

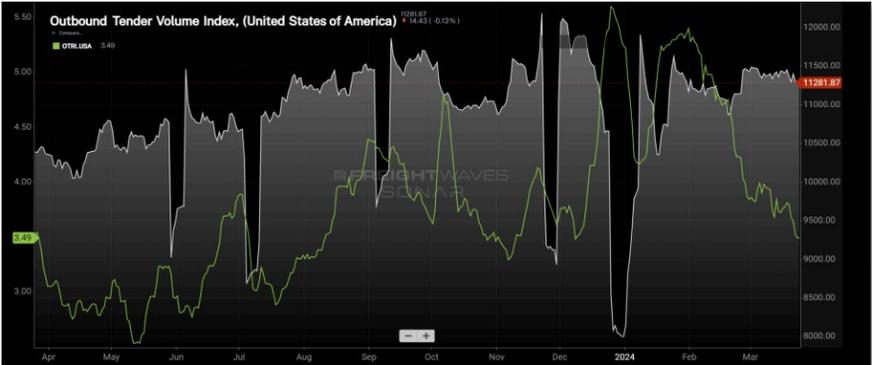


The Rearview & the Road Ahead: **Monthly Market Update**

Demand Levels & Outlook

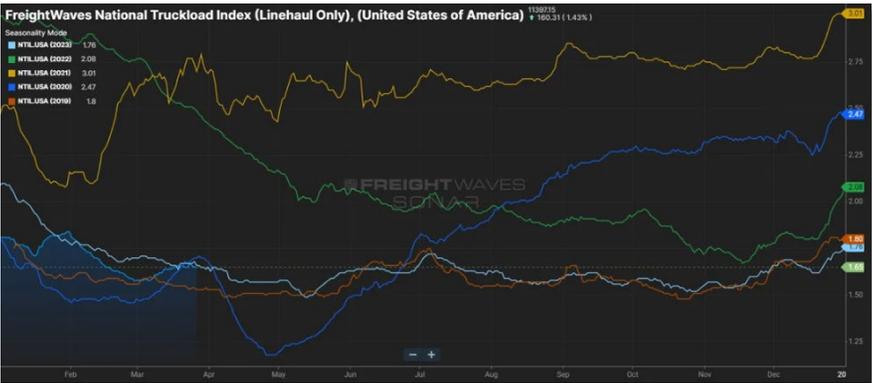
Factories Back in Gear

The Purchasing Managers Index for March rose to 50.3%, indicating a manufacturing sector expansion following a contraction period, likely prompting heightened freight demand, notably within Less-Than-Truckload markets. Additionally, the surge in the Inbound Ocean TEU Volume Index suggests a forthcoming increase in import-driven freight volumes, with new orders surpassing 51.4% and customer Inventory levels at 44%, indicative of potential order upticks, the overall outlook for the freight industry appears guardedly hopeful, with prospects for heightened demand.



Easter Dip and Mixed Signals

While the OTVI reflects a decline, it remains 7% higher than the post-Easter period in 2023. This resilience highlights the underlying strength of freight demand despite temporary disruptions. The IOTI, reaching 1556, approaches the 1600 threshold, which historically signals an imminent surge in import-driven freight volumes within the next 30 days. Conversely, the OTRI rose to 3.78% in March.



Upward Trend, Capacity in Focus

The combined evidence from the PMI's positive signals and encouraging early April demand trends paints a cautiously optimistic picture for the industry. The anticipated increase in new orders and import-driven freight volumes suggests a potential uptick in overall demand. The OTRI's trajectory requires close monitoring to gauge its impact on both capacity and pricing within the market.



Source: FreightWaves

Supply, Capacity, & Carrier Operating Costs

Tax Relief Revs Up Trucking Industry

The passage of the Tax Relief for American Families and Workers Act of 2024 reflects a significant legislative development with profound implications for the trucking industry. Including provisions favoring expensing for new equipment underscores policymakers' recognition of the importance of investments in the supply chain. Such measures are expected to bolster freight capacity, increase operational efficiency, and stimulate innovation within the trucking sector.

Red Sea Roils Ocean Freight

The ocean freight market continues to navigate challenges posed by geopolitical tensions, as evidenced by the situation in the Red Sea, which has prompted vessel rerouting and schedule disruptions. These developments have led to fluctuations in on-time performance and reliability, contributing to capacity constraints and challenges in maintaining rate stability. Despite carriers' efforts to implement general rate increases, the market remains characterized by high demand and constrained capacity, posing sustainability concerns for carriers amidst blank sailings and operational challenges.

