



# TRANSPACIFIC EASTBOUND TRADE

## MARKET SUMMARY & OUTLOOK

APRIL 6, 2022

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

- Supply: Blank sailings stable overall but delays in Shanghai may lead to an increase in blanks in May
- Demand: Growing retail inventories and effects of Shanghai / Shenzhen lockdowns weigh on load factors
- Covid-19: Shanghai lockdown extended as Omicron surge continues in China



### STATE OF THE TRADE – APRIL 6, 2022

The news of the extension of Shanghai Pudong's Covid lockdown – originally scheduled to end on April 1<sup>st</sup> – is further disorienting freight markets as truck capacity dwindles and exports reduce to a trickle through Shanghai's Yangshan and Waigaoqiao terminals, with more carriers starting to skip Shanghai calls as the lockdown persists. As Shanghai grapples with the extended lockdown, Shenzhen is recovering from its own lockdown and similar transportation restrictions in its volume re-build. South China load factors remain under pressure with the slow recovery, and spot rates to the US west coast have dipped below the \$7900-per-FEU mark for the first time since late 2021. Although Asia-US West Coast spot-rates have only declined some 2% over the past six weeks, Asia-US east coast FAK rates have fallen by some 10% since the beginning of the year, and there are now multiple cases of FAK Rate/Fixed Rate inversion – where current FAK rates now sit below some annual contract/BCO rates. In the US, the outlook is mixed with some retailers slowing down imports as bottlenecks ease and inventories build, while others signal an increase in orders ahead of what is expected to be an earlier-than-normal Christmas peak season. Blank sailings in April have stabilized thus far as west coast port congestion continues to ease. Carriers now appear to favor skipping individual ports (such as Shenzhen or Shanghai where berthing could be delayed by several days) in a service loop - or what is referred to as 'cut-and-run' - as opposed to maintaining Asia port coverage, suffering delays at congested Asia ports, and then being forced to blank an entire sailing some weeks later. Despite the improvements in dwell time at LA/LB harbor, a severe rail car surplus has emerged at several major inland rail ramps, which may contribute to longer dwell times for IPI-bound shipments at port. Congestion at ports like New York and Houston has worsened over the past two weeks, but Savannah and Charleston are showing no increase in the number of ships awaiting berth. Nevertheless, such worsening congestion has not (yet) compelled carriers to increase the number of blank sailings to the US east coast or Gulf already scheduled.

### CARRIER LOAD-FACTORS AND DEMAND TRACKER – APRIL 6, 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)





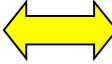


Average Vessel Utilization: 95-100%

Rate Trend next week:  

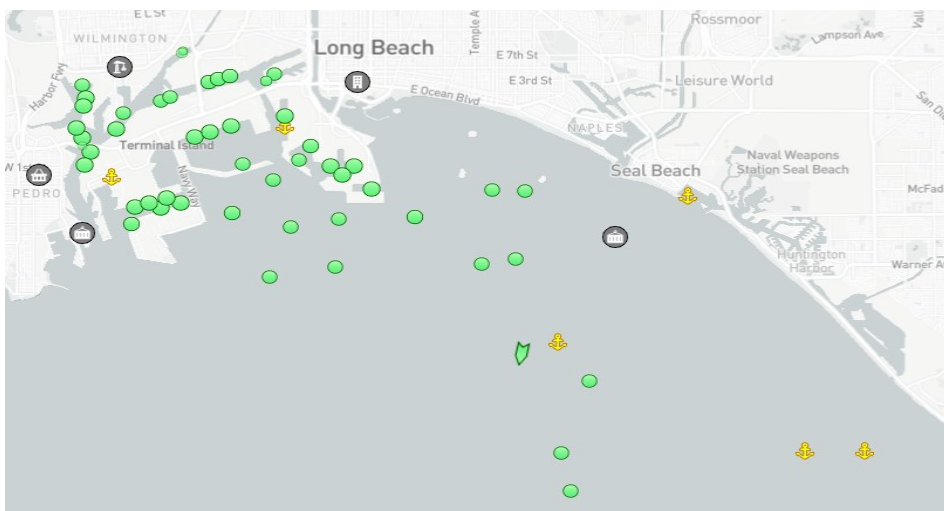
**VESSELS AT ANCHOR – UPDATE AS OF WEEK 13**

- Los Angeles / Long Beach: 42 @ anchor / drifting / slow steaming
- Oakland: 16 @ anchor
- Seattle / Tacoma: 4 @ anchor
- Charleston: 23 @ anchor
- Savannah: 4 @ anchor
- New York / New Jersey: 12 @ anchor
- Houston: 15 @ anchor

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

<b>Los Angeles / Long Beach</b>	
<b>Oakland</b>	
<b>Seattle / Tacoma</b>	
<b>Charleston</b>	
<b>Savannah</b>	
<b>New York</b>	
<b>Houston</b>	

