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# **LOGISTICS MARKET UPDATE**

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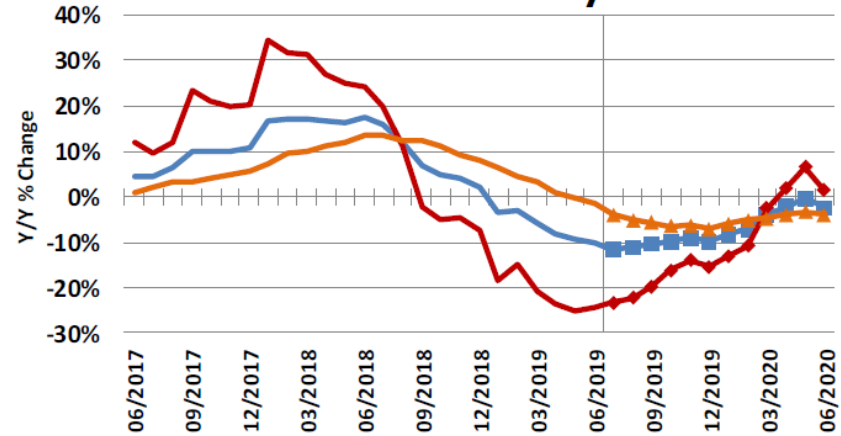
September 2019

# TRUCKLOAD RATE OUTLOOK HIGHLIGHTS - FTR

## TRUCKLOAD CONDITIONS

- The 2019 outlook for truckload rates has strengthened to a forecasted decline of 7.0%, excluding fuel surcharges.
- Spot rates have firmed slightly, but they remain significantly below the five-year average. The latest forecast is for a decline of 16.8% in 2019.
- Contract rates also have firmed slightly with the 2019 forecast now standing at a 1.2% drop rather than the 1.5% decrease previously forecast.
- The 2020 outlook is for an overall decline of 1.3%. Spot rates are forecast to hold basically steady at a forecasted increase of 0.5%. The outlook for contract rates is improved, but the forecast is still for rates to be down 2.1%.

## Rate Outlook: TL Dry Van



Source: FTR; Copyright 2019

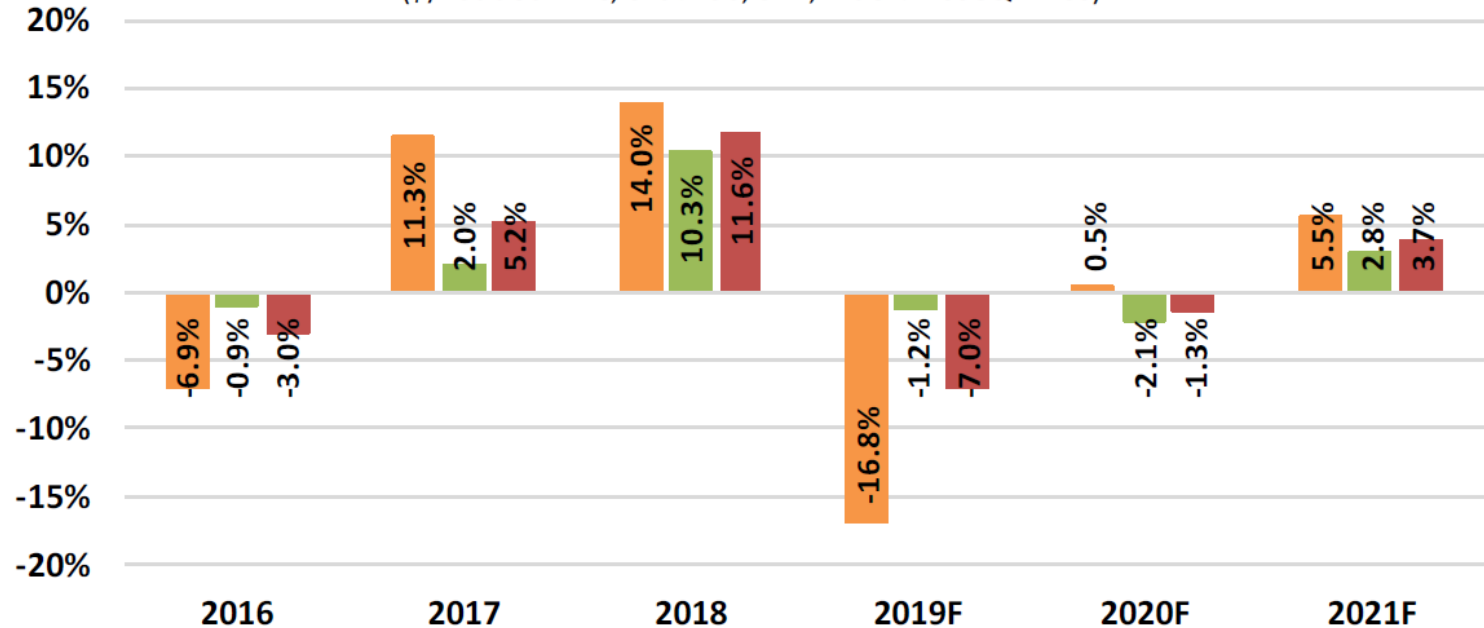
	2018	2019F	2020F	2021F
Total TL Exc. FSC:	12.0%	-8.5%	-1.9%	3.3%
Annual Cost % Change:	14.3%	-5.0%	-0.9%	3.7%

