GROUND MARKET UPDATE

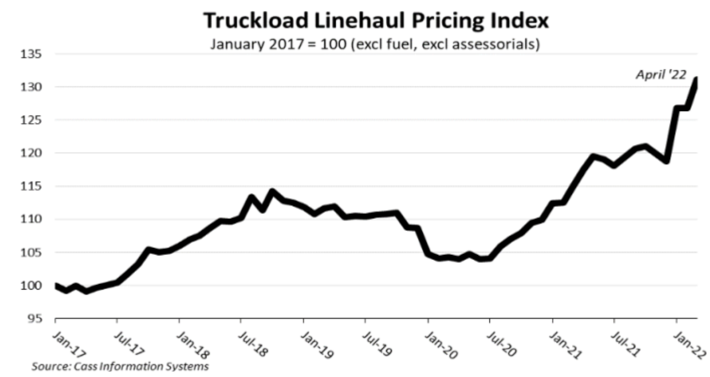
June 2022

CURRENT STATE

The market is still not back to normal, but with so much inflation right now, many shippers' business has softened in the past couple of months. From a trucking standpoint, shippers historically used annual and multi-year contacts before the pandemic. But with FTL contract rates widely deviating from spot rates, shipper have migrated to more mini-bids and are segmenting more of their volumes in certain spot lanes to optimize pricing.

Shippers are also starting to get more calls from large carriers looking for more freight and if contact rates start to trend lower, these shippers will likely move more of this spot freight back to the contractual market. But right now they don't expect a big drop in contractual rates given higher underlying costs for carriers (i.e. driver pay). Shippers also expect FTL spot rates to stabilize soon unless we are heading to a recession.

Contrary to reports of a steep drop in demand, experts say total spot market volume is only down about 2 percent year over year in May 2021, and that dry-van volumes are 51 percent higher than at this point in 2018, the peak volume year of the previous trucking cycle. We have seen consistently strong load post volumes in the spot market because brokers are picking up more contract business, per most experts that track this.

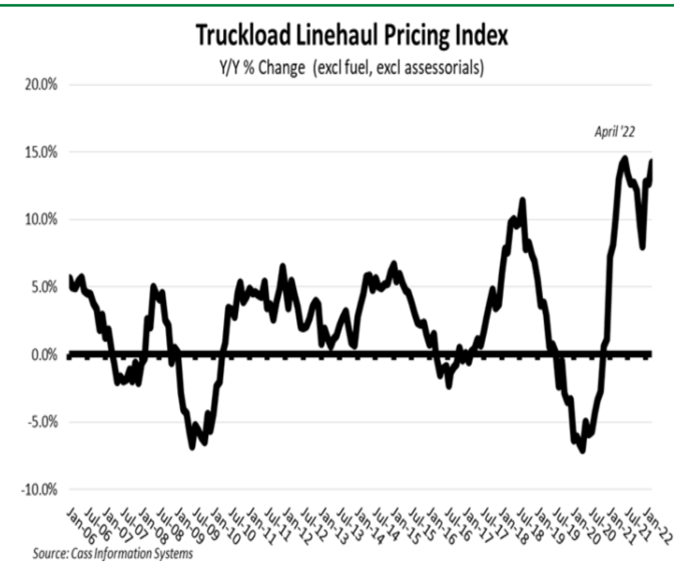


Industrial market activity is accelerating (3-6 month lag versus consumer/dry-van markets) with strong demand and inventory scarcity. Experts believe flatbed contract prices are seeing a +0 - 10% increase quarter over quarter, with more muted outlooks for meaningful capacity addition. Rising fuel prices will also likely add to spot market prices, as prices remain elevated. Flatbed rates likely see incremental upside into 2022

MARKET FORECAST

Many carriers have interesting insight about pricing and demand trends. Most carriers think demand has largely normalized from pandemic highs but note that tender rejections remain higher than historical averages. Over the past couple years, the contract market could not handle excess demand, and this spilled into the spot market. Now that demand is normalizing, this excess demand is leaving the spot market, which has pressured spot rates. But most carriers do not expect spot rates to go much lower from here given the inflationary pressures carriers are facing.

