

TRANSPACIFIC EASTBOUND TRADE

MARKET SUMMARY & OUTLOOK

SEPTEMBER 28th 2022

KEY DEVELOPMENTS IN THE LAST TWO WEEKS....

- Supply: Blank sailings set to spike over China National Day holiday period...
- Demand: Rate descent steepens as carriers jostle for market share...
- Operational: US rail dwell times stabilize as operations recover...

STATE OF THE TRADE – SEPTEMBER 28, 2022

Asia-US West Coast rates have declined for the 13th consecutive week and are now officially back to June 2020 levels – the starting point of the Covid-19 rate surge. From their high mark in April this year, average FAK rates have lost 75% of their value in just under 30 weeks. Although blank sailing activity has gained momentum heading into the China National Day holiday on October 1st, there is still no clear indication from carriers of longer-term capacity management plans. Despite a continuation of blank sailings in September, net capacity figures for the month were identical to a year ago when demand was far more robust. Our estimates indicate that the Transpacific trade is now oversupplied by some 70,000 TEU per week – or the equivalent of there being seven services too many. At their current pace, today's average Asia-US West Coast FAK rates will be halved again by the second week of October, and average market rates *below* \$1000 per FEU within November cannot be ruled-out unless significant capacity corrections are taken. On the Asia-US East Coast corridor FAK rates took a significant tumble last week following weeks of more modest reductions, and average rates are now back to July 2021 levels and some 60% down from their highest point this past spring.

Vessel backlog at US ports is stable compared with earlier this month, with slight improvements in anchorage figures at New York / New Jersey, Savannah, and Houston. Rail operations are showing encouraging signs of recovery as weekly on-dock rail dwell times are lower for the first time in months. Off-dock volumes are also down, as the railroads increase the number of departures from the LA/LB area. Last week, average dwell times for both on- and off-dock IPI-bound containers in LA/LB stabilized or contracted for the first time in over two months.

Carriers have continued rate-positioning going into the China National Day holiday period – which begins on Saturday October 1st and will continue through October 7th.

CARRIER LOAD-FACTORS AND DEMAND TRACKER – SEPTEMBER 28

Asia-to-Pacific Southwest (PSW)

Average Vessel Utilization: 80-90%

Rate Trend next week: ↓

Asia-to-Pacific Northwest (PNW)

Average Vessel Utilization: 85-90%

Rate Trend next week: ↓

Asia-to-US East Coast (USEC)

Average Vessel Utilization: 85-95%

Rate Trend next week: ↓

VESSELS AT ANCHOR – UPDATE AS OF WEEK 37

- Los Angeles / Long Beach: 12 @ anchor
- Oakland: 9 @ anchor
- Seattle / Tacoma: 0 @ anchor
- Vancouver: 1 @ anchor
- Charleston: 0 @ anchor
- Savannah: 32 @ anchor
- New York / New Jersey: 9 @ anchor
- Houston: 21 @ anchor
- Norfolk: 8 @ anchor

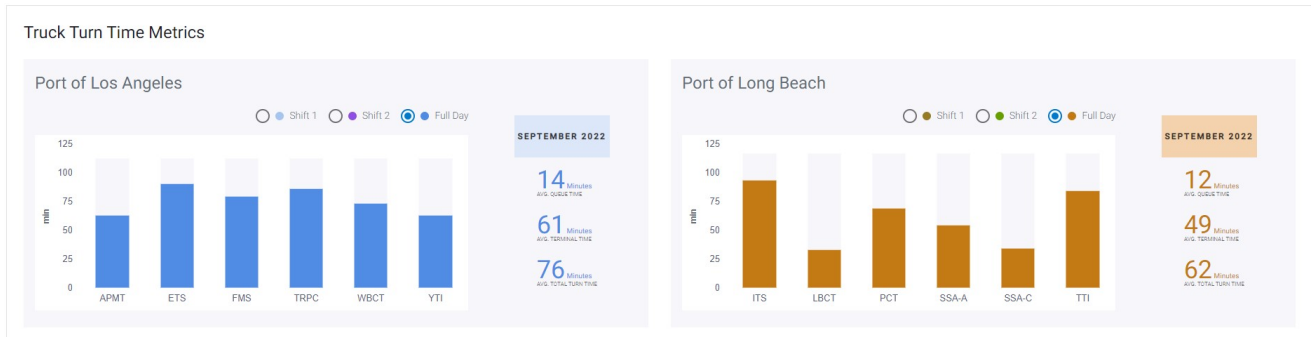
VESSELS AT ANCHOR – 2-WEEK TREND BY PORT