Total TL (w/o FSC)	Spot TL (w/o FSC)	Contract TL (w/o FSC)
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# Truckload - FTR

## Truckload Rates Outlook

(\$/Loaded Mile, excl. FSC, OTR; Index: 2008Q1=100)

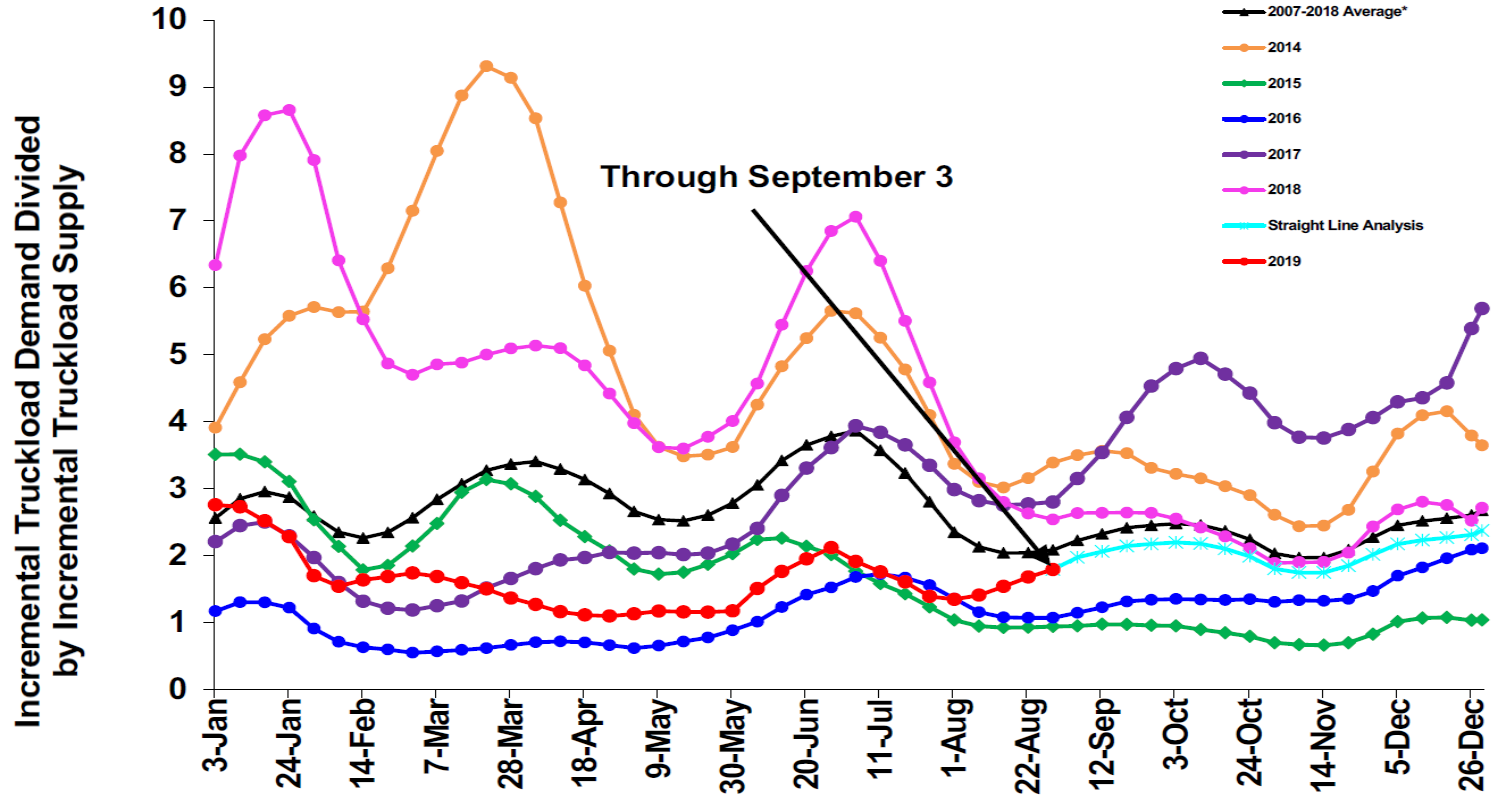


Source: FTR; Copyright 2019

Spot TL Rates Contract TL Rates Total TL Rates

# Truckload - Morgan Stanley

Exhibit 2: Morgan Stanley Dry Van ONLY Truckload Freight Index

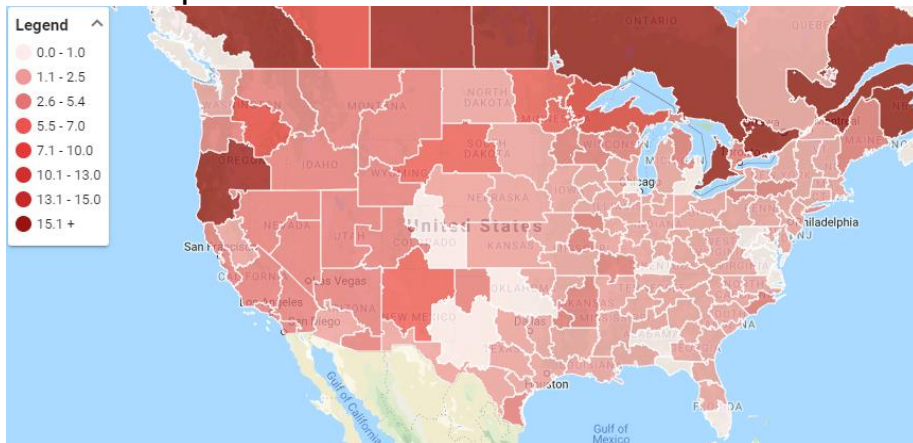


