

Transportation Market Report

Q2 2019



This quarter's market trends report got me thinking about the perpetual ups and downs of the transportation industry, and naturally, yo-yos – a cool invention that I fondly remember from my childhood. I haven't seen a yo-yo in years and naturally assumed that the toy went the way of marbles and Tiddlywinks. What child (ahem, or adult) would want to play with a spool and a string when they have smartphones, tablets, and gaming technology? After doing a little research, I found that yo-yos not only have an impressive back story, they are still a relevant child's toy. But more on that later.

We all know what a crazy swing the market took in 2018, serving up a capacity shortage that was off the charts, accompanied by wild-high rates. 2019's first quarter was diametrically opposite, with a slowed economy and rates that reflected that change. Suddenly we found ourselves in a soft market with a surplus of capacity.

Logistics analysts and market watchers all predicted that seasonal produce, holidays and tariff threats would kick start things back where they belonged, into the traditional "busy" season, and tighten up the loose market. That did not happen. Bad weather across the United States, including floods and tornadoes, delayed some produce and annihilated the crops of others.

The beginning of June marked the annual three-day DOT road checks week, and some thought this would launch the return of tighter capacity for the season, but the spike only seemed to be a blip on the capacity radar.

June rates stabilize after early spike



National Spot Rates: Van, Flatbed, Reefer

Graph courtesy of [DAT.com](https://www.dat.com)

Rates for spot truckload shipments in the last few weeks are beginning to trend upward. According to DAT's June 23 report, the national rates for van and reefer are higher than they've been since January. This may be a sign that we are beginning to see a slow correction to the market.

National Average Spot Rates for the Month, Through June 23

- Van: \$1.90/mile, 11 cents above the May average
- Reefer: \$2.25/mile, 10 cents higher
- Flatbed: \$2.30/mile, 2 cents higher

Market volumes picked up in the second half of Q2. It seemed promising that produce and other seasonal surges were on their way, but reports show that even though the numbers are on the rise, they are disappointing and well below last year.

Volume & Rates

Compared to this same time last year, there is a 62% decrease in spot market loads with an increase in capacity of 32.7%. One bright spot in the marketplace is that freight volume for the top 100 lanes for dry vans is up by 22% compared to 2018. Although seasonal volumes started increasing immediately after Memorial Day, they haven't yet seen the big bump everyone was expecting. Seasonal increases in freight volumes are still 4% lower this year in June versus June of 2018.

According to [Freightwaves](#) and the CASS Freight Index (measuring national freight volume), the first five month's volume of this year is lagging 2.5% behind 2018's first five months. The average weekly spot rates for June 2019 are mirroring those of two years ago in June 2017.

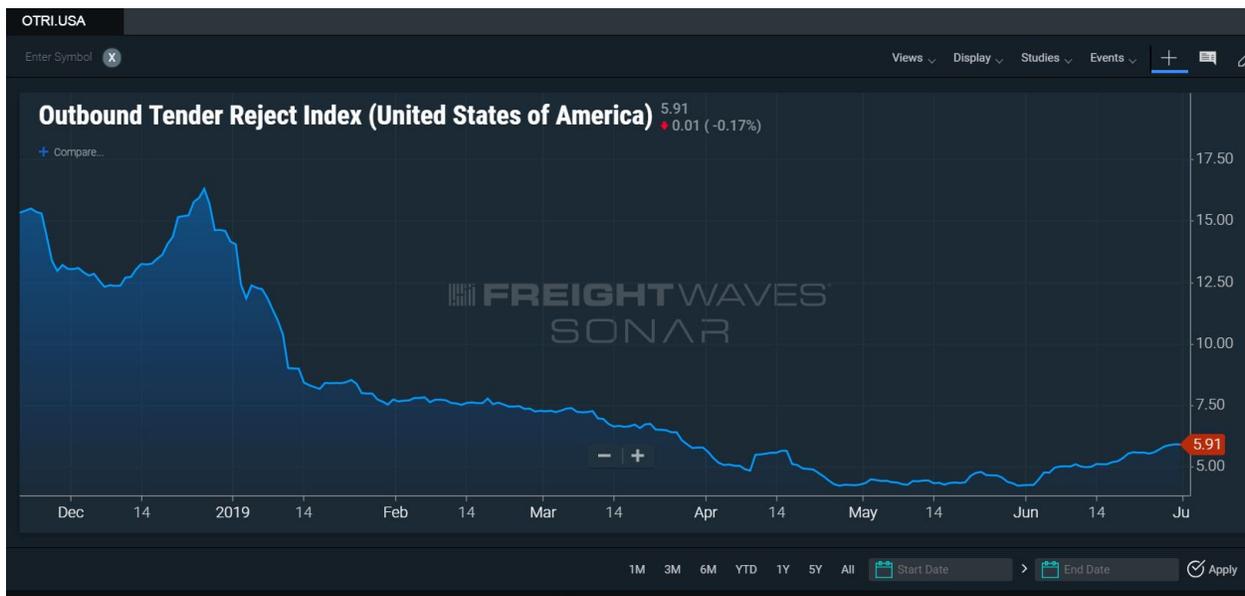
Even though lower rates are a good sign for shippers, they are not for carriers who are dealing with fewer loads, higher fuel costs, higher wages, and higher maintenance costs. Compared to last year's market when rates were high, the drop is particularly noticeable, with a \$0.41 per mile decrease. This disparity could be the result of several factors, including a record number of new truck purchases last year and idle reefer trucks from a slowed produce season, both of which contribute to surplus capacity.

