th with seasonality, yet have tabled at 5%, dovetailing from 2019 and much higher than 2023.

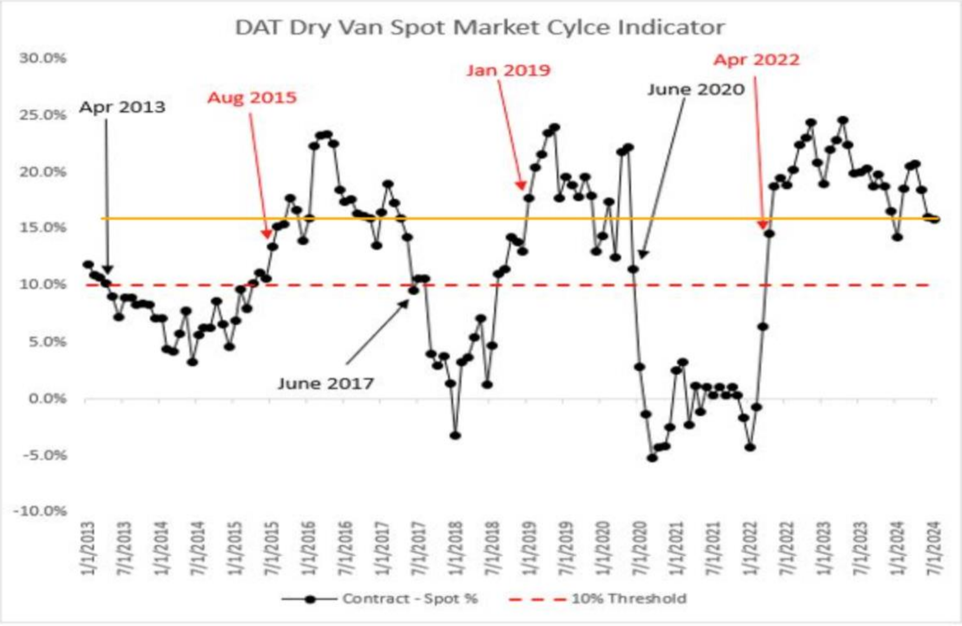
- Van L:T ratios fall w/w yet are at 4:1 going into EOM. This is the 3rd highest read since 2016 for the week. Volumes were 13% higher y/y, a 7 year high outside 20-21.

