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Trucking Markets

Overview

Welcome to the second edition of Passport Research: Trucking Markets, a weekly proprietary research report from FreightWaves that blends quantitative and qualitative data to arrive at a comprehensive, near-time view of the trucking freight market.

This week, the upcoming Thanksgiving holiday contributed to higher freight demand and tightened refrigerated capacity in markets across the country. Freight brokers told us on Monday that it's taking longer and costing more to cover refrigerated loads, especially in the Upper Midwest and northwest Arkansas / Missouri regions — and we note these are major poultry-producing freight markets.

Particularly in Minnesota, the combination of poultry-related demand and severe winter weather sent reefer tender rejections over 50% (in Fargo and St. Cloud, which include parts of Minnesota). Capacity has also become more expensive in the Pacific Northwest.

One Chicago-based brokerage executive said that he expected freight demand to fall off around December 2, but another broker said that the Upper Midwest would remain hot through Christmas and potentially into January. The fourth quarter edition of Coyote Logistics' freight market forecast, the Coyote Curve, called for inflationary spot market conditions to return in the first quarter of 2020.

Other important freight markets experiencing upticks in volume this week include Harrisburg, Joliet, Ontario, and Los Angeles.

Dry van spot rates per mile ex. fuel

LAX-DAL	$1.81
LAX-SEA	$2.06
PHL-CHI	$1.65
ATL-PHL	$1.62
DAL-LAX	$1.47
SEA-LAX	$1.52

Freight Volumes (Weekly Change)

Atlanta, GA	396.96 (+2.93%)
Ontario, CA	360.88 (+8.56%)
Harrisburg, PA	323.17 (+2.54%)
Elizabeth, NJ	299.26 (+5.7%)
Joliet, IL	284.33 (+14.11%)
Los Angeles, CA	272.75 (+19.84%)

Tender Rejection Rates

Atlanta, GA	4.21%
Ontario, CA	4.36%
Harrisburg, PA	8.12%
Elizabeth, NJ	4.20%
Los Angeles, CA	4.36%
Joliet, IL	6.35%

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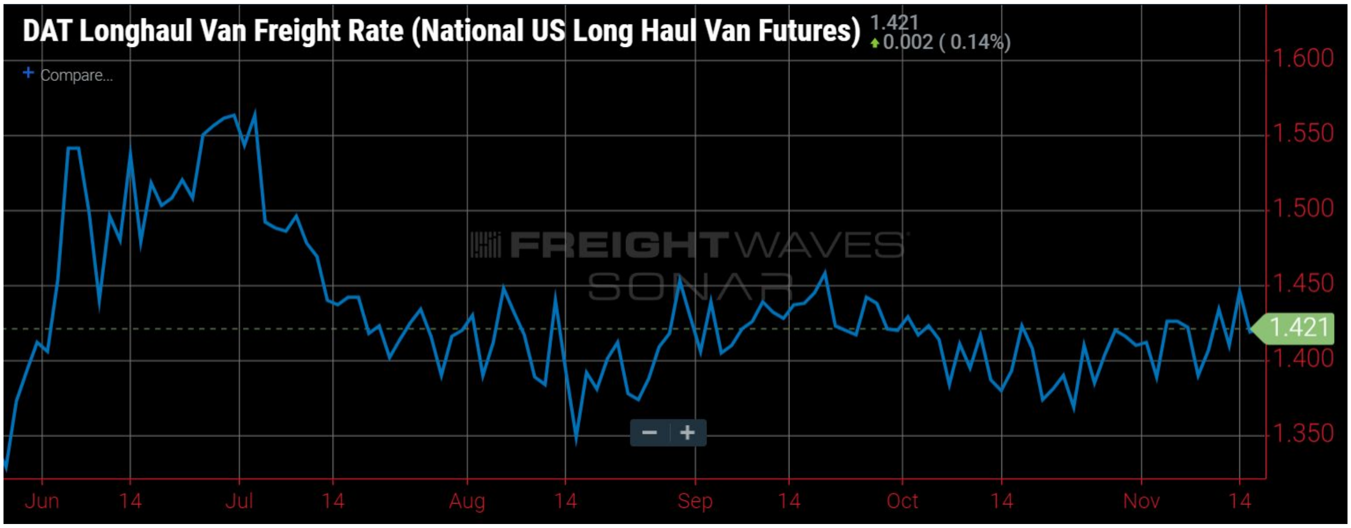
Trucking Spot Rates

