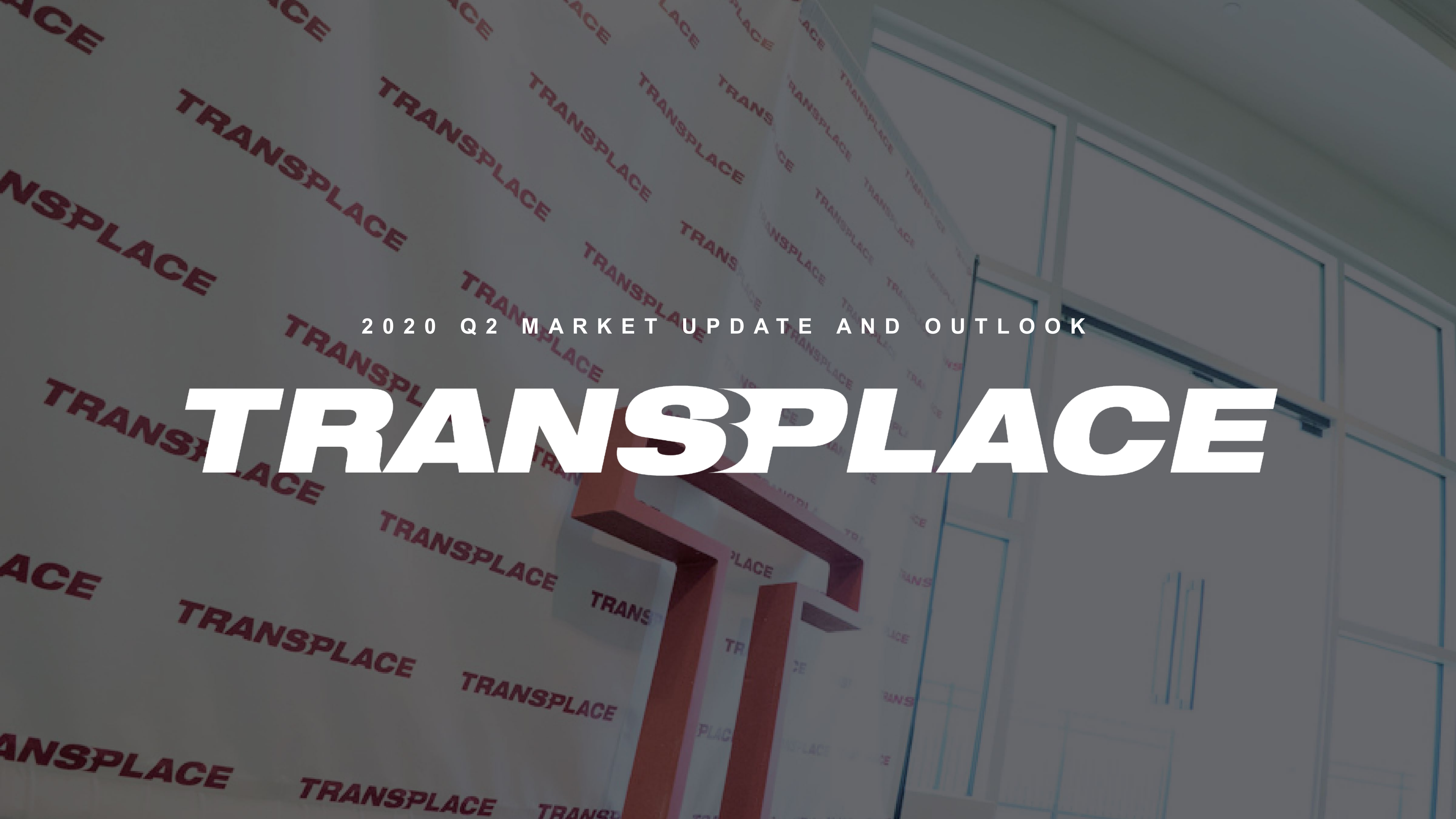
2020 Q2 MARKET UPDATE AND OUTLOOK

TRANSPLACE



MARKET UPDATE & OUTLOOK

Executive Summary – 2020 Q2

U.S. – Full Truckload

- Pre-March conditions softening
- Mid-March hoarding created temporary capacity shortages in essential markets
- April over capacity situation takes over across all industries and geographies

U.S. – Less than Truckload

- Volumes down
- Shipment densities in flux due to recalibration of customer and business strategies
- Carriers with high operating ratios should be monitored closely as the situation develops

U.S. – Intermodal

- West Coast container imbalances stabilizing
- Abundant dray capacity
- Competition with soft truckload market becoming more fierce
- Opportunities for cost savings and higher service levels are abundant

International – Air

- Continued significant rate volatility
- Some airlines requesting forwarders to pre-pay for blocked space
- Reports of passenger space being used for critical cargo as PPE and other mission critical products are increasing tonnage

U.S. – Bulk

- Capacity remains strong
- Partnerships are more critical given scarcity of specialized equipment and soft conditions
- Tale of two markets – essential and non-essential product flows creating uncertainty in tier 1 supply chains

Mexico – Truckload

- Significant influence of government policy with restrictions on labor and wages
- Automotive to ramp in coming weeks
- Oil and travel sectors which are key economic drivers in Mexico under pressure
- Foreign exchange rate holding at ~24 Pesos/USD

Canada – Truckload / LTL

- A reduction in southbound moves into U.S. are straining backhauls into U.S.
- Drivers becoming more reticent to accept layovers – concerns about U.S. are affecting load acceptance
- Some LTL carriers are beginning to limit rural activities

International – Ocean

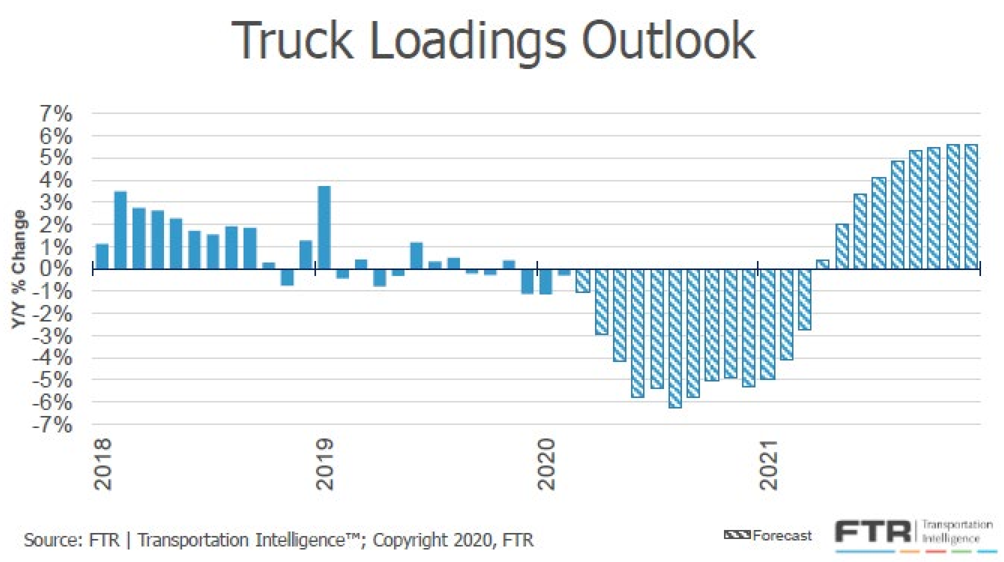
- Blank sailings continue to as a means to balance supply-demand
- 11 carriers currently at high risk in Altman Z-score bankruptcy index
- Warehousing constraints exist for key non-essential supply chains

MARKET UPDATE AND OUTLOOK

U.S. FULL TRUCKLOAD

KEY FACTORS IMPACTING SUPPLY

- Pre-March 2020: Loose capacity conditions offering continued favorability for improved route guide performance and cost mitigation strategies across all modes including truckload.
- March 2020: Consumer hoarding from COVID-19 created significant supply imbalances. Lower demand from non-essential markets, combined with record demand from essential consumer markets, created increased empty miles within the nation's fleets and a loss of fleet productivity.
- April 2020: Within two to three weeks after the non-essential/essential disruption in March, the trucking market began to exhibit over supply marked by an increase in calls from carriers offering capacity and rapidly retreating spot rates.