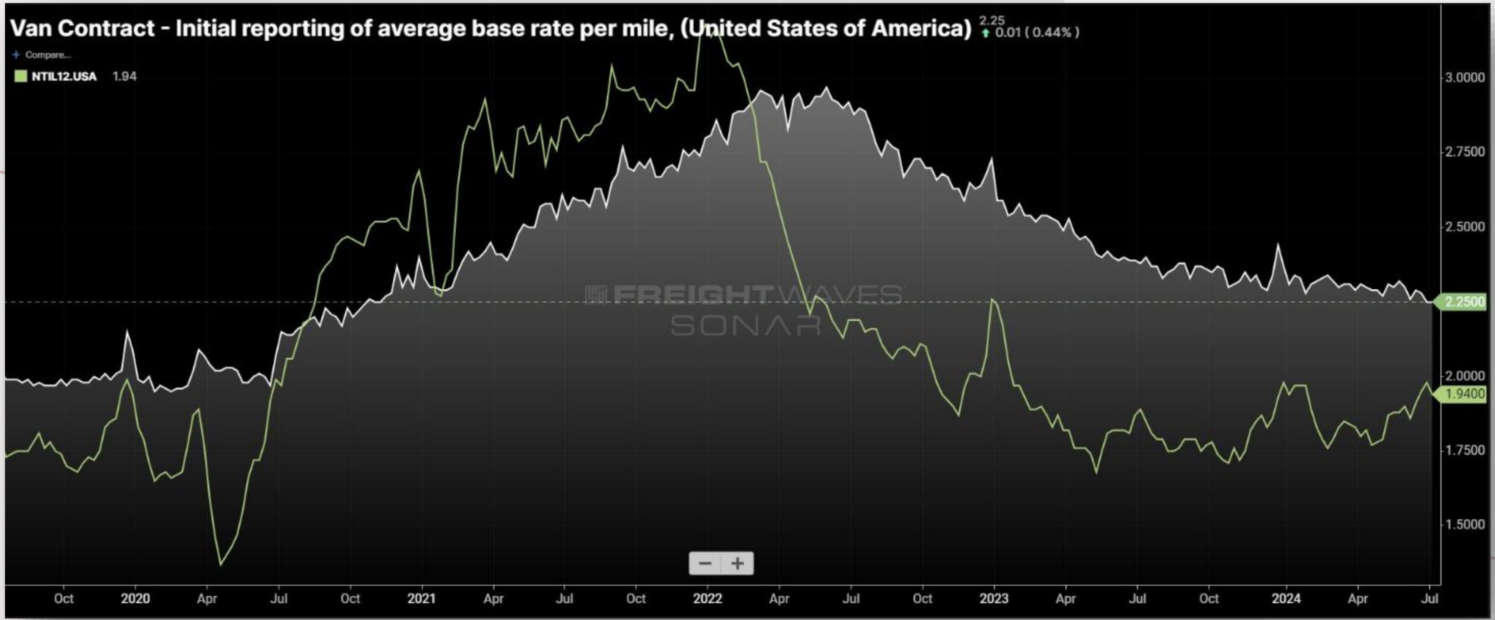




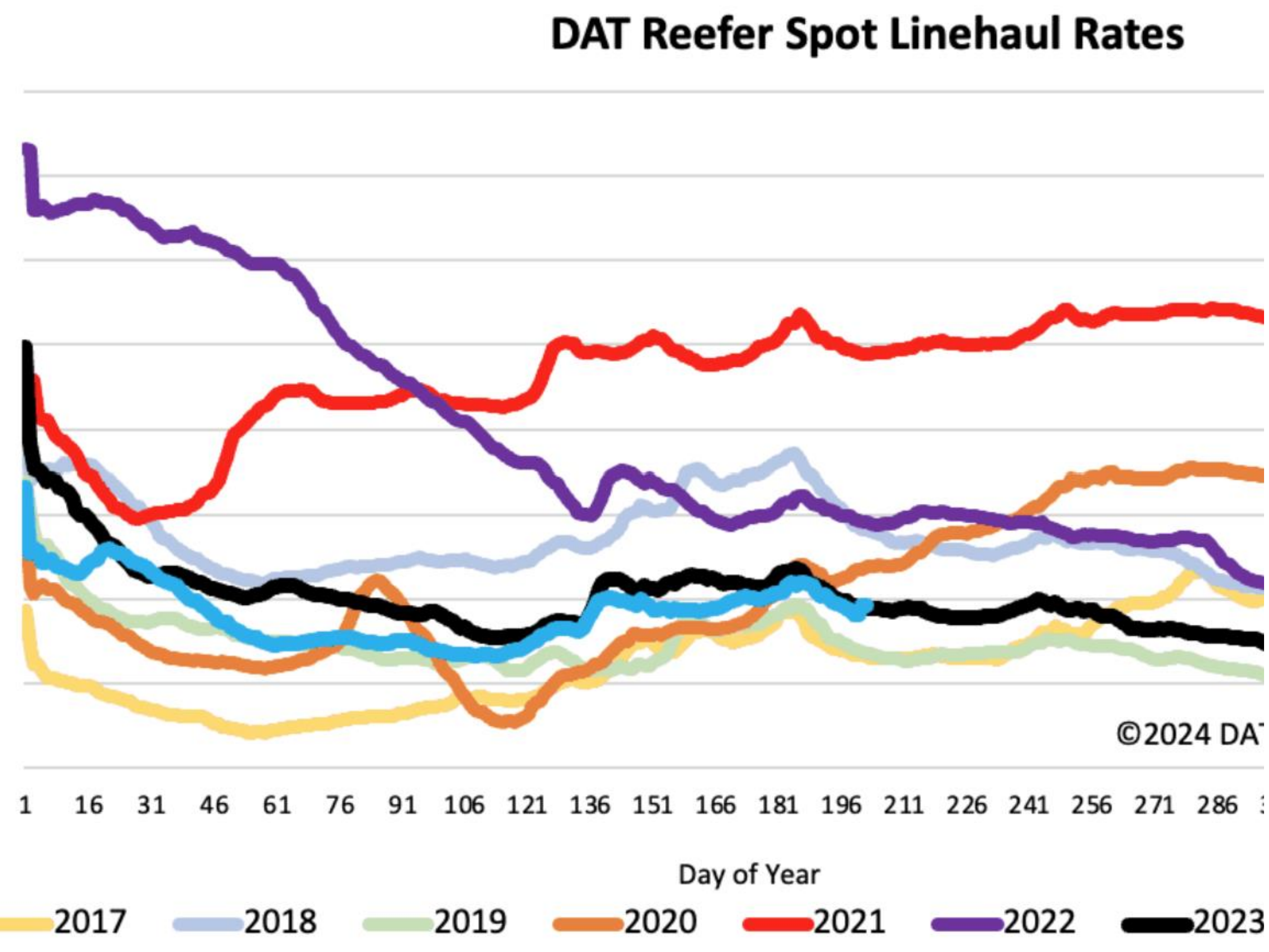


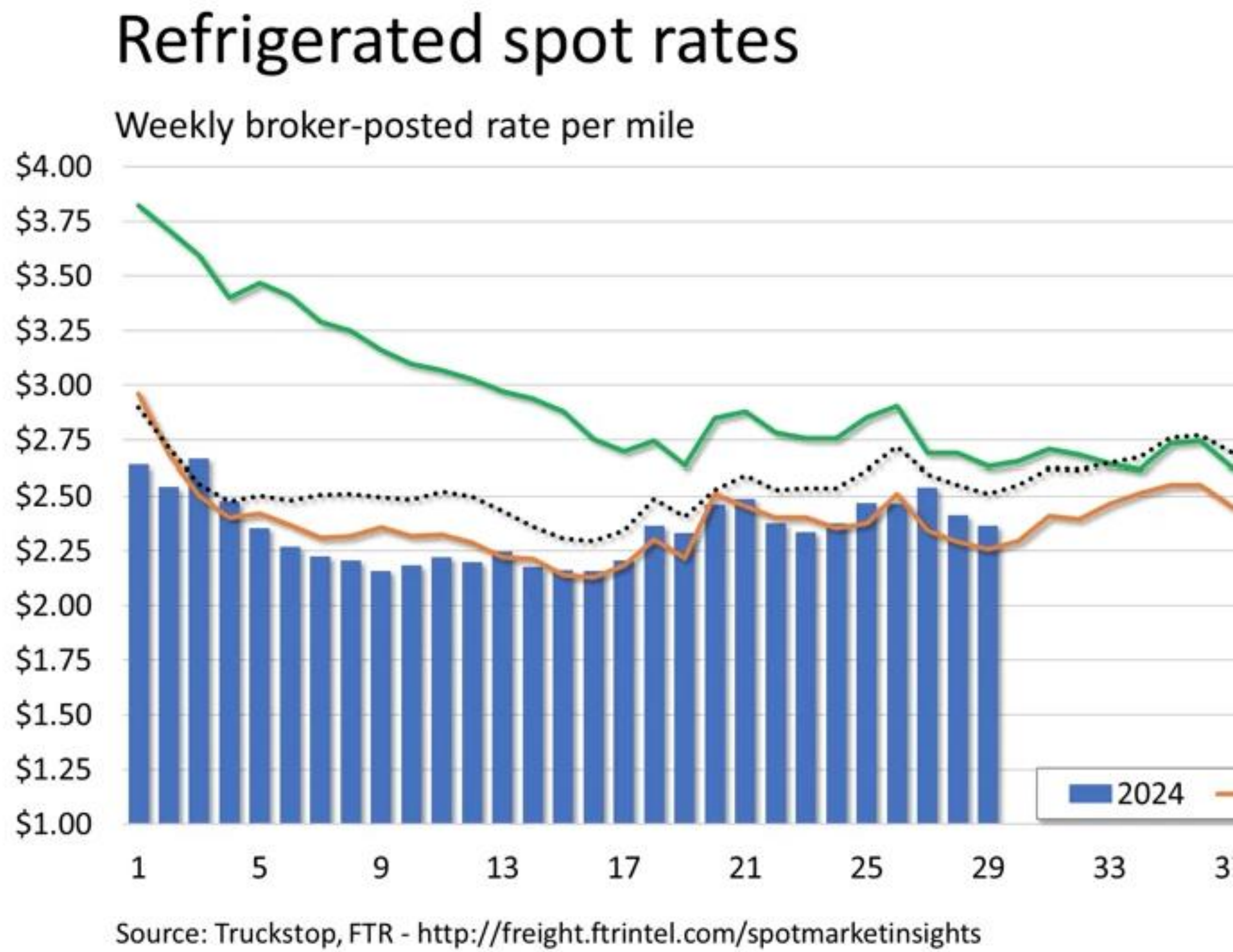
- The cycle indicator Eric Williams of Target first introduced, a premium of contract to spot/contract blend model moves to 15.8%. This remains above the 10% threshold for more official inflection.
- The premium is at late cycle levels seen in 2017 and 2020.





