

TRANSPACIFIC EASTBOUND TRADE

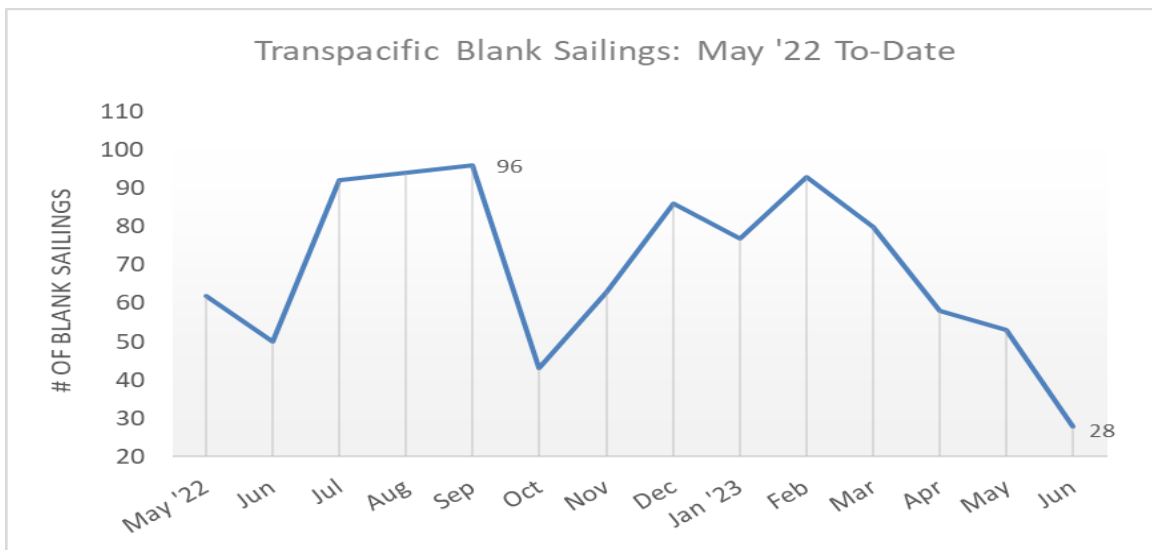
MARKET SUMMARY & OUTLOOK

JUNE 8th, 2023

KEY DEVELOPMENTS IN THE LAST TWO WEEKS....

- Supply: Capacity patterns stabilize but west coast labor actions may threaten such stability...
- Demand: Monthly imports from Asia in May exceed 1.5m TEU for the first time since October 2022...
- Operational: ILWU labor actions will likely slow vessel operations and cargo availability in LALB...

CHART OF THE WEEK



STATE OF THE TRADE – JUNE 8th, 2023

The latest volley by the ILWU which has resulted in sporadic work stoppages and slowdowns at most US west coast ports and terminals starting last Thursday may finally have its intended impact as May (and early June) import volumes at LA/LB are at their highest levels since the 3rd quarter of 2022. As the sides remain ‘far apart’ in salary negotiations, the latest round of activity, and the prospect of further action from the ILWU is likely to trigger port and gate congestion given increased number of calls and inbound container volumes. April’s targeted actions – which had no lasting effect on the flow of containers through the west coast – came amidst lower throughput and 3x the number of blank sailings as today. However, the latest round of disruptions has greater potential to alter productivity as blank sailings ease, throughput increases, and schedules improve. Rates increased on June 1st but one week later rates are slipping again, and only 50% of the original GRI applied on June 1st remains in place today. Load factors are mixed, with carriers reporting satisfactory lift on some services while others can barely exceed 80-percent utilization. Blank sailings continue to trend downward in June after a slower May, with only 3 blank sailings to the east coast scheduled for the rest of the month. West Coast services see more blank sailings with some now effectively fortnightly. Despite the drop in blank sailings, an increase in operational blanks later in June cannot be ruled-out if vessel operations are further delayed by labor shortages on the west coast. If the number of canceled sailings remains as-is, however, the market should continue to see softening rates through at least the first half of June.