Source: Morgan Stanley Research. The index measures the demand for Dry-Van Truckload services compared to the supply. When a given reading is above prior years' level, it means there is more freight demand relative to available capacity. When a given reading is below prior years' level, it means there is less freight demand relative to capacity. \*2007-2018 average trend line excludes financial crisis years of 2008 and 2009

# Capacity Landscape



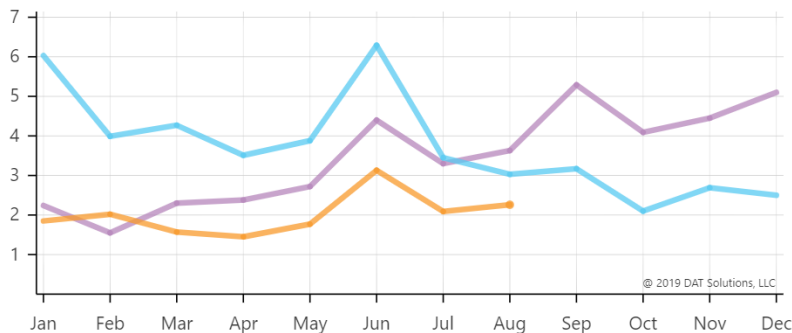
VAN - September 2019



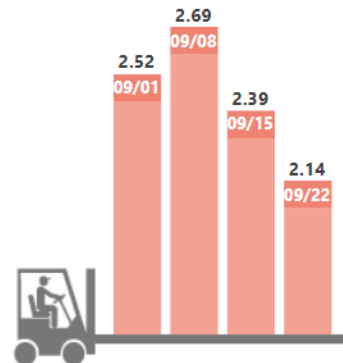
- Last year's produce season - impact on van capacity/demand

