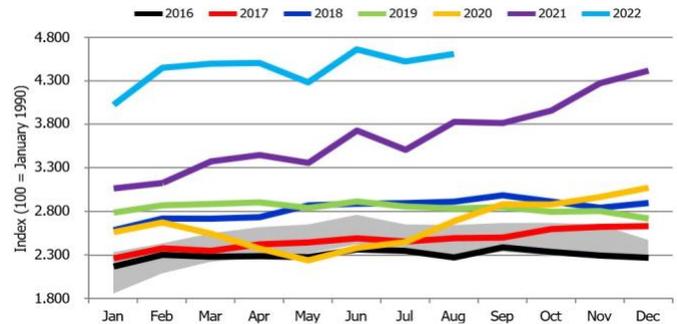




CURRENT STATE

Last week during meetings with a large consumer products client, we discussed TL, LTL, and intermodal **"Current State."** This shipper completed its reefer bid in 1Q and saw high-single-digit rate increases yearly. However, it recently completed its dry van TL and intermodal bid and locked in single-digit rate reductions year over year. While this shipper has seen capacity materially loosen over the summer, and his dry van rates were bid below the market, he doesn't plan to renegotiate his primary reefer bid before it expires early next year. Instead, our contact is increasingly utilizing backup capacity agreements with brokers to lower his overall TL rates. On more than one occasion, our contact has seen incumbent asset-based carriers from his previous bids offer rate concessions to compete with his aggressively priced backup matrix. With this in mind, this shipper expects his reefer rates will be down single digits year over year in his Q1 2023 bid. Our contact also utilizes a dedicated truckload and intends to grow his dedicated fleet soon. Because some of his dedicated rates are negotiated, and others are based on general indices like CPI, our contact is not confident that his dedicated rates will be down next year. Similar to dedicated rates, our contact is unsure where his LTL rates will go from here but mentioned that he took a high-single-digit rate increase last December.

Cass Freight Index - Expenditures

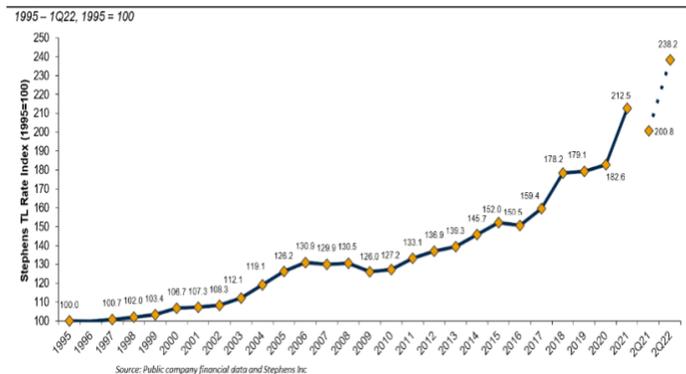


Total expenditures on freight in August were +20% year over year, with volumes +4% and implied price/mix +16% year over year. On a month-over-month basis, like-for-like pricing appears to have moderated 5% month over month, likely due to lower organic pricing and fuel surcharge. While prices will likely remain inflationary year over year in 2022 across most modes of transportation (parcel, LTL, rail, airfreight/ocean), we are seeing disinflationary trends and expect deflation in 2023, led by the truckload (TL).

MARKET FORECAST

An industry analyst interviewed a large 3PL, and the following are the highlights from that discussion. This 3PL recently completed a bi-annual bid, and rates dropped over 10% from a bid earlier in the year and almost 20% year over year. This bid seems more like an outlier, with other bids seeing more rate stability. This 3PL noted that asset-based carriers have been holding pretty firm on rates, and much of the rate reductions so far have come from brokers. However, asset-based carriers tend to lag brokers through a cycle, so this 3PL thinks rates with TL carriers will likely be down mid-single digits year over year in 2023. This 3PL also discussed dedicated truckload and said while some shippers are looking to reduce dedicated exposure, he thinks many shippers prefer the improved service and guaranteed capacity and don't foresee significant volume losses in 2023. This 3PL also discussed intermodal and thinks rates could still be up a percent or two next year. They noted that intermodal rates are currently on par with TL rates on some lanes. In addition, they have yet to see intermodal service improve from its lows. So, they see a short-term shift away from intermodal to TL, given where service and rates are. This 3PL advises shippers to move freight over to intermodal, or at least retain some intermodal capacity, because eventually, the spread between truck and intermodal will normalize, and rail service will improve. Longer term, they still think there is a lot of pent-up intermodal demand once service and capacity improvements.

Stephens Loaded Rate / Mile Index



The Stephens TL Rate Index, a measure of trucking revenue per loaded mile (excluding fuel), was up 18.6% in the second quarter of 2022 on a year-over-year basis vs. a 19.6% year-over-year increase in the first quarter of 2022. They noted that this is the sixth consecutive quarter of double-digit yearly increases. Stephens forecast an 8.0% increase year over year in rate per loaded mile in the Q3 and an 11.9% increase year over year for the entire year of 2022 compared to +18.6% in the second quarter of 2022 and 16.4% for the full year of 2021. Based on published models, experts predict a 4.5% year-over-year revenue/loaded mile reduction in 2023.

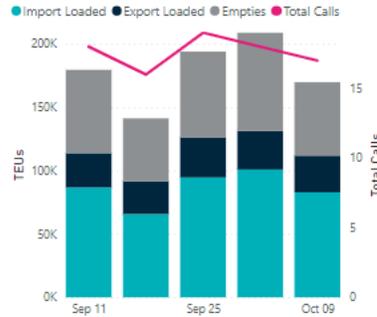
INDUSTRY INSIGHT

The Port of Long Beach currently has ten container vessels at berth and 0 container vessels at anchor within 40NM destined for POLB's marine terminals. The average at anchor is 0 days.