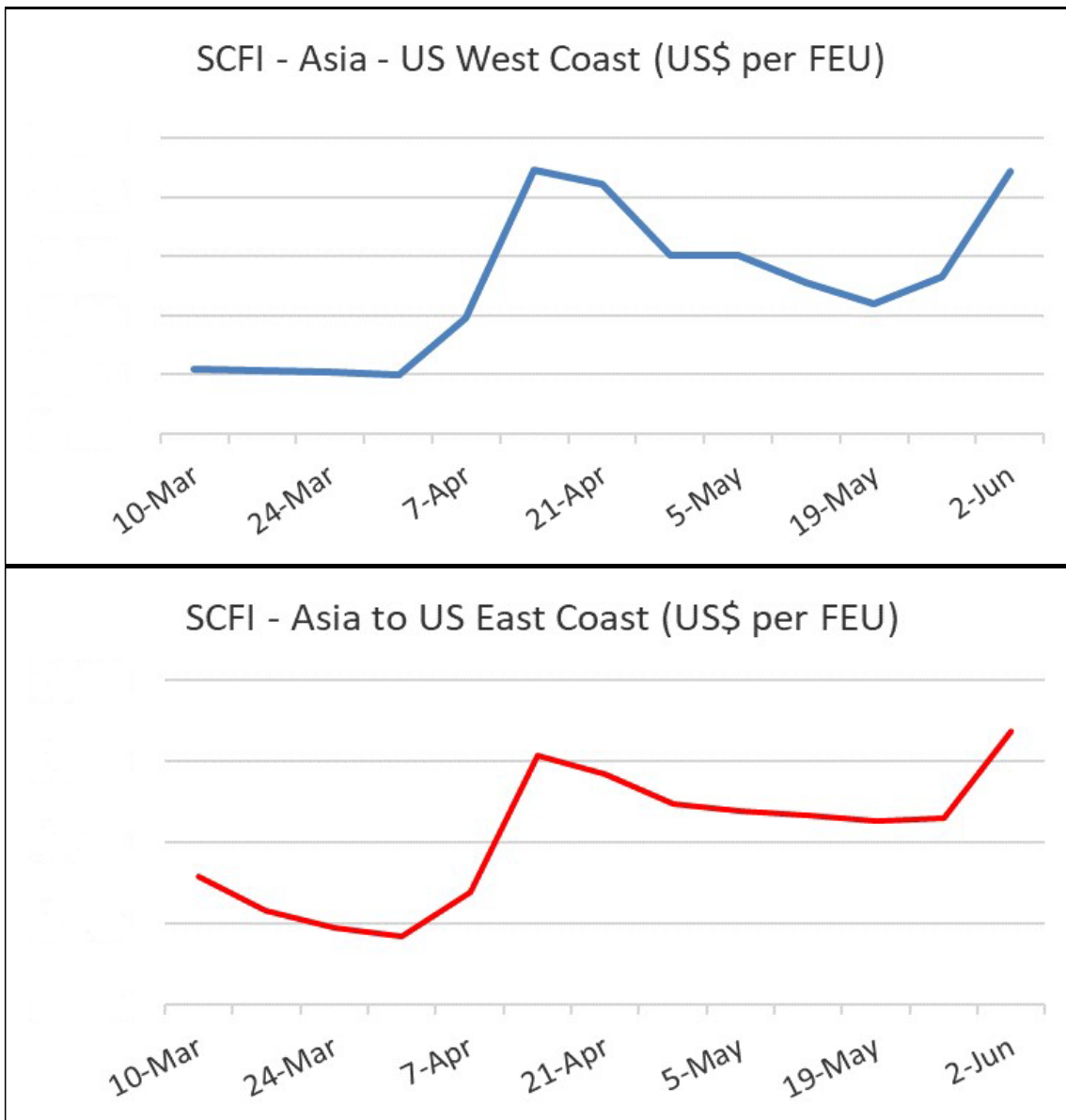
TRANSPACIFIC LOAD-FACTORS AND RATE TRENDS – JUNE 8th