Market Demand Index (MDI) by Week

The MDI chart below is a useful indicator of capacity pressure and seasonal market variations. It measures the relative truck demand in the spot market and compares load availability to truck availability. This month's graph shows that even though demand is down from last year, it is above the 2017 line, with the last week of June showing an upswing in demand.

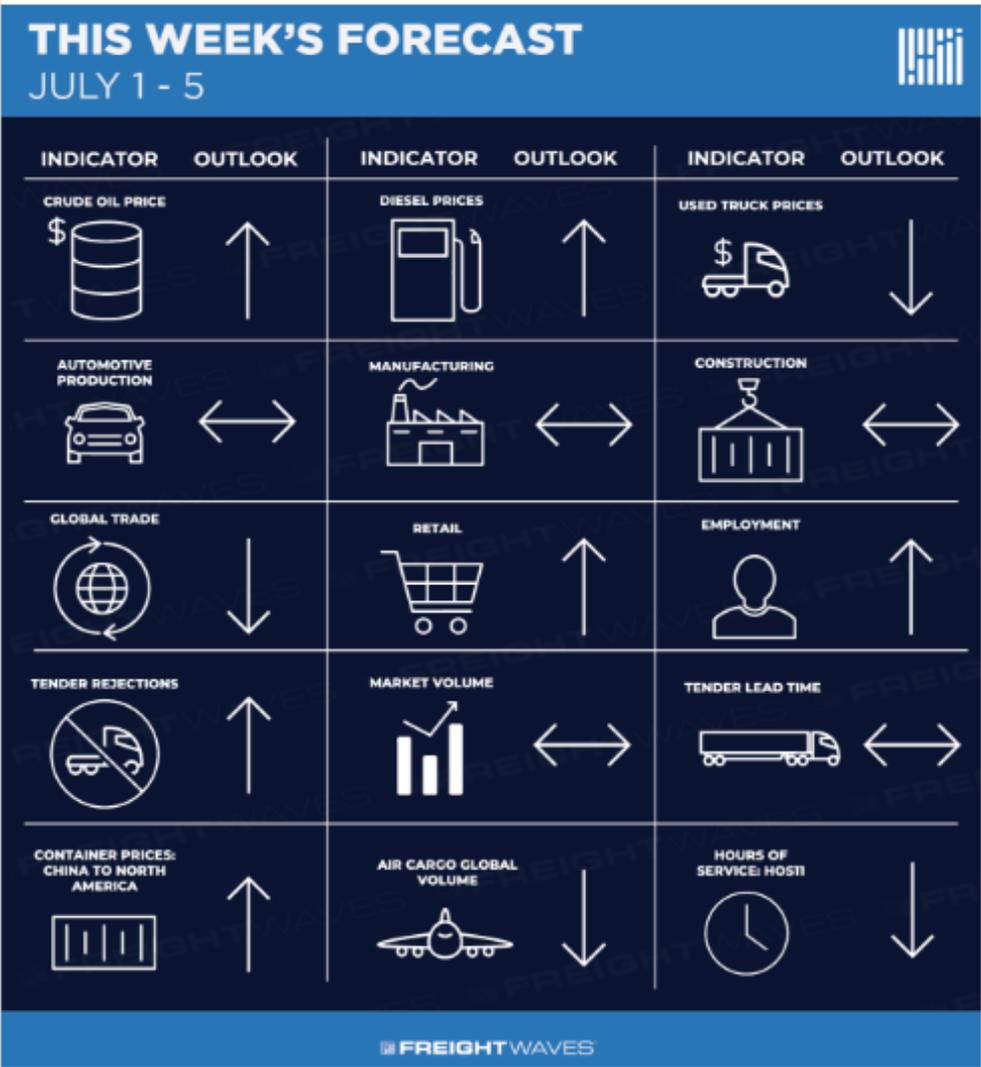
Tender Rejection (OTRI) National

After hitting an all-time low in May of 4%, outbound tender rejection rates were still significantly down in June although starting to slightly trend upwards, probably due to seasonal volume increases. Comparatively, in last year's bull market we saw the OTRI hit as high as 30%. The big question is, will the second half of the year surprise us with increases in volume, tightened capacity and escalating rates, or will the economy, trade, employment, a pending election year, and other interdependent factors keep us in the current soft market?



Graph courtesy of Freightwaves/Sonar

A PEEK AHEAD: This week, crude oil and diesel costs are rising, along with consumer spending and continued high employment rates. Manufacturing, automotive production, and construction remain flat while global trade and air cargo freight are down.



Infographic courtesy of Freightwaves

Just like playing with a yo-yo, there are always tricks up the market’s sleeve. In transportation, there is no such thing as mastering the game, just wisely navigating through it. Choptank Transport uses the latest technology and market intelligence to track trends and freight movement, so we can be as efficient as possible moving our customer’s freight.



Fun yo-yo facts:

- Yo-yos have been around a long time. A [Greek](#) vase painting from 440 BC shows a boy playing with a yo-yo.
- 1791 woman (Pictured left) playing with a yo-yo (photo courtesy of [Wikipedia](#).)
- The name "Yo-yo" was registered in 1932.
- In 1933 yo-yos were banned in Syria, because many locals superstitiously blamed the use of them for a severe drought.
- In 1984 yo-yos appeared with ball bearings which significantly reduced friction, allowing for more complex tricks.
- Yo-yo tricks include Sleeping, Looping, Walk the Dog, Around the World, Rock the Baby, and many complicated, two-handed string tricks.
- There are also Chinese yo-yos and Eskimo yo-yos (quite different).