- FreightWaves all-in spot rates are within 31 cents of contract ex-fuel. Although spot is lower than January highs, the spread has closed.
- Further convergence only exacerbates rejections.

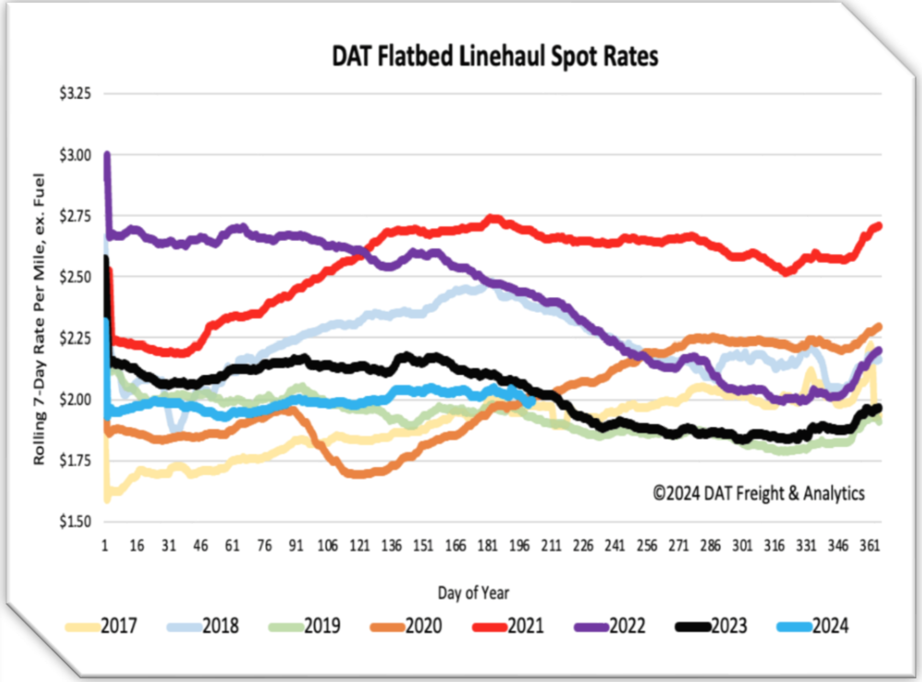


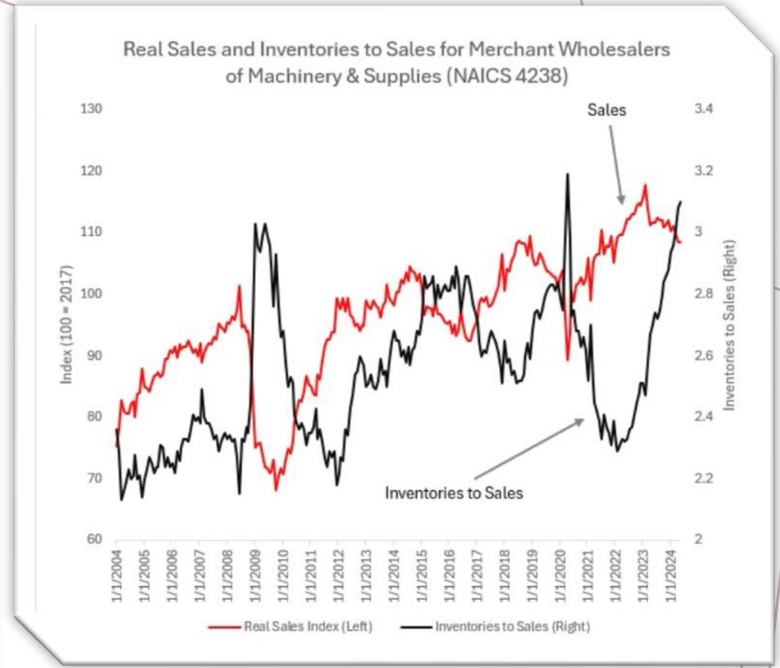


- α Reefer rates take their customary decline into the end of July. Fuel composition keeps linehauls closer to 2023 while all-in rates from FTR show higher y/y for the last 4 of 5 weeks.

- α Expect a lull through early August. California yields were lower last week yet IL/IA corn crops are the biggest in years. Post Labor Day momentum will signify how hardy a recovery is brewing or not.