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 JUNE 8th



SHORT-TERM TRANSPACIFIC CAPACITY TRACKER

** Weeks with "0" or positive numbers indicate deployment of extra loaders which may offset blank sailings

TP Capacity Adjustment Summary by Trades Updated 05 Jun

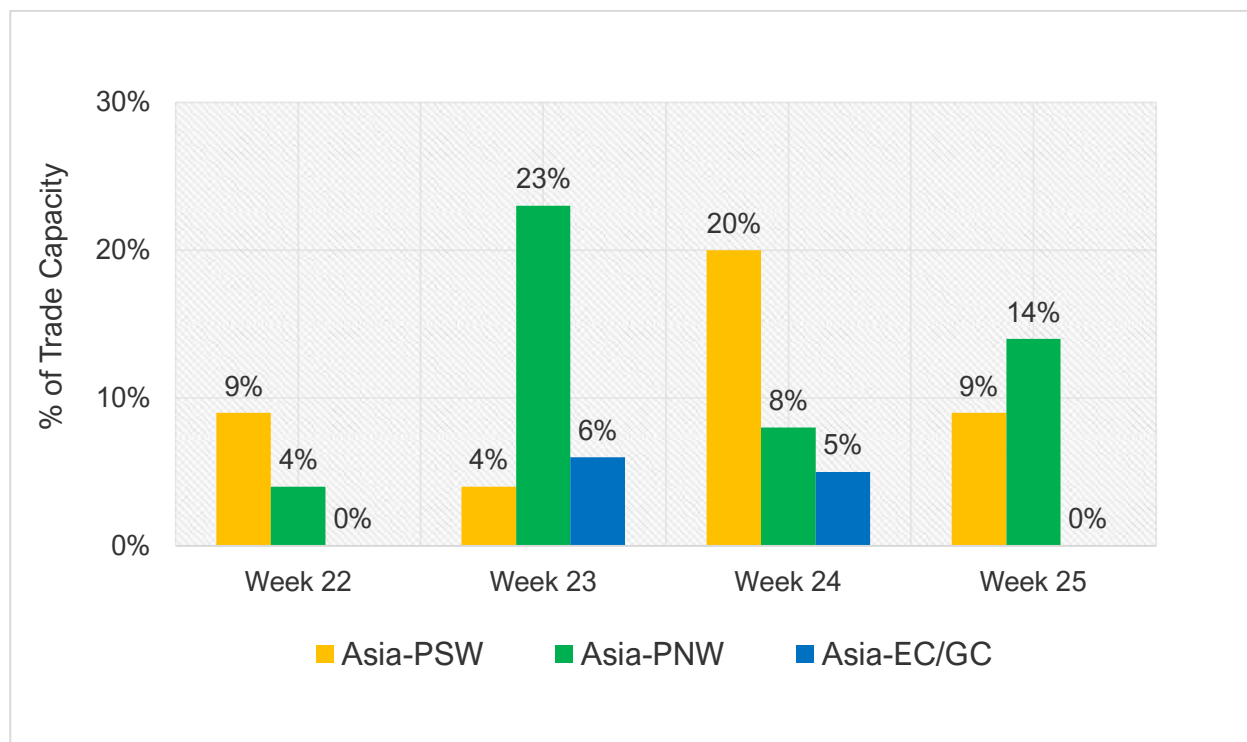
Trade	Capacity Change	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25
Asia to PS	TEU Adjustment	-40274	-16659	-24370	-10578	-52005	-23334
	Total Number	-4	-2	-3	-1	-5	-2
% of Total Capacity Adjustment		-15%	-6%	-9%	-4%	-20%	-9%

Trade	Capacity Change	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25
Asia to PN	TEU Adjustment	-4300	-15148	-4300	-23794	-7911	-14269
	Total Number	-1	-3	-1	-3	-2	-2
% of Total Capacity Adjustment		-4%	-15%	-4%	-23%	-8%	-14%

Trade	Capacity Change	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25
Asia to AW+GC	TEU Adjustment	-7031	-9986	0	-13449	-11189	0
	Total Number	-1	-1	0	-2	-1	0
% of Total Capacity Adjustment		-3%	-4%	0%	-6%	-5%	0%

TOTAL ALL USA	Capacity Change	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25
	TEU Adjustment	-51605	-41793	-28670	-47821	-71105	-37603
	Total Number	-6	-6	-4	-6	-8	-4
% of Total Capacity Adjustment		-8%	-7%	-5%	-8%	-12%	-6%