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

PORT OF LA / LB METRICS

- **Average Time Awaiting Berth:** 1.5 days (+0.5 days since last report)
- **30-day Average Time At Berth:** 5.3 days (-0.8 days since last report)
- **Truck Appointment Success Rate** (all terminals): 49% (unchanged from last report)

Truck Turn Times



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 21 Sep Summary by Trades

Trade	Capacity Change	WK 35	WK 36	WK 37	WK 38	WK 39	WK 40	WK 41	WK 42
Asia to PS	TEU Adjustment	-43350	-101872	-75870	-61842	-98980	-181466	-24360	-17000
	Total Number	-4	-12	-7	-7	-11	-19	-3	-2
% of Total Capacity Adjustment		-15%	-36%	-27%	-22%	-35%	-64%	-9%	-6%

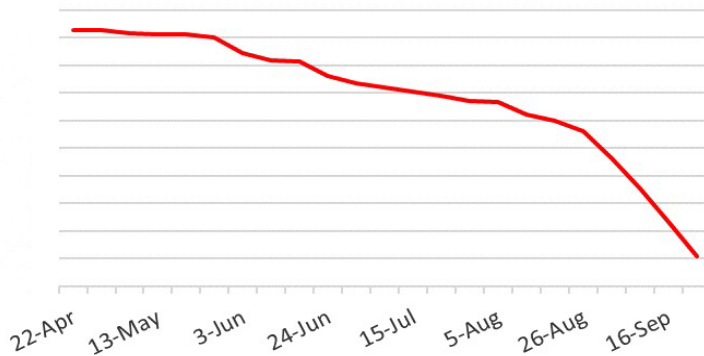
Trade	Capacity Change	WK 35	WK 36	WK 37	WK 38	WK 39	WK 40	WK 41	WK 42
Asia to PN	TEU Adjustment	-21000	-28866	-45974	-45128	-38220	-54664	-16820	0
	Total Number	-3	-5	-6	-7	-6	-7	-3	0
% of Total Capacity Adjustment		-18%	-25%	-40%	-39%	-33%	-48%	-15%	0%

Trade	Capacity Change	WK 35	WK 36	WK 37	WK 38	WK 39	WK 40	WK 41	WK 42
Asia to AW+GC	TEU Adjustment	-57806	-51910	-68216	-52559	-105975	-102880	-35630	-22870
	Total Number	-6	-6	-7	-6	-12	-12	-5	-3
% of Total Capacity Adjustment		-24%	-21%	-28%	-22%	-44%	-42%	-15%	-9%

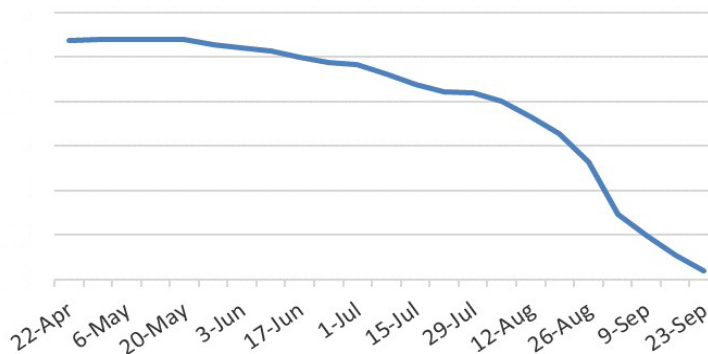
TOTAL ALL USA	Capacity Change	WK 35	WK 36	WK 37	WK 38	WK 39	WK 40	WK 41	WK 42
	TEU Adjustment	-122156	-182648	-190060	-159529	-243175	-339010	-76810	-39870
	Total Number	-13	-23	-20	-20	-29	-38	-11	-5
% of Total Capacity Adjustment		-19%	-28%	-30%	-25%	-38%	-53%	-12%	-6%