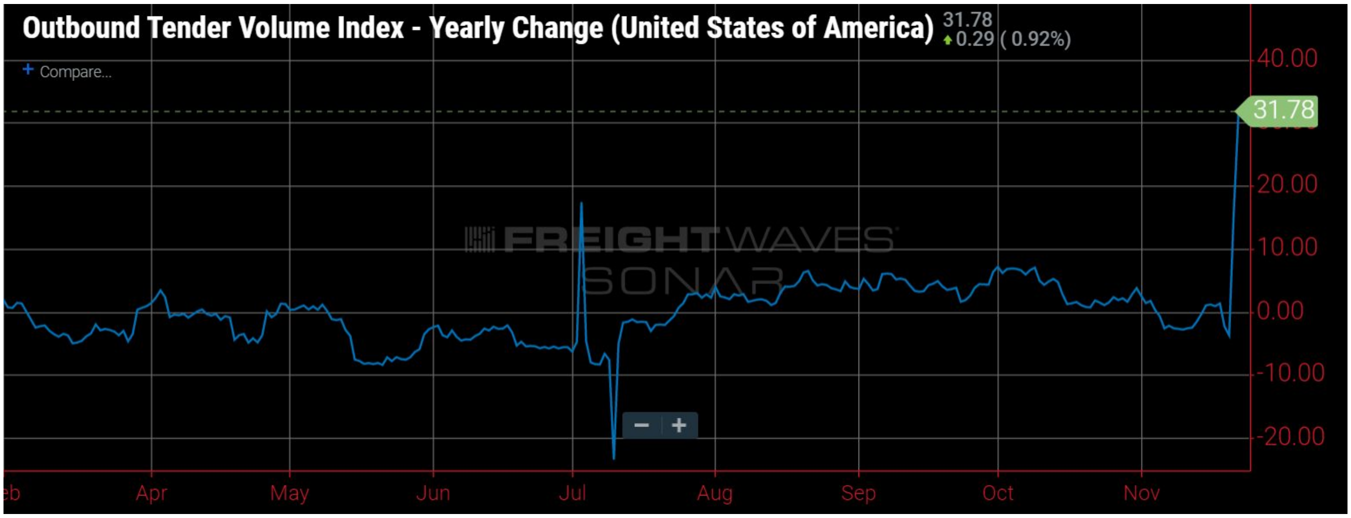


Last week we wrote that trucking spot rates had largely stayed flat over the past three months and included a yearly price chart showing the slide in rates from the end of last year. While both of these remain true, we wanted to chart a narrower period and call attention to more recent price action in the freight market. Over the past month, rates have started trending upward. These higher prices coincide with growth in outbound tender volumes and higher outbound tender rejection rates.