Blind Spot: Mexico's Logistics Maze Hinders

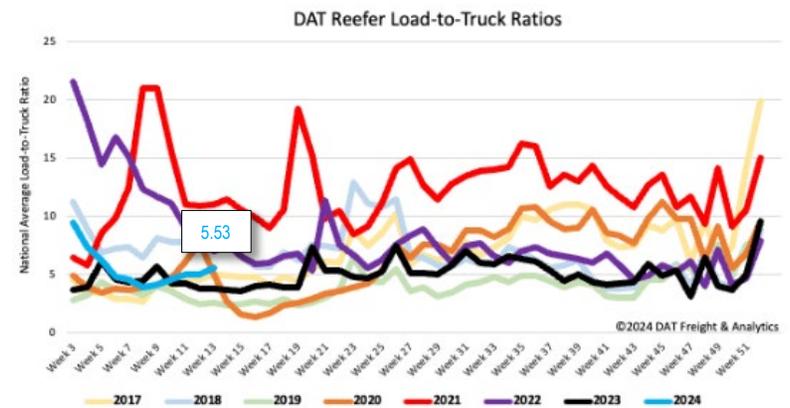
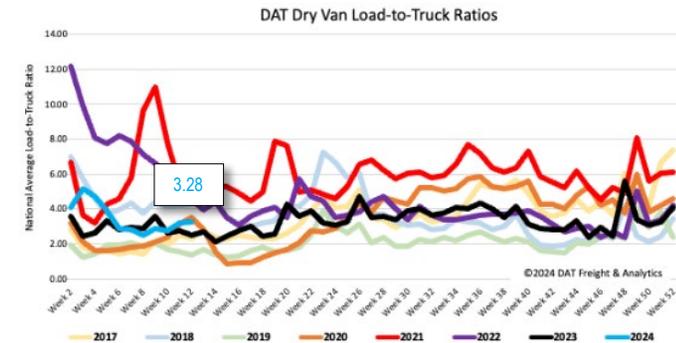
Challenges persist in managing Mexican transportation capacity, driven by factors such as limited visibility for available carriers and regulatory differences in trucking regulations, particularly concerning Electronic Logging Devices. These challenges compound operational complexities for stakeholders involved in cross-border trade, necessitating innovative solutions integrating technology and expertise to enhance visibility, streamline communication, and ensure compliance with regulatory requirements.

When Ports Shut Down, Economies Stumble

Recent infrastructure disruptions, exemplified by incidents such as the closure of the Port of Baltimore, underscore the critical importance of resilient supply chains and reliable carrier networks. Such disruptions highlight the need for strong infrastructure investments and safety measures to safeguard economic activities reliant on efficient logistics operations.

Surging Costs Squeeze Trucking Profits

The trucking sector grapples with capacity constraints, as indicated by a tightening observed in key indicators such as the Bank of America Capacity Indicator and Class 8 truck orders falling below replacement levels. Moreover, the prevalence of bankruptcies among carriers underscores the financial strain exacerbated by rates lingering below cost/mile levels. Operating costs, particularly fuel expenses, have surged, outpacing nominal rate increases and posing profitability challenges for carriers, especially in a free market environment.



Source: DAT

Contract & Spot Market Rate Trends

West Coast Wake-Up Call

The market continues to face persistent challenges, with rates remaining below pre-COVID levels. However, signs of life were observed towards the end of March, attributed mainly to the imminent produce runs off the West Coast, though the broader market remains subdued.

Will California Lanes Bear Fruit for Truckers

Truckstop's Weekly National Average Spot Rates reported new cycle lows for van and reefer spot rates, indicating a challenging period for the industry. However, as the produce season begins, there is anticipation of rate fluctuations, particularly in lanes such as California's Central Valley to Chicago. Historically, spot rates in these lanes experience elevation from spring through July. Nonetheless, the market's responsiveness might be influenced by any delays in harvests caused by inclement weather conditions.

DAT reports a decline in national van and reefer spot rates while flatbed rates increased slightly. Dry van spot rates declined to \$1.55 per mile, while reefer rates decreased to \$1.84 per mile in March. Flatbed contract rates continued to slowly tick upwards, mitigating downward pressure from spot rates.

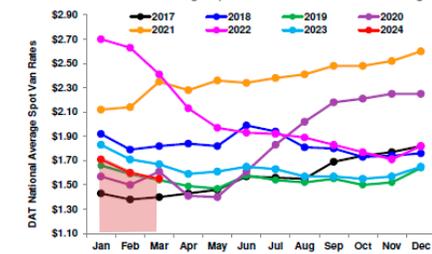
Flat Rates, Falling Market

Contract rates excluding fuel and other accessories, remain remarkably stable. While rate reductions are less prominent in the spotlight as the market shows signs of recovery, there is still the likelihood that contract rates will see some downward movement, as shippers focus on keeping inventories lean and logistics spending tight.

Signs of Life Despite YoY Decline

The National Truckload Index, a seven-day moving average of national dry van spot rates inclusive of fuel, is down 1.7% year-over-year at \$2.33 per mile. However, positive momentum was felt throughout March, with the NTI increasing by \$0.05 per mile. Despite the challenges, there are indications of gradual improvement in spot market rates, albeit with fluctuations expected during the upcoming produce season.

Exhibit27: National Average Spot Van Rates ex. Fuel Surcharge



Source: Morgan Stanley Research, DAT Solutions (www.dat.com/resources/trendlines). Note: DAT

Exhibit28: National Average Contract Van Rates ex. Fuel Surcharge

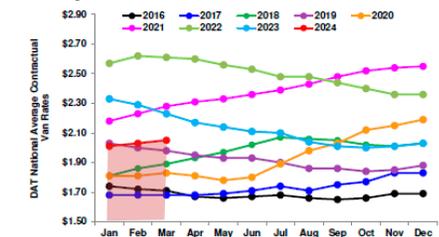
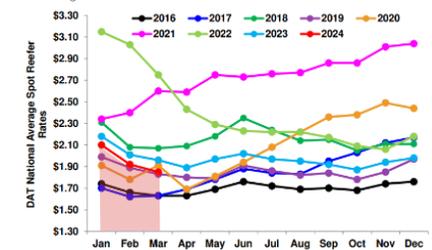
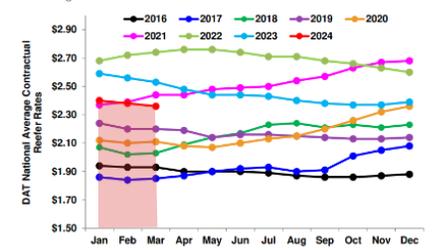


Exhibit29: National Average Spot Reefer Rates ex. Fuel Surcharge



Source: Morgan Stanley

Exhibit30: National Average Contract Reefer Rates ex. Fuel Surcharge





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