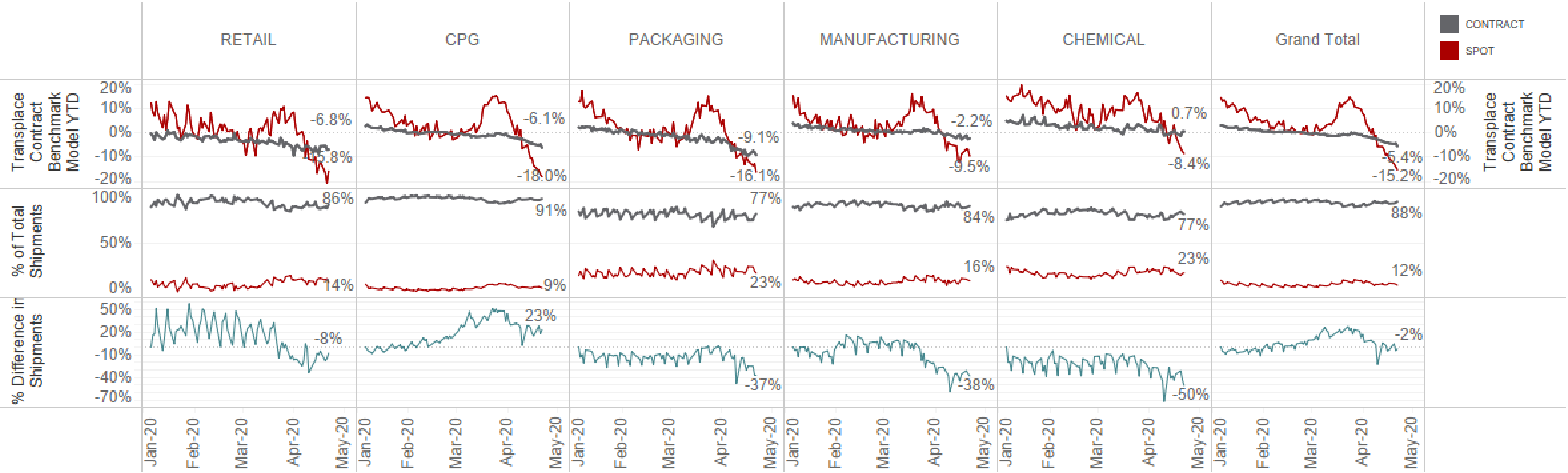


FULL TRUCKLOAD

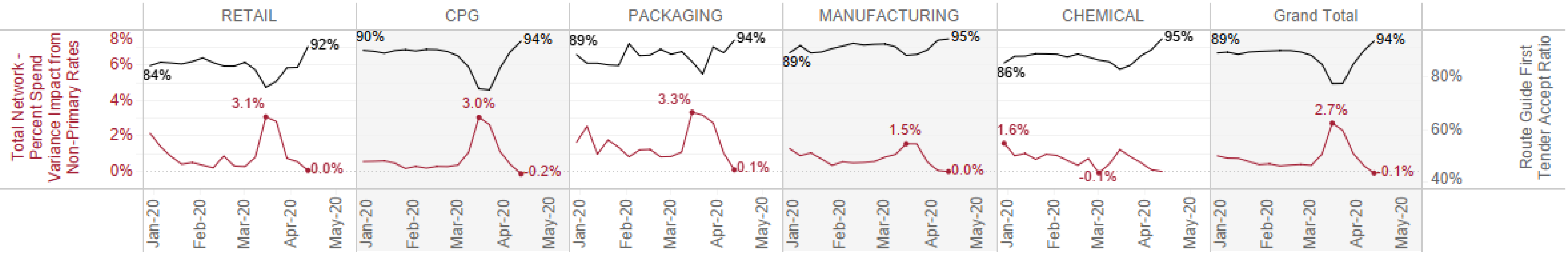
CURRENT CONDITIONS

Transplace TM - Rate and Route Guide Trends by Industry

Industry-Level Dry Van Benchmark by Day YTD to April 22, 2020



Industry Weekly Tender Acceptance & Spend Variance - Truckload as of April 18, 2020



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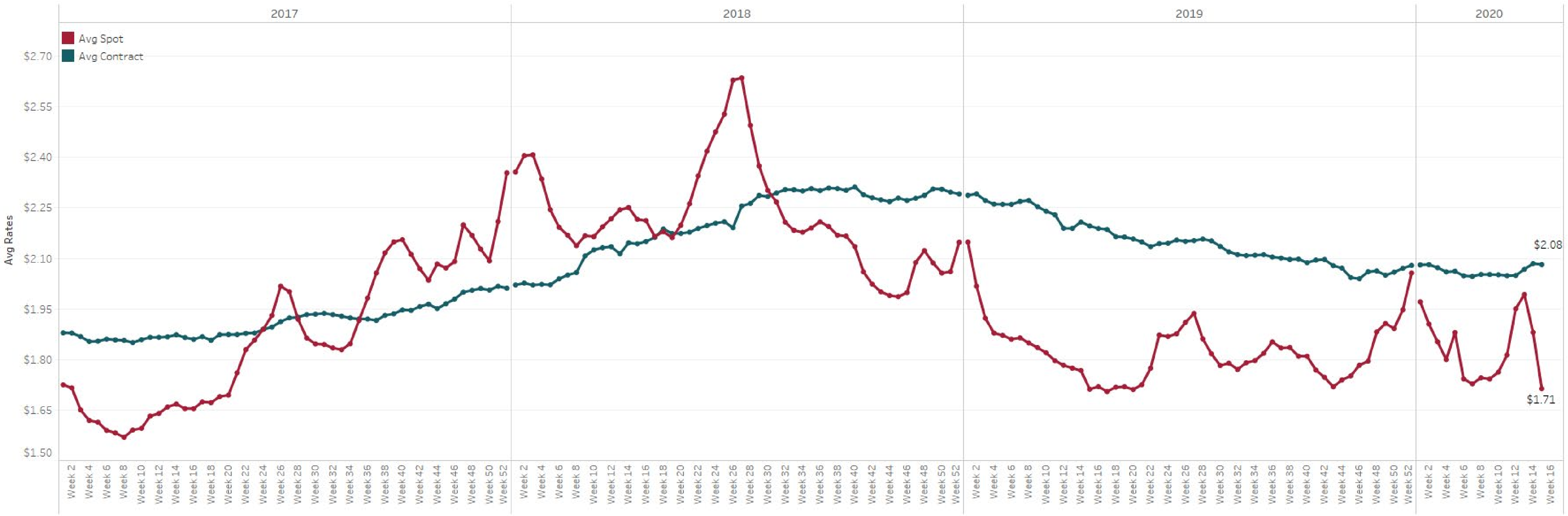
FULL TRUCKLOAD

TRANSPLACE 2020

WEEKLY VAN SPOT VS CONTRACT AVERAGE RATES



- Contract rates for dry van have been slowly trending upwards $2.08 over the last couple of weeks.
- Spot rates have dropped sharply for the last couple of weeks at $1.71.

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MARKET UPDATE AND OUTLOOK

FREIGHT ENVIRONMENT

Freight Indicators

- COVID-19 containment has dramatically changed the freight environment as most routine commerce has ended and unemployment has surged.
- Although freight volumes in most commodities have turned negative, panic buying in March led to a surge in demand for transportation of food and certain items, such as paper and cleaning products. Transportation of a wide range of goods is sharply lower due to extraordinary conditions in both supply and demand.
- Social distancing has led to the closing of nonessential businesses, which has resulted in reduced opportunities for consumer spending. The same factors also have led to an unprecedented surge in unemployment claims, which sharply constrains disposable income.
- The uncertainty surrounding COVID-19 impacts also chills business investment. A prior outlook for weak growth in most commodities has now turned negative for most everything except food.