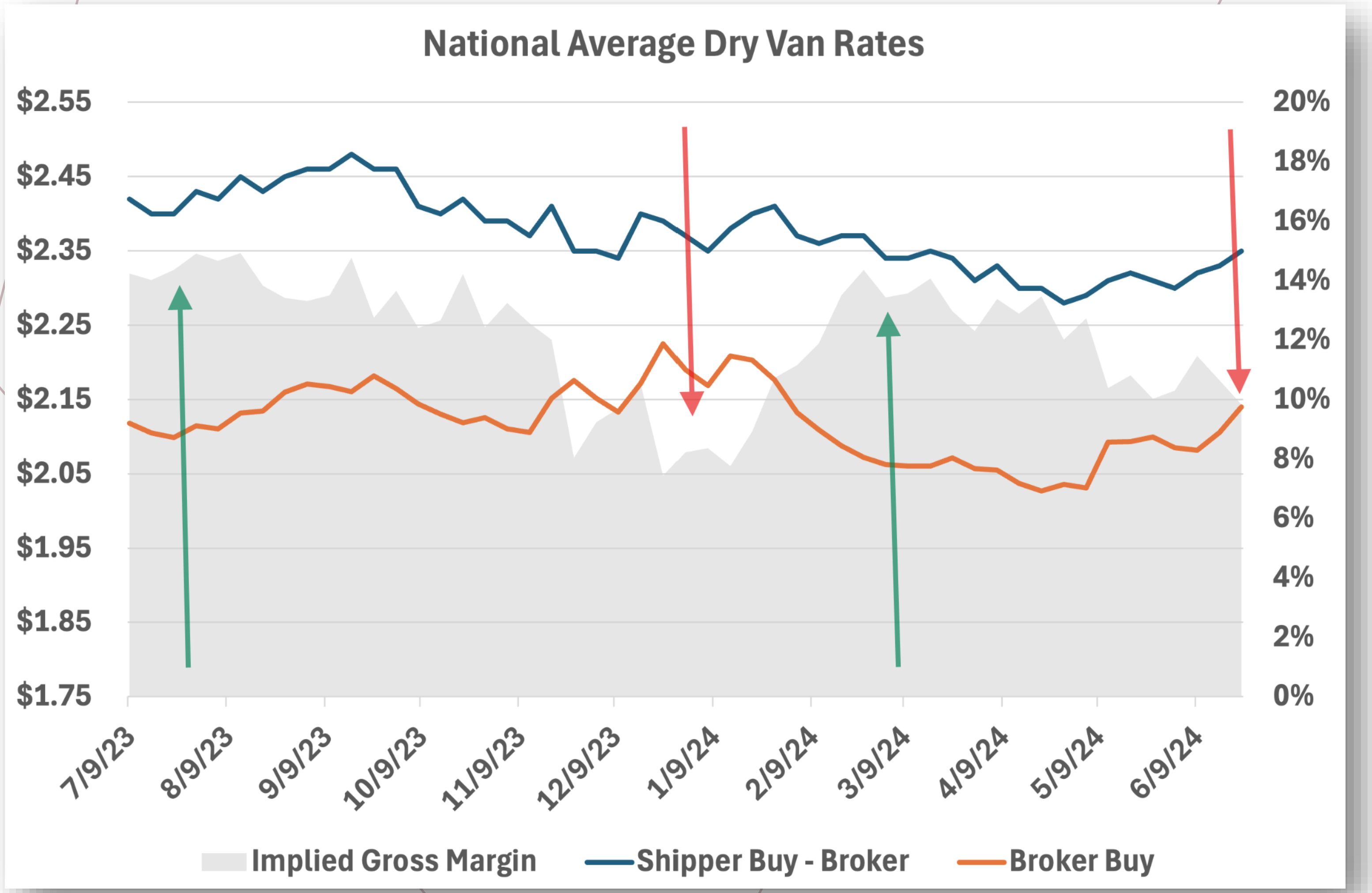
Source: Julia Coronado





Source: Jason Miller

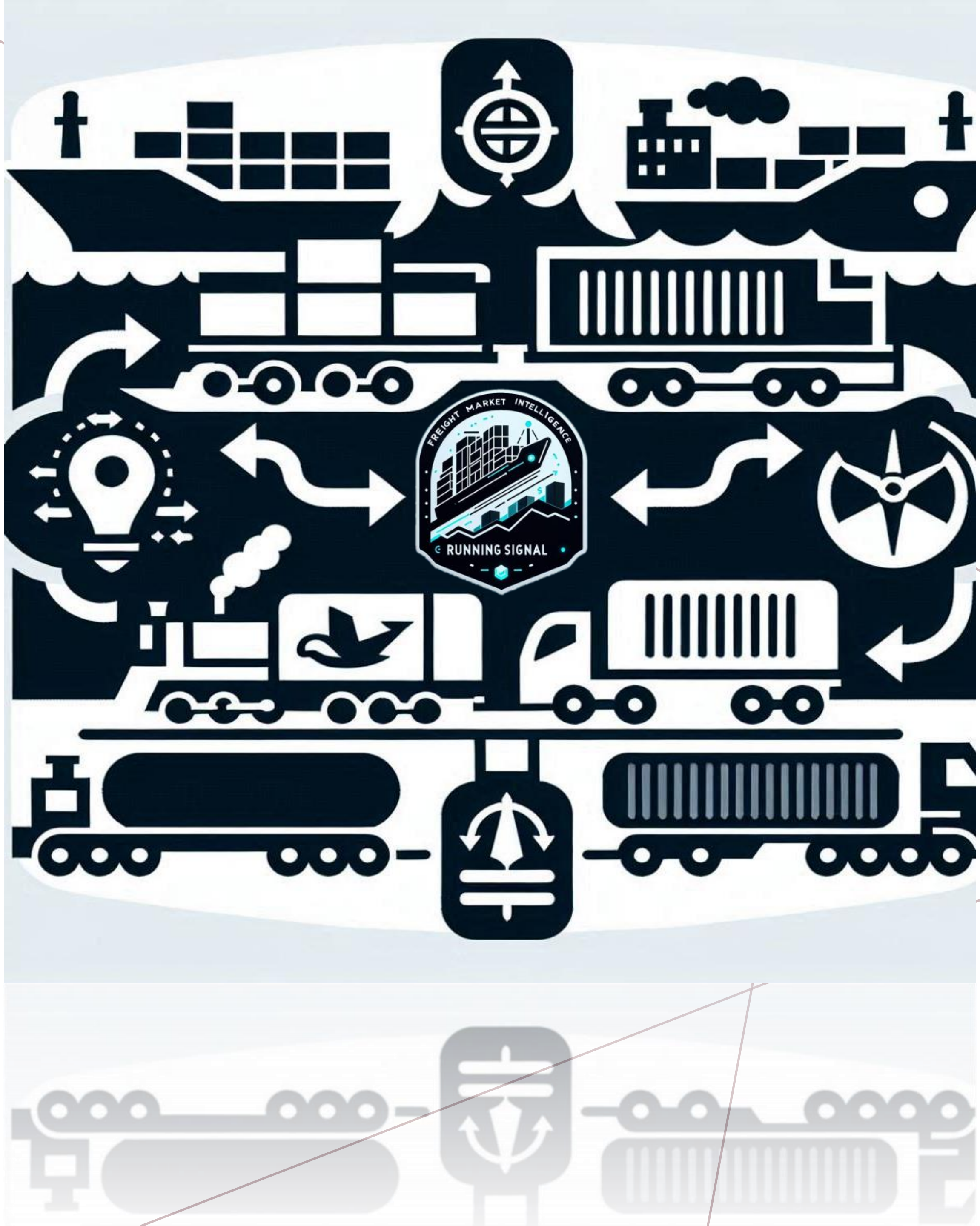
- Flatbed was the only one to lift in pressures last week, nonetheless, it faces mounting headwinds through Q3.
- Housing starts, contracts, and app installs are down.
- Heavy equipment manufacturers John Deere and Case New Holland Industrial are moving some operations to MX while overall machinery sales slow further.