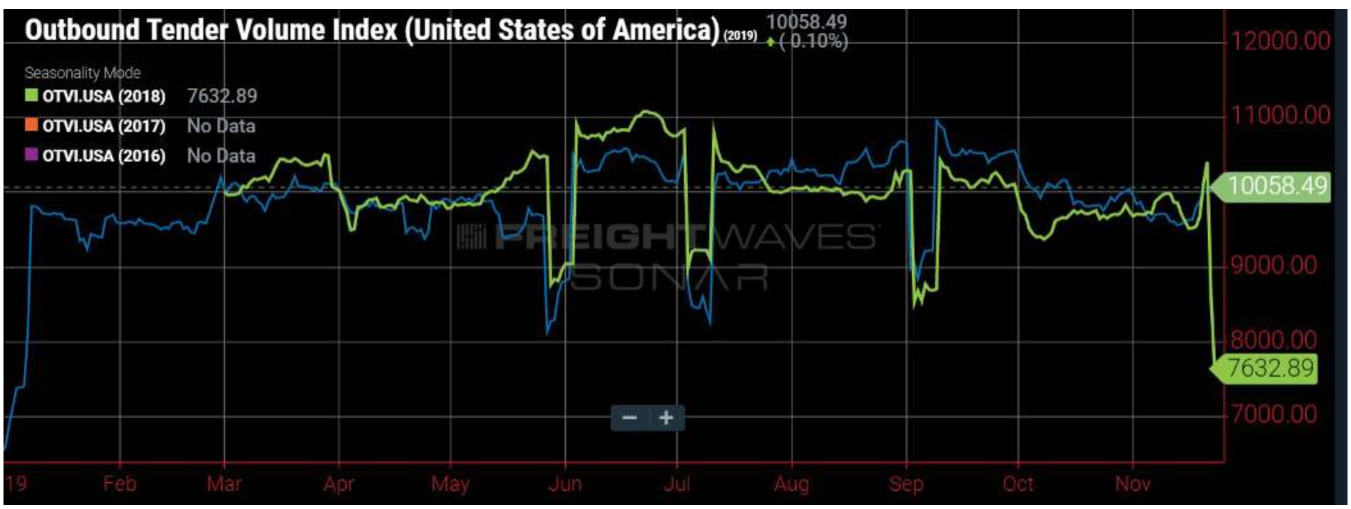
With the new correlation matrix function in SONAR 5.0, users can now see how different data points interact with each other on a one, three, and six month time frame. National average spot rates have a 0.29 and 0.44 correlation to volume and tender rejections over the past six months. On a lag, tender rejections are even more highly correlated with spot rates (it takes 10-12 days for a spike or crash in tender rejections to be fully priced into the market).

We believe spot rates will continue to rise through Q4. SONAR's rate predictor sees the Los Angeles to Dallas lane hitting $2.07 (ex-fuel) in 30 days, well above current prices of $1.55/per mile. The predictive rate tool also expects Atlanta to Philadelphia's rates to increase in one month to a median of $1.89 (ex-fuel), above the current price of $1.702/per mile.