They also add that demand and pricing trends in the contractual market remain strong with 20% year over year increases in contractual yields last month. Looking ahead to tougher comps, they expect contract rates to moderate in the second half to high-single digit increases, but they also do not think contract rates will inflect negative this year. Separately, carriers note that the used truck market has started to cool in recent months. They were paying around $115K for four-year old trucks at the peak of the cycle recently, but now prices are closer to $80K. That said, new regulations in California starting next year will lead to more demand for used trucks to replace some very old trucks. Meanwhile, there will also be demand for a pre-buy of new trucks next year ahead of the new emissions standards in California. The new regulations target NOx emissions, so they do not actually drive more fuel efficiency, but just increase the price of the truck as well as maintenance costs. That said, carriers are skeptical that OEMs will be able to even meet normal order numbers next year, let alone increased orders for a pre-buy.



Average truckload rates excluding fuel (weighted mix of contract and spot, excluding fuel) were +14% year over year and +2% month over month in May according to Cass Information Systems. Experts are also united that truck pricing is near peak, with broker contract rates likely 5-10% lower in second half of 2022 vs current rates while assets carriers hold price increases (2021 rates were +10-15%).

INDUSTRY INSIGHT

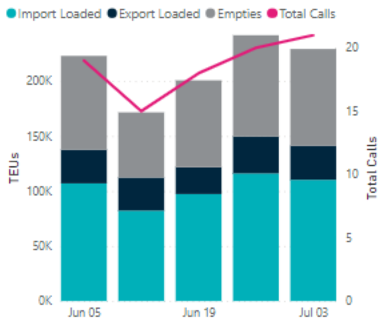
The Port of Long Beach currently has 10 container vessels at berth and 0 container vessels at anchor within 40NM destined for POLB's marine terminals. Average at anchor is 0 days.

WAVE Weekly Advance Volume Estimate

Port of LONG BEACH THE PORT OF CHOICE

PROJECTED WEEKLY VOLUME (TEUS)

Week	Date	Import Loaded	Export Loaded	Empties
24	06/05/2022	107,043	30,539	85,475
25	06/12/2022	82,270	30,039	59,347
26	06/19/2022	97,334	24,389	79,066
27	06/26/2022	116,151	33,539	92,166
28	07/03/2022	110,301	30,889	88,166



PROJECTED VESSEL CALLS

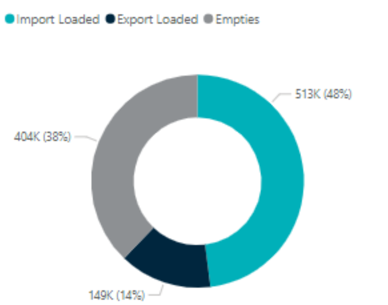
Week	Date	Blank Sailings	Extra Loaders	Planned Calls
24	06/05/2022	1	0	20
25	06/12/2022	1	1	15
26	06/19/2022	0	0	18
27	06/26/2022	0	0	20
28	07/03/2022	2	0	23

ESTIMATED CONTAINER MOVE TYPES (TEUS)

Week	Date	Import Local	Import On-Dock	Import Off-Dock	Export Local	Export On-Dock	Export Off-Dock
24	06/05/2022	78,665	26,757	5,948	29,979	10,197	2,267
25	06/12/2022	60,537	20,591	4,577	23,071	7,847	1,744
26	06/19/2022	70,811	24,085	5,354	26,986	9,179	2,040
27	06/26/2022	85,294	29,012	6,449	32,506	11,056	2,458
28	07/03/2022	80,886	27,512	6,116	30,826	10,485	2,331

ESTIMATED EXPORT AND EMPTY RETURNS (TEUS)

Week	Date	Export Loaded	Export Empty
24	06/05/2022	30,539	82,594
25	06/12/2022	30,039	56,516
26	06/19/2022	24,389	76,235
27	06/26/2022	33,539	89,285
28	07/03/2022	30,889	85,285



AVERAGE TERMINAL GATE TURN-TIME (MINUTES)

Terminal	Day Shift	Night Shift
Pier A	67	50
Pier C	22	20
Pier E (LBCT)	42	48
Pier G (ITS)	53	70
Pier J (PCT)	74	44
Pier T (TTI)	92	99

Average turn-times vary by terminals, and based on terminals' data from the previous week

Revised 5/31/2022

US data shows truckload, LTL pricing still rising. US spot truckload rates have fallen sharply, but not necessarily overall truckload pricing. Data from the US Bureau of Labor Statistics (BLS) shows a steady increase in long-distance truckload and less-than-truckload (LTL) pricing during the same period this spring that dry-van spot rates plunged. "Contract rates have been going up, even as spot has declined," said Tal Dickstein, a senior economist at S&P Global, the parent company of JOC.com. Dickstein, who tracks trucking pricing, said the BLS data reflects the strength of contract pricing as shippers shift freight away from the spot market.

