

# 2017 PEAK SEASON OCEAN FREIGHT MARKET

## CHINA-TRANSPACIFIC TRADE LANE SUMMARY

### Carrier Instability Fuels Rate Volatility

Carriers faced instability & uncertainty for most of the year (i.e. Hanjin bankruptcy, Hyundai financial troubles) resulting in high volatility, increased rates w/reduced capacity, increased demand, as well as increased sailing & delivery delays.

Retail spending increased over 2015, with stronger than expected performance Oct-Dec. Double-digit E-comm growth continued to shape the market. BCO contract rates dramatically decreased over 2015.

2016

OCEAN MARKET OVERVIEW

2017

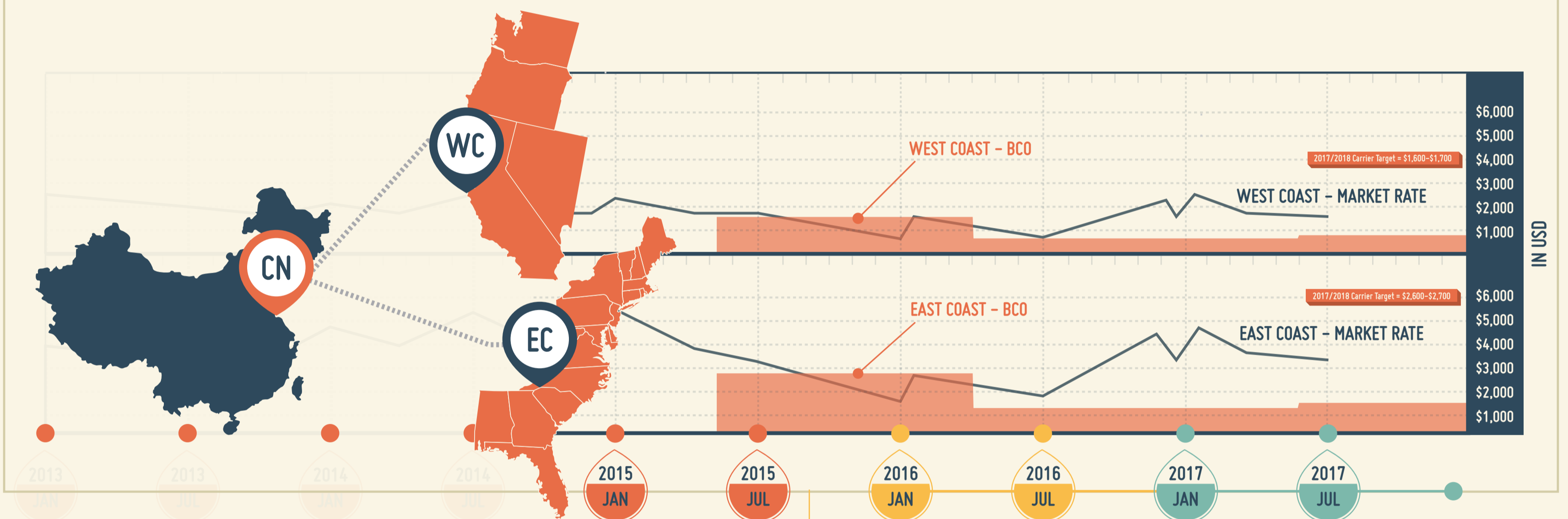
### Financial Stability & Strengthening Economy

Carriers have maintained financial stability throughout 2017, pricing has held at more profitable levels, & capacity is up. New carrier alliances have proven beneficial, and Hyundai line has re-established stability.

Most economic indicators are positive: i.e. consumer sentiment, spending and continued e-comm growth- all point to strong peak season demand.

## MARKET RATES VS BCO CONTRACT RATES

SHANGHAI, CHINA TO US WEST COAST AND US EAST COAST



2016

#### FIRST HALF

In last ditch attempt to correct historically low ocean freight rate levels, carriers launch January rate spike - rates quickly dropped due to lower demand & excess capacity. BCO contracts signed in 2015 were above market rates Feb-July.

#### SECOND HALF

Going into peak season, rates increased dramatically and held as demand increased & capacity tightened. In July/August BCO rates became significantly less than market-prompting carriers to push rate increases to BCO contract holders, whose choice was to accept peak premiums or face rolled bookings.

#### IMPACT ON SHIPPERS

Opportunity for shippers to leverage NVOCCs to move freight on spot market = cost savings

#### IMPACT ON SHIPPERS

BCO contract shippers could lean on NVOCCs to pick up capacity, reduce rolled bookings & freight delays

#### FIRST HALF

Despite entering 2017 with more favorable pricing levels, carriers again took increases in January to reset the market. They came back down, but not to levels of 2016. BCO contracts were below market for Jan through early June, with a short-lived flip flop for most of June - paving the way for significant peak season increases beginning July 1.

#### IMPACT ON SHIPPERS

As shippers entered contract season - 2017 BCO/2018 contract levels ended up ~10% higher than in 2016

2017

### REMAINDER OF 2017 PROJECTIONS

#### SECOND HALF

We expect rate increases from multiple Peak Season Surcharge (PSS) attempts that have historically held into October - capacity will become an issue as demand increases, and market rates outpace BCO contract levels. At some point in Q4, we anticipate a softening of rates, with market rates likely dipping back below 2017 BCO contract levels.

#### IMPACT ON SHIPPERS

**CAPACITY WILL LIKELY TIGHTEN:**  
August thru October - high probability BCO contract shippers will face rolled bookings & freight delays, NVOCCs can provide capacity @ competitive rate

**PRICE WILL COME BACK DOWN:**  
Mid Q4 as peak season comes to a close, NVOCCs will offer rates lower than BCO contracts & still secure capacity