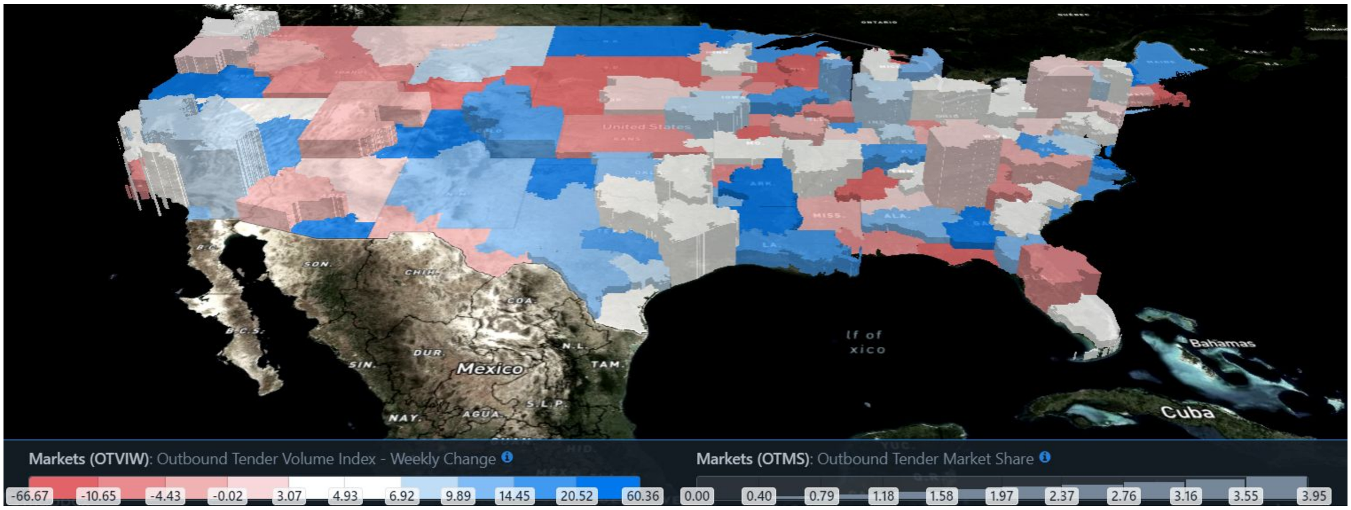
Freight Demand



National outbound tender volumes jumped dramatically on a year-over-year basis over the past week, primarily due to an earlier Thanksgiving than last year. We expect a pull-back in the data next week as Thanksgiving passes and volumes fall. As we noted last week, 2018 volumes continued to rise into the end of the year before fading. We continue to see outbound tender volumes remain steady around current levels unless there is an unforeseen catalyst.



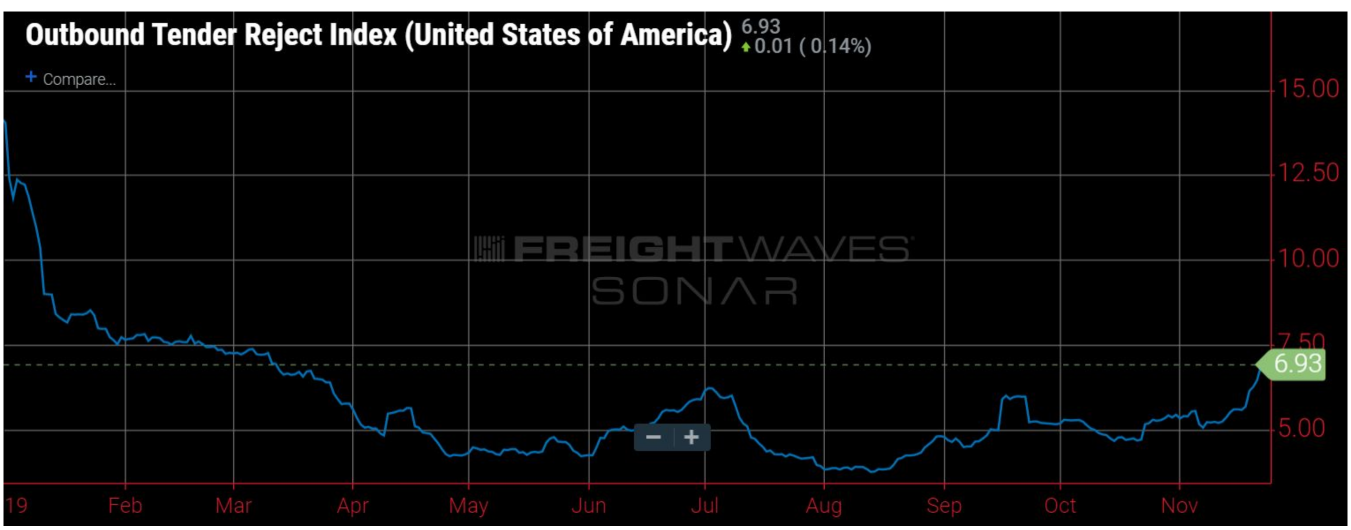
The yellow line represents 2018 volumes while the blue line shows 2019 YTD volumes (OTVI.USA). As seen above, volumes dropped off dramatically this time last year as Thanksgiving was a week earlier than it is this year. It is encouraging to see volumes finally retake the 10,000 level. This has been a key level throughout the year; continued strength into the end of the year would be encouraging.



