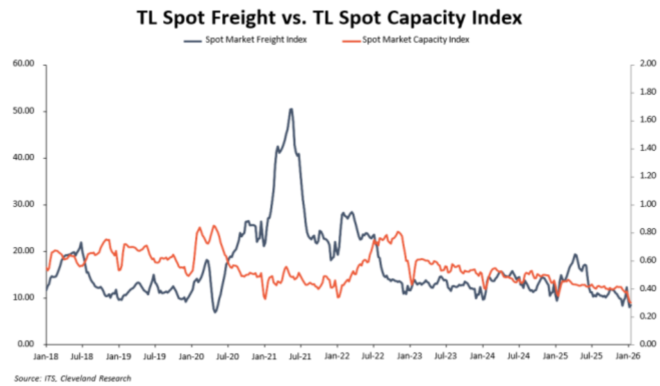

# GROUND MARKET UPDATE

## CURRENT STATE

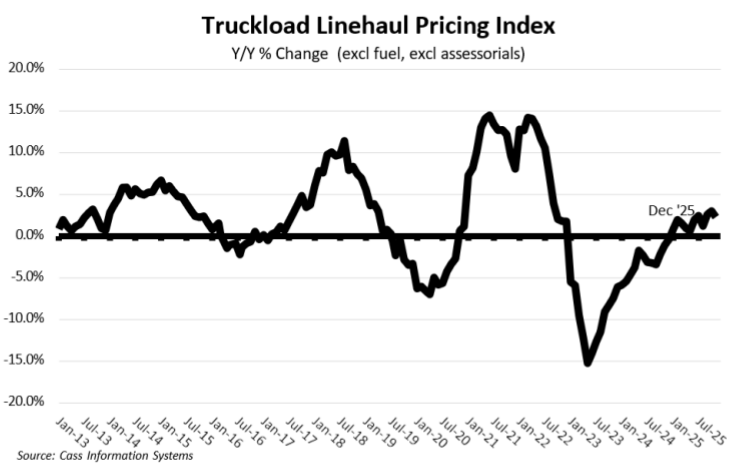
During an end of the year business review an auto parts shipper had the following to say about recent freight trends. Over the past two months, **this shipper's tender acceptance rates dropped materially from 95% at the beginning of the year to around 80% currently**. Our contact believes it was over-exposed to high-risk, low-cost brokers/carriers. **Towards the end of 2025, this shipper saw a handful of its carriers leave the market and thus had to utilize backup carriers with rates that are 10%-20% higher than its prior average. On a same carrier basis, this shipper now expects contract rates in 2026 will increase mid-single-digits, up from its prior expectations for low-single-digits a few months ago given the tighter market backdrop**. On the LTL side, this shipper has unique service requirements given its auto supply chain and predominantly uses ODFL with the best service. Our contact mentioned that ODFL has remained disciplined on price and is looking for high-single-digit contract rate increases next year. As a result, our contact is hopeful that competing LTL carriers can improve their service levels enough to become more viable partners as they offer more attractive rates.

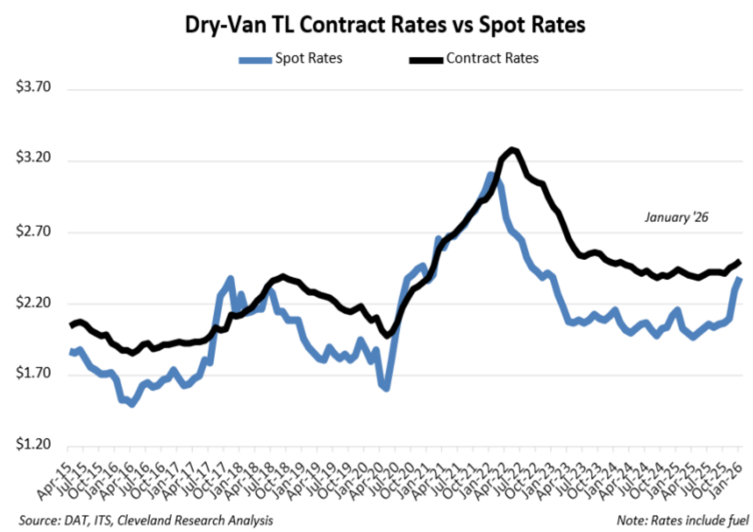



Truckload spot market fundamentals have shifted over the last 30 days, most notably with a reduction in capacity. Most industry analysts believe the holiday/calendar seasonality and incremental regulatory enforcement (non-domicile CDL, ELP mandates) and ongoing depressed rates as key factors. Spot market demand does not appear to have seen a meaningful uptick and remains flat versus early 2025.