Van Load-to-Truck Ratio

2019 2018 2017



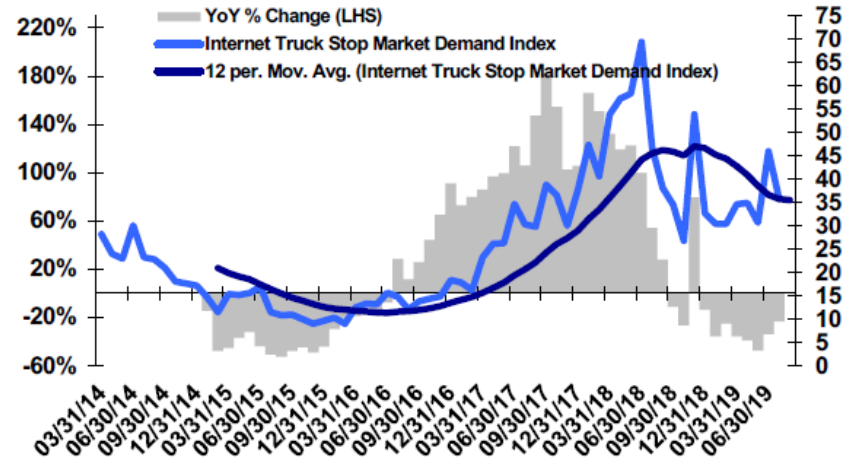
National Load-to-Truck Ratio



# Truckload - Internet Truckstop/ Morgan Stanley

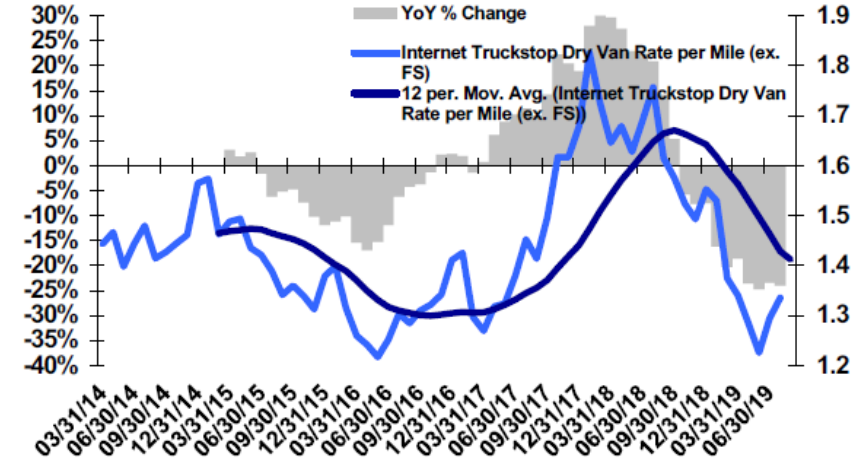
## Internet Truckstop

**Exhibit 29: Market Demand Index Long-Term Trends**



Source: Morgan Stanley Research, Truckstop.com, Bloomberg; Note: ITS developed a new methodology in Nov. 2015 and restated data back to January 2014; we calculate monthly demand as the average of weekly Truckstop.com data points

**Exhibit 30: Van Rate ex. Fuel Long-Term Trends**

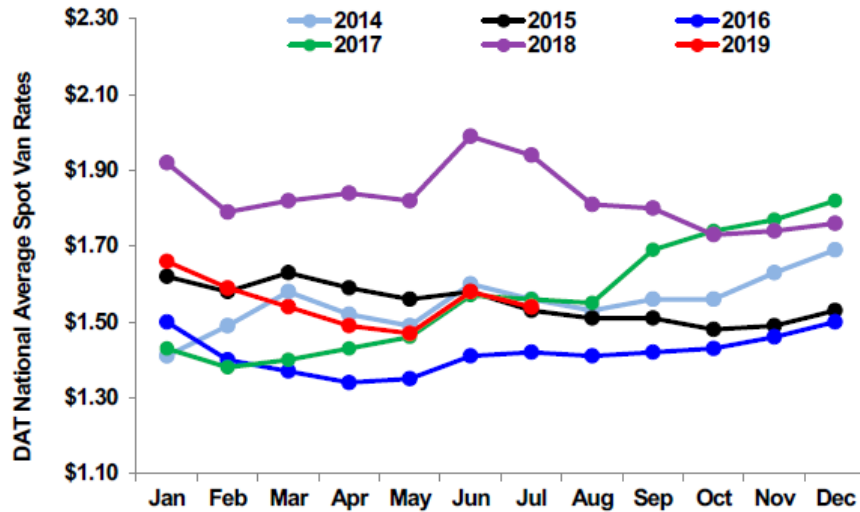


Source: Morgan Stanley Research, Truckstop.com, Bloomberg; Note: ITS uses a 30-day average posted rate to Carriers for the top 39k lanes and also includes temperature controlled and flatbed equipment in van rate ex. fuel

