EASE

QUARTERLY MARKET UPDATE

FILE:	QUARTERLY MARKET UPDATE
QUARTER:	ONE
YEAR:	2024

LOOKING BACK

With 2023 in our rear-view mirror, let's look back and see how we arrived at Q1 2024. Last year was full of bleak headlines like "Trucking giant Yellow Corp. declares bankruptcy after years of financial struggles" (NPR) and "Bezos-backed freight firm Convoy shuts down after slashing hundreds of jobs" (CNBC). We now know that these failures can be attributed to mismanagement amidst a nearly 2-year market downcycle, which is the longest of the previous 3 downcycles. Per our first chart below, we can see dry van spot rates fluctuated 44% peak to trough during the latest cyle from March '22 through October '23.

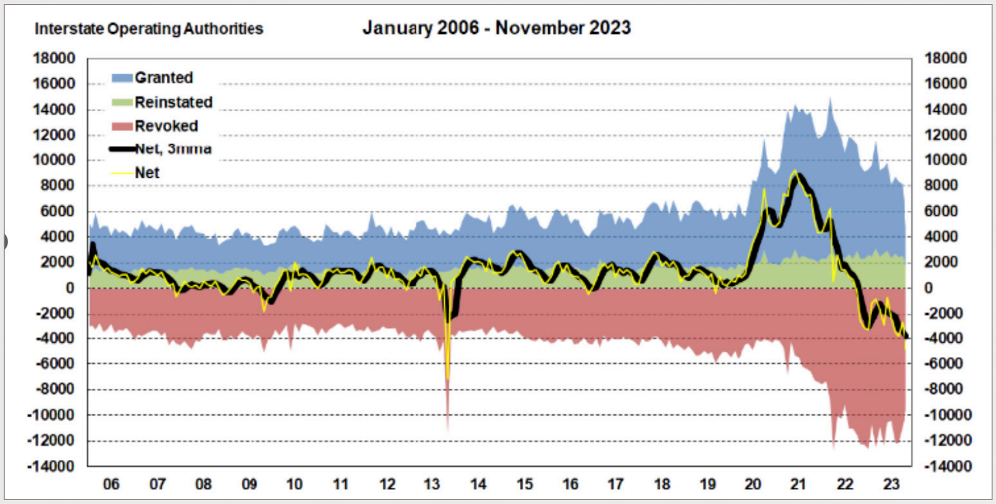
HISTORICAL MARKET CYCLES

Up			Down		
Spot Rate Cycle	Months	Trough to Peak	Spot Rate Cycle	Months	Peak to Trough
Dec-09 to Oct-11	22	27%	Nov-11 to Dec-12	14	-10%
Jan-13 to Mar-15	27	36%	Apr-15 to Jun-16	15	-18%
Jul-16 to Jun-18	24	41%	Jul-18 to Nov-19	17	-22%
Dec-19 to Jan-22	26	81%	March-22 to Oct-23(?)	20	-44%
Forecast					
Nov-23 to Aug-25	22	43%	Sep-25 to Dec-26	16	-24%

*DAT dry van spot rates, net fuel, SA

Alongside key players exiting the market, we saw a mass exodus of DOT operating authorities; for-hire carriers doubled from mid-2020 to late 2021. A massive number of new carriers entered the market to take advantage of the post-COVID freight boom. Once the economy settled closer to pre-COVID norms by 2022, we were left with a market severely oversaturated with capacity, causing rates to plummet. Conversely to the freight boom of 2020-21 which saw a net gain of over 100,000 operating authorities, from late October 2022 to December 2023, we saw a net loss of 34,000. We can now say the net losses were attributed to a lack of new grants and reinstatements, rather than a significant number of revocations.

DOT OPERATING AUTHORITIES



Source: J.S. Department of Transportation (DOT). ACT Research Co. 2024

Considering all that we know about the last few years, we cannot understate the importance of fuel prices leveling out after extreme inflation since the beginning of 2022. Lower fuel prices allowed more carriers to sustain low rates in 2023, thus prolonging the market downcycle. Had fuel prices remained elevated, the holiday season would have looked much different from a capacity and spot rate perspective.