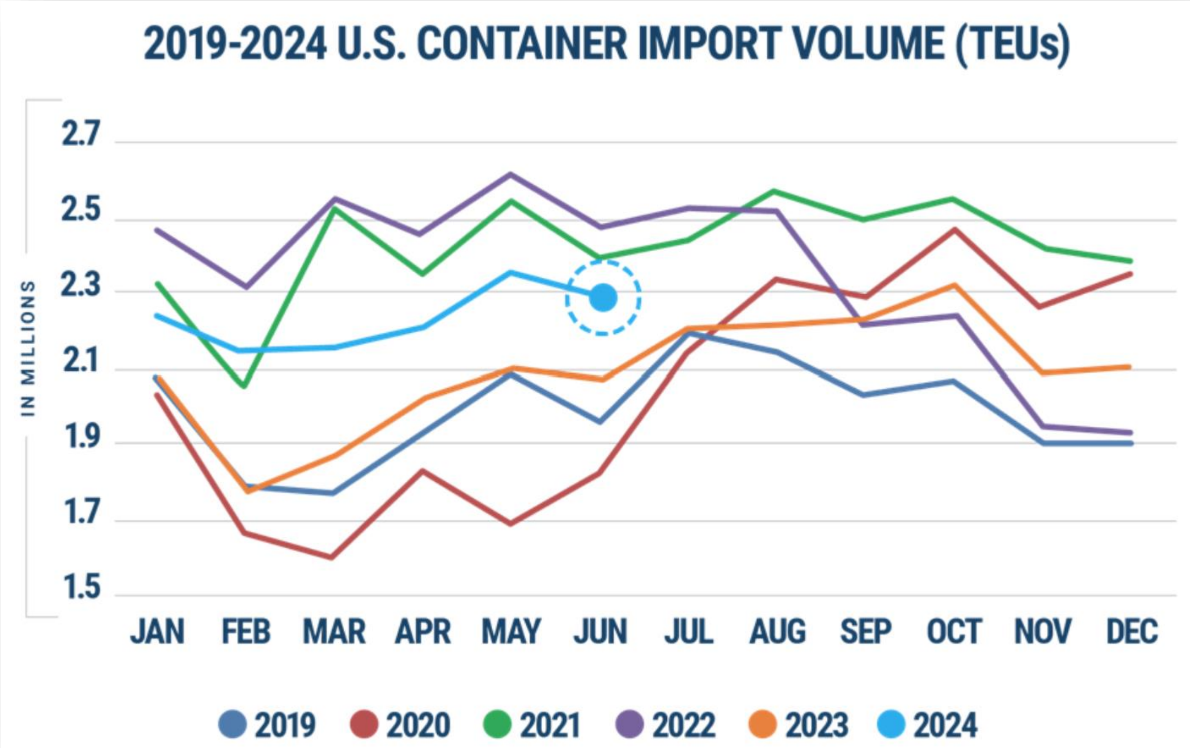


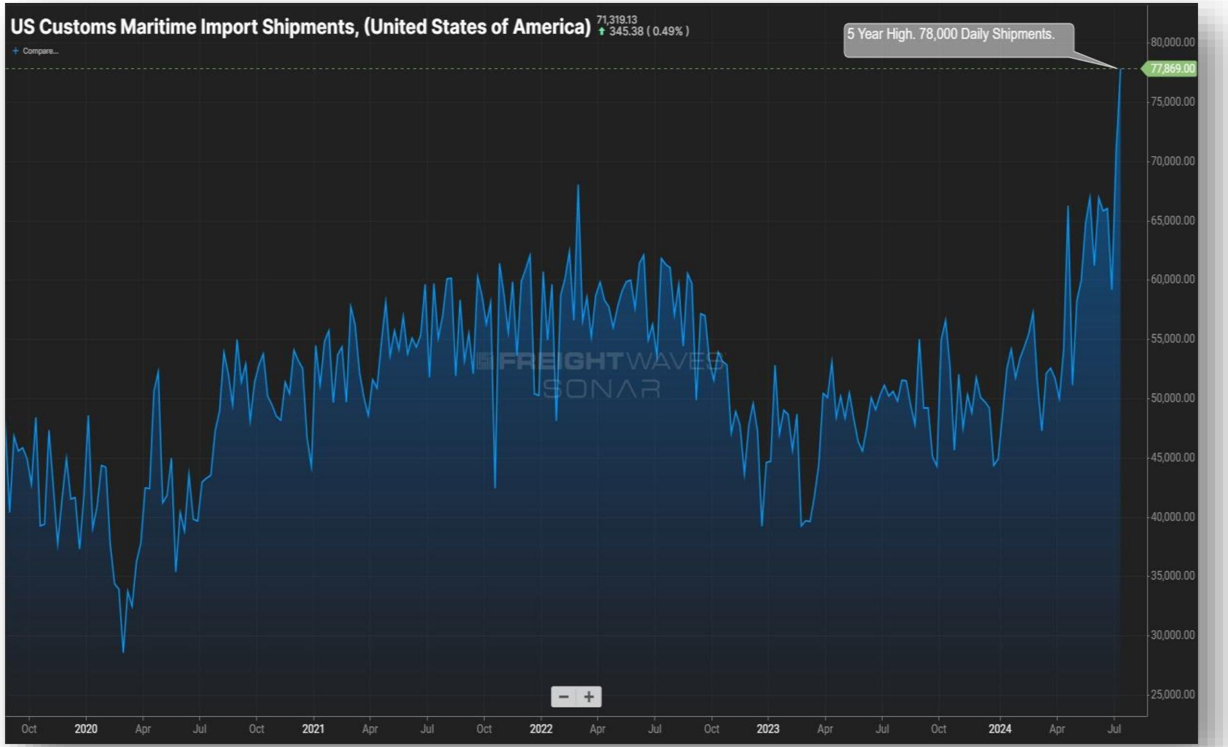
THE CRUNCH

- DAT'S KEN ADAMO SHARES SHIPPER AND BROKER BUY PATTERNS WITH IMPLIED MARGINS.
- PRICING PRESSURES ARE A CATCH-22 FOR MANY. HIGHER SPOT RATES COMPRESS MARGINS AT FIRST.
- LONGER HAULS WILL BUILD INTO LABOR DAY, GIVING SOME RELIEF THROUGH EARLY AUGUST.

