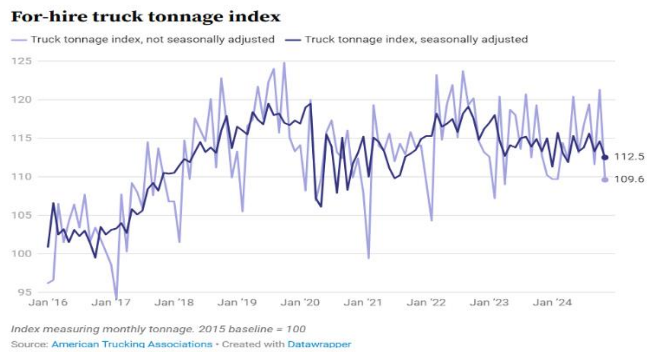
CURRENT STATE

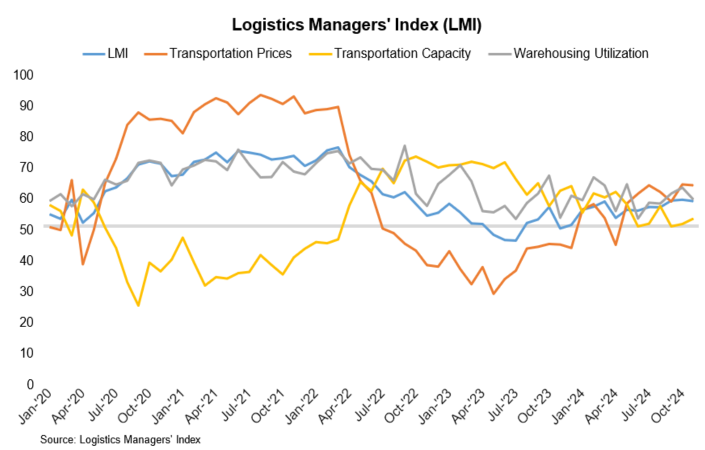
A large auto parts shipper had the following to say about recent TL trends on an industry analysts podcast. **This hipper noted that TL conditions tightened slightly in Q4 with tender acceptance rates slipping into the low-to mid 90% range, down from the mid-to high 90's in Q3. And in the last two weeks of the year, the TL market tightened more significantly due to a lack of capacity to service seasonal demand. As a result, spot rates temporarily inflected above contract rates and tender acceptance rates declined into the low-80% range**. As a result, this shipper was forced to divert loads to the spot market during this time, but conditions have loosened up again since the peak rush leading up to Christmas. Looking ahead to 2025, this shipper believes he could probably still realize some modest reductions in TL rates if he tried to aggressively move business around to lower-priced carriers. Instead, **this shipper will maintain its core carrier relationships and expects its TL rates to increase 1%- 3% year over year on average in 2025**. Additionally, this shipper continues to divert freight from the East Coast to the West Coast in anticipation of a potential East Coast port strike in January. Lastly, this shipper maintains a private trucking fleet and will continue to grow its truck/trailer count in 2025 as a part of a long-term plan to improve control over its supply chain……