U.S. WEEKLY AVERAGE DIESEL PRICES

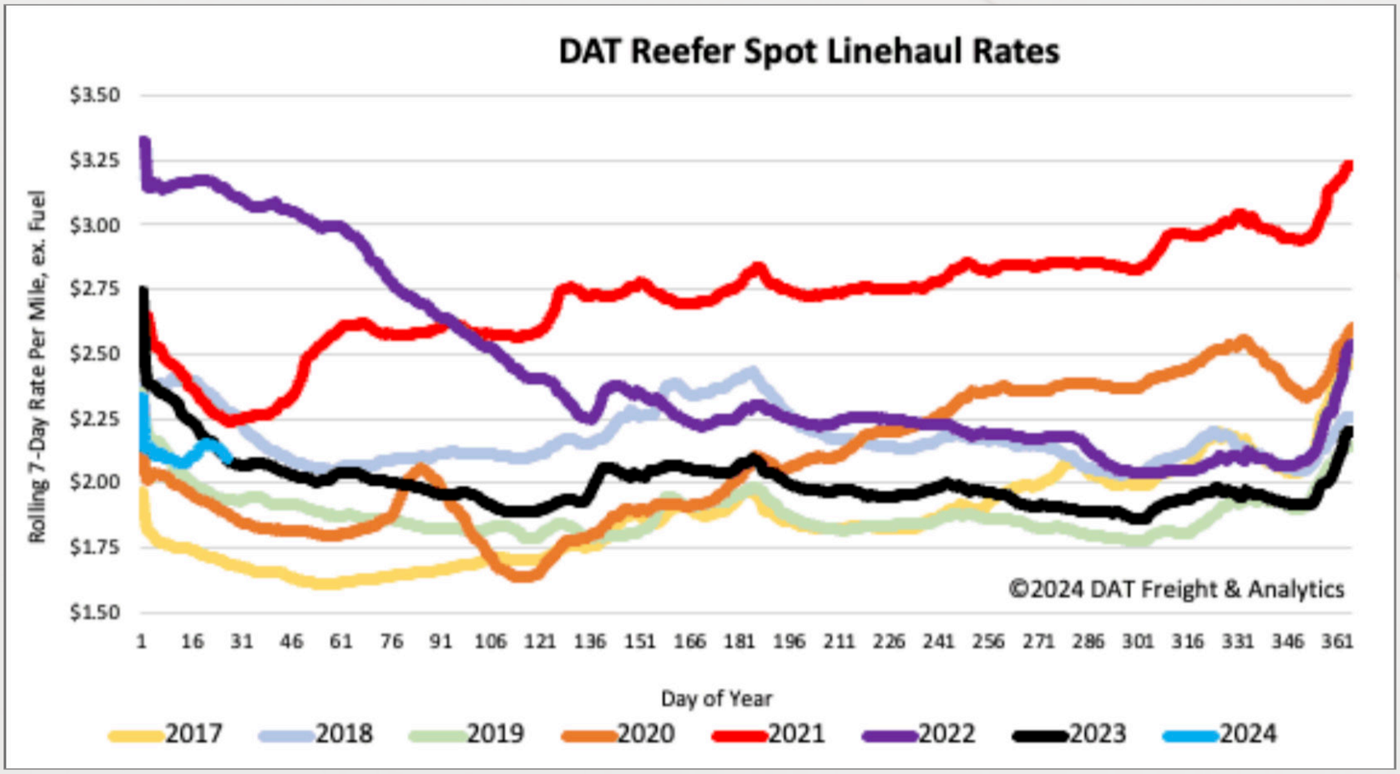
Year-Month	Week 1		Week 2		Week 3		Week 4		Week 5	
	End Date	Value	End Date	Value	End Date	Value	End Date	Value	End Date	Value
2021-Dec	12/06	3.674	12/13	3.649	12/20	3.626	12/27	3.615		
2022-Jan	01/03	3.613	01/10	3.657	01/17	3.725	01/24	3.780	01/31	3.846
2022-Feb	02/07	3.951	02/14	4.019	02/21	4.055	02/28	4.104		
2022-Mar	03/07	4.849	03/14	5.250	03/21	5.134	03/28	5.185		
2022-Apr	04/04	5.144	04/11	5.073	04/18	5.101	04/25	5.160		
2022-May	05/02	5.509	05/09	5.623	05/16	5.613	05/23	5.571	05/30	5.539
2022-Jun	06/06	5.703	06/13	5.718	06/20	5.810	06/27	5.783		
2022-Jul	07/04	5.675	07/11	5.568	07/18	5.432	07/25	5.268		
2022-Aug	08/01	5.138	08/08	4.993	08/15	4.911	08/22	4.909	08/29	5.115
2022-Sep	09/05	5.084	09/12	5.033	09/19	4.964	09/26	4.889		
2022-Oct	10/03	4.836	10/10	5.224	10/17	5.339	10/24	5.341	10/31	5.317
2022-Nov	11/07	5.333	11/14	5.313	11/21	5.233	11/28	5.141		
2022-Dec	12/05	4.967	12/12	4.754	12/19	4.596	12/26	4.537		
2023-Jan	01/02	4.583	01/09	4.549	01/16	4.524	01/23	4.604	01/30	4.622
2023-Feb	02/06	4.539	02/13	4.444	02/20	4.376	02/27	4.294		
2023-Mar	03/06	4.282	03/13	4.247	03/20	4.185	03/27	4.128		
2023-Apr	04/03	4.105	04/10	4.098	04/17	4.116	04/24	4.077		
2023-May	05/01	4.018	05/08	3.922	05/15	3.897	05/22	3.883	05/29	3.855
2023-Jun	06/05	3.797	06/12	3.794	06/19	3.815	06/26	3.801		
2023-Jul	07/03	3.767	07/10	3.806	07/17	3.806	07/24	3.905	07/31	4.127
2023-Aug	08/07	4.239	08/14	4.378	08/21	4.389	08/28	4.475		
2023-Sep	09/04	4.492	09/11	4.540	09/18	4.633	09/25	4.586		
2023-Oct	10/02	4.593	10/09	4.498	10/16	4.444	10/23	4.545	10/30	4.454
2023-Nov	11/06	4.366	11/13	4.294	11/20	4.209	11/27	4.146		
2023-Dec	12/04	4.092	12/11	3.987	12/18	3.894	12/25	3.914		
2024-Jan	01/01	3.876	01/08	3.828	01/15	3.863	01/22	3.838	01/29	3.867
2024-Feb	02/05	3.899								