## MARKET FORECAST

TL rates (ex-fuel, ex-assessorial) in December were up 1% month over month and up 2% year over year according to Cass Systems. While truckload linehaul rates were higher year over year each month in 2025, recovery remains modest as rates remain 15% below May 2022 peak. Our work indicates initial 2026 TL pricing +0-2% year over year as weak demand growth offsets near-term capacity challenges and spot rate increases.

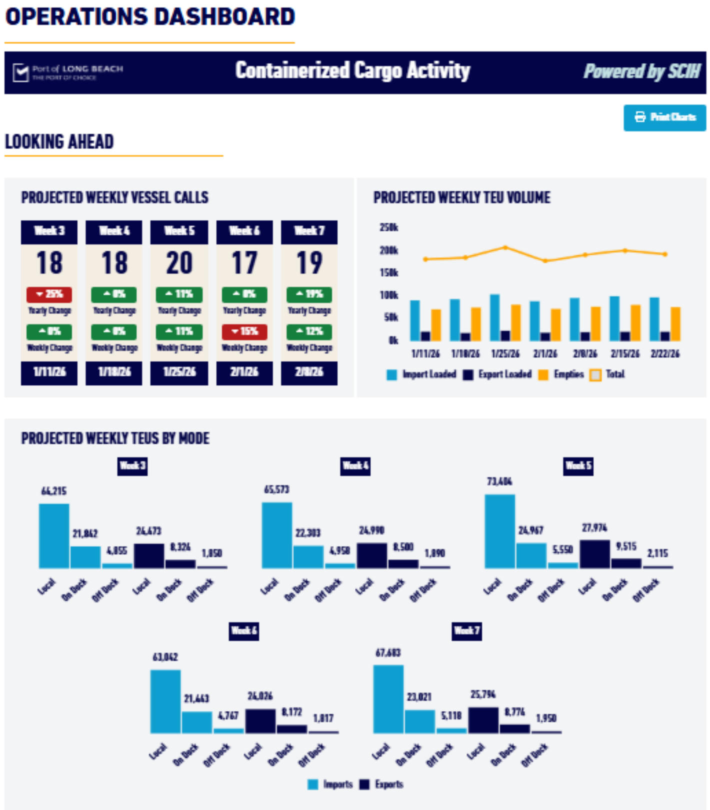



In January, contract TL rates are +2% year over year and spot rates are up 11% year over year, according to DAT. The margin between contract and spot rates appears to have compressed further as contract rates increased 1% M/M but spot rates increased 4% month over month. With muted demand, our work remains cautious as TL rates appear +0-3% in 2026 led by modest price increases by assets.

## INDUSTRY INSIGHT

The Port of Long Beach currently has 7 container vessels at berth… Average at anchor is 0 days...




Top trucking trends to watch in 2026… Here are three trends that are among the industry's top concerns.

**1. Carriers are still dealing with sluggish demand**

In the current lackluster market, the slightest setback in operating conditions can push a carrier out of the market. But trucking leaders are controlling what they can and preparing for the next upcycle, whenever that comes. A stalled market has been exemplified by manufacturing woes. The Institute for Supply Management's manufacturing purchasing managers' index, a benchmark that captures industry sentiment, showed contraction for nearly all of 2025. A manufacturing rebound could help reinvigorate much of the trucking sector.