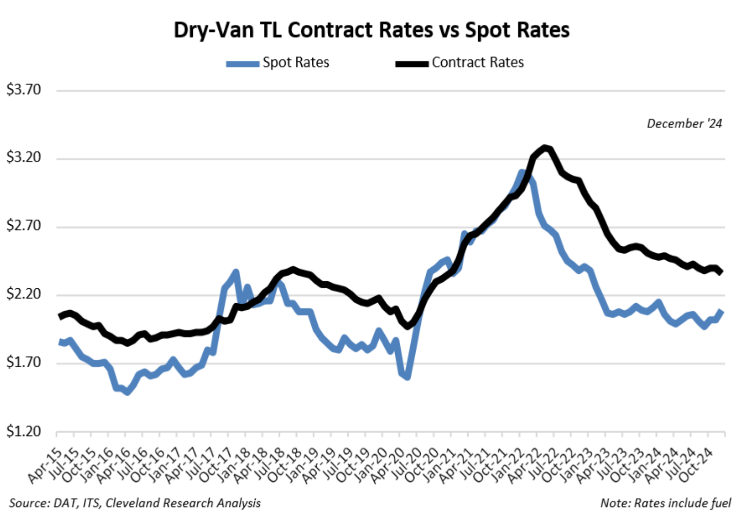


A weak freight market has persisted for two years, but trucking executives remain hopeful that a turnaround is near. A desperately awaited rebound in manufacturing demand will be central to carriers' goals of improving tonnage and profitability by hauling heavier shipments. While tonnage shifts alone don't provide the full picture of the market's health.

MARKET FORECAST

Over the last 30 days, contract TL rates continue moving lower and were down ~5% year over year as they slowly narrow the spread towards spot market rates, which appear to be chopping along a bottom since mid-2023. Most analysts believe that for the rest of 2024 contract price likely remains under pressure given weaker organic demand trends and more available capacity. They also point out that brokers lowered 2024 contract rates 5-10%, with initial 2025 expectations pointing to +0-3% growth which is late 2025 weighted...



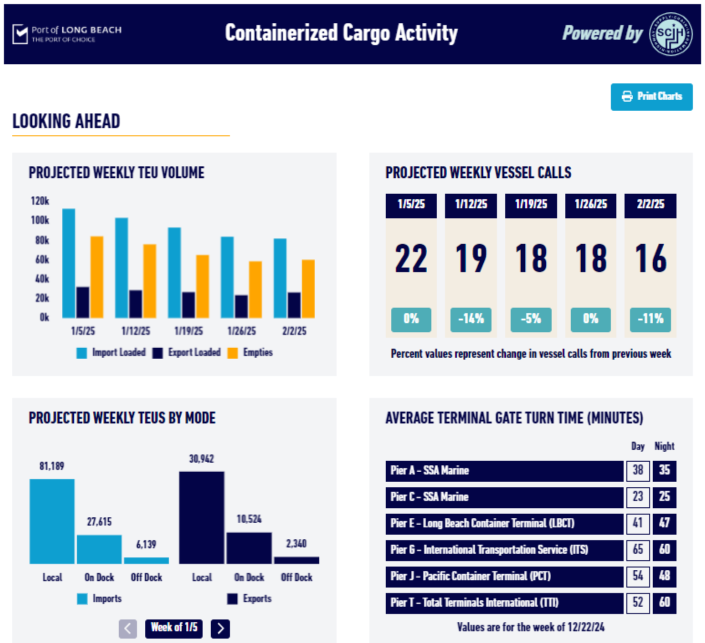


The November – December 2024 readings in the Logistics Manager's Index (LMI) was in expansionary territory for the twelfth month in a row (above 50 indicates expansion, below 50 indicates contraction) at 58.4, similar to the 58.9 last month but below average of 61.9. Within the index, inventory levels have been in expansionary territory for four consecutive months and wall street analysts are hearing from large shippers that the expectation is for TL rates to increase mid to high single digits in 2025.

INDUSTRY INSIGHT

The Port of Long Beach currently has 11 container vessels at berth... Average at anchor is 0 days...

OPERATIONS DASHBOARD



Carrier exits outweigh gains in Q4… December proved particularly difficult for firms to stay in the market, according to FMCSA data. Trucking firms' operating authority revocations picked up in Q4. Thousands more carriers exited the trucking market than grants and reinstatements in operating authority in Q4, federal data shows. Grants and reinstatements particularly slipped in December, according to Federal Motor Carrier Safety Administration data, as carriers took a year-end stock of operations. That indicated firms' willingness to participate in the market on their own. The December net decrease was the largest since April, FTR VP of Trucking Avery Vise said in an email last week. But processing of the data could have skewed the revocations in December because the month had more Mondays, he added....

