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 <u>not</u> 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.

<u>PROJECTED AVERAGE FAK RATES AS OF MARCH 10</u>