



TRANSPACIFIC EASTBOUND TRADE

MARKET SUMMARY & OUTLOOK

MARCH 10, 2022

KEY DEVELOPMENTS IN THE LAST TWO WEEKS....

- Supply: Blank sailings have stabilized at between 18-20% of capacity voided per week
- Demand: Load factors – and some rates - slip as capacity growth season looms
- Covid-19: Hong Kong government weighing a Covid-19 lockdown as cases soar



STATE OF THE TRADE – MARCH 10, 2022

Recent developments in the transpacific trade – and around the world in general – have taken some of the starch out of what was still considered seller’s-market just two weeks ago. With the threat of escalation following Russia’s invasion of Ukraine, and with soaring oil prices worldwide denting consumer sentiment even further, the risk of a significant downturn in short- and medium-term demand has been ratcheted up a notch. Carriers and terminals have done an admirable job of improving efficiency and vessel turn times since the beginning of the year and especially in February – to the point where as of late last week fewer than 60 vessels were waiting outside Los Angeles / Long Beach. Increased congestion at east coast ports, however, is worrying as New York and Charleston have seen a spike in the number of ships awaiting berth, triggering concerns for more service disruption on the Asia-US East Coast corridor. This comes as blank sailings have stabilized in late February and early March, with an average of 20% of transpacific capacity voided per week, despite a higher-than-usual number of blanks to the east coast in week 11. Demand remains weaker-than-expected, causing some isolated premium rate reductions. As outlined in previous reports, the expected course of action by carriers in the event of weakening demand is a reduction of premium rate levels first, followed by FAK rate adjustments. While this is happening, access to space under FAK rate levels will increase. Carriers are confirming no rate increases for the month of March, while some hint that rates may not increase in April either. Positioning this dampened sentiment against what is expected to be a busy season of capacity upgrades and new services starting in late March, and the market could see a more momentous decline of rates in the coming 2-6 weeks ahead. While the range of co-load rates from lowest-to-highest remains very wide, co-load floor rate levels have decreased in recent weeks. Hong Kong has instituted mass Covid testing as its 7-day average soared to over 40,000 new cases, hampering local businesses and supply chains and stoking fears of a wider lockdown.

CARRIER LOAD-FACTORS AND DEMAND TRACKER – MARCH 10, 2022



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: 95-100%

Rate Trend next week:  

VESSELS AT ANCHOR – UPDATE AS OF WEEK 10

- Los Angeles / Long Beach: 58 @ anchor / drifting / slow steaming
- Oakland: 17 @ anchor
- Seattle / Tacoma: 1 @ anchor
- Charleston: 29 @ anchor
- Savannah: 6 @ anchor
- New York / New Jersey: 15 @ anchor
- Houston: 16 @ 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 8 Mar
Summary by Trades

Trade	Capacity Change	WK 11	WK 12	WK 13	WK 14	WK 15	WK 16	WK 17
Asia to PS	TEU Adjustment	-16600	-66844	-37414	-48646	-17954	-17954	1676
	Total Number	-2	-8	-5	-6	-3	-3	0
% of Total Capacity Adjustment		-6%	-22%	-13%	-16%	-6%	-6%	1%

