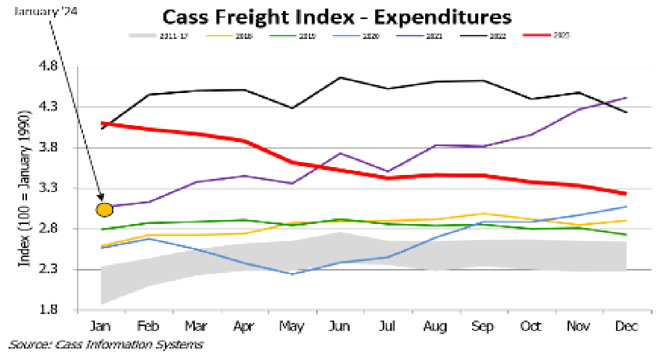
GROUND MARKET UPDATE

February 2024

CURRENT STATE

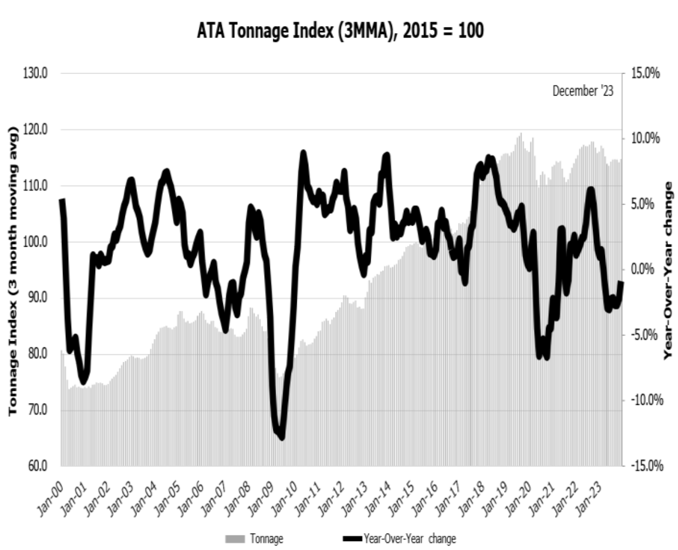
During meetings with one of our partner / private TL carriers they had the following to say regarding recent pricing and demand trends. Our contact is seeing normal seasonal weakness start the year, along with some weather headwinds in January. A number of shippers are looking for one last cut to contract rates as the market remains soft, but our contact is **generally holding firm, and in most cases is managing to hold rates flat in the early wave of 2024 bid season**. So, the big change to this carrier's top-line so far from Q4 to Q1 is weaker utilization trends (miles/tractor). That said, this carrier is seeing some positive signs that the market seems to be rebalancing. Our contact is **seeing a lot of attrition in fleets, in part due to pressure from a really tough insurance market**. Additionally, it seems like retail inventories are now in a better place. So, this carrier expects to see the market tighten as trends seasonally improve in March. Looking beyond Q1, this carrier hopes to start seeing contract rate increases again in the second half of the year. As a result, he expects to limp into this year but hopefully exit strongly, in contrast to 2022 where the year started strong but exited closer to breakeven profitability.......

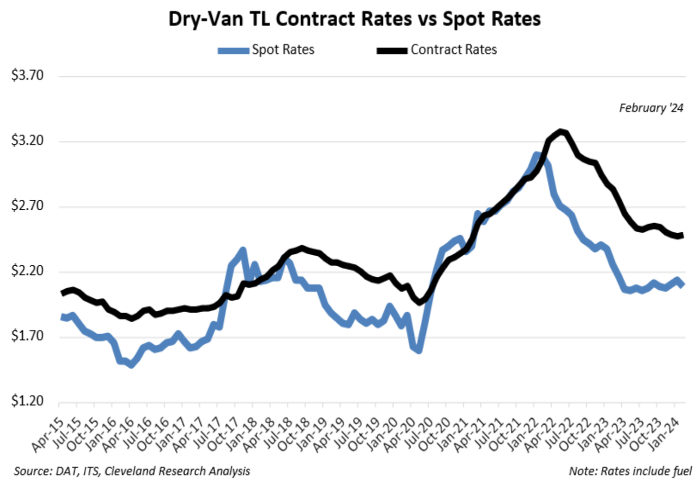


Total freight spend in January was down ~24% year over year due to lower shipment volumes and lower prices according to Cass Information Systems. Expenditures were down 4% month over month. Seasonally adjusted rates appear to be down +23% month over month with shipments down 63% and rates down 0.5%........