PROJECTED WEEKLY VOLUME (TEUS)

Week	Date	Import Loaded	Export Loaded	Empties
38	09/11/2022	86,784	27,037	65,702
39	09/18/2022	65,752	25,887	49,625
40	09/25/2022	94,647	31,630	67,757
41	10/02/2022	100,876	30,337	77,625
42	10/09/2022	82,895	28,987	57,871



PROJECTED VESSEL CALLS

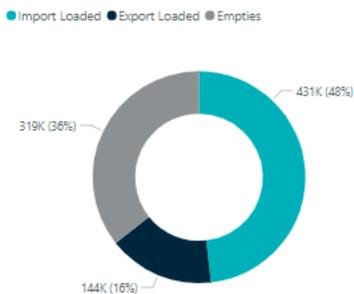
Week	Date	Blank Sailings	Extra Loaders	Planned Calls
38	09/11/2022	1	0	19
39	09/18/2022	1	0	17
40	09/25/2022	0	0	19
41	10/02/2022	1	0	19
42	10/09/2022	0	0	17

ESTIMATED CONTAINER MOVE TYPES (TEUS)

Week	Date	Import Local	Import On-Dock	Import Off-Dock	Export Local	Export On-Dock	Export Off-Dock
38	09/11/2022	63,312	21,534	4,787	24,128	8,207	1,824
39	09/18/2022	49,819	16,945	3,767	18,986	6,458	1,436
40	09/25/2022	68,429	23,275	5,174	26,079	8,870	1,972
41	10/02/2022	73,650	25,051	5,569	28,068	9,547	2,122
42	10/09/2022	59,866	20,363	4,527	22,815	7,760	1,725

ESTIMATED EXPORT AND EMPTY RETURNS (TEUS)

Week	Date	Export Loaded	Export Empty
38	09/11/2022	27,037	62,821
39	09/18/2022	25,887	46,694
40	09/25/2022	31,630	65,243
41	10/02/2022	30,337	74,794
42	10/09/2022	28,987	55,357



AVERAGE TERMINAL GATE TURN-TIME (MINUTES)

Terminal	Day Shift	Night Shift
Pier A	62	43
Pier C	25	19
Pier E (LBCT)	33	35
Pier G (ITS)	63	74
Pier J (PCT)	63	48
Pier T (TTI)	78	73

Average turn-times vary by terminals, and based on terminals' data from the previous week

Revised 09/06/2022

Dry van market direction predictions. July's import volume was the ninth highest ever. On the high-volume intermodal lane between Los Angeles and Chicago, spot rates continue to increase and, at \$1.91/mile this week, are now \$0.20/mile higher than the July average but still \$0.88/mile lower year over year. In the Midwest, spot rates between Chicago and Atlanta continue to climb, averaging \$2.27/mile last week, representing an increase of \$0.27/mile since June. Load posts were down slightly last week, decreasing by 2%, while available capacity increased following last week's 2% week-over-week increase in equipment posts. Load posts are 41% lower year over year, and this is the first month since May 2020 where load posts have consistently been below one million weekly posts. As a result of slightly lower load posts and higher equipment posts last week, the dry van load-to-truck (LTR) remained relatively flat at 3.28.

Cross-border freight nears an all-time high. North American freight is picking up, with cross-border freight hauled by trucks approaching an all-time high again this year. According to the latest data from the Bureau of Transportation Statistics, the value of cross-border freight moved by trucks in July reached \$83.4 billion, a nearly 2% increase from June. Compared to last July, North American truck freight is up 15.5%, and cross-border freight moved by trucks for July is the second-highest on record.

INDUSTRY INSIGHT

July truck tonnage posts a 5.1% annual gain. "Tonnage declined sequentially in July for only the second time during the last 12 months," said ATA Chief Economist Bob Costello. "Despite the dip from June, tonnage remained at elevated levels and increased significantly from a year earlier." ATA's For-Hire Truck Tonnage Index is dominated by contract freight as opposed to spot market freight. Trucking represents 72.5% of tonnage carried by all modes of domestic freight transportation, including manufactured and retail goods, according to ATA.

Waymo to test autonomous Cascadia on public roadways. Nearly 300 miles of public freeways between Dallas and Phoenix will serve as a testing site for autonomous trucks in the coming weeks. To deliver on the Waymo Driver-ready Cascadia, Daimler executed more than 1,500 Waymo functional requirements based on learning done in programming for passenger cars and trucking platforms. As part of this work, Waymo provided Daimler with redundant power, redundant braking, and redundant steering functionalities. Waymo also provided cybersecurity, inertial measurements for vehicle positioning, and backup computing onboard the trucking platform.

Top 100 private carriers expand fleets despite challenges. Meanwhile, online retailer Amazon.com Inc. rose to No. 19, up from No. 22 a year ago, after expanding its tractor count to 1,645, an increase of 250 from a year earlier. However, according to carrier registration data filed with the Federal Motor Carrier Safety Administration, tractors remain a relatively small component of Amazon's fleet, including 37,410 trailers and 12,835 straight trucks.

Truckload spot market demand declined over the last 30 days, with commentary highlighting softening organic demand and normalizing inventory levels. Spot market demand during the first week of September is down 32% versus one year ago. Spot market capacity has improved since the prior month. It is up 90% year over year as easing demand opens up available capacity.

TL Spot Freight vs. TL Spot Capacity Index



Source: ITS, Cleveland Research

As one market analyst put it, the LTL industry is going through a radical transformation. Two fundamental changes are causing it. One, the customer base for the LTL business is changing. It used to be an industrial customer base focused more on price and not so much on service. That is changing because of "onshoring," which is the opposite of offshoring and refers to moving business operations from overseas back to a company's home, where service is now crucial.