(https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMD_EPD2D_PTE_NUS_DPG&f=W)

WHERE ARE WE NOW?

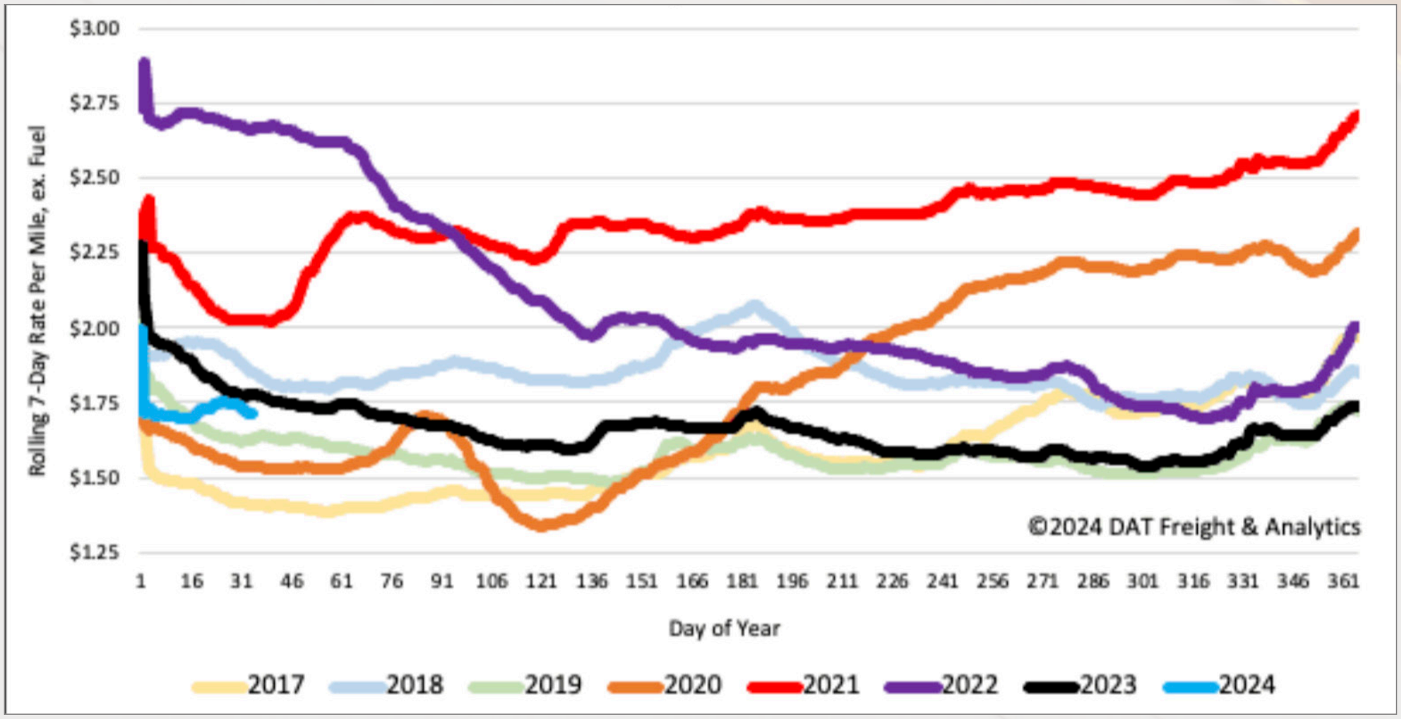
After ending the year on a relatively good note, hopes of an easy January were shattered by the second week of the year. Snowstorms and extremely cold temperatures disrupted homeostasis in the Midwest and Pacific Northwest sending the market into a frenzy. Road closures, freezing trucks, unsafe driving conditions, and lack of capacity caused an isolated increase in spot rates for the freight market, especially for reefers. From January 14-21 reefer spot rates for outbound Pacific Northwest (Washington, Oregon, Idaho) saw a 22 cent per-mile increase. In Washington specifically, there occurred an 11% increase in outbound reefer spot rates, despite volumes down 6% from the prior week. Immediately following those storms, the week of January 21-28 produced 20% fewer load postings on DAT. We can see the effect this abnormal event had on rates clearly in DAT's graphics below.

DAT REEFER SPOT LINEHAUL RATES



(https://www.dat.com/blog/wp-content/uploads/2024/01/Untitled-50.png)