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



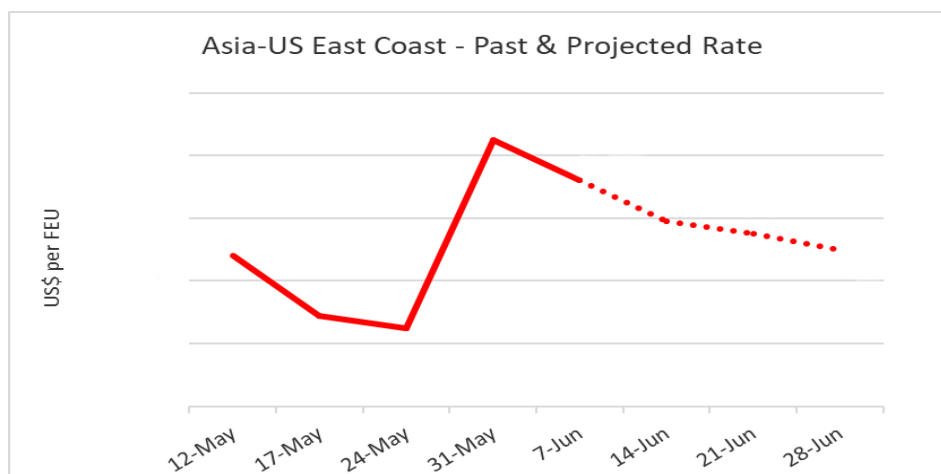
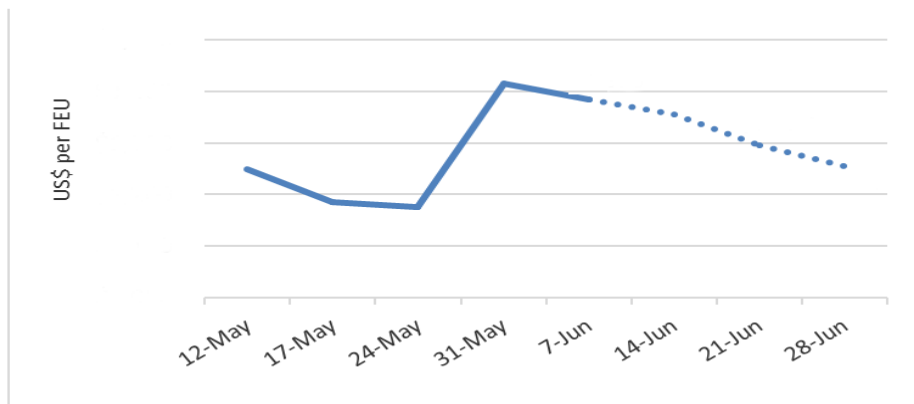
MARKET OUTLOOK & FORECAST – JUNE 8th – 21st

As carriers mainstream more capacity and scale back further on blank sailings in June, ***the only factor – ironically – that could allow carriers to increase rates again and sustain such increases is a prolonged labor disruption*** on the US West Coast and its effects on cargo flows and capacity deployment. Although import volumes from Asia continue to recover, an operating capacity within 5-10 percent of its maximum – reflected in the June capacity forecast – represents far too many empty slots overall for carriers to pass meaningful rate increases and keep them in place. Rather, and notwithstanding the continuation of sporadic labor flare-ups, ***rates should continue to edge downward in the coming weeks*** just as they have the moment after they increased on June 1st.

Expect more sporadic terminal disruption in the coming weeks as the ILWU and PMA remain far apart in negotiations, but actions will remain isolated and to specific terminals. With vessel operations compromised by the recent shutdowns, there is a possibility of more vessels idling as time at berth will likely increase at LA/LB and up the coast at Oakland and Seattle/Tacoma.

Carriers will continue to offer lower spot rates on specific services to the US East Coast, which are particularly under-utilized at the moment. US Gulf rates will slip only modestly as load factors remain satisfactory. Rates to the US West Coast should continue a steady decline in the coming two weeks as well, at a similar pace as they took prior to the June 1st GRI.

PROJECTED MARKET RATES – JUNE 8th



TRANSPACIFIC SERVICE & PRODUCT UPDATES – JUNE 8th 2023



- CMA CGM has announced a General Rate Increase (GRI) effective June 15th for all Asia, Far East, Bangladesh, India, Pakistan, and Sri Lanka to the US West Coast, US East Coast and Canada ports of discharge.