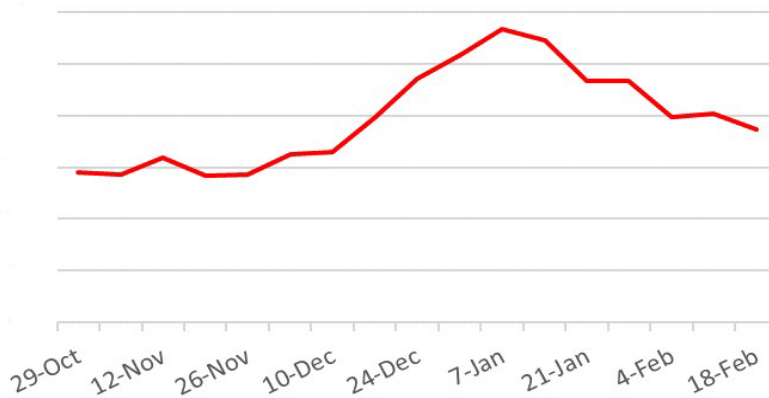
Trade	Capacity Change	WK 11	WK 12	WK 13	WK 14	WK 15	WK 16	WK 17
Asia to PN	TEU Adjustment	-43272	-40690	-28874	-15174	-2060	-9909	3264
	Total Number	-5	-6	-4	-3	-1	-2	1
% of Total Capacity Adjustment		-39%	-37%	-26%	-14%	-2%	-9%	3%

Trade	Capacity Change	WK 11	WK 12	WK 13	WK 14	WK 15	WK 16	WK 17
Asia to AW+GC	TEU Adjustment	-62593	-12166	-8600	-16078	-8540	0	0
	Total Number	-7	-2	-1	-2	-1	0	0
% of Total Capacity Adjustment		-29%	-6%	-4%	-7%	-4%	0%	0%

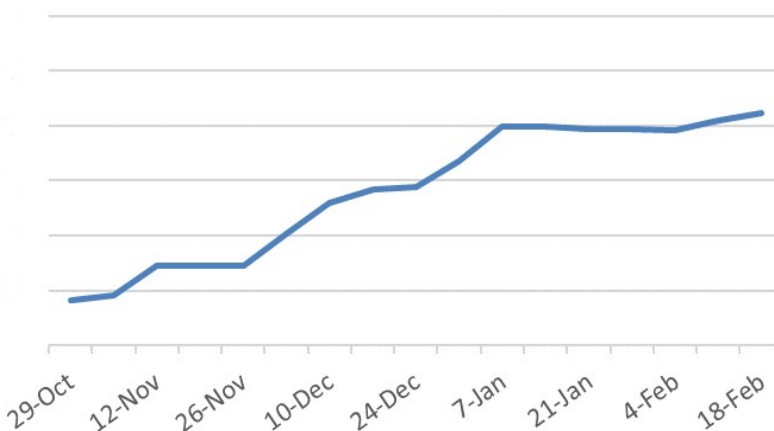
TOTAL ALL USA	Capacity Change	WK 11	WK 12	WK 13	WK 14	WK 15	WK 16	WK 17
	TEU Adjustment	-122465	-119700	-74888	-79898	-28554	-27863	4940
	Total Number	-14	-16	-10	-11	-5	-5	1
% of Total Capacity Adjustment		-20%	-19%	-12%	-13%	-5%	-4%	1%

SCFI RATE INDEX AS OF FEBRUARY 18th (updated data not available)

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



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



MARKET OUTLOOK & FORECAST – MARCH 10 – 23

It appears transpacific rates have reached an inflection point. Forward demand does not appear to be picking up pace, despite reports to the contrary. With the influx of new capacity starting in late March and continuing through May, space remains more available for March departures and most likely early April as well. Furthermore, inflation – particularly a spike in oil and gas prices – could further dampen short-term demand, and a corresponding uptick in inventories may have medium-term implications on import volumes as a result. ***Rates will not increase in March, and may well DECREASE within the month as some carriers are actively canvassing more IPI cargo.*** However, any such decreases will be measured at first and we do not expect a steady decline, but rather specific and targeted reductions. While congestion – most recently flaring up at New York and Charleston ports – remains a real concern and a threat to consistent capacity deployment, blank sailing activity in March is expected to remain below previous six-month weekly averages. Given the persistence of very high rates over the past six months with virtually no movement, we feel that any marked decline in short-term demand – and the resulting weaker load factors – may trigger more rate reductions among carriers seeking to maintain full utilization.

PROJECTED AVERAGE FAK RATES – AS OF MARCH 10

