

TRANSPACIFIC EASTBOUND TRADE

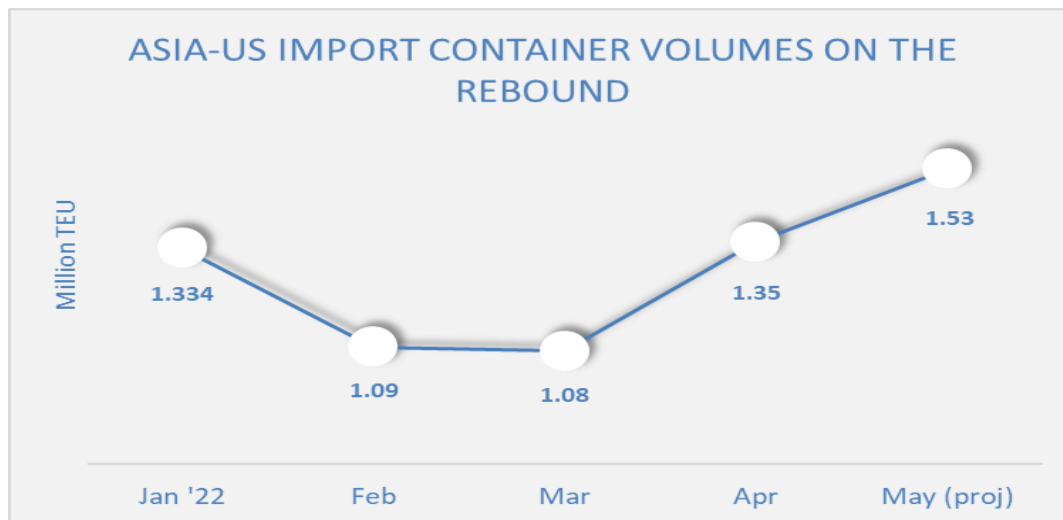
MARKET SUMMARY & OUTLOOK

MAY 26th, 2023

KEY DEVELOPMENTS IN THE LAST TWO WEEKS....

- Supply: Blank sailings affecting only 10% of weekly market capacity as lines plan for volume growth...
- Demand: Month-to-date May Asia-US container import volumes up 12% versus April...
- Operational: Panama Canal-transiting vessels under weight pressure ahead of rainy season...

CHART OF THE WEEK



STATE OF THE TRADE – MAY 26th, 2023

Although volume recovery continues in May – with month-to-date container import volumes up by 12-percent over the same period in April (chart above) – a drop in the number of blank sailings in May means load factors to the west and east coasts, respectively, are only marginally improved versus late April, and in some cases worse. West Coast CY rates have slipped since the April 15th GRI, and east coast rates have not fared much better – down trending since the mid-April rate hike. Despite these late-month rate adjustments, and despite mediocre utilizations, carriers are still eying another rate restoration on June 1st. Utilizations to the US Gulf are strong, with very little pricing activity since early May. Part of this can be attributed to reduced weight allocations of vessels transiting the Panama canal due to the seasonal dry season exacerbated by El Niño. Consequently, carriers have been forced to cap utilizations and limit heavier commodities on some services transiting the Panama canal – including smaller vessels destined to the US Gulf. Overall, load factor performance varies by carrier and by service. It is not unusual today for lines to see full ships, even rollover, on one string only to be 70-80% on another. Targeted rate actions – by port pair and service string – are ongoing this week even on the cusp of what the carriers hope will be another rate restoration on June 1st.