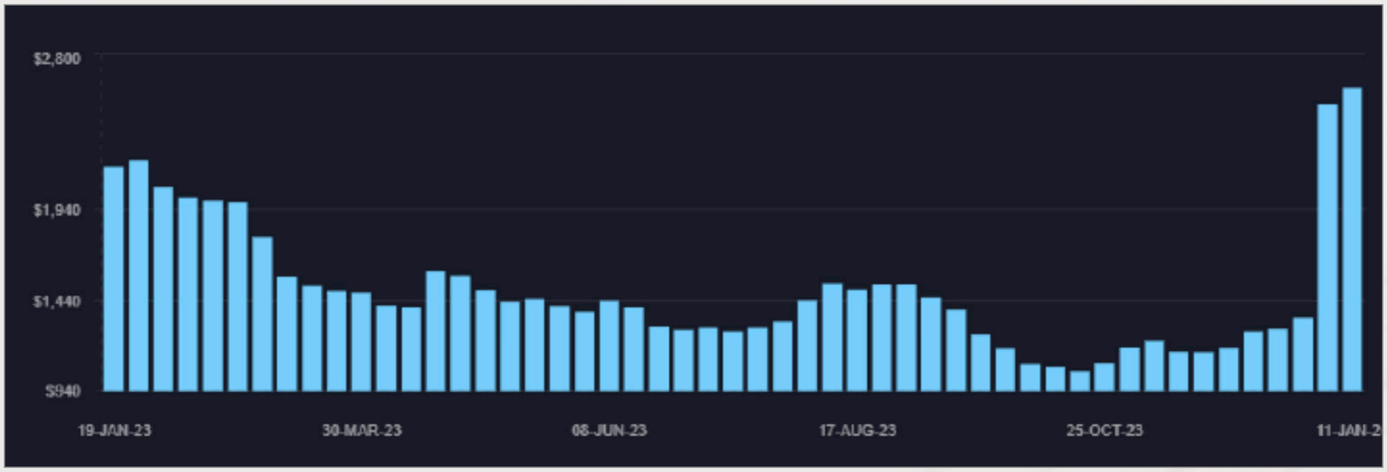
AT DRY VAN SPOT LINEHAUL RATES



(https://www.dat.com/blog/wp-content/uploads/2024/02/Untitled-53.png)

As we continue to look for signs of what the market will do for the remainder of 2024, one of our main indicators will be port activity. Unfortunately, there have been major disruptions to two main shipping routes between Europe/Asia and North America; rising violence from Houthi pirates in the Red Sea along with ongoing drought issues are affecting the Suez and Panama canals, respectively. These unexpected situations have forced all North American-bound freight to the West Coast, erasing the major two-year reversal of volumes from the West Coast to the East Coast ports. Signs of change began in December 2023 when North American intermodal volumes went up 10% year-over-year, followed by a 94% jump in ocean container spot rates during the first two weeks of the year.

