

PERIOD: **OCT/NOV 2018**



SHIPPING & TRANSPORTATION

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“IT’S A QUEST...A QUEST FOR FUN.”



If you like roller coasters, and you handle them better than John Candy (the Wally World security guard), you might be enjoying this market! The highs and lows have been staggering over the last several months and I think we’re all in the mood for some stability and a balanced market where we’re all happy and having fun. Say what

you will about Clark Griswold in the infamous National Lampoon films, but he truly loved his family and just wanted to show them an epically good time and a memorable trip! Depending on which role you fill in the supply chain, from shipper to broker to carrier, you’ve felt your share of “disasters” to your budget the last couple years. With the market stabilizing we’ve seen [truckstop.com’s](https://www.truckstop.com) Market Demand Index (MDI), go from a high of 78 to the most recent 26 which is closer to what we saw in early 2017. As we continue this “quest” into 2019 the possibility for surprises still exist but several experts have pointed out that multiple indicators point to slowly rising rates in a more stable market.

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!

A litany of micro and macro-economic factors is at play in the current market and driving what we’ll experience going into 2019. Most experts agree the market is stabilizing, and we will see market rates slowly increase 5%-10% over the next year. The hurricanes we confronted this year had a much smaller impact on the transportation market compared to 2017. To compound issues, in late 2017 the U.S. non-farm inventory levels were extremely low. A tight market faced unusually high demands to increase inventory to more optimal levels and prior to the new tariffs coming into play. This was a large factor in the spikes we saw in early

summer and why we've seen such a recent market correction over the past month.

We are also seeing a more balanced market after months of chaos. Goldman Sachs estimated that 31,000 new drivers have entered the industry in the past twelve months, amounting to an increase in overall capacity of 2%. At the same time demand has decreased after the early summer inventory spike. The market seems to have absorbed the ELD factor which helps stability too. The national load count ([see Table 2 below](#)) went over 7 million in June, but dropped back down, following historical trends, to under 5 million in July. It then dropped to under 4.5 million for September. Housing activity has lagged behind in this strong economy and flatbed capacity has increased significantly over the past month to underscore that point. Flatbed capacity can be an indicator for the industrial sector and future economic growth. Taking a closer look at the data shows it as an anomaly and all other factors point to a strong holiday season and solid transportation marketplace.

Carrier tender rejections, as seen on [FreightWaves Sonar](#) ([see Table 3 below](#)), have steadily declined as the spot market cools and contract rates have begun to take over. Rates that were negotiated in late 2017 and earlier this year were high and are now viable in the current market. We've begun to see shippers take advantage of this to either renegotiate their contracts or move up their RFP's into Q418 instead of waiting until their normal cycle of 1Q or 2Q next year.



Plenty of quests and adventures await in the coming months as the market is stabilizing, but by no means is it yet stable. Hopefully, we can keep Clark's spirit alive and forego all the naïve decisions and blatant disasters. As capacity remains tight and the supply chain remains complex, a broker with a large network of vetted carriers will keep your freight moving on time and on temp. 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.

At [Choptank Transport](#), we 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, advanced 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.