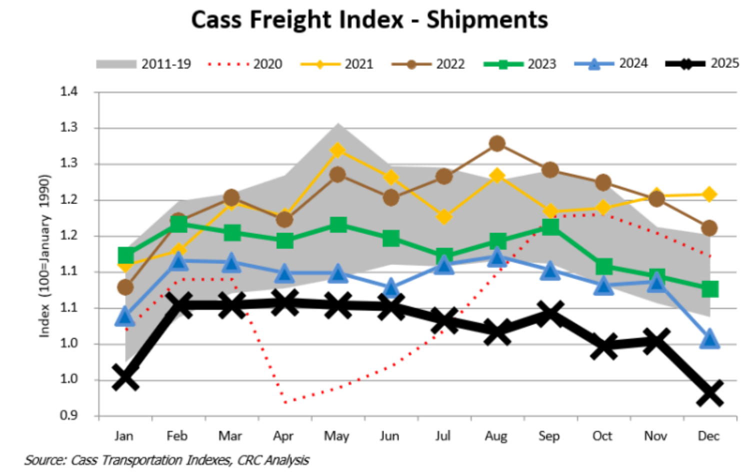
**2. Capacity slowly tightens**

While demand may be the crucial factor in a turning point, supply pressures could change the market, especially if demand remains lackluster, some industry observers say. Capacity has been seeping out of the system, and federal policies from the Trump administration regarding foreign drivers have put forth pressure. The top questions for 2026 are "capacity, capacity and capacity,".

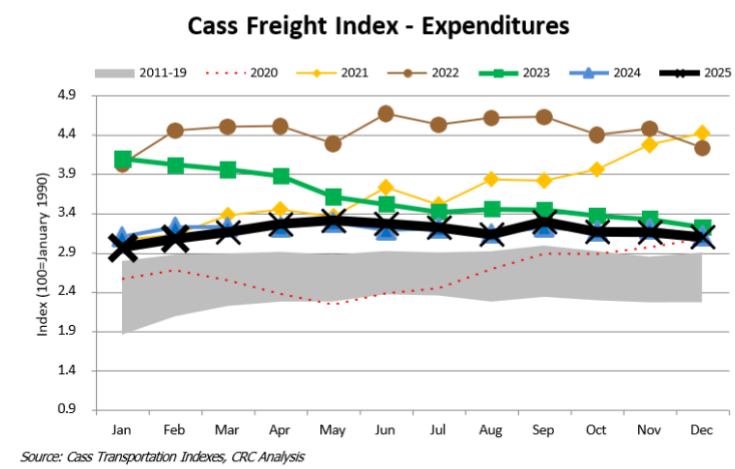
**3. Trucking firms aim for flexibility**

Given the uncertainty and challenging freight environment, trucking firms will have to turn to a tried-and-true response: flexibility, stakeholders said. Sometimes that will be in the form of switching from an owner-operator to leased-on arrangement, where a business connects with another's operating authority for a time. "That helps insulate them from some of the costs and the volatility with rates. Additionally, OOIDA members can be more flexible on "what they're hauling and where they're hauling in order to help keep themselves afloat. Carriers like Elk Grove, Illinois-based Moscoso Express say they have that flexible approach in mind. "We are proactively positioning Moscoso Express to withstand uncontrollable market shifts that could impact freight availability, including demand contractions or sudden capacity changes," Elizabeth Moscoso, the company's president, said in an email. She said the carrier maintains an optimistic outlook for 2026 and believes "preparation and adaptability will continue to be key drivers of success."

During December, freight shipments across all domestic modes were down 8% Y/Y and down 7% M/M according to Cass Systems. The Y/Y and M/M declines were largely attributed to the unfavorable weather and continued retailer inventory destocking. Full-year shipments were down 6% Y/Y, the third consecutive year of declines (2024 down 4%, 2023 down 5%, 2022 +1%, 2021 +12%). Our work indicates initial 2026 shipments will grow +0-3% on stabilizing inventory levels.




Total freight spend in December was down ~0.5% Y/Y as shipments were down ~7.5% Y/Y (see above exhibit) according to Cass Information Systems. Versus prior month, expenditures were -2% and shipments were down 7%.




The December 2025 readings in the **Logistics Manager's Index (LMI) was in expansionary territory for the twenty-fifth month in a row** (above 50 indicates expansion, below 50 indicates contraction) at 54.2 (55.7 in November). Most notably, Transportation Capacity decreased ~26% M/M and was down ~31% Y/Y. Transportation Prices increased 3% M/M, hitting their highest level since January 2025.