Freight Outlook

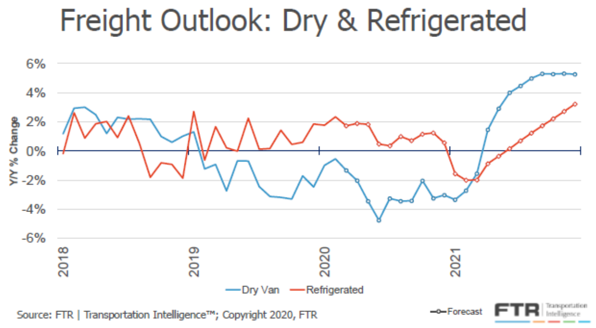
- With the exception of near-term restocking of high demand items, the COVID-19 crisis will sharply reduce freight in both industrial and consumer sectors.
- Expedited van operations should benefit somewhat from the reduction in airfreight capacity as airlines dramatically cut back on flights.
- **FTR's total truck loadings** forecast for 2020 is a 4.0% drop in total truck loadings in 2020, down from 1.3% growth prior to the crisis. All segments now forecast for negative comparisons with 2019 except refrigerated.
- **Dry van loadings** are forecast to fall 2.6% in 2020. The pre-crisis forecast was for growth of 0.7%. All major dry van commodities look negative except food.
- **Refrigerated loadings** are forecast to grow 1.3% in 2020, down from 2.2% growth previously.
- **Flatbed loadings** are forecast to fall 6.0% in 2020. The pre-crisis forecast had been for 0.6% growth. The outlook for all major flatbed commodities is negative.

Truck Loadings Summary

Annual Growth Rate

Segment	2018	2019	2020 (Forecast)	2021 (Forecast)	2022 (Forecast)
Dry Van	1.9%	-1.8%	-2.6%	2.6%	3.8%
Refrigerated	0.5%	0.9%	1.3%	0.4%	4.2%
Flatbed	2.6%	0.5%	-6.0%	1.9%	3.8%
Specialized	3.2%	2.3%	-0.4%	2.2%	4.4%
Tank	3.0%	-0.1%	-2.3%	1.0%	3.4%
Bulk/Dump	-0.2%	1.8%	-9.4%	2.1%	4.3%
Total	**1.7%**	**0.3%**	**-4.0%**	**2.0%**	**4.0%**

Source: FTR | Transportation Intelligence™; Copyright 2020, FTR



Source: FTR Trucking Update – April 2020

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MARKET UPDATE AND OUTLOOK

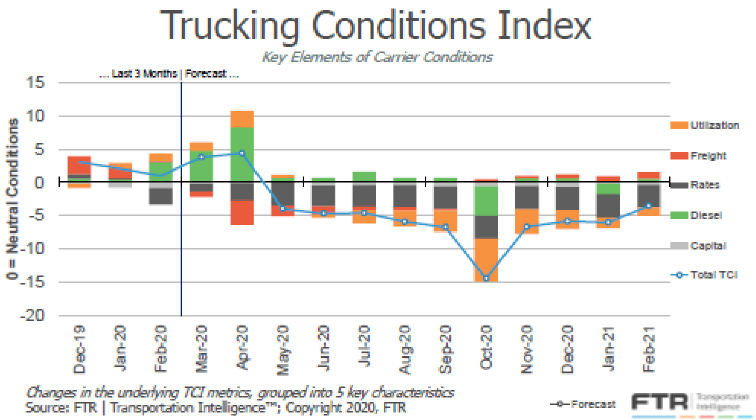
DIESEL PRICE OUTLOOK

Total Truckload Rates Overview

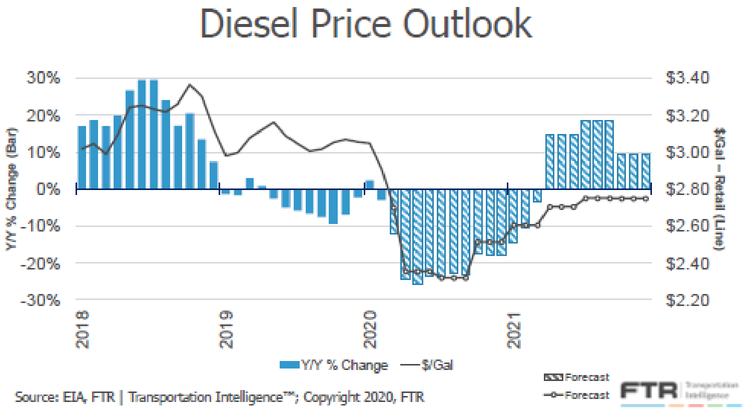
	Jan-20	Feb-20	Mar-20	2020	2021
		F	F	F	F
Total Truck (Spot + Contract)	**-5.4%**	**-4.2%**	**-1.9%**	**-2.7%**	**0.2%**
Spot Truck Rates	-7.3%	-6.8%	-0.1%	-3.5%	1.1%
Contract Truck Rates	-4.4%	-3.2%	-2.5%	-2.4%	-0.3%
Dry Van	-5.7%	-4.1%	-1.1%	-2.4%	-0.4%
Refrigerated	-2.2%	-1.9%	0.6%	-0.1%	1.0%
Flatbed	-6.9%	-5.8%	-4.4%	-4.3%	0.5%
Specialized	-6.5%	-5.3%	-3.6%	-3.9%	0.5%
LTL Rates	2.3%	0.8%	0.7%	-0.5%	0.9%

F = Forecast

Source: FTR | Transportation Intelligence™; Copyright 2020, FTR



Changes in the underlying TCI metrics, grouped into 5 key characteristics
Source: FTR | Transportation Intelligence™; Copyright 2020, FTR



Source: EIA, FTR | Transportation Intelligence™; Copyright 2020, FTR

Carrier Conditions

- The Trucking Conditions Index is set to turn sharply negative. Positive readings are unlikely until mid-2021.
- Diesel prices represent one of the few bright spots for carriers, although the collapse in crude prices could bring trouble for some in addition to fuel surcharge credits unseen in recent decades.
- The **Trucking Conditions Index** had weakened to just barely positive prior to the COVID-19 crisis. The outlook for March and April is stronger due principally to rapidly falling diesel prices and slightly stronger utilization during the restocking push, but the TCI does not consider extraordinary factors, such as steps required to protect drivers, sterilize facilities, adjust office arrangements, etc.
  - Beyond April, weaker utilization and rates likely will send the TCI solidly negative. The current forecast is for trucking conditions to remain negative until mid-2021.
- **Diesel prices** were at more than 49 cents (16%) during the first 12 weeks of the year. The national average diesel price for the week ending March 23 was $2.586 a gallon, which is the lowest price since August 2017.
  - Crude prices have collapsed due to a sudden drop in demand to a breakdown in OPEC as Saudi Arabia launched a price war in March to hurt competitors, including Russia and the U.S.

Source: FTR Trucking Update – April 2020

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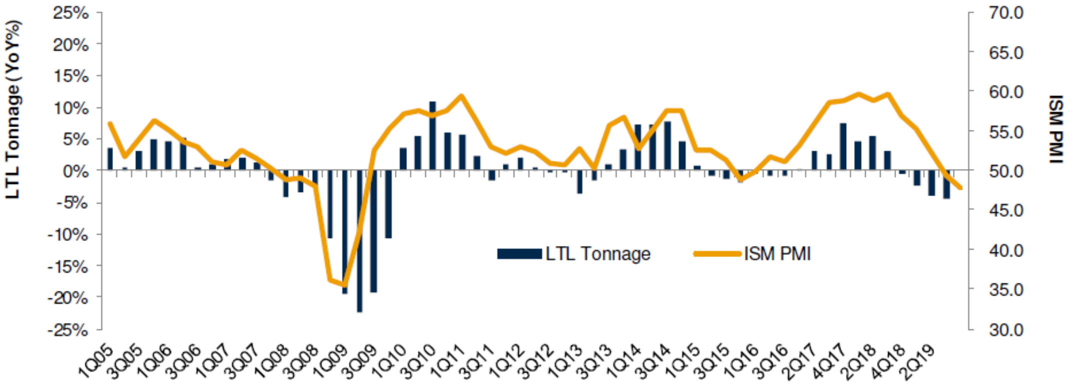
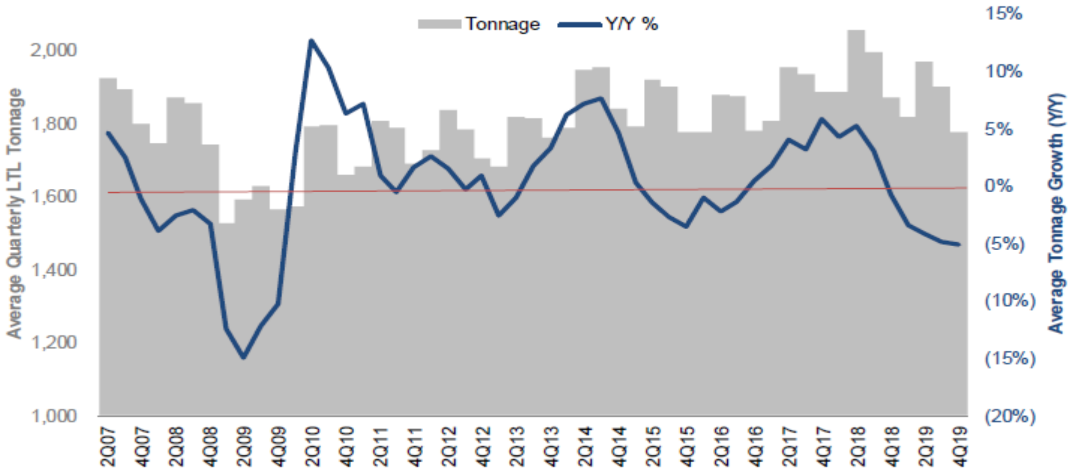
MARKET UPDATE AND OUTLOOK

