

PERIOD: JUN/JUL 2018



SHIPPING & TRANSPORTATION

Brian Fox, Choptank Staff



Jaws 5 & the Freight Market



As we head into the summer on a wave of record-high MDI we have the sense of uneasiness with the market and what might be lurking around the corner, or in this metaphor, below. Much like the great original summer blockbuster *Jaws*, (which was released 43 years ago, sorry to make you feel old), the movie, like the current market, gives participants an “edge of your seat” scare as you don’t know what will happen next. Studying truckstop.com’s MDI report, history shows that rates might soften a bit in the near future, but the giant, white shark below is lurking. It could be the tariff’s being traded globally or what kicked this market into high gear last year...mother nature and a string of hurricanes. It’s no time to take your eye off the ball and a great time to secure a good partner and make sure capacity is available for the upcoming months.

Here is a brief market overview and report on all the factors driving the current market, our expectations for where it’s headed, and most importantly, how to manage this market and come out on top!

Many variables shift and drive the market each month. Government regulations, weather, seasonal shipping, the economy and the number of available trucks are the biggest factors that contribute to volatile rates. Any of those factors could be “[Jaws](#)” in this scenario, and luckily it doesn’t take a police chief/lifeguard, a neurotic marine biologist and a drunken sea captain to overcome them! It’s time to be prepared for the upcoming market and take advantage of knowledge and know-how ahead of time as if you knew it was coming.

The market seemed to absorb the ELD factor without the predicted chaos. The relatively smooth transition could be attributed to the top brokers and carriers being ready ahead of time by using only ELD compliant carriers who had them installed on time. The national load count ([see Table 2 below](#)) went over 7 million in June, and hit 8 million in September with the economy humming along. This is **3x** the number of loads in 2016 and 50%

more than last year. Predictions can be made, and data scientists can get into the weeds on one factor or the other; however, the basic laws of supply and demand are still very relevant. The trend in recent load counts and the number of trucks remaining relatively static can only mean higher rates ([see Table 3 below](#)) for the rest of the year. Taking a look at the [MDI](#), you can see the cyclical increases on the way. Regardless of all the factors above ([see Table 1 below](#)) we could see that number back in the 80's before too long.

The most important factor driving this market is on the demand side. We just witnessed the first industrial-led recovery since 1961, and all indicators show the industrial economy remaining strong for quite some time. The consumer economy is still growing stronger after a record 4th quarter last year. A big factor in this future is the millennial generation. After being long derided as the “we’ll never start a household,” generation they have begun to prove the critics wrong. Just as has been true for almost 100 years, each generation has waited a little longer to get married and buy that first house. The millennials are no exception. That said, there are more millennials than boomers. Millennials have started to form households, and have started the goods accumulation phase of their lives that accompanies it. Consumer spending is poised to be strong for the foreseeable future as both the consumer and industrial economies are shifting into high gear.

(Cass Info)

Some wild cards are at play as the Trump administration pushes tariffs that could cause some wholesale changes in the industrial sector. This could impact goods from [Harley-Davidson](#) motorcycles to [Kentucky Bourbon](#) as our big brands and agricultural exports could see retaliatory tariffs. The rail networks are finally recovering as [CSX](#) made overhauls and the Canadian Rail Network mitigated possible strikes. Intermodal, with double-digit growth from shippers escaping high truck rates, is seeing capacity shrinking in this sector. (Page, 2018)

So, “Jaws” can be difficult to avoid, and the market might seem like riding in a rickety old boat in the middle of the night with only the sound of a sea captain singing with a lone bell chiming, but the right partner can help plan

for what might be a [long and winding road](#). As capacity tightens this year, a broker with a large network of vetted carriers will keep your freight moving on time and on temp. Whether or not this summer feels like watching *Jaws 5* (*yes there were 4, but you didn't miss anything*) because of the economy, weather or the government; a trusted partner with a strong intermodal, LTL, port and truckload team will give you peace of mind and keep you delivering results for your company.

We, at [Choptank Transport](#), are not expecting any quick or easy fixes. Relying on your partners and the experts can relieve a lot of stress and provide solutions in navigating this volatile market. An experienced third-party logistics provider can utilize their established pool of carriers, up-to-date technologies to track the market and well-trained staff to provide real-time information and the best rates available. [Request a quote today](#) to see how we can help you improve your supply chain. No matter which mode of service you need, Choptank can deliver via [truckload \(dry and refrigerated\)](#), [DRY LTL](#), [Cold LTL](#), [Intermodal](#), [Flatbed/Oversized](#), [Specialty Loads](#) and more.



TABLE 1. *Market Demand Index (MDI) by [Truckstop.com](#)

*The MDI is a measure of relative truck demand in the spot market. It compares load availability to truck availability.