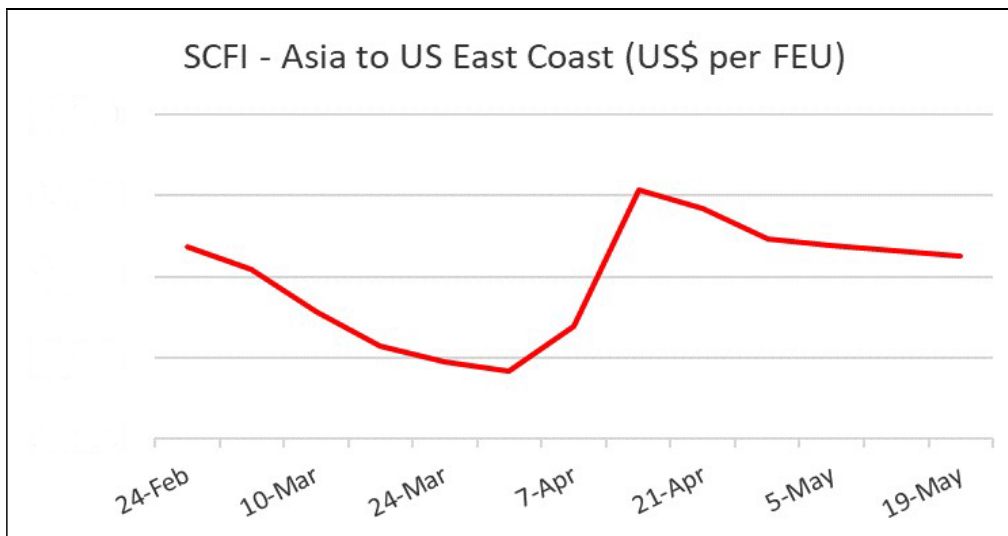
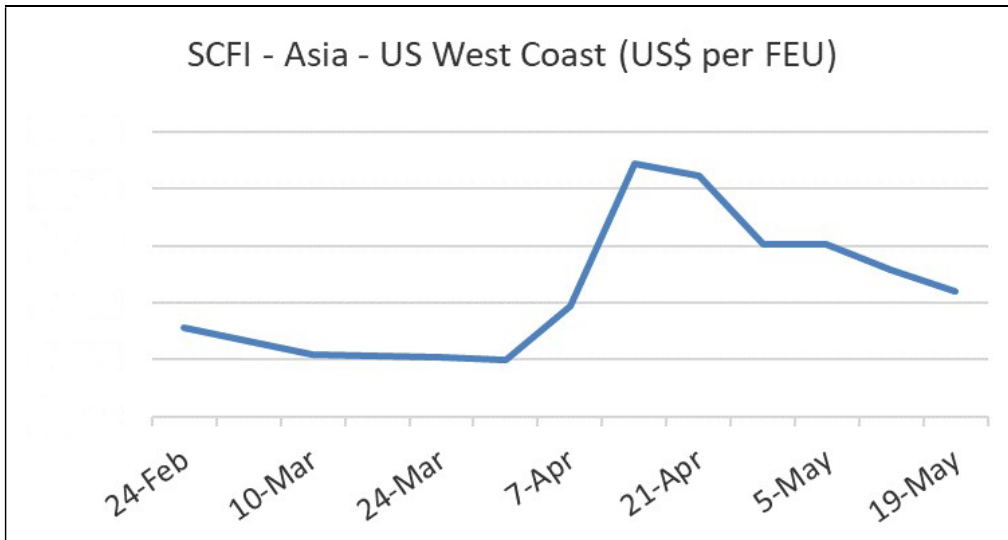
TRANSPACIFIC LOAD-FACTORS AND RATE TRENDS – MAY 26th

Asia-to-Pacific Southwest (PSW)
 Average Vessel Utilization: 85-100%
 Rate Trend next week: ↔

Asia-to-Pacific Northwest (PNW)
 Average Vessel Utilization: 85-95%
 Rate Trend next week: ↔

Asia-to-US East Coast (USEC, including Gulf)
 Average Vessel Utilization: 80-100%
 Rate Trend next week: ↔