Carrier exits outpace additions in Q4 2024

For-hire trucking authority revocations on a monthly basis, starting in 2018, compared to grants and reinstatements (grouped as additions).

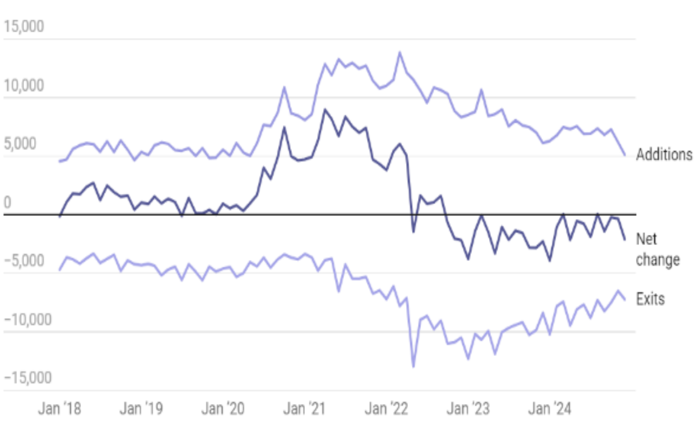
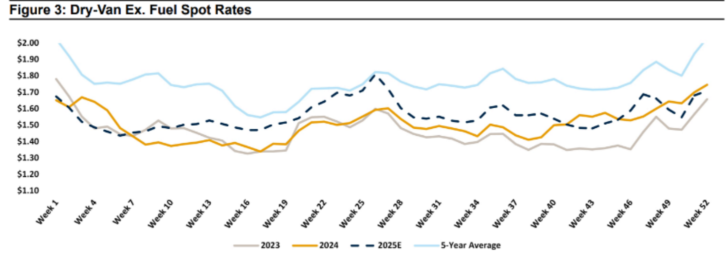


Chart: David Taube/Trucking Dive • Source: FMCSA • Get the data • Created with Datawrapper

INDUSTRY INSIGHT

When we look at the rate market going forward, including fuel surcharge, dry-van rates increased 2.0% sequentially (week ending 12/27/2024, underperforming the 5-year average of +3.8% but outperforming normal seasonality (2015-2019) of +1.3%. Refrigerated rates were up 7.1% sequentially, underperforming both the 5-year average of 10.8% and normal seasonality (2015-2019) of 7.7%. Flatbed rates decreased 0.1% sequentially, below the 5-year average of +0.3% but better than the normal seasonality (2015-2019) of down 0.4%. Additionally, the MDI (Market Demand Index) declined 32.7% sequentially, underperforming the 5-year average of +10.7% and the normal seasonality (2015-2019) of +9.1%. Excluding fuel, dry-van rates were up 2.7% sequentially, underperforming the 5-year average of +4.6% but outperforming normal seasonality (2015-2019) of +1.7%. One analysts' January 6th update reported prices up 1.7% week over week but declined 7.0% year over year. Into the new year, rejection rates have remained strong, opening the year just below 8%, and leveling out a touch above 7%. Truckload rejection rates climbed to over 7% to start the year but are now just below 7% just over a week into the year. January is typically a slower part of the year with some truckers potentially parking their trucks for a couple of weeks, but rejection rates are also most likely biased upwards by the winter weather most of the country is experiencing. Although it has come down from its mid-teens peak, flatbed rejection rates are holding in at ~9%, while reefer is in the mid-teens. Many analysts expect rejection rates to remain strong, but data after the Chinese New Year will be telling of how the year should shape up....

Figure 3: Dry-Van Ex. Fuel Spot Rates



Source: Truckstop.com and Stephens Inc.

LTL pricing discipline continues to support consistent price progress as LTL networks full with Yellow market share gains since mid-2023. Most analysts expect LTL pricing likely +4-6% in 2024, similar to 2023's pace, but are seeing early 2025 expectations for price +3-5% due to moderating industrial demand and incremental capacity adds post-YELL exit.