FREIGHTOS BALTIC INDEX (FBX): GLOBAL CONTAINER FREIGHT INDEX

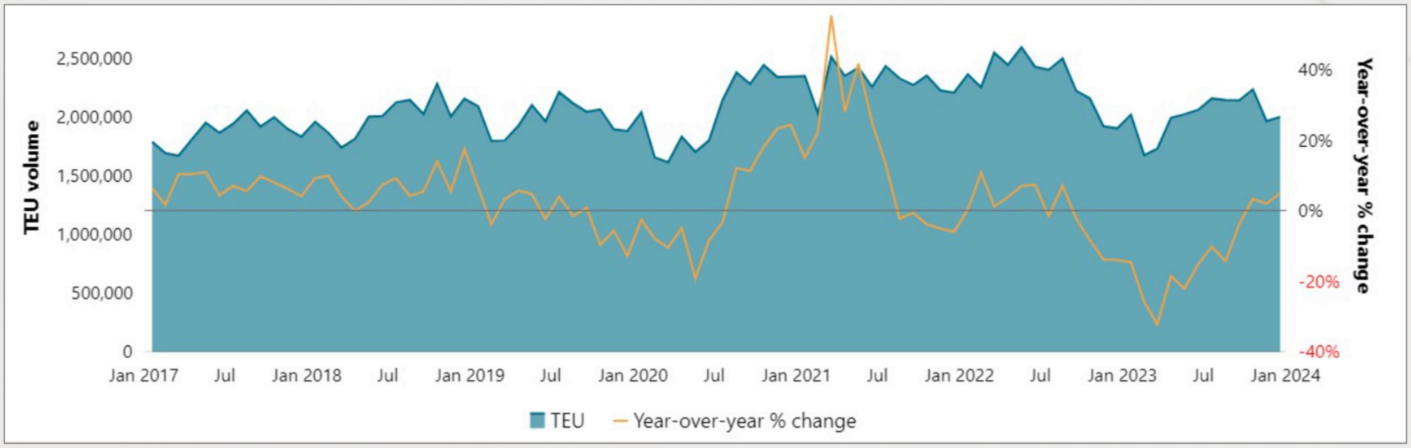


Along with imports from Europe and Asia, Freightwaves documents the highest number of imports from China to the West Coast since May 2022. The Port of Los Angeles' Port Optimizer shows week 6 2024 TEUs (twenty-foot-equivalent units) were up 38.6% year-over-year. All signs here are pointing to 2024 as a year of re-stocking lost inventory from the de-stocking phase of 2023, as well as preparing for higher-than-expected sales.

OCEAN TEU VOLUME INDEX

(https://www.freightwaves.com/news/despite-economic-worries-more-containers-flow-from-china-to-us)

US CONTAINERIZED IMPORTS (PIERS)