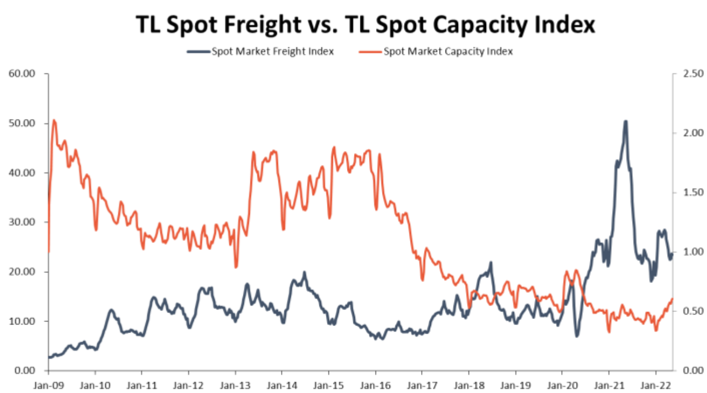
Survey points to exodus of small operators, and fuel costs as the culprit. The new data shows that half, 51%, of carriers that Truckstop.com defines as small fleets and owner-operators are considering job changes in the next six to 12 months, even though 32% of respondents said they have plenty of business and are making 50% to 74% more money. The culprit is surging fuel prices, the survey also shows. The nationwide average price for a gallon of diesel fuel is hovering around $5.60, or about $2.36 more than just one year ago.

May intermodal volume trends down, reports IANA. Through the first five months of 2022, total intermodal volume, at 5,849,235 units, is down 6.5% annually. Domestic containers, at 2,750,112, are up 4.4%, and trailers, at 349,467, are down 15.9%. All domestic equipment, at 3,099,579, increased 1.6%, and ISO containers are off 14.1%, to 2,749,656...

INDUSTRY INSIGHT

Large carriers still seeing strong demand midway through Q2. Appearing at Bank of America's annual transportation conference, management from some of the nation's biggest fleets said they have not seen any changes in customer demand since reporting first-quarter results a few weeks ago. Management teams acknowledged the sharp decline in spot market fundamentals at the event but said some of that has to do with the relative strength in contract rates, which is driving better adherence to routing guides.   Big carriers largely haul freight under contract, and while the spot market searches for a bottom, management teams on hand said they have yet to see any decline in contractual volumes. J.B. Hunt has experienced an increase in published, or contracted, volumes as those rates have increased. "We've had success at really boosting what our published volumes were through bid season," said Brad Hicks, president of highway services at J.B. Hunt. "The spot market has certainly pulled back to some degree but some of that is because published volumes are up. Once rates got high enough through bid season, carriers are sticking now on published freight, whereas a year and two years ago a tremendous amount of those carriers were falling off chasing that spot volume."

Truckload spot market demand has moderated during the last month as commentary indicates softening organic demand/normalizing inventory levels. Spot market demand during the second week of May is down 51% versus one year ago as we lap tougher comparisons. Spot market capacity has improved since the prior month and is up 30% year over year as easing demand opens up available capacity...



Source: ITS, Cleveland Research

Chaotic peak shipping season ahead. Container xChange polled 200 industry professionals for its xChange Industry Pulse Survey and found that most freight forwarders, traders, and shippers expect more disruption in the 2022 third-quarter peak season than they felt last year. The survey also found that although many companies have arranged international shipments early this year, most continue to rely on the spot freight market to move goods. According to the survey, 51% of industry professionals expect 2022 peak season to be worse than 2021, while 26% say it will be "less chaotic," and 22% expect about the same level of "chaos" as last year. The peak container shipping season occurs in the third quarter of each year as retailers build inventories ahead of the fourth-quarter holiday shopping season. Last year, cargo surges resulted in record container shipping freight rates, delivery delays, and port congestion, and affected the reliability of container shipping services, according to the report...