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 22 Mar  
**Summary by Trades**

Trade	Capacity Change	WK 12	WK 13	WK 14	WK 15	WK 16	WK 17
Asia to PS	TEU Adjustment	-94432	-61102	-73064	-51360	-39344	1676
	Total Number	-11	-7	-9	-7	-5	0
% of Total Capacity Adjustment		-32%	-20%	-24%	-17%	-13%	1%

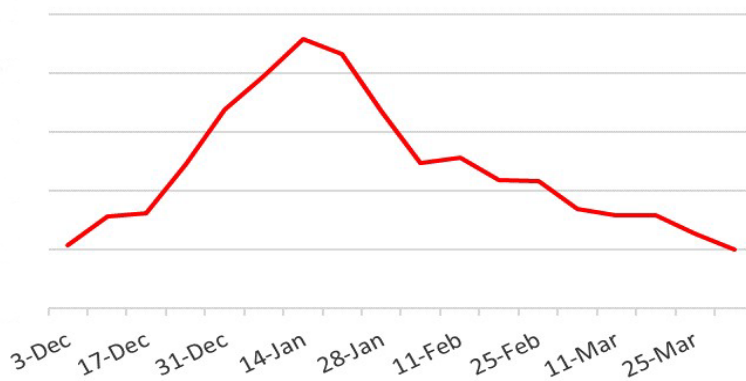
Trade	Capacity Change	WK 12	WK 13	WK 14	WK 15	WK 16	WK 17
Asia to PN	TEU Adjustment	-48190	-28874	-30574	-19204	-26109	-12936
	Total Number	-7	-4	-5	-3	-4	-1
% of Total Capacity Adjustment		-42%	-25%	-27%	-17%	-23%	-11%

Trade	Capacity Change	WK 12	WK 13	WK 14	WK 15	WK 16	WK 17
Asia to AW+GC	TEU Adjustment	-15136	-19119	-43754	-16820	-14447	0
	Total Number	-3	-3	-6	-2	-2	0
% of Total Capacity Adjustment		-7%	-9%	-20%	-8%	-7%	0%

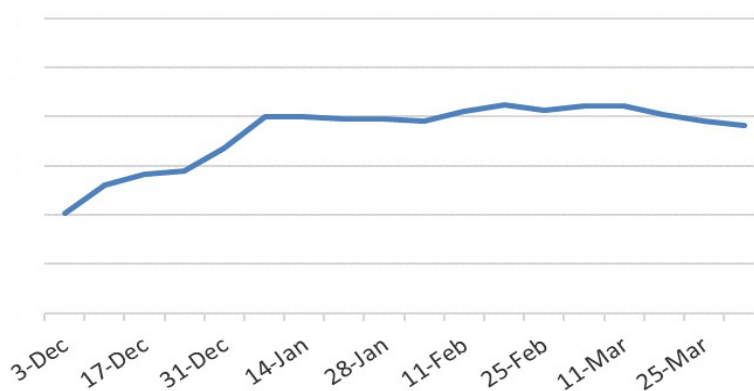
TOTAL ALL USA	Capacity Change	WK 12	WK 13	WK 14	WK 15	WK 16	WK 17
	TEU Adjustment	-157758	-109095	-147392	-87384	-79900	-11260
	Total Number	-21	-14	-20	-12	-11	-1
% of Total Capacity Adjustment		-25%	-17%	-23%	-14%	-13%	-2%

## SCFI RATE INDEX AS OF APRIL 6

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



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



## MARKET OUTLOOK & FORECAST – APRIL 6 - 20

As the market holds its breath for Shanghai’s reopening and the freight bonanza that may follow, we draw on the experience of Shenzhen’s reopening – where landside transportation restrictions and testing requirements prevented the sudden and unmanageable surge of cargo. Similarly, **we expect a more gradual export volume recovery in Shanghai due to similar testing, transportation and human resource restrictions as Shenzhen experienced during its own reopening.** Nearby ports such as Ningbo will see stronger-than-usual volumes as some exporters seek alternatives to Shanghai’s transportation logjam. Our expectation is that while FAK rates will not increase in April, **the percentage of freight moving on Premium and Co-load rates from Shanghai and Ningbo may increase following Shanghai’s reopening.** From South China, the recovery is a gradual, protracted one and following a spate of port omissions by several carriers, **rates particularly to the US west coast remain under some pressure.** As mentioned on page 1 FAK rates are now sitting *below* many recently-negotiated contract/BCO rates, particularly those which were concluded in 1Q 22 or before. As BCO and long term rate negotiations wind-down, there is emerging a much wider rate range between contract holders – in some cases up to 30% from low to high - from what we have seen in past years.

### FORWARD FAK RATE PROJECTIONS – AS OF APRIL 6