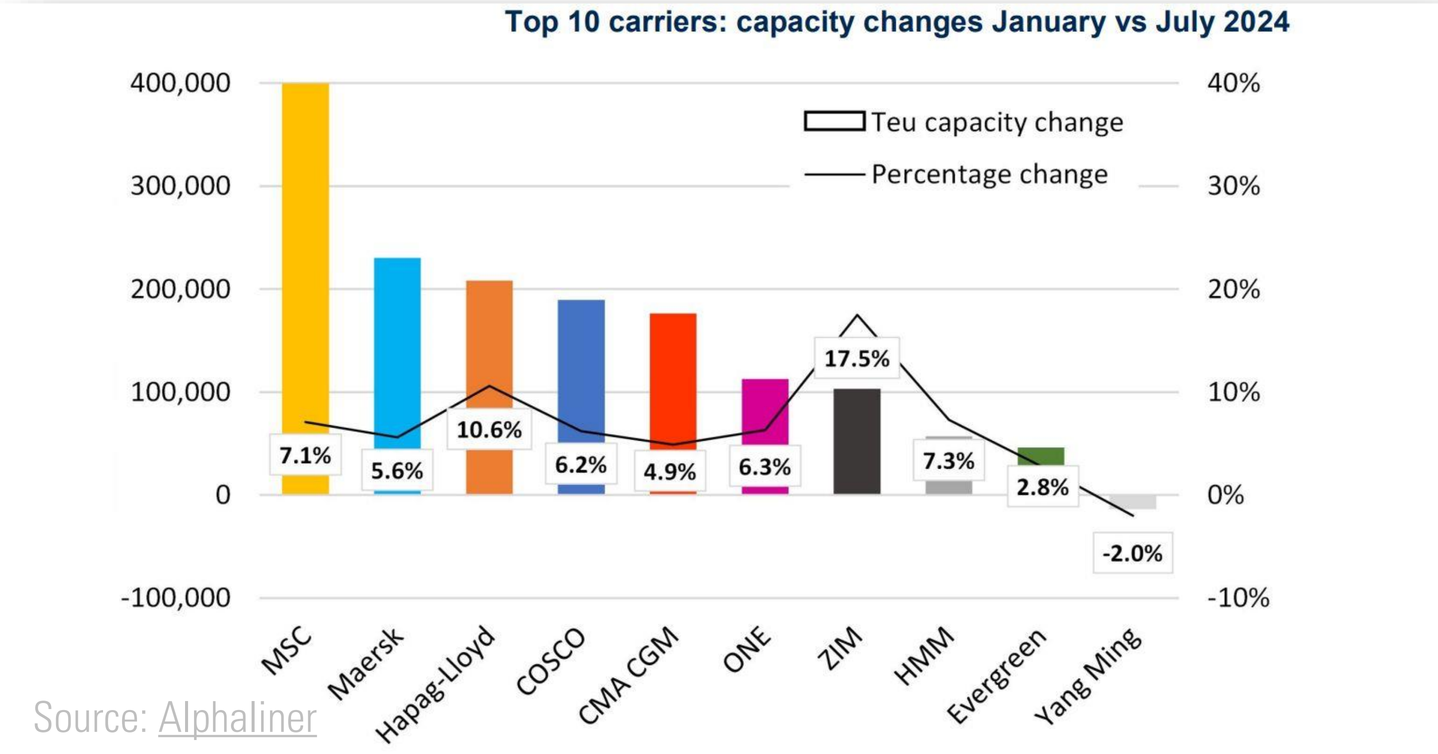
MULTI-MODAL







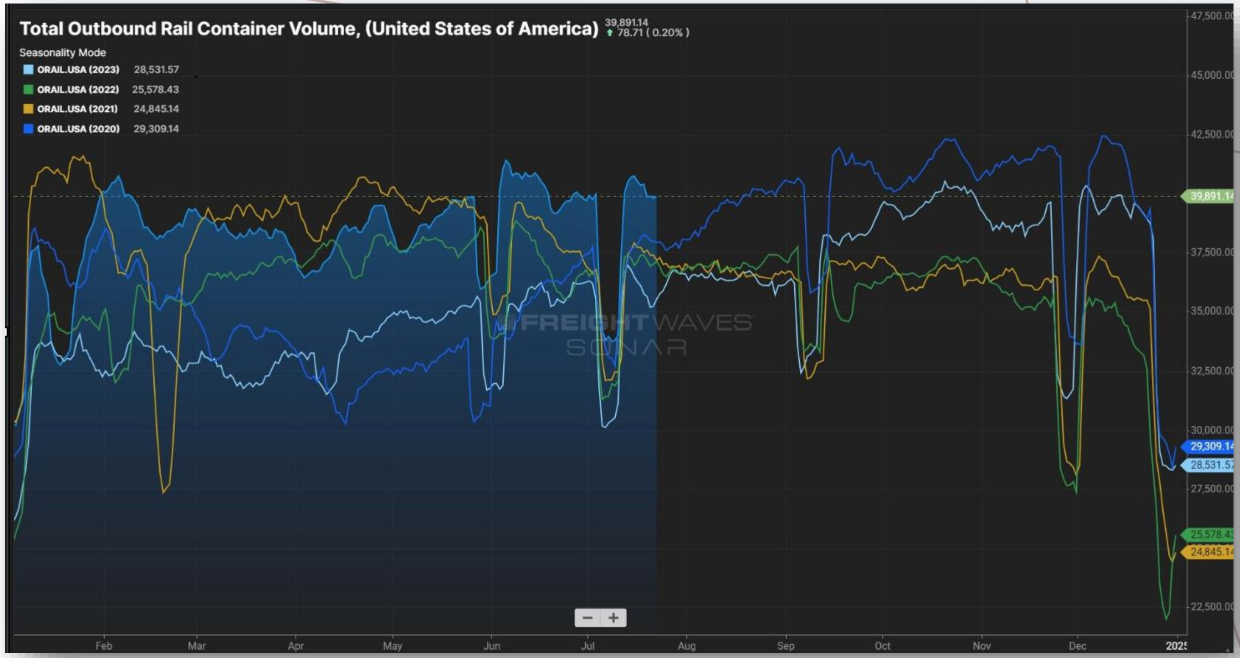
- JUNE IMPORT GAINS SHRINK TO 10% Y/Y WHILE CHINESE IMPORTS RISE 14%.
- JULY DAILY MARITIME CUSTOMS SHIPMENTS FLY TO 5-YEAR HIGHS.

