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# TRANSPACIFIC EASTBOUND TRADE

## MARKET SUMMARY & OUTLOOK

JANUARY 26<sup>th</sup> 2022

### KEY DEVELOPMENTS IN THE LAST TWO WEEKS....

- Supply: Carriers gearing up for big blank program around Lunar New Year holiday; 77 sailings voided in Jan
- Demand: Peak surge starting to subside; Wholesale (co-load) rates soften going into the holiday
- Covid-19: Ningbo operating normal; Tianjin seeing minimal delays; US ports still hampered by Omicron cases


### STATE OF THE TRADE – JANUARY 26, 2022

Carriers have increased the number of operational blank sailings in late January in the lead up to the Lunar New Year holiday February 1<sup>st</sup>, but space availability toward the end of the month was not as critical as initially expected. Improved planning among shippers is part of the reason, as they have stretched the pre-Lunar New Year peak season out by several months in the past years, with 2022 being no different. One can only wonder what the marketplace would look like if carriers had not been forced to blank nearly 700,000 TEU of capacity in January, or roughly 30% of the month's capacity. As we have theorized, nominal (undisrupted) capacity in the Transpacific likely exceeds current demand. Unfortunately, as congestion at US ports persists – some 200 containerships remain at anchor outside US ports – blank sailings will remain a major factor. LA/LB ship congestion remains over 100 vessels while Oakland and Charleston's idle ships have increased as well. As January winds down, co-load rates have softened but Premium and FAK rates remain unchanged. This would explain the slight decline in SCFI index from earlier weeks (see page 3). January in Asia has passed without any major Covid-related disruptions, with Ningbo back at full operation and Tianjin seeing only minimal effects of a recent case surge. The Port of Yantian is suffering from congestion and slower container turns but this is said to be more a factor of yard congestion ahead of the holiday than any external factor. In the US, productivity at LA and New York remain low due to reduced workforce, as well as general chassis and truck shortages – the latter being most severe now in the New York/New Jersey port area. In a bit of positive news on the congestion front, carriers have been reporting improved rail dwell times on the west coast, with an average of 3.5 days dwell, down from 9 days in early November. The improvement is the result of a more focused effort to relieve congestion following government intervention and dialogue surrounding congestion penalties, which have again been pushed back to January 28<sup>th</sup> and are altogether unlikely to see implementation.

### CARRIER LOAD-FACTORS AND DEMAND TRACKER – JANUARY 26


#### Asia-to-Pacific Southwest (PSW)

Average Vessel Utilization: 100%

Rate Trend next week: 


#### Asia-to-Pacific Northwest (PNW)

Average Vessel Utilization: 100%

Rate Trend next week: 

#### Asia-to-US East Coast (USEC)

Average Vessel Utilization: 100%

Rate Trend next week: 

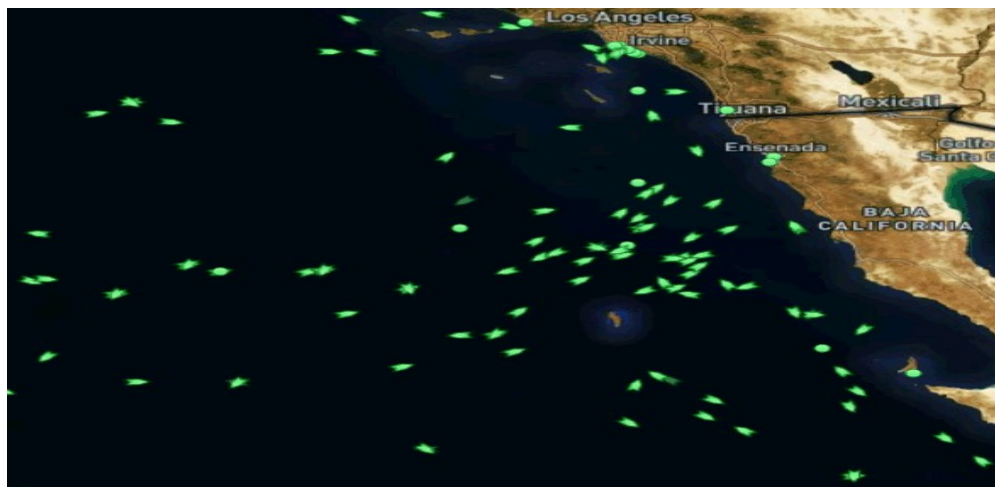
**VESSELS AT ANCHOR – UPDATE AS OF WEEK 4**

- Los Angeles / Long Beach: 49 @ anchor, 54 @ drift / waiting
- Oakland: 21 @ anchor
- Seattle / Tacoma: 8 @ anchor
- Charleston: 19 @ anchor
- Savannah: 5 @ anchor
- New York / New Jersey: 12 @ anchor
- Houston: 12 @ anchor