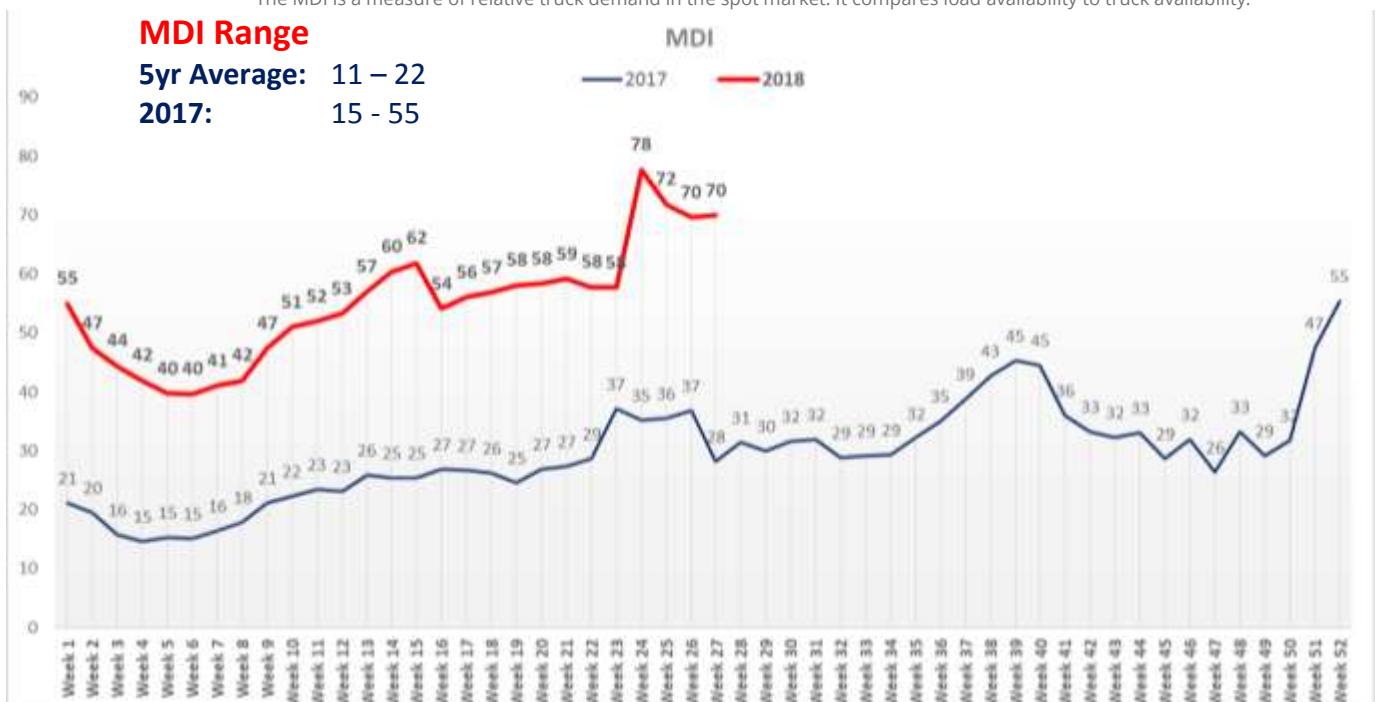


TABLE 2. National Load Counts by DAT.com

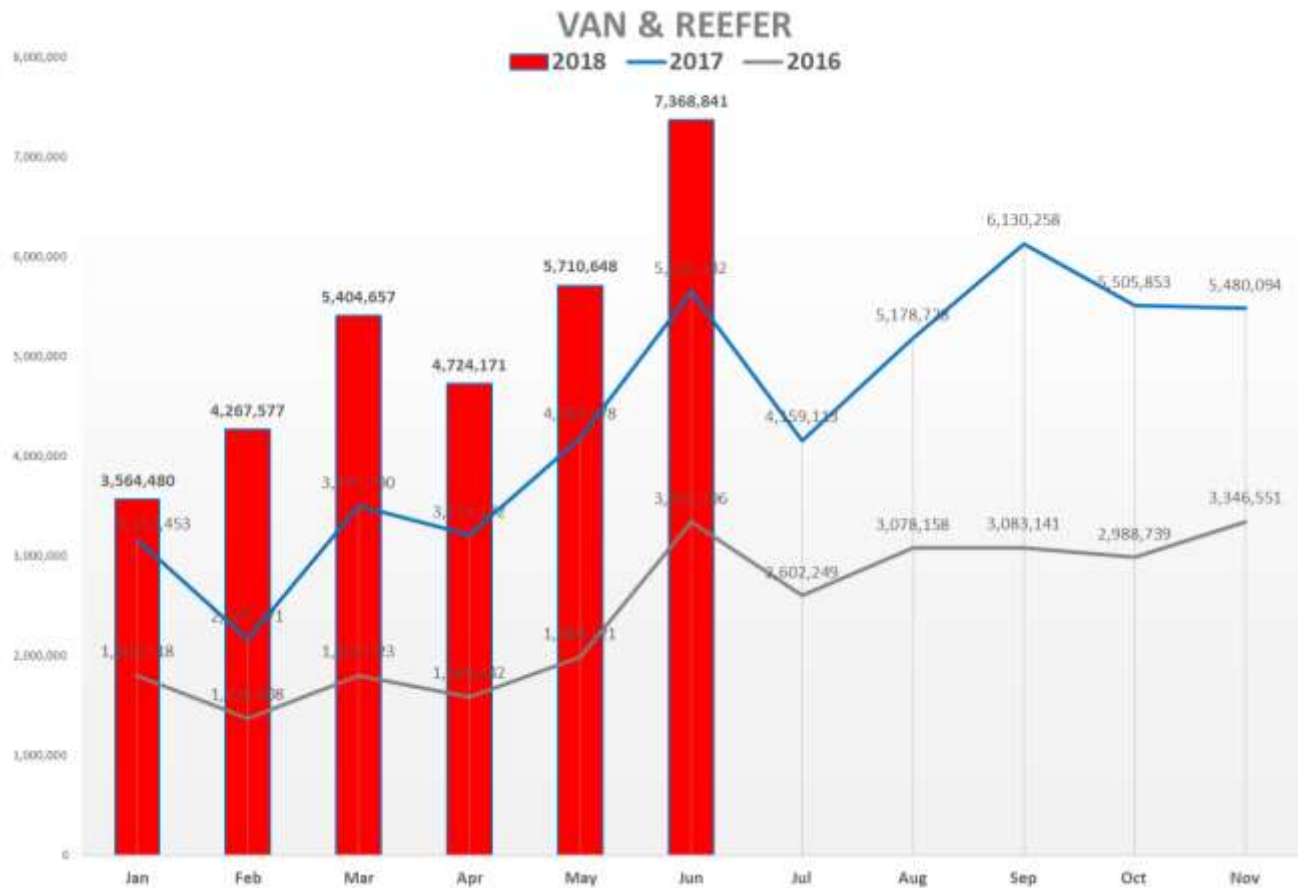
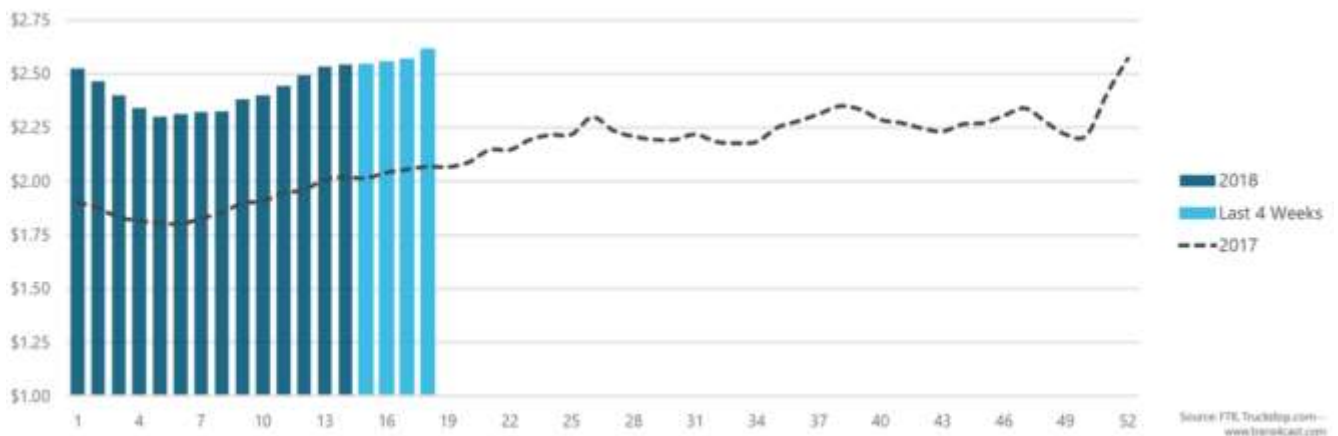


TABLE 3. National Broker Rates (including fuel) by Truckstop.com



References

Cass Info. (2018). *Cass Freight Index*. Retrieved from Cass Info: <https://www.cassinfo.com/transportation-expense-management/supply-chain-analysis/transportation-indexes/cass-freight-index.aspx>
 Page, P. (2018). *Logistics Report*. Retrieved from wsj.com: <https://www.wsj.com/news/logistics-report/>