U.S. LESS-THAN-TRUCKLOAD

KEY FACTORS IMPACTING DEMAND

STABILIZING TONNAGE CONTINUING SOFT CONDITIONS





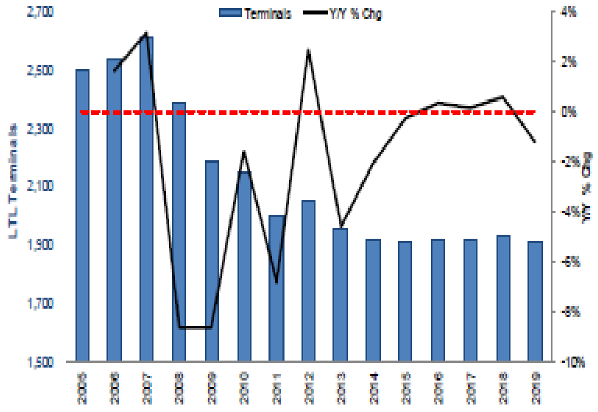
Public carriers include: ARCB, FedEx Freight, ODFL, SAIA, UPS Freight, XPO, YRC-F, and YRC-R
Source: Company data and Stifel research

Source: Stephens, Stifel and ISM

- Institute for Supply Chain Management (ISM) and Purchasing Managers' Index (PMI) is a good indicator of LTL freight volumes as industry has significant exposure to the manufacturing economy.
  - A reading above 50 indicates manufacturing economy is expanding.
  - 2020 PMI reading have been over 50 (Jan = 50.9, Feb = 50.1) after several months below 50.
- COVID-19 has significantly impacted LTL volumes beginning in late March, and carriers report shipment count is down from 10% to 30%.
- Average weight per shipment is declining; primarily due to less TL spillover due to the softening of the TL market and general economic conditions and less product being ordered at a time.
- Tonnage and shipment count are down, but average weight per shipment is beginning to increase slightly.

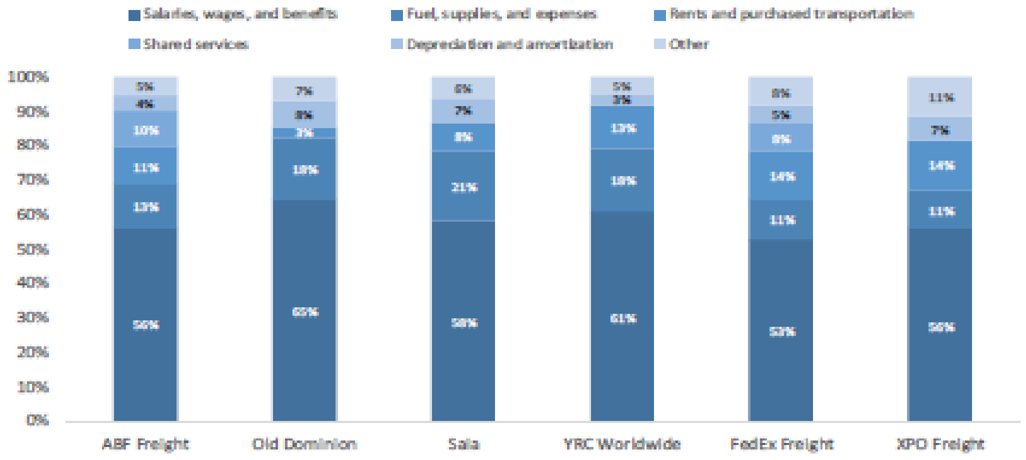
KEY FACTORS IMPACTING SUPPLY

TERMINAL CONSOLIDATION & COST STRUCTURE



Carrier	2018A	2019A	Chg	Chg %
SAIA	166	174	8	4.8%
ODFL	235	236	1	0.4%
FDX	370	373	3	0.8%
XPO	289	290	1	0.3%
ARCB	245	242	(3)	(1.2%)
UPS	200	200	0	0.0%
RRTS	40	40	0	0.0%
YRCW	384	351	(33)	(8.6%)
NEMF	40	0	(40)	(100.0%)
Totals	1,969	1,906	(63)	(3.2%)

Source: Company data and Stifel estimates
Includes: ABF, ODFL, SAIA, YRC-F, YRC-R



Source: Company data and Stifel estimates

Terminal Reduction and Automation:

- The decrease in terminals was due to better utilization of the service centers in addition to upgraded, larger service centers.
- Continued focus from carriers to better utilize technology to more efficiently operate terminal operations and automate with customers to reduce errors and labor expenditures.

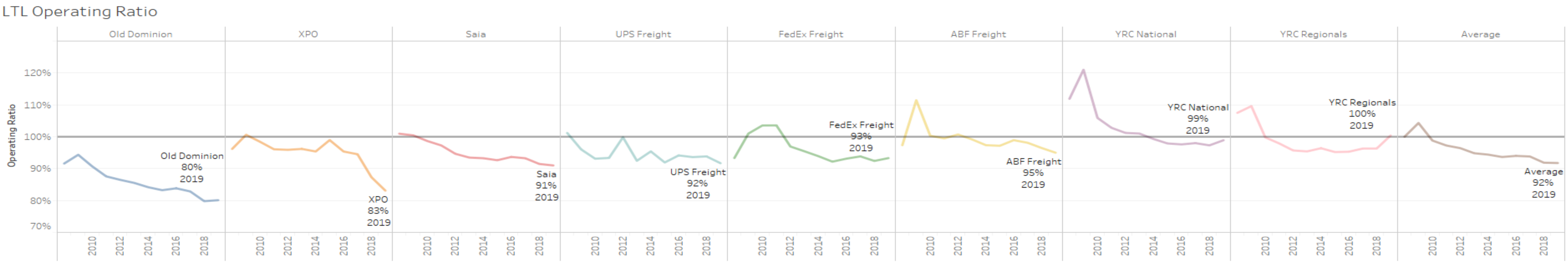
Carrier Cost Structure:

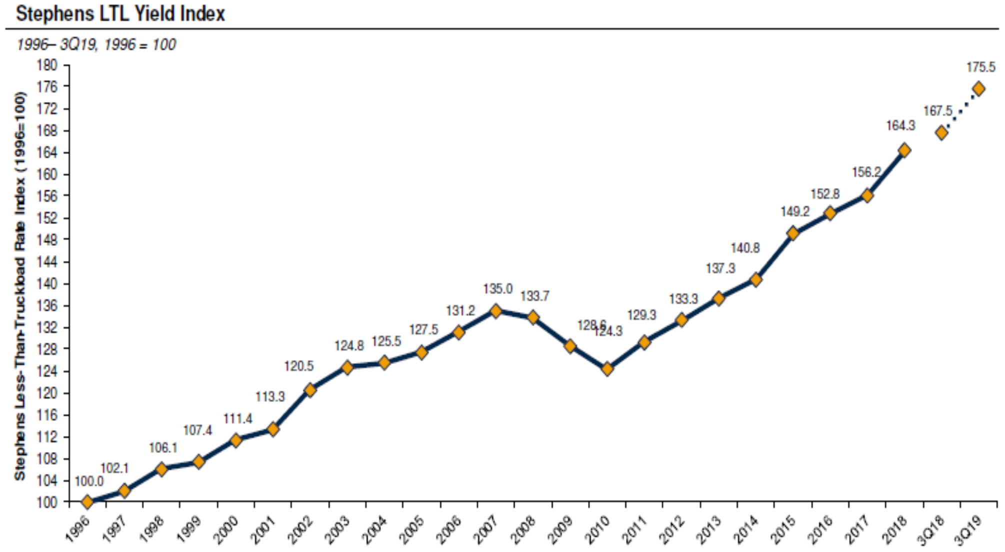
- Labor dominates cost structure ranging from 56% to 65% with ODFL, lowest OR in industry, leading with 65% of cost.
- Insurance & claims have been stable but expected to increase slightly in 2020.
- Purchased transportation ranges from 2.7% (ODFL) to 12.7% (YRCW).