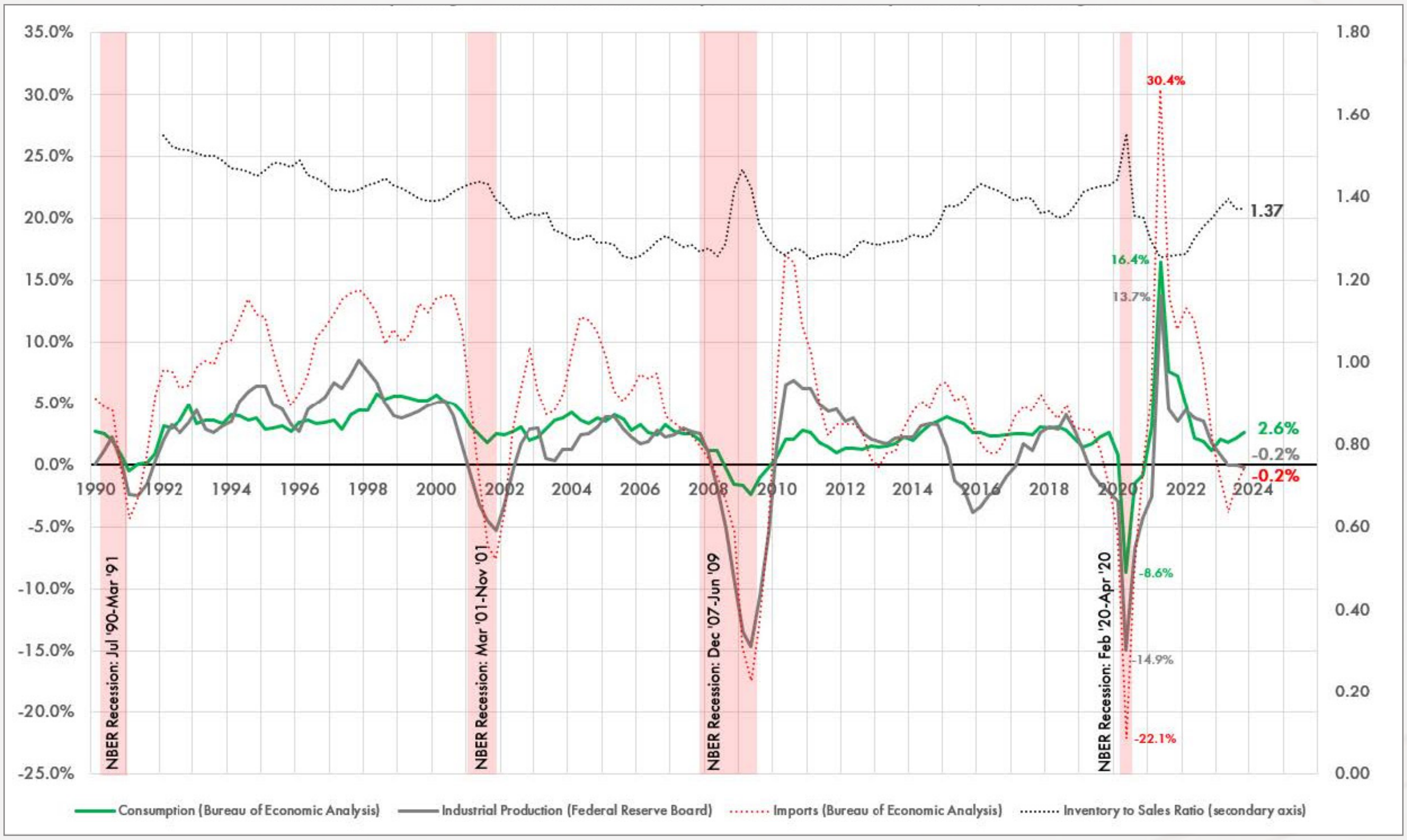


LOOKING AHEAD

"When will the market flip?" - the question burned into everyone's minds as we prepare ourselves for the road ahead. We expect Q1 and the beginning of Q2 to be an uphill battle for carriers against low demand and low rates if we stay in line with regular seasonality. We've already seen that major weather events will derail our current trajectory and could push us towards a market flip sooner than later. Should we make it through the winter without another major weather event, we will turn to fuel prices as our next potential trigger. In other words, fuel prices will help set the pace at which spot rates increase throughout the year. Demand aside, lower prices will reduce the number of carriers exiting the market, keeping rates lower for longer. Higher prices will cause more carriers to exit the market, putting upward pressure on spot rates more quickly. Economic factors to consider are reduced interest rates, higher consumption, and increased industrial production.

Should we see favorable numbers in any category, we can expect freight volumes to increase, accelerating the imbalance in load to truck ratios.

CONSUMER SPENDING / INDUSTRIAL PRODUCTION (SUBJECT RELATIVE TO INVENTORY LEVELS) YEAR-OVER-YEAR %



(The Pickett Line, US Truckload Freight Market Analysis & Forecast, January 2024, Volume 4. NO. 01, Pickett Research LLC)

A certain test of the market will occur from May 14-16 when The Commercial Vehicle Safety Alliance (CVSA) will host an International Roadcheck. During this time the DOT will engage in a compliance, enforcement, and educational initiative described as the largest targeted enforcement program on commercial motor vehicles in the world. We expect a significant number of drivers will be off the road during this time, which will temporarily increase spot rates. Should freight volumes and rates increase prior to Roadcheck week, we could be in for a tough summer.