SHANGHAI CONTAINERIZED FREIGHT INDEX AS OF MAY 26th



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 May Summary by Trades

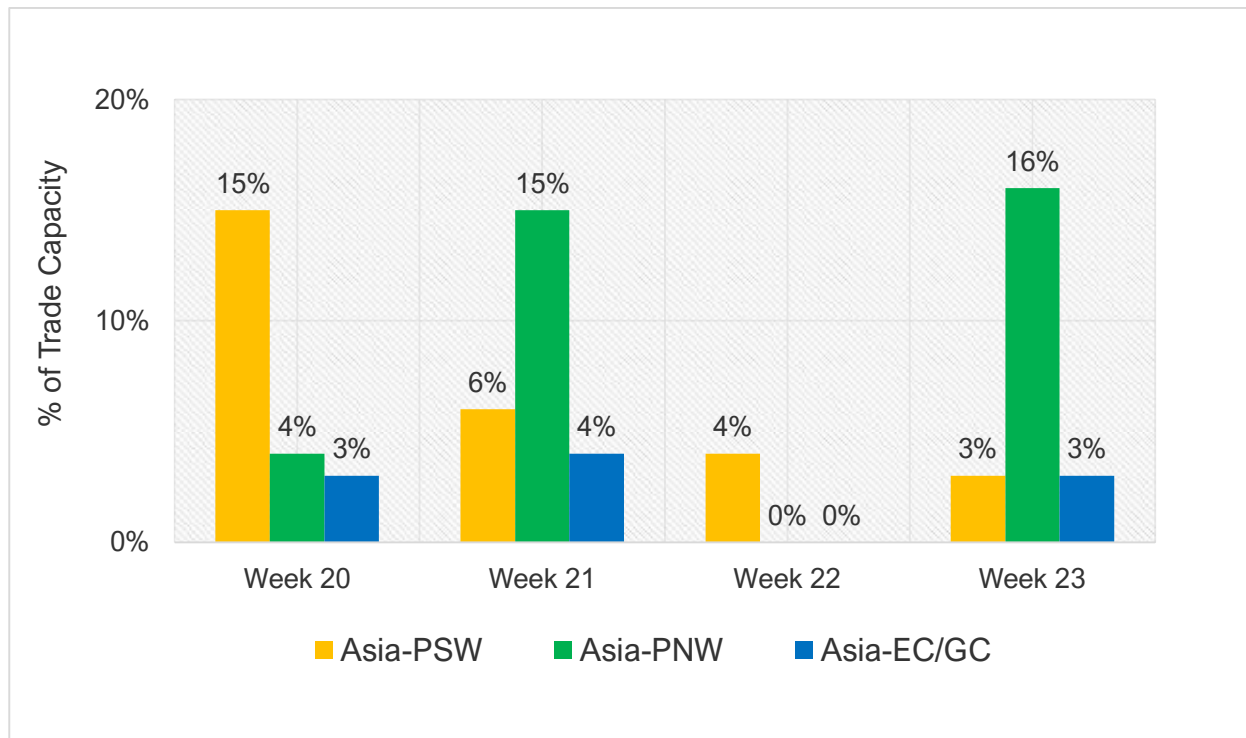
Trade	Capacity Change	WK 19	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25
Asia to PS	TEU Adjustment	-13300	-40274	-16659	-10034	-10036	-6655	0
	Total Number	-1	-4	-2	-1	-1	-1	0
% of Total Capacity Adjustment		-5%	-15%	-6%	-4%	-4%	-3%	0%

Trade	Capacity Change	WK 19	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25
Asia to PN	TEU Adjustment	-15230	-4300	-15148	0	-17095	-7911	0
	Total Number	-2	-1	-3	0	-2	-2	0
% of Total Capacity Adjustment		-15%	-4%	-15%	0%	-16%	-8%	0%

Trade	Capacity Change	WK 19	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25
Asia to AW+GC	TEU Adjustment	-51752	-7031	-9986	0	-7920	-11189	0
	Total Number	-5	-1	-1	0	-1	-1	0
% of Total Capacity Adjustment		-22%	-3%	-4%	0%	-3%	-5%	0%

TOTAL ALL USA	Capacity Change	WK 19	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25
	TEU Adjustment	-80282	-51605	-41793	-10034	-35051	-25755	0
	Total Number	-8	-6	-6	-1	-4	-4	0
% of Total Capacity Adjustment		-13%	-8%	-7%	-2%	-6%	-4%	0%

4-WEEK ROLLING BLANK SAILING SUMMARY: % OF CAPACITY BY CORRIDOR



As carriers send mixed signals regarding spot rates beyond May 31st, there are two possible scenarios for June 1st:

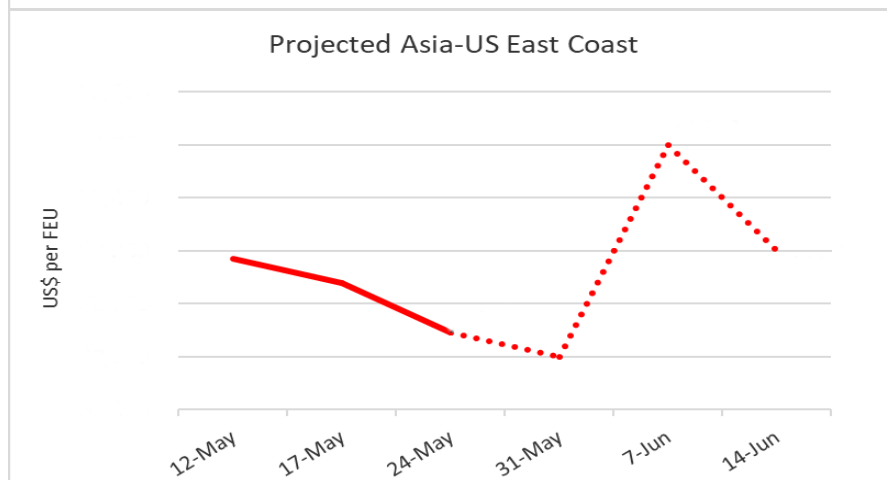
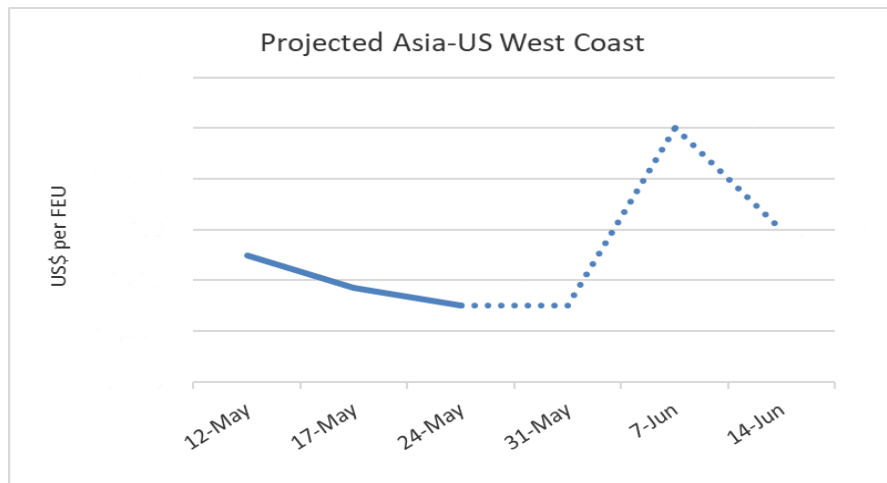
- Scenario #1: Carriers cancel/postpone the June 1 GRI next week and make another attempt on June 15th
- Scenario #2: Carriers raise spot rates and resume rate reductions just following the increase

Under the first scenario, rates to US West Coast and East Coast would continue a slow decline from today's levels as carriers gear up for a more concentrated attempt to increase rates in mid-June.

Under the second scenario, rates would begin decreasing immediately following an increase, as overall utilizations are not at levels to sustain increases. In fact, **while carriers hope to increase rates on June 1st, they are actively looking for spot-cargo opportunities for early June vessel departures from Asia, at negotiable rates.**

In either case, the likely outcome is that rates will continue to soften in early June. The only question is from what rate level will they decline from. If a June 1st increase fails, look for the carriers to re-focus efforts on a June 15th increase.

Projected Asia-US West Coast



TRANSPACIFIC SERVICE & PRODUCT UPDATES



- CMA CGM has postponed implementation its Panama Canal Adjustment Factor to July 1st. The charge was originally effective May 25th for all shipments to or via Asia to all US East Coast ad US Gulf destinations in the amount of \$300 per container.
- Effective June 1st, Ocean Network Express (ONE) will introduce updates to its detention and demurrage charges for cargo shipped to and from the US. ONE will only assess the charges to the days when the pick-up or empty return facility is open for the cargo and equipment pick-up and return in the over-days calculation.