Source: Stifel

CURRENT PRICING IMPACT

DUE TO SLOWING TONNAGE, OPERATING RATIO'S ARE FLATTENING





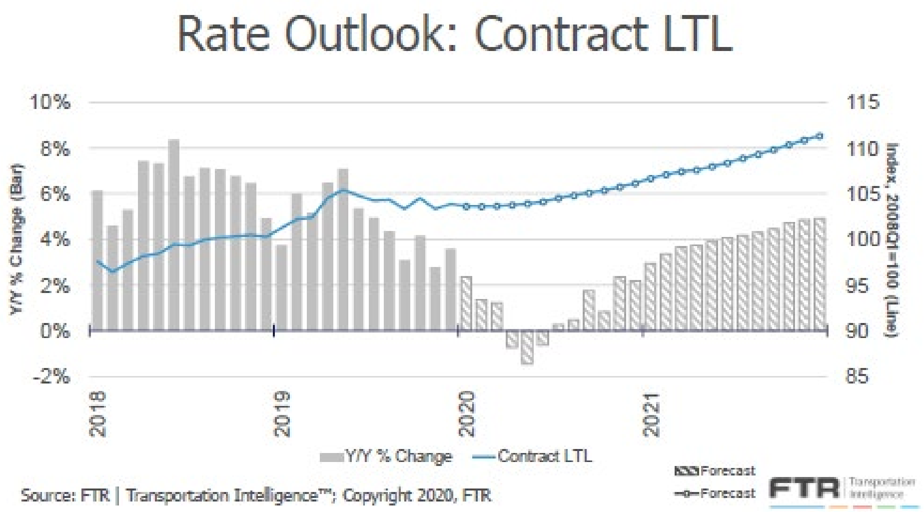
Source: Stephens

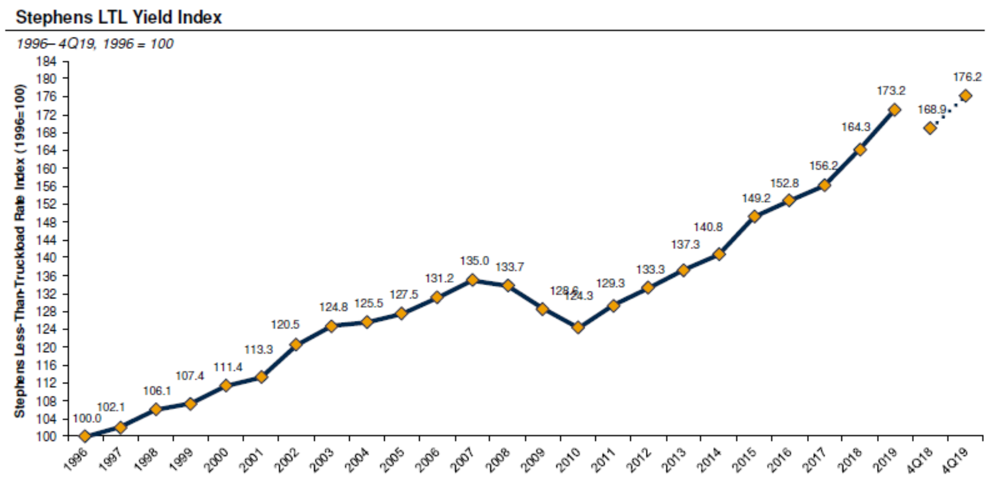
Operating Ratios (OR):

- Overall, OR's increased in 2019 vs. 2018, but XPO improved significantly from 86.2% to 82.8%.
- Primary reason is due to overall decline in tonnage followed by a decrease in average weight per shipment which historically have lower profitability.

- Pricing discipline, improved technology (dimensioners & data), and ability to more efficiently charge accessorials are primary factors driving OR improvement, over recent years, in addition to expanding additional value-add offerings that come at higher margins (guaranteed service, MABD services, custom solution services, AK/HI/PR services, etc.).

2020 RATE OUTLOOK





Source: FTR & Stephens

Contractual Renewals:

- Expect 2020 contractual renewals to be in low single digits.
  - Maintaining and growing market share is critical to carriers.
  - Carriers are still price discipline and if business is not profitable a larger increase will occur.
  - Low single digit contractual renewals are expected focused on retaining market share.
- COVID-19 will impact pricing as volume changes across carriers networks are impacted.
- Uncertainty on long-term impact of COVID-19 to LTL networks.

Driving Factors:

- Yield is revenue per hundredweight and is trending positive due to a reduction of average weight since it is a calculation of revenue per hundredweight.
- Focus on retaining current business levels while maximizing annual increase renewal.
- Focus on increasing market share on new business to off-set declining tonnage levels.
- Carriers are focused on reducing their internal cost when integrating with shippers/3PLs in order to reduce the impact of increases.

LESS-THAN-TRUCKLOAD

INDUSTRY OBSERVATIONS

WHAT WE ARE OBSERVING FROM THE MARKET

- COVID-19 Carrier Impacts:
  - Carrier's report shipment count is down 10% to 30%
  - Many carriers issued furloughs to counteract the significant reduction in volumes
  - Many carriers implemented new signature process to reduce driver exposure and interaction
  - Many carriers issued revised guarantee and return process to limit financial exposure
- Carrier's are focusing on automation to improve their operating cost
  - Rate incentives and reductions are available to shippers
  - Focus on "paperless BOL's"
- Carrier's are focusing on retaining current business levels without negatively impacting OR and aggressively targeting new business for growth.
- Watch YRCW's financials closely as they amended their credit facility on 4/8/2020 to temporarily waive its $200M LTM adjusted EBITA maintenance covenant through 12/31/2020 to allow for greater financial flexibility.
- Beaver Express, a small regional OK based LTL carrier, went out of business in March 2020.
- Central Freight Lines announced definitive purchase agreement to acquire Volunteer Express, TN based LTL carrier, in April 2020.

TRANSPLACE

MARKET UPDATE AND OUTLOOK

U.S. INTERMODAL

KEY FACTORS IMPACTING SUPPLY

Dray Capacity:

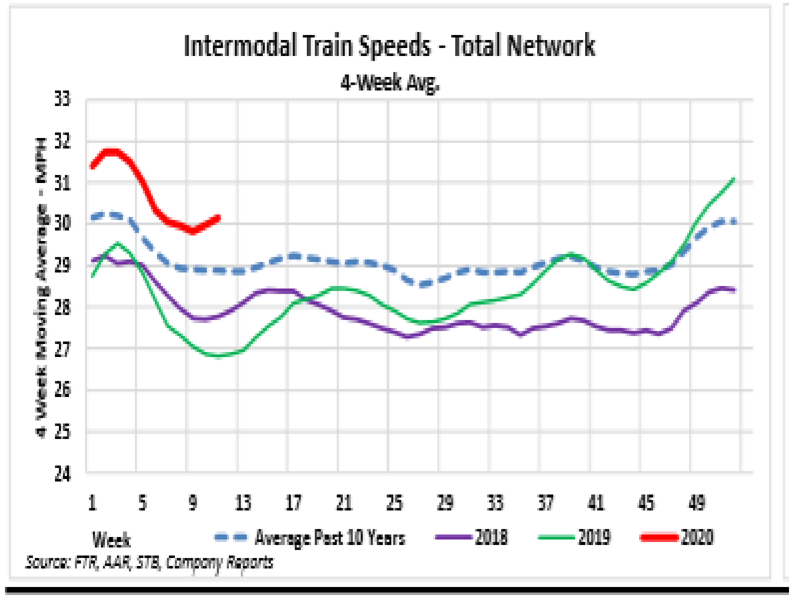
- Dray capacity continues to be plentiful across the intermodal network.
- The dray carriers are considered essential businesses and therefore they are fully operational during the coronavirus pandemic.
- The AB5 legislation for California did not go through so it has been business as usual there.