**VESSELS AT ANCHOR – 2-WEEK TREND BY PORT**

Los Angeles / Long Beach	↑
Oakland	↑
Seattle / Tacoma	↑
Charleston	↑
Savannah	↓
New York	↔
Houston	↔

Los Angeles / Long Beach snapshot:



## SHORT-TERM TRANSPACIFIC CAPACITY TRACKER

\*\* Weeks with "0" or positive numbers indicate deployment of extra loaders which may offset blank sailings

### TP Capacity Adjustment Updated 18 Jan Summary by Trades

Trade	Capacity Change	WK 1	WK 2	WK 3	WK 4	WK 5	WK 6
Asia to PS	TEU Adjustment	-109420	-98030	-135415	-65160	-139246	-76571
	Total Number	-12	-12	-15	-7	-16	-10
% of Total Capacity Adjustment		-37%	-33%	-45%	-22%	-47%	-26%

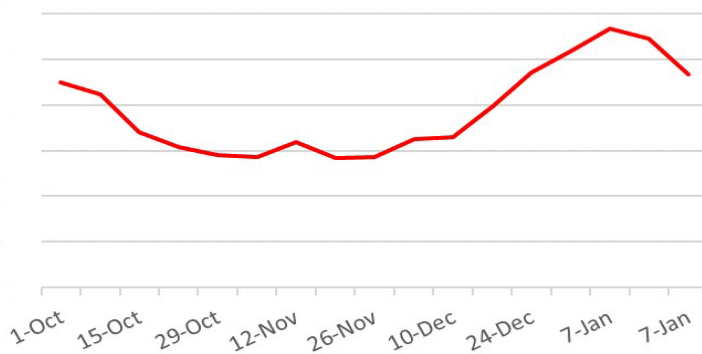
Trade	Capacity Change	WK 1	WK 2	WK 3	WK 4	WK 5	WK 6
Asia to PN	TEU Adjustment	-42042	-33528	-32666	-31596	-18723	-25676
	Total Number	-6	-6	-5	-4	-5	-4
% of Total Capacity Adjustment		-38%	-30%	-30%	-29%	-17%	-23%

Trade	Capacity Change	WK 1	WK 2	WK 3	WK 4	WK 5	WK 6
Asia to AW+GC	TEU Adjustment	-57449	-22461	-18213	-37808	-28966	-22940
	Total Number	-5	-2	-1	-2	-2	-3
% of Total Capacity Adjustment		-30%	-12%	-9%	-20%	-15%	-12%

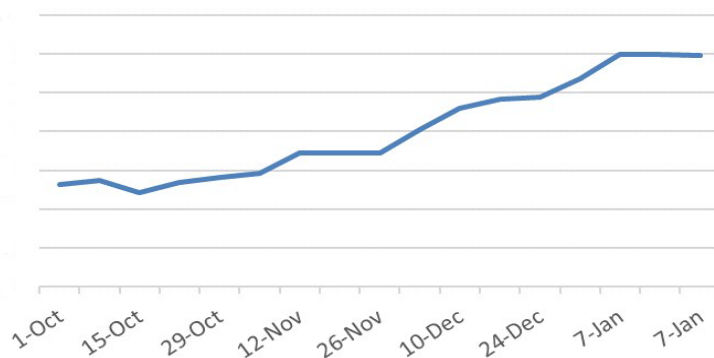
TOTAL ALL USA	Capacity Change	WK 1	WK 2	WK 3	WK 4	WK 5	WK 6
	TEU Adjustment	-208911	-154019	-186294	-134564	-186935	-125187
	Total Number	-23	-20	-21	-13	-23	-17
% of Total Capacity Adjustment		-35%	-26%	-31%	-22%	-31%	-21%

## SCFI RATE INDEX AS OF JANUARY 26

SCFI - Asia to US East Coast (US\$ per FEU)



SCFI - Asia - US West Coast (US\$ per FEU)



## MARKET OUTLOOK & FORECAST – JANUARY 26- FEBRUARY 9

**With cargo volumes having peaked, the focus turns to rates.** Expectations are that more space will be released by carriers under their lower FAK-rate tiers in the coming weeks, and that Premium and co-load offerings will be fewer through the middle of February. **This does not mean that FAK rates will decline – they most likely will not - yet.** What it does mean is that carriers will not be able to force a higher volume of containers under their Premium rate tiers. While the market is still far from seeing baseline rates (FAK) decline, this **higher mix of FAK space in February will translate into savings for shippers** who have seen a significant volume of shipments move under Premium and co-load rate classifications prior to the holiday. **Blank sailings will be at very high levels in February** as carriers seek to take advantage of the lull in demand to reposition vessels and therefore reconfirm schedules. What happens beyond mid February is highly dependent on whether there will be a bounce-back in demand and whether carriers will continue to more aggressively blank sailings – factors which in our view are not mutually exclusive.

## PROJECTED AVERAGE FAK RATES – AS OF JANUARY 26