MARKET FORECAST

On a 3-month moving average, seasonally adjusted truck tonnage in December was down 0.4% year over year and +1.8% month over month. Measuring weight moved (rather than loads) among medium/larger sized fleets, the tonnage index is a better reflection of heavier-weight industrial freight.





Contract rates are still running at a premium compared to spot rates., Over the last 30 days, contract TL rates were stable M/M. Excluding fuel, most industry analysts are projecting contract rates to move lower into mid-March given weaker organic demand trends and more available capacity. Most of these same analysts are still not expecting rates to firm up until the second half of the year.

INDUSTRY INSIGHT

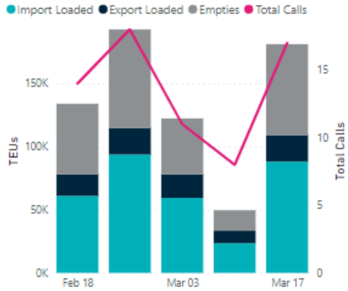
The Port of Long Beach currently has 6 container vessels at berth.......... Average at anchor is 0 days.

WAVE
Weekly Advance Volume Estimate

Port of LONG BEACH
THE PORT OF CHOICE

PROJECTED WEEKLY VOLUME (TEUS)

Week	Date	Import Loaded	Export Loaded	Empties
8	02/18/2024	60,929	17,114	55,755
9	02/25/2024	93,622	21,051	77,916
10	03/03/2024	59,310	18,584	44,247
11	03/10/2024	23,510	9,769	16,266
12	03/17/2024	88,022	20,967	71,930



PROJECTED VESSEL CALLS

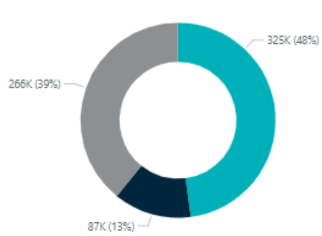
Week	Date	Blank Sailings	Extra Loaders	Planned Calls
8	02/18/2024	0	1	13
9	02/25/2024	4	0	22
10	03/03/2024	4	0	15
11	03/10/2024	7	0	15
12	03/17/2024	0	0	17

ESTIMATED CONTAINER MOVE TYPES (TEUS)

Week	Date	Import Local	Import On-Dock	Import Off-Dock	Export Local	Export On-Dock	Export Off-Dock
8	02/18/2024	47,186	16,050	3,568	17,983	6,117	1,360
9	02/25/2024	67,920	23,102	5,135	25,884	8,804	1,957
10	03/03/2024	43,075	14,651	3,257	16,416	5,584	1,241
11	03/10/2024	17,473	5,943	1,321	6,659	2,265	503
12	03/17/2024	63,804	21,702	4,824	24,316	8,271	1,839

ESTIMATED EXPORT AND EMPTY RETURNS (TEUS)

Week	Date	Export Loaded	Export Empty
8	02/18/2024	17,114	53,558
9	02/25/2024	21,051	75,655
10	03/03/2024	18,584	42,053
11	03/10/2024	9,769	14,050
12	03/17/2024	20,967	69,660



AVERAGE TERMINAL GATE TURN-TIME (MINUTES)

Terminal	Day Shift	Night Shift
Pier A	28	24
Pier C	24	21
Pier E (LBCT)	82	89
Pier G (ITS)	26	0
Pier J (PCT)	47	29
Pier T (TTI)	58	43