Equipment:

- 53' intermodal equipment is still plentiful across the intermodal network. As equipment builds on the West Coast due to the coronavirus pandemic, equipment providers have repositioned some empty equipment to inland locations.
- There was a shortage of 40' intermodal equipment inland in February and March due to a lack of imports. This has improved in April and equipment providers have lifted most of the embargos that were in place on westbound traffic. There was significant congestion at the southern California ports in February and March. That is no longer an issue as well.

Rail Service:

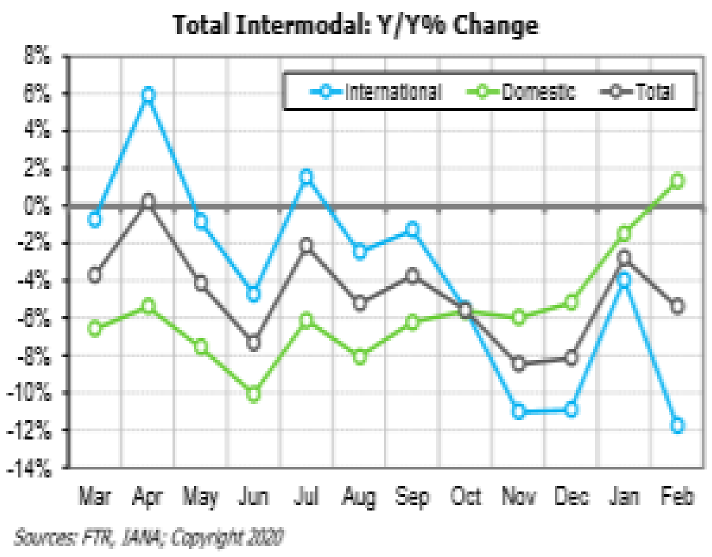
- The railroads are considered essential businesses and therefore they are fully operational during the Coronavirus pandemic.
- Rail service continues to improve. One of the service measurements is the average Intermodal train speeds. The results in the first quarter exceeded the average for the last 10 years.



TRANSPLACE

KEY FACTORS IMPACTING DEMAND

- Intermodal year to date volume was down 9% in the first quarter compared to 2019. The chart to the right has detailed results through February.
- There continues to be a shift on imports from the West Coast to the Southeast and Gulf Coast. This has negatively impacted volume off the West Coast.
- Chinese New Year and the coronavirus pandemic had significant impact on imports for all regions in the first quarter. Import volume has started to improve in April.
- The volatility of the over the road truck market due to the coronavirus pandemic generated some volume for Intermodal in March, but that has dropped off in April.
- Longer term supply issues for over the road will drive volume to intermodal. Factors that will impact this include:
    - The long-term shortage of drivers
    - Bankruptcies
    - An increase in the percentage of drivers required to be drug tested, a federal mandate on hair follicle testing, and the launching of the National Drug and Alcohol Database

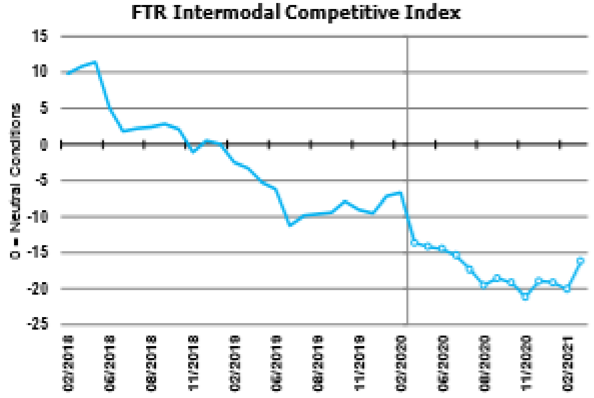


CURRENT PRICING IMPACT, OUTLOOK AND RECOMMENDATION

Railroads: In the first quarter, railroads had continued to hold rates and in some cases, they had been willing to take rate reductions. Dynamic rates on westbound lanes have increased due to the increase in westbound demand and the drop in eastbound volume.

Dray Carriers: The response varies by market and by provider, but generally speaking they are still willing to at least hold rates.

Recommendation: With the current volatility in the truck market and with the long term over the road supply concerns, this is still a great time to secure long term Intermodal capacity and rates.

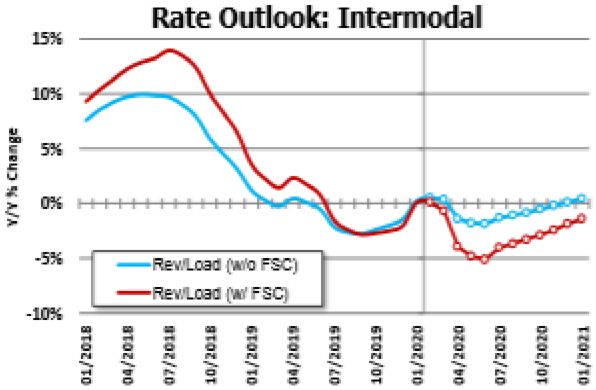


Source: FTR; Copyright 2020

Intermodal Competitive Index:

- Intermodal's competitive position relative to truck has weakened significantly and is forecast to remain there for the rest of 2020.

The Intermodal Competitive Index provides an indication of Domestic Intermodal's competitive stance versus over-the-road truck.



Source: FTR; Copyright 2020

Intermodal Rate Outlook:

- The significantly weaker competitive dynamic for inter-modal relative to truck will weigh on carriers' ability to raise rates.
- It is possible that carriers let some volumes move via the highway if they cannot achieve their desired rate.

TRANSPLACE

MARKET UPDATE AND OUTLOOK

BULK TANK TRUCK

KEY FACTORS IMPACTING SUPPLY

Carriers continue to invest in retaining programs coupled with pay increases

Adding new drivers overall still very much a challenge

Carriers are focused on balancing lanes, resulting in opportunities for lower linehaul rates

Core asset based carriers need a steady flow of orders to balance their lanes

CURRENT IMPACT

Overall market condition

- The first quarter of 2020 coupled with the last two quarters experienced little change within the bulk tank truck mode except for the increased demand by customers producing products needed for high demand coronavirus end products.
- Rate increases are not being tabled at this time. Core asset-based carriers are not taking reductions in the primary lanes.
- New business lanes experiencing stable rate structures.

Significant YOY improvement in the following areas:

- Lead time capacity coverage has been reduced due to coronavirus.
- Primary and secondary tender acceptance rates have increased significantly during April with a significant drop in the usage of bulk brokers.
- Broker usage has continued to decline with spot rates dramatically declining.
- Favorable backhaul opportunities in the core lanes of Houston/Chicago/North Jersey/Atlanta.

CURRENT IMPACT

- *Note: Shippers manufacturing commodities for end-users related to virus are experiencing different results.*

Southeast

- Significant turn around over last year where capacity has vastly improved.
- Coverage can be secured with 2 to 3 days notice.
- Opportunities for rate reductions depending on “in-network” destinations.
- Recommend a strategic RFP direction for this market segment.

Southwest

- Increased production investments of $130 billion have materialized into new demand.
- Capacity significantly increased resulting in aggressive pricing for new business.
- Recommend open RFP for this market segment.

Northeast

- Inconsistent capacity as demand has fluctuated day-to-day and week-to-week.
- Regional short haul more capacity constrained versus long haul based on increased long haul focus.
- Recommend Strategic RFP.

Midwest

- Capacity eased YOY, however carriers are still looking for inbound into this market.
- Short haul has limited additional capacity due to limited capacity additions and long haul preferences.
- Capacity on long haul to core chemical markets has increased due to better asset utilization.
- Recommend Strategic RFP.