SHANGHAI CONTAINERIZED FREIGHT INDEX AS OF SEPTEMBER 28

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



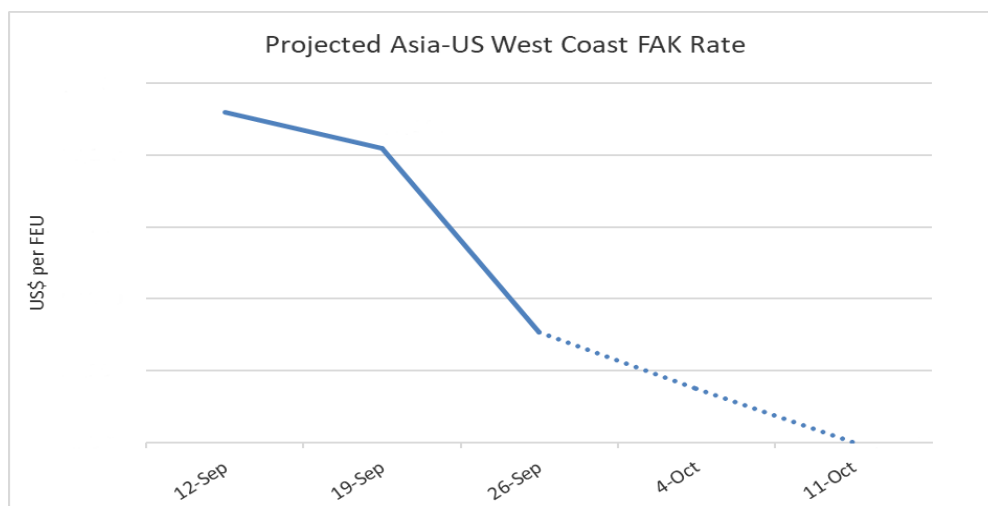
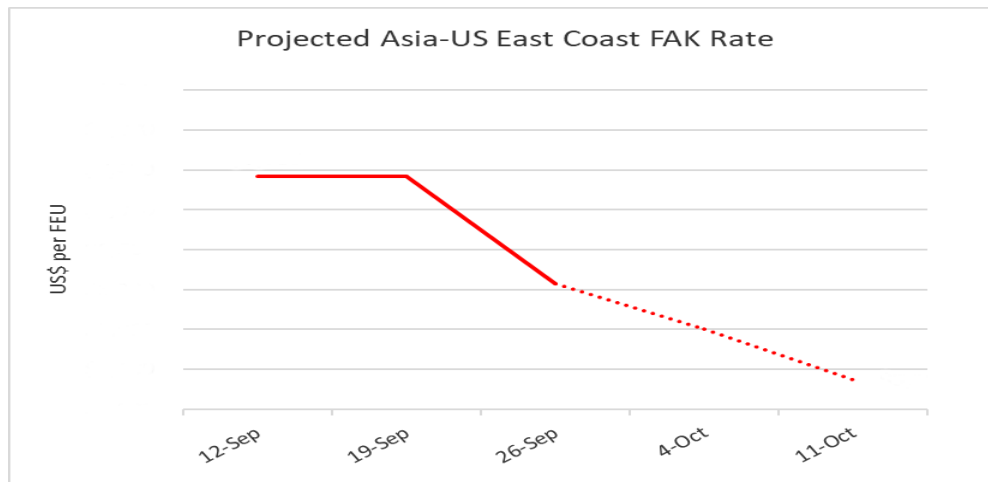
SCFI - Asia - US West Coast (US\$ per FEU)



2-WEEK MARKET OUTLOOK & FORECAST – SEPTEMBER 28 – OCTOBER 11

As carriers continue to wrestle for volume to the US West Coast, rates will continue to slide. **We project that average west coast CY rate will dip below the \$1,500 per FEU mark by mid-October** – barring unforeseen events. Blank sailings are peaking in early October – as is customary following the holiday in China – but post-holiday blank sailings and capacity actions are yet uncertain, and assuming capacity returns to current levels there is no market evidence to suggest that the current rate decline will abate. To the US East Coast, the number of ships at anchorage should further decrease in the coming weeks as blank sailings and softer volumes improve turn times, but rates will continue to drag well into October. Landside improvements are expected to slowly continue, particularly in the rail sector as services begin to normalize with lower inbound volumes amid a respite in tensions between labor unions and railroads. That being said, it will still take some time – we estimate a minimum of two months under optimal conditions - to clear congestion at the major rail ramps – where several thousand containers remain in stacks as chassis shortages continue in the major markets.

FORWARD AVERAGE FAK RATE PROJECTIONS – AS OF SEPTEMBER 28



MARKET OUTLOOK – OCTOBER

- Export volumes will continue to weaken throughout October on weaker demand in the US
- Empty container surplus is now high at all locations
- Carriers likely to mitigate or remove overweight surcharges in October
- Space to both US East Coast and US West Coast will remain open with little to no restrictions