# Truckload - DAT

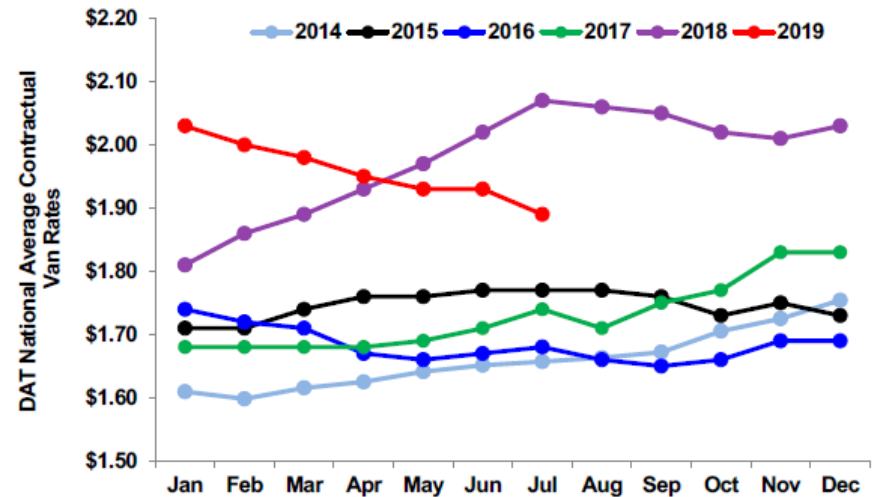
## DAT Trendline Rates

**Exhibit 31:** National Average Spot Van Rates ex. Fuel Surcharge



Source: Morgan Stanley Research, DAT Solutions ([www.dat.com/resources/trendlines](http://www.dat.com/resources/trendlines)); Note: DAT sources from over \$24 B in transactions and 65k lanes

**Exhibit 32:** National Average Contract Van Rates ex. Fuel Surcharge



Source: DAT Solutions, Morgan Stanley Research

# INTERMODAL RATE OUTLOOK HIGHLIGHTS

## INTERMODAL CONDITIONS

- The truckload market is expected to pressure intermodal competitiveness over the next 12 months, which will pressure rates and loadings as shippers opt for the more reliable truck alternative.
- The year-over-year declines in intermodal rates are expected to bottom in the fourth quarter and then slowly move back toward flat in the first half of next year.

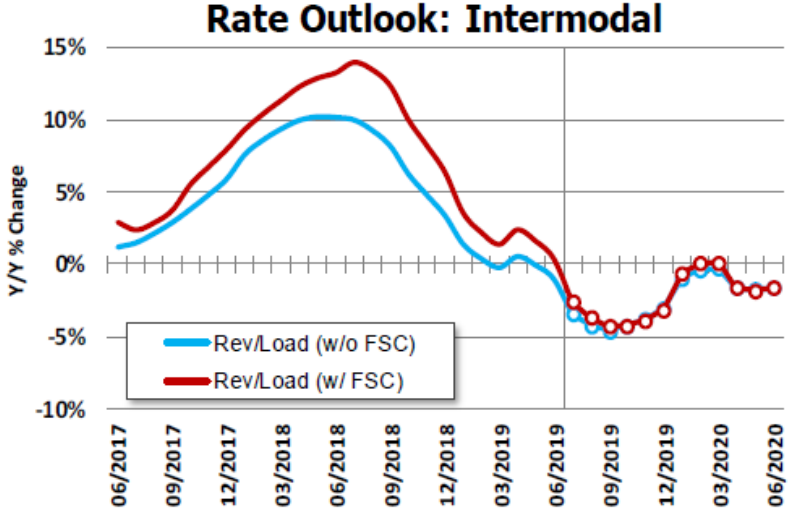
N.A. INTERMODAL OUTLOOK						
Economics & Freight						
Description	QUARTER			YEAR		
	2019'Q2	2019'Q3	2019'Q4	2019	2020	2021
U.S. Imports of Goods <sup>1</sup>	0.2%	1.2%	1.3%	1.1%	1.6%	2.8%
U.S. Exports of Goods <sup>1</sup>	-5.0%	0.2%	0.2%	0.2%	0.2%	1.9%
Intermodal Loads <sup>2</sup>	-3.8%	-2.6%	-3.4%	-2.9%	0.6%	3.7%

Notes:

<sup>1</sup> SAAR - Seasonally Adjusted Quarter to Quarter Changes at Annual Rates.