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

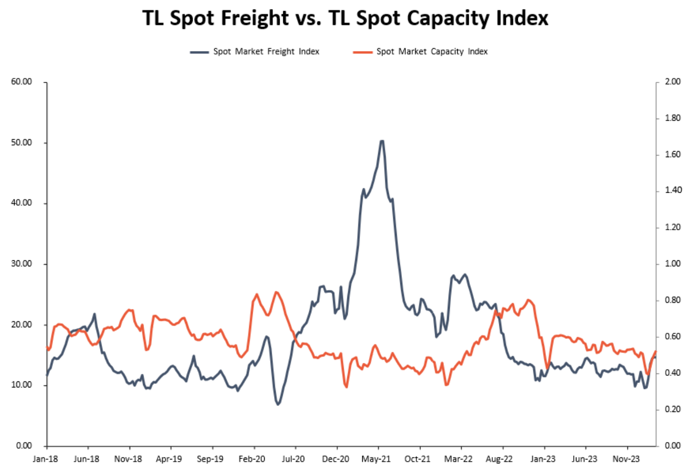
Revised 2/12/2024

Cargo diversions to West Coast have started, LA port director confirms. While Lunar New Year and demand increases were big factors behind a January rise in cargo volumes, Gene Seroka said Red Sea fears also played a part. The Port of Los Angeles' cargo volumes rose 18% year over year, the port director said in a media briefing Wednesday. LOS ANGELES: Shippers are looking to the West Coast as they steer their supply chains away from Red Sea attacks and drought conditions at the Panama Canal, the Port of Los Angeles confirmed this week. "Recently, as I've traveled overseas shippers are beginning to tell me that they're starting to reroute cargo over to the West Coast of the United States, and avoid these hotspots," Executive Director Gene Seroka said at a media briefing Wednesday. As shippers continue to raise the alarm over insecure trade along the Red Sea, some have already chosen to redirect cargo to the West Coast before using intermodal options to ship cargo back to the East Coast. Although there has not been a deluge of freight, the port is seeing an uptick in volumes because of the uncertainty and other seasonal factors such as Lunar New Year, Seroka said. Cargo volumes at the Port of Los Angeles rose 18% year over year to 855,652 total TEUs in January, marking the port's second busiest January on record, Seroka said.

Including fuel surcharge, dry-van rates were down 4.9% sequentially (week ending 2/9/2024), below the 5-year average of -0.5%. Refrigerated rates were down 3.6% compared to last week, below the 5-year average of -1.7%. Flatbed rates were down 1.0% compared to last week, below the 5-year avg. of +0.1%. Additionally, the MDI (Market Demand Index) was down 2% sequentially, below the 5-year average of +1%. Excluding fuel, dry-van rates were down 6.8% sequentially below normal seasonality of -1.0%.

INDUSTRY INSIGHT

Truckload spot market demand remains lower year over year and steady on a 4-week trailing average, with channel commentary highlighting softening organic demand and normalizing inventory levels.



Parts, labor costs increased as utilization dropped. Fleets had to pay more for expenses across 18 Vehicle Maintenance Reporting Standards codes. Parts and labor cost upticks slowed in Q3 compared to jumps that occurred in recent years. Parts and labor costs both rose 1.9% in Q3, according to a report from the American Trucking Associations' Technology & Maintenance Council and service management tech firm Decisiv. The increases occurred across 18 Vehicle Maintenance Reporting Standards codes quarter over quarter, according to a late January news release. "On a year-over-year basis, parts costs are up 0.9% and labor costs rose 4.9% for a total combined increase of 2.5%," the news release said.

The State of the Freight - 1Q Shipper Survey

- Same-store volume expectations in our survey inflected back positive after shippers were expecting flat to modestly negative volumes throughout last year. Overall freight budget expectations also inflected back positive y/y.
- Just 19% of shippers cited higher y/y inventory levels, down from 69% a year ago, and well below the 56% of shippers citing lower y/y inventories. Meanwhile, 28% of shippers are still seeing inventories above target levels, the lowest percentage since late 2021. As a result, 60% of shippers expect to start re-stocking inventories again at some point this year. We believe this should support improving freight volume trends throughout 2024.
- Pricing expectations were mixed across modes. Parcel and LTL pricing expectations are highest among all modes, while airfreight and intermodal pricing expectations remained negative. **Notably, TL pricing expectations inflected slightly positive**.
- As rail service ratings in our survey continue to improve year-over-year, shippers expect to start shifting some volumes back to the rails this year. Among the rails, shippers expect the most share gains for CSX and BNSF, but share losses for CNI and UNP this year.
- Rail pricing expectations decelerated to the lowest level in a year. Among the rails, shippers expect the biggest pricing increases from UNP this year.
- **Just 3% of shippers in our survey cited tight truckload capacity, in line with recent quarters. But 63% of shippers now expect TL capacity to tighten over the next year, the highest level in the past 12 quarters.**