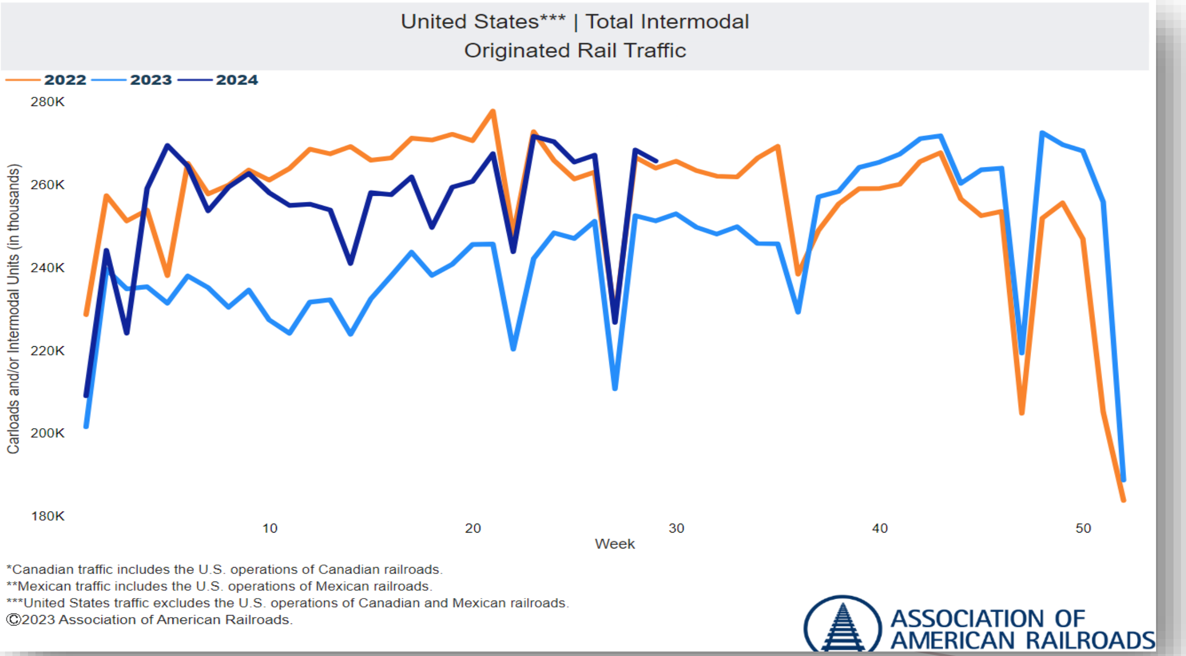


MSC LEADS IN TOTAL CAPACITY GAINS IN 2024

Crafted by Beau King

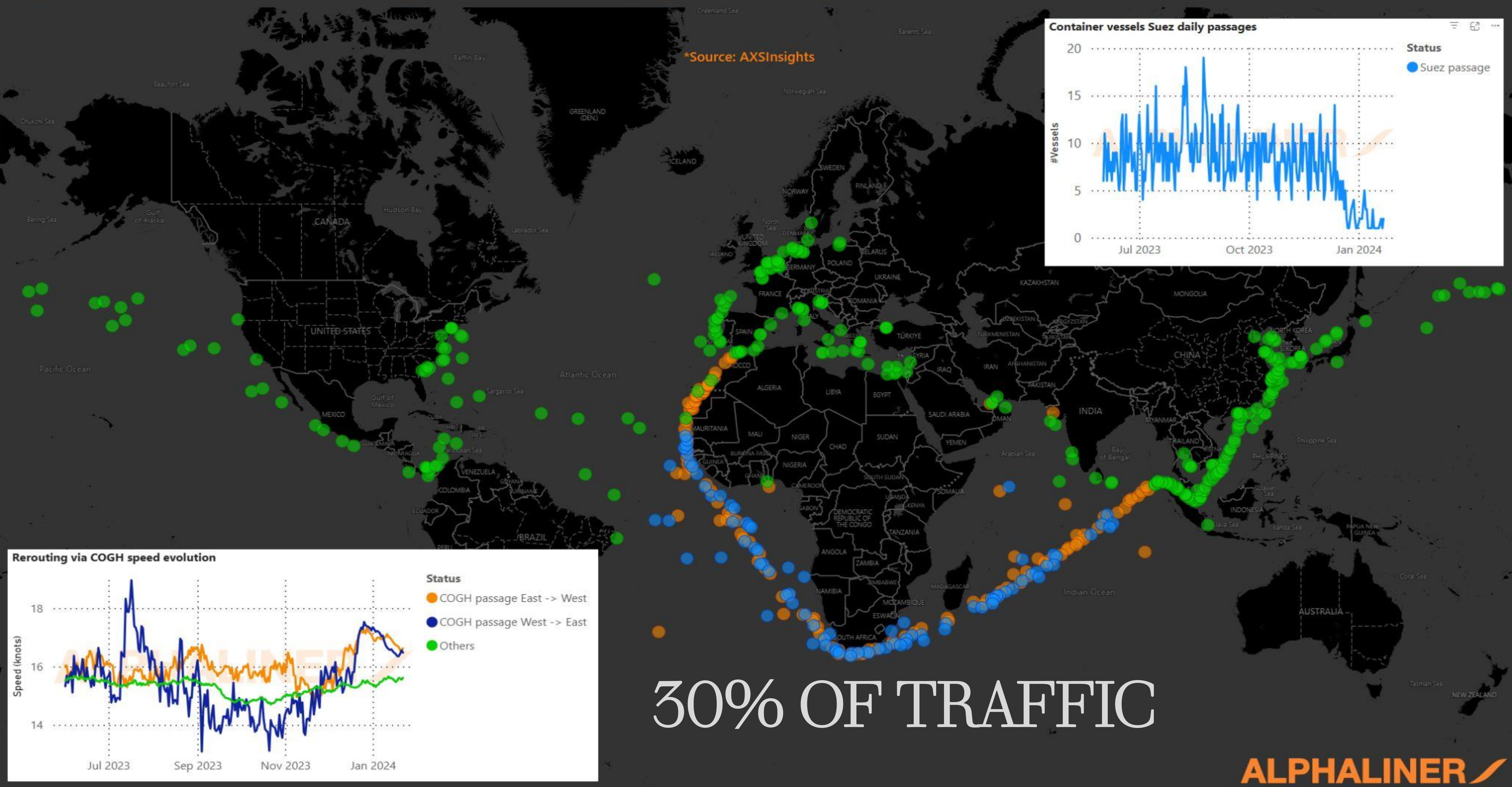
INTERNATIONAL RAIL KEEPS HUMMIN’ FROM IMPORTS





DOMESTIC RAIL HAS SOFTER INCREMENTAL VOLUME. PRICES OFFSET MOMENTUM.