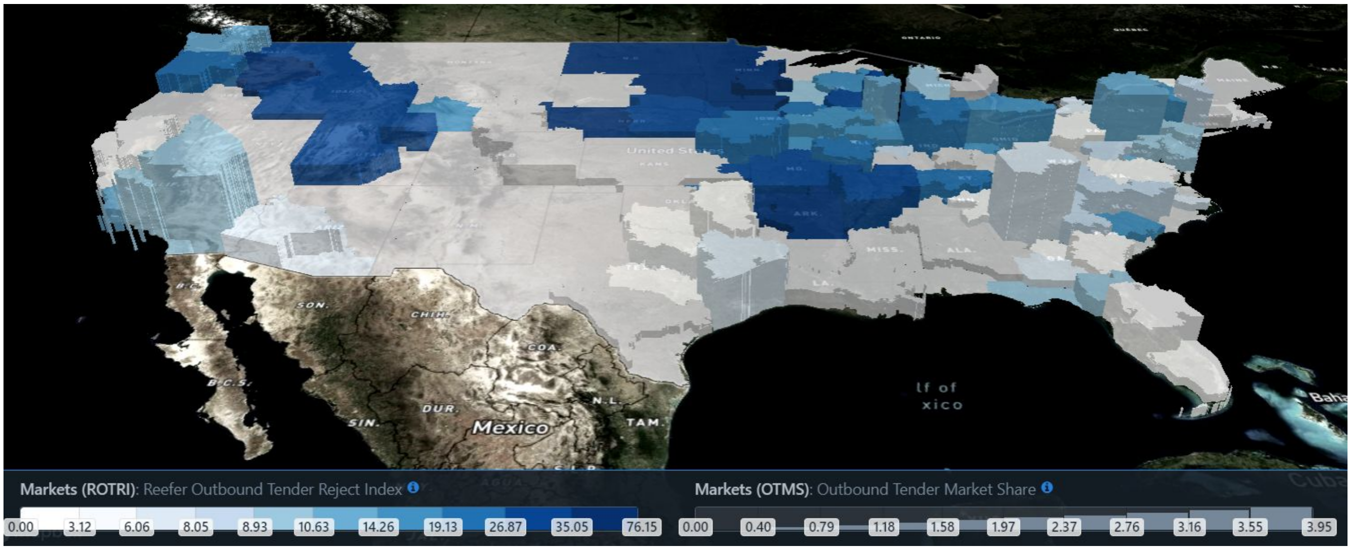
(Map: FreightWaves SONAR. Color is weekly volume change; height is market share).

This three-dimensional map shows both the weekly change in outbound tender volume by X-market (color) along with each X-market's market share of outbound volumes (height). There was a positive change w/w in volumes across several large freight markets. The most encouraging market has been Ontario, CA with a w/w increase of 8.56%. Ontario, CA is also the fourth-strongest headhaul market with a headhaul index value of 60.50. Another market that saw a large increase is Denver, CO with an w/w increase of 17.40%.