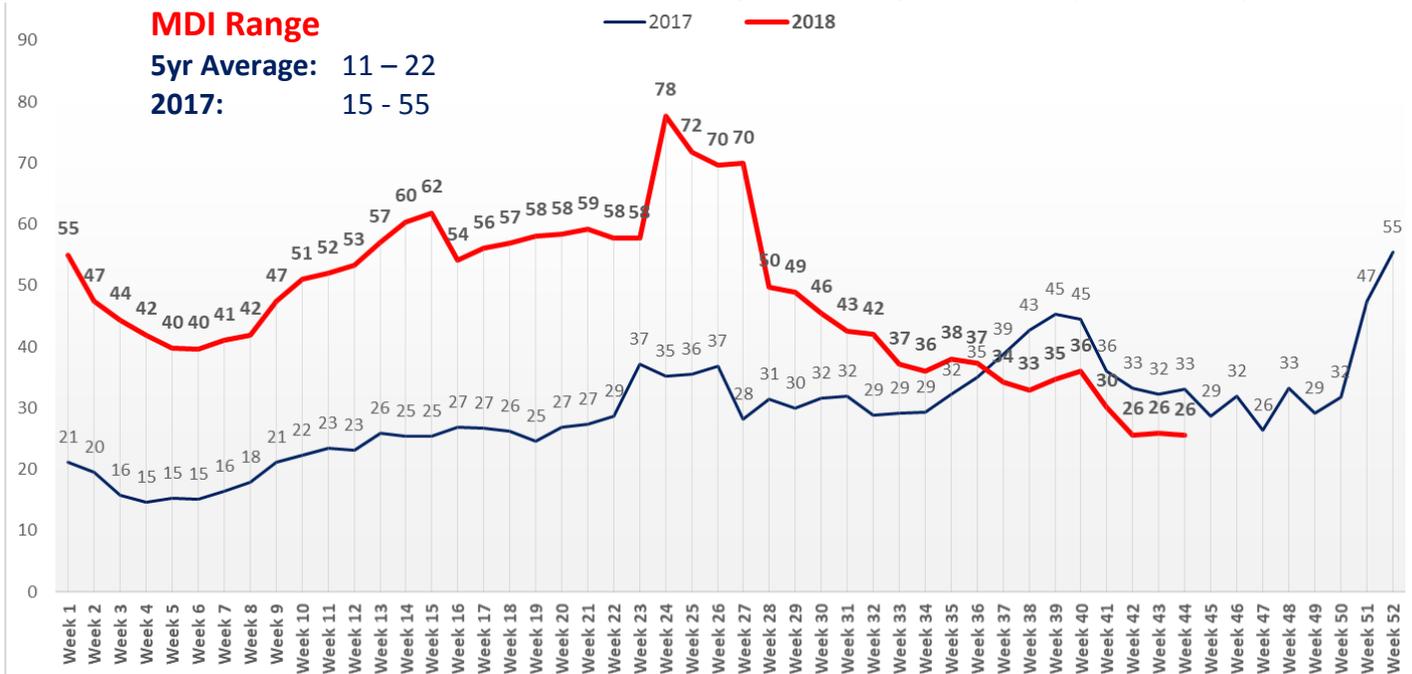


TABLE 2. National Load Counts by DAT.com

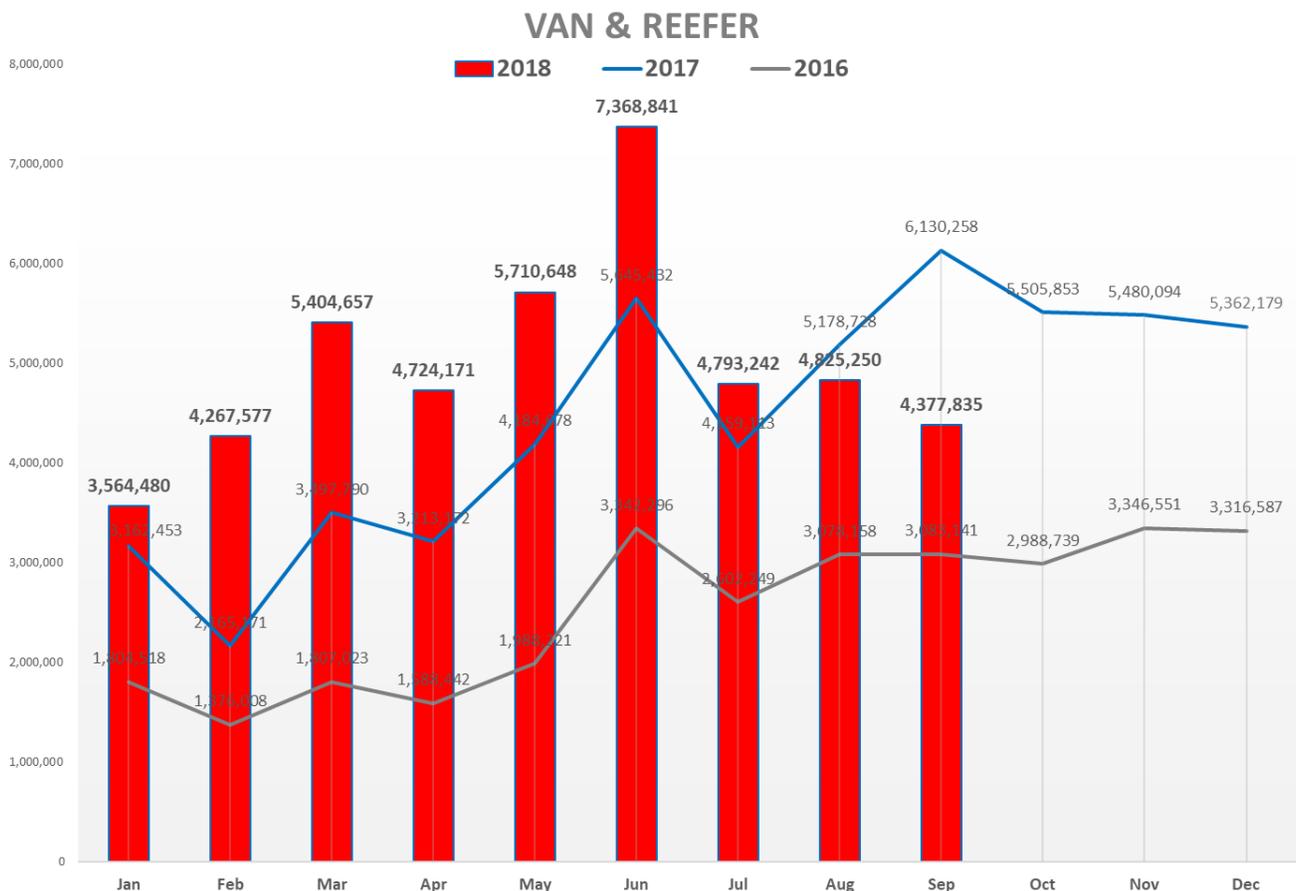


TABLE 3. Tender Rejections by [FreightWaves.com](https://www.freightwaves.com)