<sup>2</sup> Y/Y % Change - Current quarter vs. same quarter one year ago.

Sources: FTR, IANA - Copyright 2019



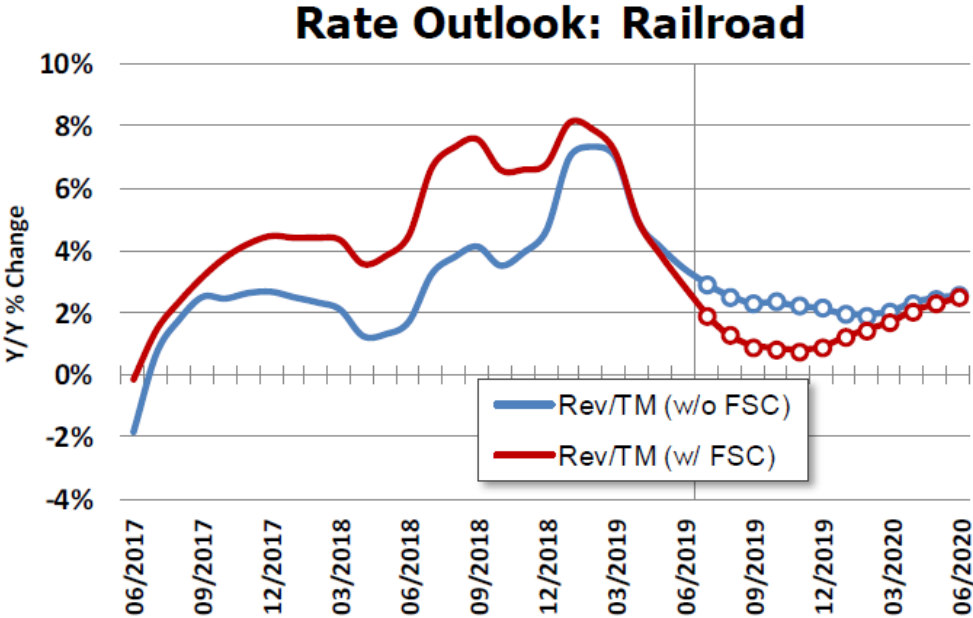
Source: FTR; Copyright 2019



# Rail Rate Outlook Highlights

## RAIL CONDITIONS

- Rail rates are not expected to see the same drop that intermodal rates are projected to show because of the carriers' mentality that the carload business will generate inflation-plus pricing. The carriers have also demonstrated they will not chase volume with pricing.
- Rail service is improving, moving back toward and above the 10-year average at most carriers. While there is significant regional variation in performance, the upward trend in velocity is a bad sign for railcar utilization as shippers will need fewer railcars to move the same amount of freight.



Source: FTR; Copyright 2019; Current quarter results are preliminary until quarterly reports are filed

# Shippers Condition Index

- **FTR Shippers Conditions Index (SCI)**

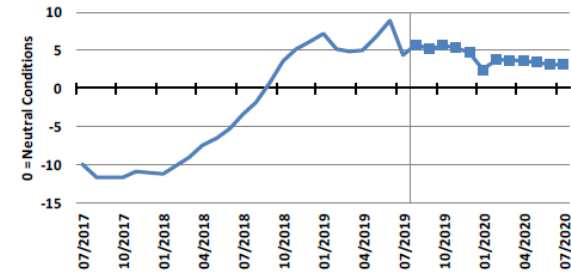
- Tracks four factors
  - Freight Demand
  - Freight Rates
  - Fleet Capacity
  - Fuel Price
- The SCI is forecast to remain in mildly positive territory for the next year
- The potential exists for higher prices next year as ocean transport converts to a lower sulfur fuel that will compete for the same distillate stocks as diesel

- **Morgan Stanley Truckload Sentiment Survey**

- Shows largely unchanged scenario in demand, supply and rates for next 3 months

- **Attacks on Saudi Oil facilities prices could climb as much as 25 cents this month**

FTR Shippers Conditions Index



Source: FTR; Copyright 2019

Morgan Stanley