Trucking Capacity



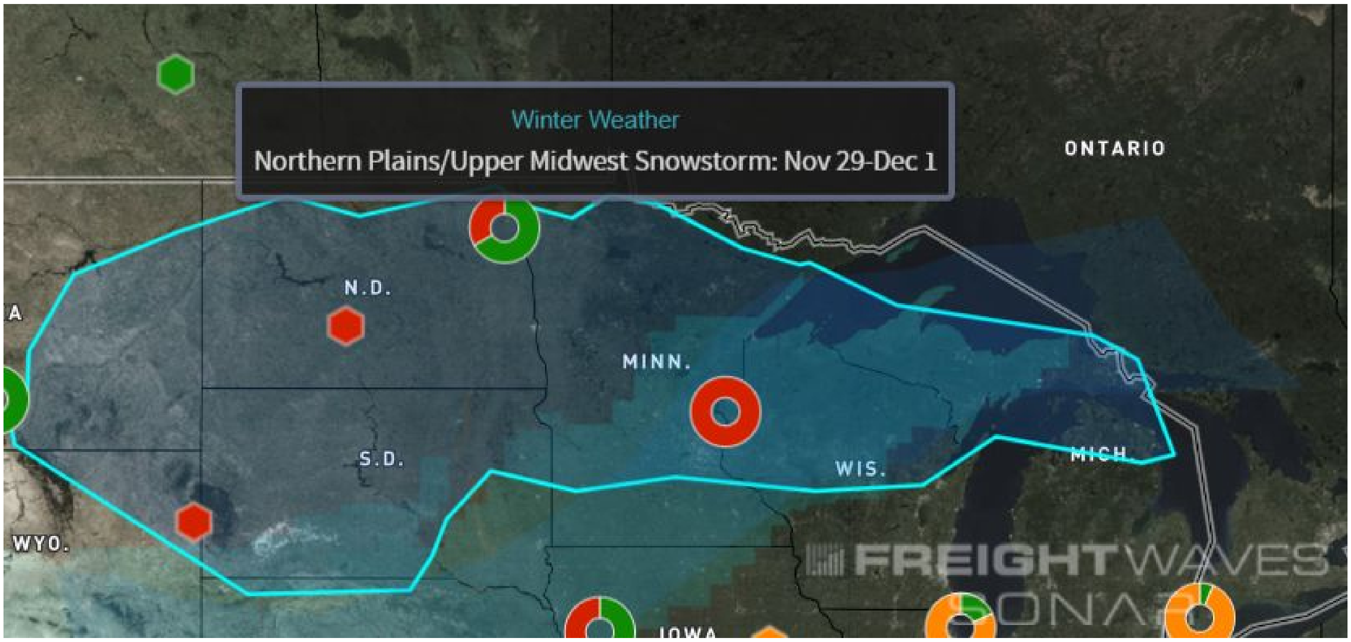
Trucking capacity is beginning to tighten as outbound tender rejections climbed almost 125 basis points in the past week. Rejections are currently at their highest point of the year excluding the fall in Q1 from the very high levels of rejections that occurred in 2018. This trend should continue throughout this week with the Thanksgiving holiday and the retail season gets into full swing.



(Map: FreightWaves SONAR. Color is reefer tender rejection rate; height is market share).

The map above compares the Reefer Outbound Tender Rejection (ROTRI) and the Outbound Tender Market Share (OTMS). The colors represent ROTRI.X with white and blue, where white represents low reefer outbound tender rejections and the darker blue represents higher rejection rates for reefer loads.

Although the majority of the country has very low reefer rejection rates, the Upper Midwest and Arkansas have been seeing extremely high reefer rejection rates. Arkansas is one of the largest producers of turkeys in the country, right behind Minnesota and North Carolina, and it shows in the Reefer Outbound Tender Rejection, ROTRI.X. Little Rock is currently showing the fourth-highest percentage of refrigerated outbound tender rejections at 52.34% of contracted loads being rejected. Fayetteville is seeing the sixth-highest refrigerated rejection rate with 43.12% being rejected. These are the two highest rejection rates in the southern portion of the United States. The Arkansas markets trail only the freight markets in the northern Midwest like, Bismarck, ND (76.15%), Fargo, ND (74.42%), and St. Cloud, MN (65.24%).



(Map: FreightWaves SONAR. Winter weather risk to Upper Midwest freight markets).

These at-risk markets typically have extremely cold weather this time of year with heavy snow possible. Reefer units are also known as temperature-controlled units and can maintain temperature even when the outside temperature is extremely low. Shippers will choose to ship freight via a reefer unit if the product can't be exposed to the low temperatures that can occur in the standard dry van.