

Transpacific Eastbound Trade Report

1 November 2018

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Section I. State of the Trade – Executive Summary

As the trade moved out of the October 1 China National Day holiday, demand in the Asia-to-US trade has remained very strong, particularly to the US West Coast, as importers continue to advance product imports ahead of the third round of tariff increases on January 1 2019. While east coast demand in late October softened somewhat, west coast demand has remained very strong through October and into early November, similar to September demand levels. We are projecting that demand will remain strong to the west coast, and will build further to the east coast, throughout the month of November. Recognizing this demand surge, carriers have planned multiple extra loaders to be deployed in the coming weeks, especially to the west coast, to clear backlog accumulated in October and to cater to the increased forecasted demand. The first two weeks of November will see an average 15% supply surge on the Asia-US West Coast lane, and this will improve space conditions if not rate levels. While fewer extra loaders are being planned to east coast and pacific northwest lanes, carriers may still decide to inject more capacity toward late November to manage what they expect to be a strong demand surges before the end of the month.

Section II. Carrier Utilizations and Rate Trends (next week)


Asia-to-Pacific Southwest (PSW)

Average Vessel Utilization: 95-100%

Rate Trend (next week): 


Asia-to-Pacific Northwest (PNW)

Average Vessel Utilization: 95-100%

Rate Trend (next week): 

Asia-to-US East Coast (USEC)

Average Vessel Utilization: 100%

Rate Trend (next week): 

Section III. Trade & Rate Outlook

A. Current Average Rates – Week 44 (as of 1 November 2018)

M+R Asia Base Ports to US West Coast (CY):

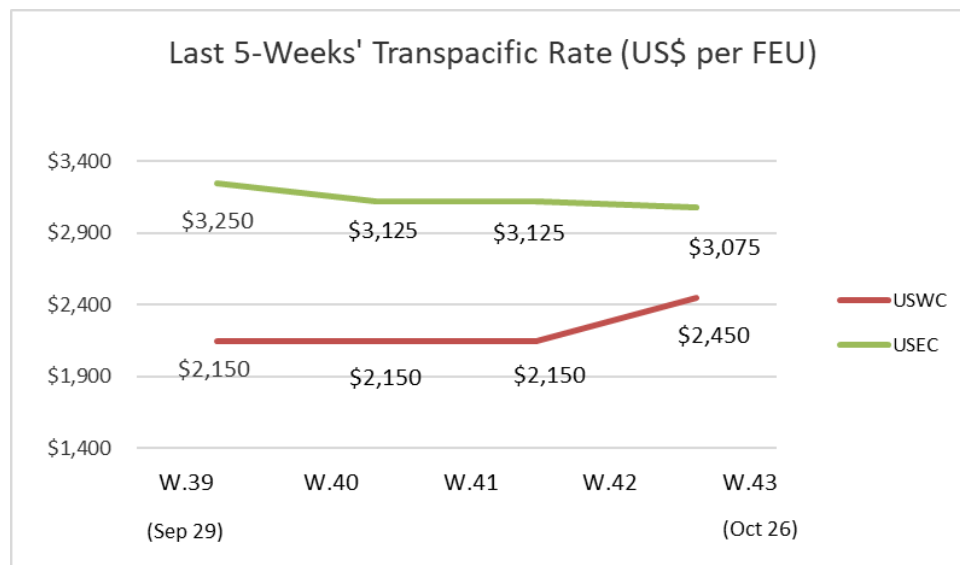
- Lowest: \$2325 per FEU (PIL)
- General Range: \$2450-2500 per FEU
- SCFI (Week 43): \$2587 per FEU

M+R Asia Base Ports to US East Coast (CY):

- Lowest: \$3350 per FEU (MSC)
- General Range: \$3450-3500 per FEU
- SCFI (Week 43): \$3294 per FEU

M+R Asia Base Ports to Chicago (Ramp):

- Lowest: \$3650 per FEU (CMA CGM, via PRR/VAN)
- General Range: \$3650-3700 per FEU (via PRR/VAN)



B. Rate & Trade Outlook – Weeks 45 & 46 (5-18 November)

Space will remain limited in November as cargo volumes from Asia continue their pre-tariff surge. The capacity spike to the US West Coast in weeks 43-45 will provide temporary relief, but as cargo volumes continue to surge we expect neither significant space relief or rate softening in the coming weeks. While east coast demand slacked briefly in late October, volumes are picking-up again as we enter November. We expect these volumes will continue to build toward mid-November and will most likely propel the carriers to slightly increase Asia-US East Coast rates again in mid-November. US West Coast rates should remain stable, with significant rate increases in mid-November unlikely due to the spate of extra loaders.

Figure 1 - Previous Forward Rate Projection as of October 8th:

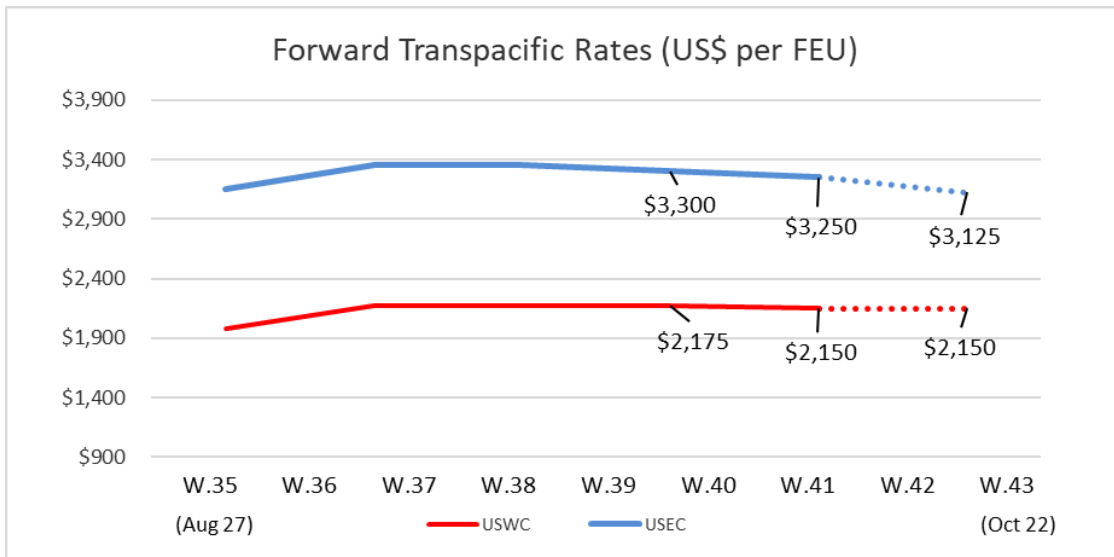


Figure 2 - Updated Forward Rate Projection as of November 5th:

