

TRANSPACIFIC EASTBOUND TRADE

MARKET SUMMARY & OUTLOOK

OCTOBER 13th 2022

KEY DEVELOPMENTS IN THE LAST TWO WEEKS....

- Supply: Capacity gaps are slowly closing as carriers suspend services and continue blank sailings...
- Demand: Rate erosion is easing on temporarily-higher load factors, but outlook remains soft...
- Operational: Congestion easing on both sides of the Pacific with weaker volumes and blank sailings...

STATE OF THE TRADE – OCTOBER 13, 2022

As the market emerges from the China National Day break, spot-rate erosion is showing some signs of slowing as blank sailings and service suspensions bring capacity closer in line with demand. While carriers still have some work to do to bridge the supply/demand gap over the medium-term, they are not as aggressive with rate adjustments coming out of the holiday due to higher load-factors in early October. Unfortunately, this performance was only possible because of nearly 60 cancelled sailings – comprising 40 percent of Transpacific operating capacity - in the first two weeks of October. Despite the temporary rate restraint, October spot rates have increased by three percent per FEU level to US East Coast base ports, with expectations that rates will continue to slip as sailing schedules resume normal patterns. Market chatter of additional service suspensions and 'winter deployment' programs being undertaken by carriers persist, with several Asia-to-US East Coast services being targeted for rationalization in October and November. Despite the sinking freight rates – west coast rates have again lost half their value in the past six weeks alone - carriers remain comfortably profitable at current spot-revenues *if* load factors do not sink much lower than current levels.

Operationally, port congestion has improved at origin. Fewer sailings at Shanghai, Ningbo, and Yantian in particular has improved waiting-time to berth which has fallen to between 0.5 to 1.5 days at major ports. Vessel backlog at Savannah and New York have improved while rail dwell times in Los Angeles – on- and off-dock are lower across the board in October. Lessening congestion and improved vessel- and container-flow can be attributed mainly to lower inbound volumes and blank sailings, and there is no hint from the marketplace that volumes will increase over the next several weeks. While this will help continually improve intermodal efficiency, disruption-free operations remain many months away.

CARRIER LOAD-FACTORS AND DEMAND TRACKER – OCTOBER 13

Asia-to-Pacific Southwest (PSW)

Average Vessel Utilization: 85-90%

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: 90%

Rate Trend next week: ↓

VESSELS AT ANCHOR – UPDATE AS OF WEEK 41

- Los Angeles / Long Beach: 8 @ anchor
- Oakland: 7 @ anchor
- Seattle / Tacoma: 0 @ anchor
- Vancouver: 1 @ anchor
- Charleston: 0 @ anchor
- Savannah: 34 @ anchor
- New York / New Jersey: 8 @ anchor
- Houston: 22 @ anchor
- Norfolk: 7 @ anchor

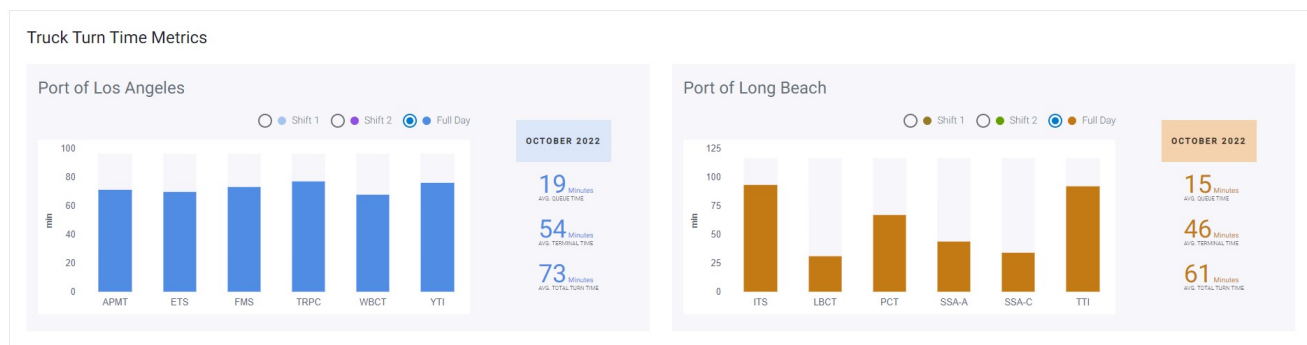
VESSELS AT ANCHOR – 2-WEEK TREND BY PORT

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

PORT OF LA / LB METRICS

- **Average Time Awaiting Berth:** 1.5 day (no change since last report)
- **30-day Average Time At Berth:** 4.5 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 5 Oct Summary by Trades

Trade	Capacity Change	WK 40	WK 41	WK 42	WK 43	WK 44	WK 45	WK 46	WK 47
Asia to PS	TEU Adjustment	-170666	-35260	-24640	-19240	-4680	-4930	-7370	-2690
	Total Number	-18	-4	-3	-3	-1	-2	-2	-1
% of Total Capacity Adjustment		-62%	-13%	-9%	-7%	-2%	-2%	-3%	-1%

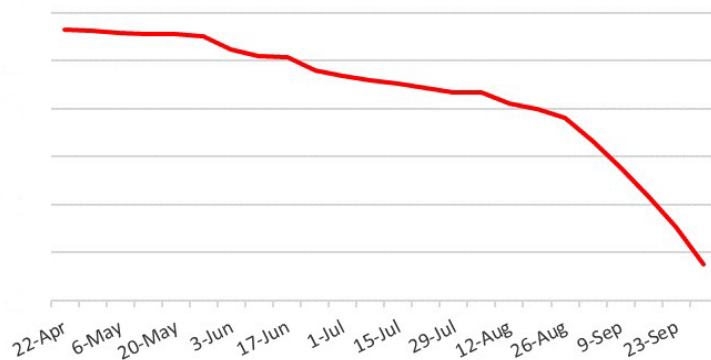
Trade	Capacity Change	WK 40	WK 41	WK 42	WK 43	WK 44	WK 45	WK 46	WK 47
Asia to PN	TEU Adjustment	-63064	-39480	-10640	-17210	-6730	-8970	0	0
	Total Number	-8	-6	-2	-3	-1	-2	0	0
% of Total Capacity Adjustment		-55%	-34%	-9%	-15%	-6%	-8%	0%	0%

Trade	Capacity Change	WK 40	WK 41	WK 42	WK 43	WK 44	WK 45	WK 46	WK 47
Asia to AW+GC	TEU Adjustment	-130980	-54910	-56650	-24510	-2970	-8272	-2970	0
	Total Number	-15	-7	-8	-3	-1	-1	-1	0
% of Total Capacity Adjustment		-55%	-23%	-24%	-10%	-1%	-3%	-1%	0%

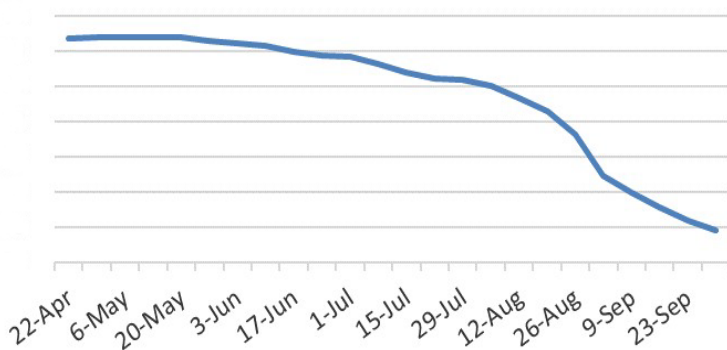
TOTAL ALL USA	Capacity Change	WK 40	WK 41	WK 42	WK 43	WK 44	WK 45	WK 46	WK 47
	TEU Adjustment	-364710	-129650	-91930	-60960	-14380	-22172	-10340	-2690
	Total Number	-41	-17	-13	-9	-3	-5	-3	-1
% of Total Capacity Adjustment		-58%	-21%	-15%	-10%	-2%	-4%	-2%	0%

SHANGHAI CONTAINERIZED FREIGHT INDEX AS OF OCTOBER 13

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



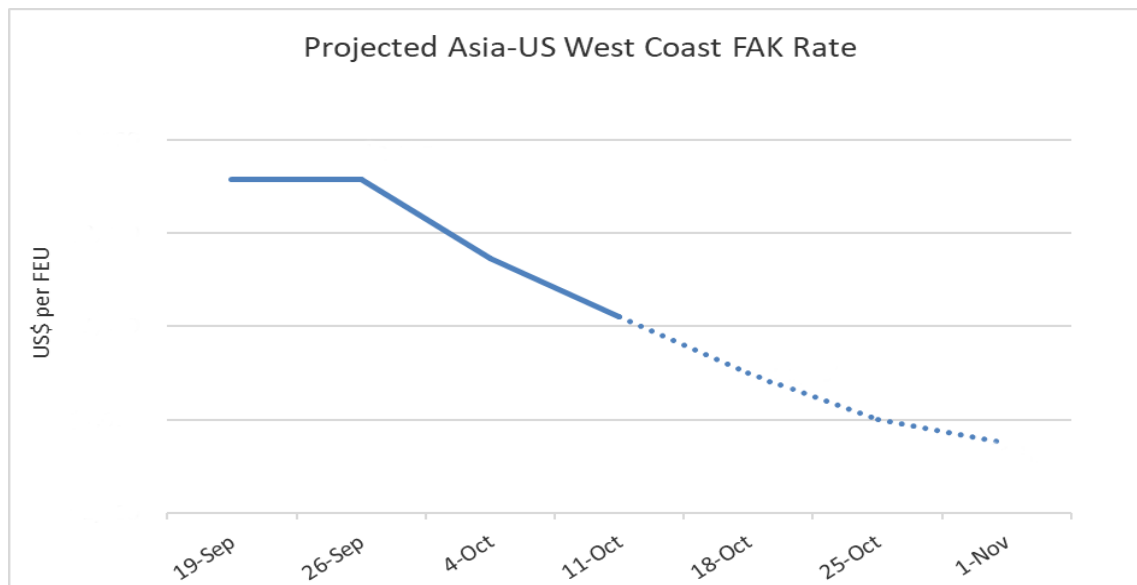
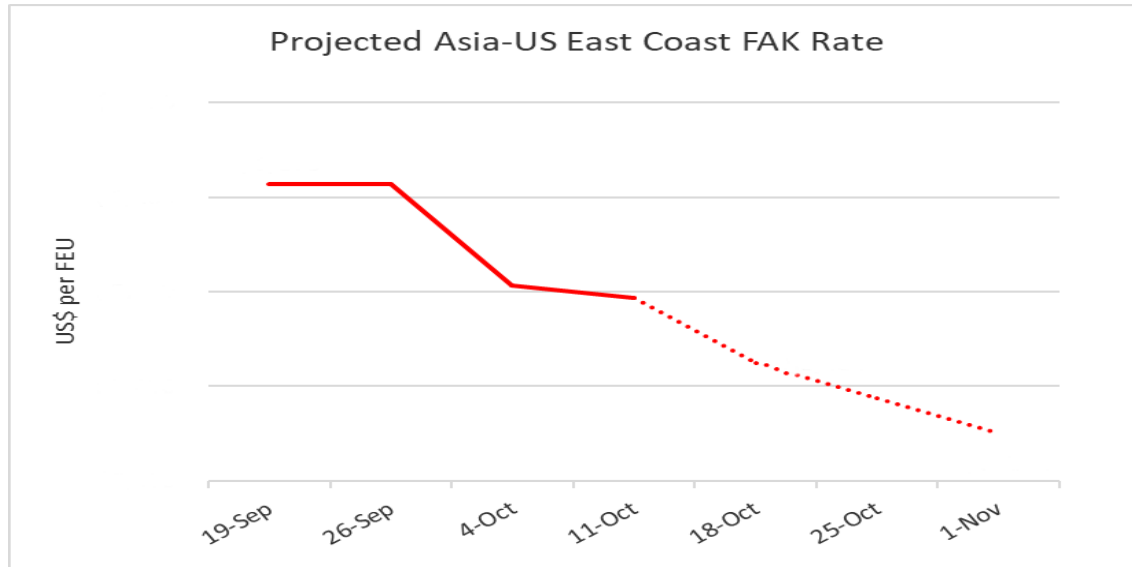
SCFI - Asia - US West Coast (US\$ per FEU)



MARKET OUTLOOK & FORECAST – OCTOBER 13 - 25

We expect the rate slide to continue through the remainder of October, but at a slower pace than the market saw in September. As carriers continue to cut capacity through blank sailings and service suspensions, rate erosion could start to slow by the end of October. However, despite the actions of the carriers to mop up excess capacity in the market, **rates will not increase on November 1st**. Therefore, it is more likely that spot rates approach the \$5000 per FEU level to US East Coast and \$1600 per FEU level to US West Coast within the course of the month. **Improving IPI conditions and sub-optimal load factors may cause carriers to price IPI locations such as Chicago more aggressively in the coming weeks.**

FORWARD AVERAGE FAK RATE PROJECTIONS – AS OF OCTOBER 13



SPECIAL INSERT – FOCUS INDIA

INDIA – US MARKET UPDATE - OCTOBER

- Exports from India to the US declined -3.5% in September 2022 vs. a year earlier
- Container availability remains stable at gateway ports and ICD's in October
- Spot rates ex-IN continue to trend down in October, with NAC rates adjusted downward also

MARKET OUTLOOK – OCTOBER

- Export volumes will continue to weaken throughout October and into November
- Space to both US East Coast and US West Coast will remain open with little to no restrictions
- Carriers considering more blank sailings to better manage capacity with current demand
- Rates not expected to increase within the month of October