MARKET UPDATE AND OUTLOOK

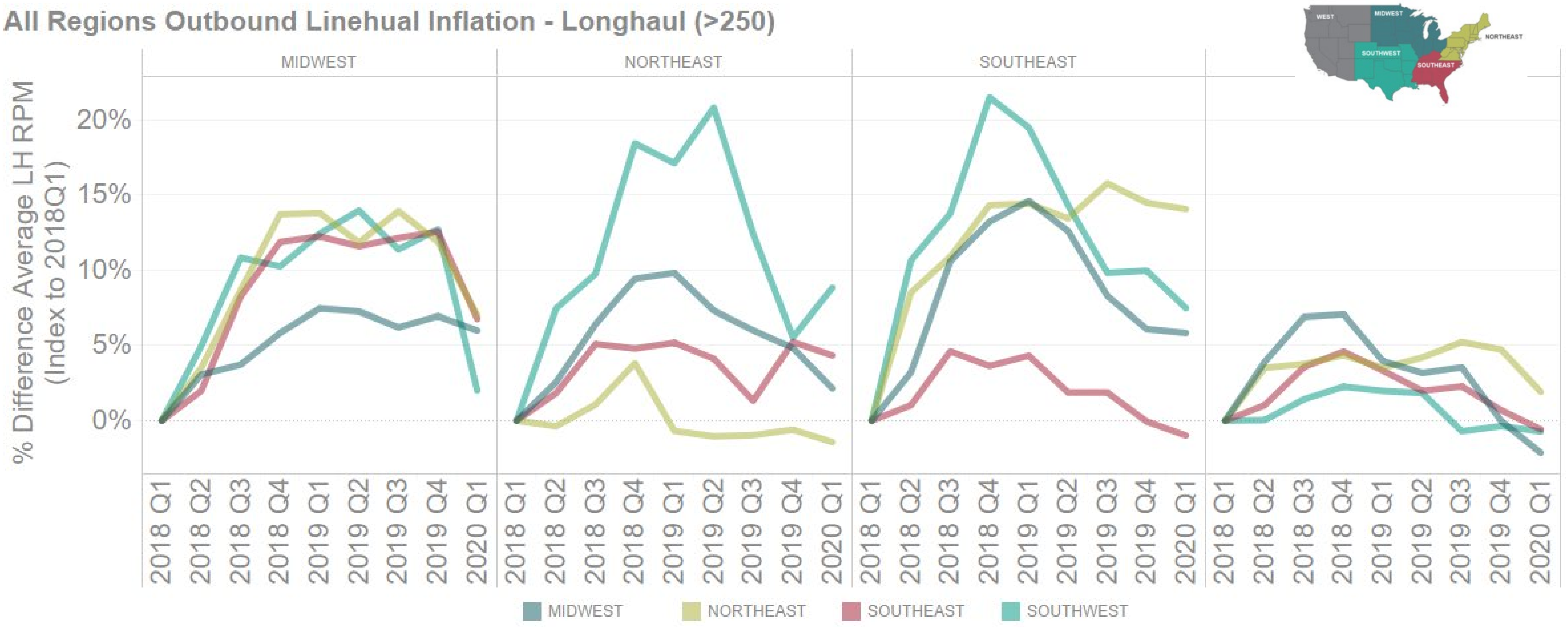
- We are expecting to see ramped up volumes from mid-May moving forward.
- Bulk tank truck conditions should experience an uptick as a result of the virus impact.
- Fuel is decreasing, helping to reduce/offset linehaul costs.
- The current expectation is that the bulk market will offer **flat to moderate increases (2 to 4%)** in the back half of 2020 as pricing is expected to regain normal inflationary levels.
- As the virus market conditions improve, we should experience a return to strong primary and secondary tender acceptance.
- Broker assuage for capacity should continue to see stable/reduced linehaul rates.
- Quality driver shortage still remains a major headwind market condition for this mode.

REGIONAL RATE TRENDS

- Quarterly region to region averages for linehaul only
- > 250 miles
- Relative deltas to 2018Q1
- Basic approach, but:
  - Consistency in average LoH over time
  - Consistency in average CPL over time
  - Patterns are relatively consistent
  - Sufficient for general market direction
- Excluded Western region because not passing consistency checks

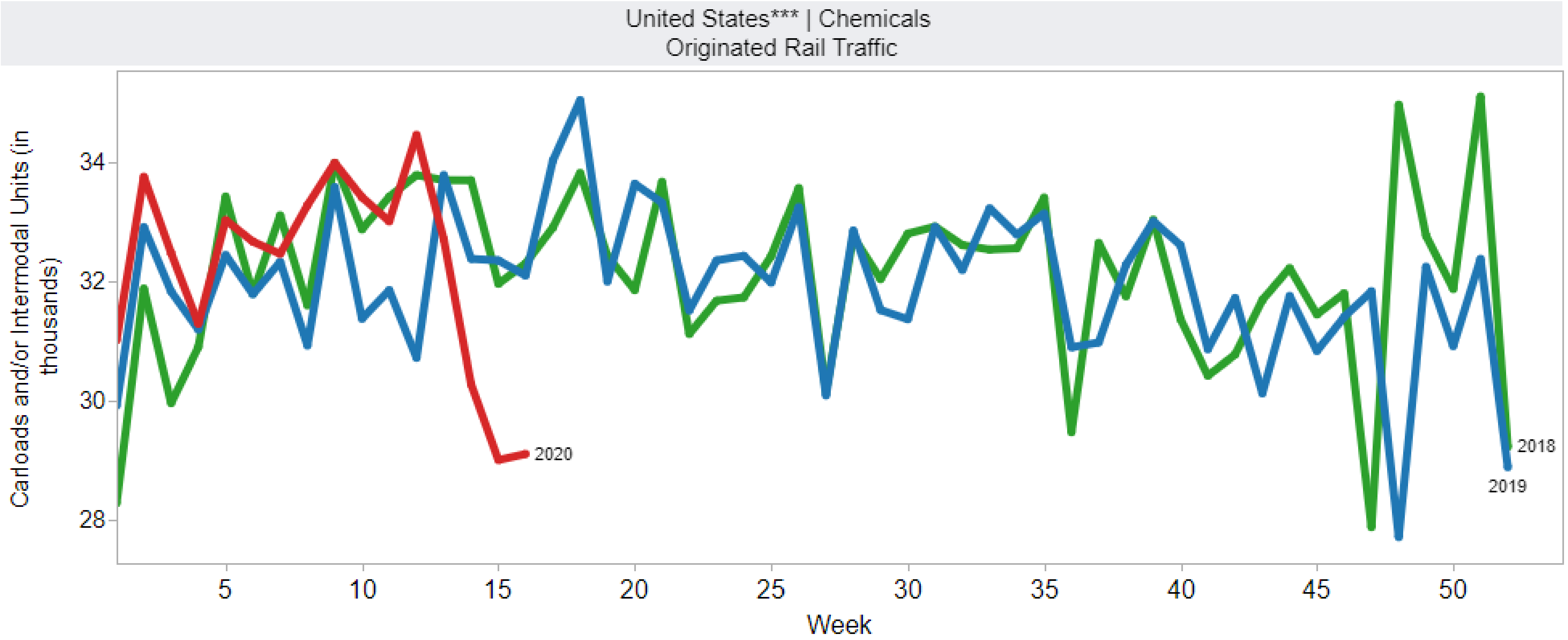
BULK

TRANSPLACE REGIONAL RATE TRENDS



BULK

AAR CHEMICAL RAIL VOLUMES



* Canadian traffic includes the U.S. operations of Canadian railroads.
** Mexican traffic includes the U.S. operations of Mexican railroads. Comparable railroad figures are not available for Weeks 1–26, 2017.

ASSOCIATION OF AMERICAN RAILROADS

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MARKET UPDATE AND OUTLOOK

MEXICO

KEY FACTORS IMPACTING SUPPLY

- U.S. Customs and Border Protection (CBP) announced a new website for COVID-19 updates. The website has information for the trade community issued by CBP as well as links to information for Partner Government Agencies.
- The automotive industry continues with many manufacturers closed. We expect plant openings between May 4 and May 17. As soon as the manufacturers start ramping up, capacity for exports could be absorbed creating capacity issues for other industries.
- Mexico's GDP Banxico (Banco de Mexico) forecast came out at -3.5% for the balance of 2020, but other analysts expect worse results.
- Total sales of commercial trucks in Mexico plunged 46.8% in March, according to Mexico's National Association of Manufacturers of Buses, Trucks, and Tractor-trucks (ANPACT).
- Class 8 truck sales fell 42.7% to 532 units sold in March, compared to 928 the same time last year (ANPACT).

KEY FACTORS IMPACTING DEMAND

- Economic and pandemic crisis impacts are creating unemployment, and are also starting to affect transportation and theft, which could start increasing during this period.
- The Mexican government announced lockdown measures will be extended until May 30; however, in locations where there are no COVID-19 cases, people are expected to gradually return to activities on May 18, while implementing social distancing measures.
- The Mexican government announced on April 21 that Mexico has officially entered Phase 3 of the pandemic, which is the most serious stage in the spread of the coronavirus.
- The exchange rate in Mexico continues to fluctuate but is still much higher than the last few years at a historic of 19 pesos per dollar. We expect the F/X fluctuation to maintain in the 23-25 pesos per dollar for the foreseeable future.
- This indicator affects transport companies in Mexico that have income in pesos as all their parts and some of their payments could be based on U.S. dollars. Importers will also be affected with higher costs creating less equipment and capacity for export materials in Mexico.