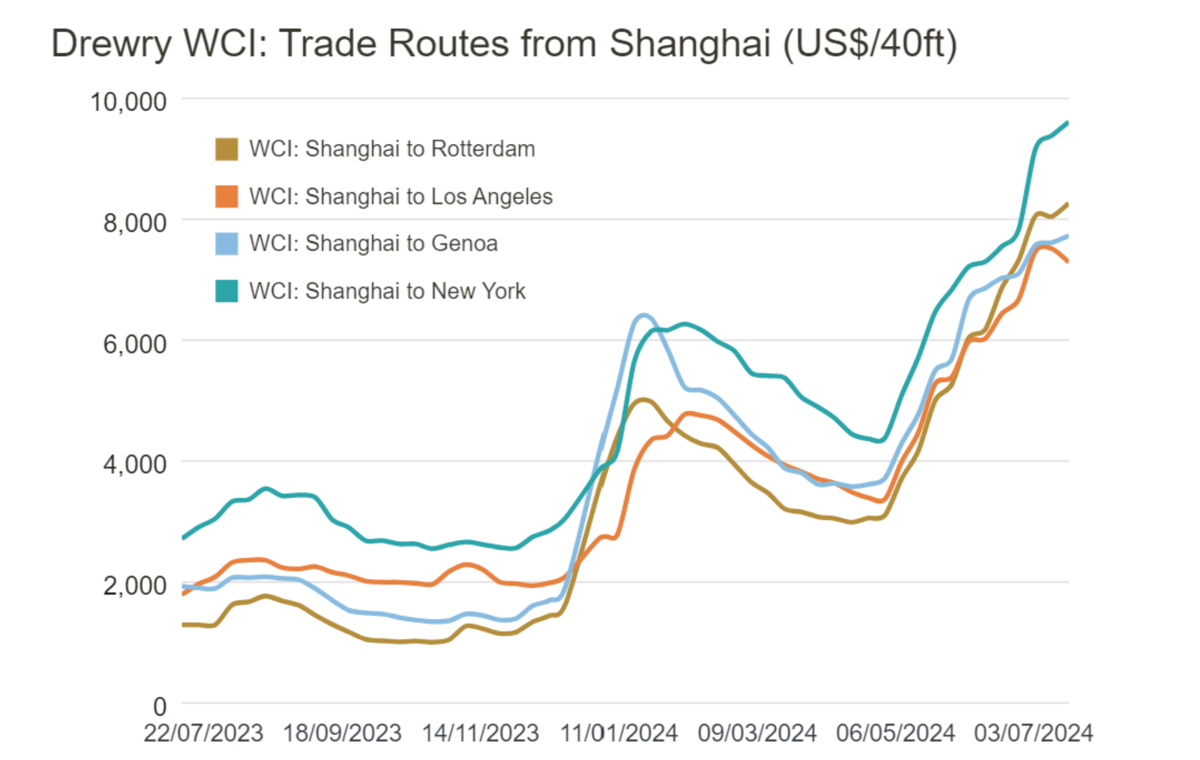
CONTAINER VESSEL REROUTINGS VIA CAPE OF GOOD HOPE



ALPHALINER

- Chinese container rates <u>stabilize</u> in July while leasing increases.
- Consensus has built around <u>frontloading</u> ahead of tariff schedules and the election.

- Xeneta and Drewry show softening in Transpacific routing in July.
- If high levels of demand continue, expect some resurgence by September. If fully pulled forward, softening may continue until Q1 2025 orders start in November.
- East Coast routings have not yet abated as discussions stall

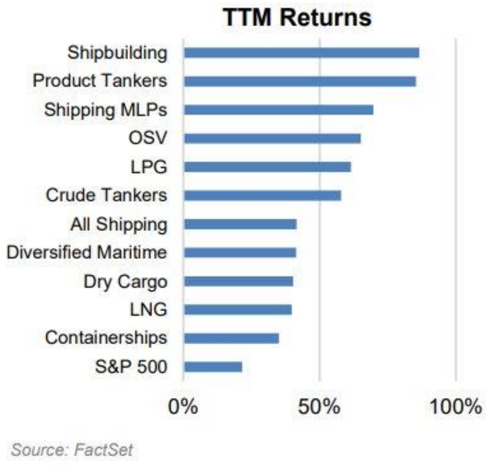


IT'S MORE THAN JUST BOXES

Earnings Preview
July 23, 2024

Big Picture – Tankers and Dry Bulk Continue to Print Money

- Ton miles remain high thanks to Russian sanctions and Red Sea issues, which do not seem to changing any time soon and should result in continued strength for shipping companies.
- Continued growth in oil consumption, albeit less than it had been should drive demand for crude and product tankers.
- Dry bulk supply/demand is balanced, but Chinese demand is a question mark.
- Shippers likely front-ran U.S. supply chain issues driving up box rates, but that could correct in the back of the year.



Overweight	Neutral	Underweight
Product Tankers: • Reasonably low orderbook • High cost to build new ships • Regulatory vessel replacement • Continued global oil demand growth • Elevated refinery activity **Crude Tankers:** • Moderate demand • Limited orderbook • Regulatory vessel replacement • Reasonably priced equities	**Dry Bulk:** • Muted orderbook • China leveraged • Macro uncertainty	**Containers:** • Large orderbook • Potential decline in box rates

STIFEL

Source: X| Edward Finley-Richardson

EYEING AHEAD

- For all the momentum in domestic transportation, there is a growing crowd insisting an interest rate cut as soft data builds, including former NY Fed Bank President Bill Dudley. The meeting next week will be pivotal.

- Most indicators show seasonal patterns for pricing pressures slowing into August, however, levels are dovetailing from 2019 and 2023 for Van and Reefer.

- The Philadelphia Reserve Bank shows promising regional activity while the flash S&P Global Flash US PMI shows services leading the way.

- Input/output prices are down for manufacturing, yet production and new orders have contracted.