INDUSTRY NOTES

- In an effort to strengthen our supply chain, the FMCSA approved $48 million in grant funding to increase commercial driver's license training opportunities and continue to improve the process to obtain a CDL.
    - Per U.S. Transportation Secretary Pete Buttigieg, "With these grants, we are helping states bring more well-trained drivers into this essential field, strengthening our supply chains for years to come."
- Scheduling Standards Consortium (SSC)
    - Created in late 2022, J.B. Hunt, Uber Freight, and Convoy aim to use a common appointment scheduling protocol, a standard built on application programming interfaces (APIs) that the trio is encouraging other industry companies to use.
    - An application programming interface (API) for truck appointment scheduling now being deployed by Uber Freight in a pilot test is claimed to increase the speed of the scheduling process by 75%, moving freight faster.
- Market-disrupting dates
    - International Roadcheck is scheduled for May 14 – 16, 2024
    - Operation Safe Driver Week is scheduled for July 7 – 13, 2024
        - Operation Safe Driver Week is an annual one-week enforcement and educational campaign targeting unsafe driving by passenger and commercial vehicle drivers.
    - Brake Safety Week is scheduled for August 25 – 31, 2024
        - During Brake Safety Week, commercial motor vehicle inspectors conduct brake system inspections (primarily Level IV Inspections) on large trucks and buses throughout North America to identify brake-system violations.

The information in this report is derived from multiple sources including but not limited to ACT Research, DAT Freight & Analytics, Journal of Commerce, FMCSA, Pickett Research and FTR Transportation Intelligence.