CURRENT IMPACT

- Nuevo Laredo and Laredo authorities are restricting travel between ports and building capacity, prohibiting individuals from traveling between the hours of 10:00pm to 6:00am daily and limiting the number of individuals per location to 10 people.
- Both U.S. and Mexico Customs authorities confirm border operations between U.S. and Mexico continue on normal schedules. Port information including hours can be found HERE.
- Mexico Customs confirms all airports, land ports, and seaports continue operating on normal schedules.
- Most border cities have enforced the use of face protection for all types of locations and outdoor activities.
- The exchange rate continues to fluctuate at a historic high of $24 pesos per U.S. dollar affecting the import of some goods into Mexico.

OUTLOOK AND RECOMMENDATIONS

- The Mexican economy is slowing down, therefore demand of freight is slowing down. This is a good time of the year to negotiate 2020 rates in Mexico for domestic and cross-border freight. Be mindful that any significant changes in supply, capacity, or demand in services could lead to unanticipated outcomes as government policy and industry sectors can and will change without much notice.
- Carriers will be appreciative of reasonable volume and rate commitments for next year and potentially over a two-year period which could be beneficial for both the shipper and carrier; however, two-year commitments can be strained in a recovery.
- Intermodal capacity for cross-border freight is available at most of the export ramps. Also, it is a good time of the year to negotiate volume and rate commitments for 2020.
- Shippers should increase security awareness as theft in the central part of Mexico surrounding the Veracruz-Mexico City-Queretaro corridors is increasing.
- It is now the time of the year to review C-TPAT programs and reinforce security processes for exporters to the U.S.

MARKET UPDATE AND OUTLOOK

CANADA

KEY FACTORS IMPACTING SUPPLY

- Carrier capacity at this time remains strong, although at times ‘bumpy’, as the incidence of declined tenders (some at the last minute) has increased. There certainly has been increased communication as carriers are continuing to reach out looking for loads.
- There are a number of COVID-19 related trends that are impacting carrier capacity:
  - An emerging trend over the past week is that drivers are becoming reluctant to move loads that require travel more than 24 hours away from their homes.
  - The most concerning issue is that with the growing incidence of cases within the U.S., an increasing number of Canadian based drivers are no longer willing to cross the border to move loads destined to the U.S. This is especially the case the longer the length of haul, as drivers are concerned with securing a return load north and of falling ill so far from home.
  - Canadian manufacturing facilities are beginning to close or scale back production. The ripple effect is that fewer loads are moving south, thus reducing the capacity to move northbound loads out of the U.S.
  - There is also a degree of misinformation causing confusion within the carrier community. Many shippers have now provided letters to drivers moving their goods, outlining the essential nature of the products being moved.
- The very early result of the above trends is that carrier rate levels, especially on moves greater than roughly 500 miles are beginning to escalate.

KEY FACTORS IMPACTING DEMAND

- After the sluggish economic activity of Q4 2019, but prior to the COVID-19 situation, the Canadian economy was expected to show improvements in 2020. Understanding the major uncertainties around global trade tensions and difficulties in the oil sector, Canada's economic outlook for 2020 was improving as a result of stronger residential construction, as well real estate investment and household consumption were continuing to gain ground.
- Fast forward to mid-March and many provincial governments have declared a 'state of emergency' with the intent of shutting all non-essential services and 'physical distancing' has become the new norm.
- In order to reduce uncertainty within this environment, the Canadian government has recently introduced a series of unparalleled economic measures to provide both Canadians and Canadian businesses with financial programs in an attempt to stabilize the economic impact which this COVID-19 situation will have on the Canadian public. Regardless, many companies are dealing with many unknowns.
- With world oil prices falling as a result of the combined factors of the COVID-19 outbreak (less demand for fuel) and the Saudi decision to break from the other OPEC+ members and produce more oil, the Canadian dollar has weakened considerably in mid-March and currently sits at 70.6 cents to the U.S. dollar (March 30). As a comparative, on January 1, 2020, the Canadian dollar was at 77.0 cents.

CURRENT IMPACT

- Most Canadian carriers are continuing to operate essentially at full capacity and calls are continuing to be received from carriers offering their services. Some ‘hot buttons’ within our current environment include:
  - The current and growing concern is that with the increasing incidence of COVID-19 infections, particularly in certain states within the U.S. Canadian drivers are becoming increasing reluctant to move loads into the U.S. There is a heightened degree of anxiety within the driver community.
  - Beginning to see an increase in tendered loads being given back, primarily due to drivers not available.
  - Off-load times and out-right delays at many facilities are now beginning to tie-up drivers and equipment.
  - Load planning on multi-stop trips are now having to take into consideration these delays.
  - With the closure of many non-essential businesses, LTL carriers are taking additional steps to ensure that freight can be delivered, including returning shipments back to shippers at full cost. Many LTL carriers are also scaling back their service to more rural areas as the volume of freight has fallen.
- Through the present COVID-19 situation, there has been an unprecedented level of communication between Transplace and customers, working collaboratively to ‘troubleshoot’ issues and develop ‘workarounds’ to ensure uninterrupted service and the most cost effective solutions.
- Through Q1 2020, prior to the present situation, there had been minimal rate action (negotiated GRI’s) from the major carriers handling our customer’s freight activity.

CURRENT IMPACT

- Results of benchmarking Q1 Canadian dry van spot rates on key geographic markets from Toronto and Montreal:

	Q4 '19 to Q1 '20	Q1 '19 to Q1 '20
Between Toronto & Montreal :		
TOR TO MTL	flat	down 5.2%
MTL to TOR	stable - down 0.7%	down 4.1%
To Western Canada :		
Ex TOR	up 2.5%	down 1.0%
Ex MTL	down 0.5%	up 4.2%
To Atlantic Canada :		
Ex TOR	up 4.2%	up 3.7%
Ex MTL	down 4.1%	down 6.6%
Southbound Cross-border - Short	down 1.4%	down 5.9%
Southbound Cross-border - Long	up 0.5%	down 2.8%

Source : TransCore LinkLogistics

OUTLOOK AND RECOMMENDATIONS

- Volumes in the food and CPG industries domestically will continue to remain higher than normal.
- Many receiving facilities are experiencing a high volume of inbound freight. This coupled with reduced labor in many facilities is leading to a host of ‘trickle-down’ issues:
  - Increased off-load times and the tying-up of drivers and equipment
  - Many shippers are moving orders direct and bypassing intermediate warehouses
  - Last minute cancellation of orders, some even in route, thus requiring other options
  - Off-load times have impacted the transit timing of multi-stop loads
  - Given the nature of multi-stop truckload trips, there has also been an increased emphasis on developing trips that are more ‘carrier friendly’ – fewer stops and an increased recognition of how long to complete the entire trip
- The next couple of weeks will be interesting. Will the freight flow remain as it has been for the past week (post the initial surge), or will parts (segments / regions) of the industry begin to downsize or outright shut down? We are beginning to see more evidence that supports the latter.
- Work with key providers to understand their risks and forge cost reduction strategies that are sustainable where the greatest financial risk and exposure exist. Bridging through the crisis will be key in Canadian markets where specialized capabilities are needed.

MARKET UPDATE AND OUTLOOK ANECDOTES

- COVID-19 will likely lead to a number of residual forces that will have an influence on North American supply chains:
  - Many of the network ‘workarounds’ that have been driven in response to COVID-19, such as increasing the amount of direct deliveries and by-passing warehouses, as well as reconsidering one’s MOQ policies, to drive less labor requirements, will continue. These network cost considerations will lead many companies to re-evaluate best practices.
  - Bricks and mortar retail, a sector already in a precipitous decline, is seeing online shopping being used by millions who had never previously shopped online. Many of these shoppers will not return to physical stores. The growth in last mile ‘small package’ deliveries will soar. This demand will open up new opportunities and will force existing LTL fleets to more closely consider how they handle residential deliveries.
  - The trickle-down effect is enormous. Supply chains may have to quickly adapt to reconfigured networks. What is the optimal trade-off: regional DC’s versus a greater number of ‘district’ hubs? Companies transportation management systems will adapt and integrate to ‘last mile’ environments.

MARKET UPDATE AND OUTLOOK

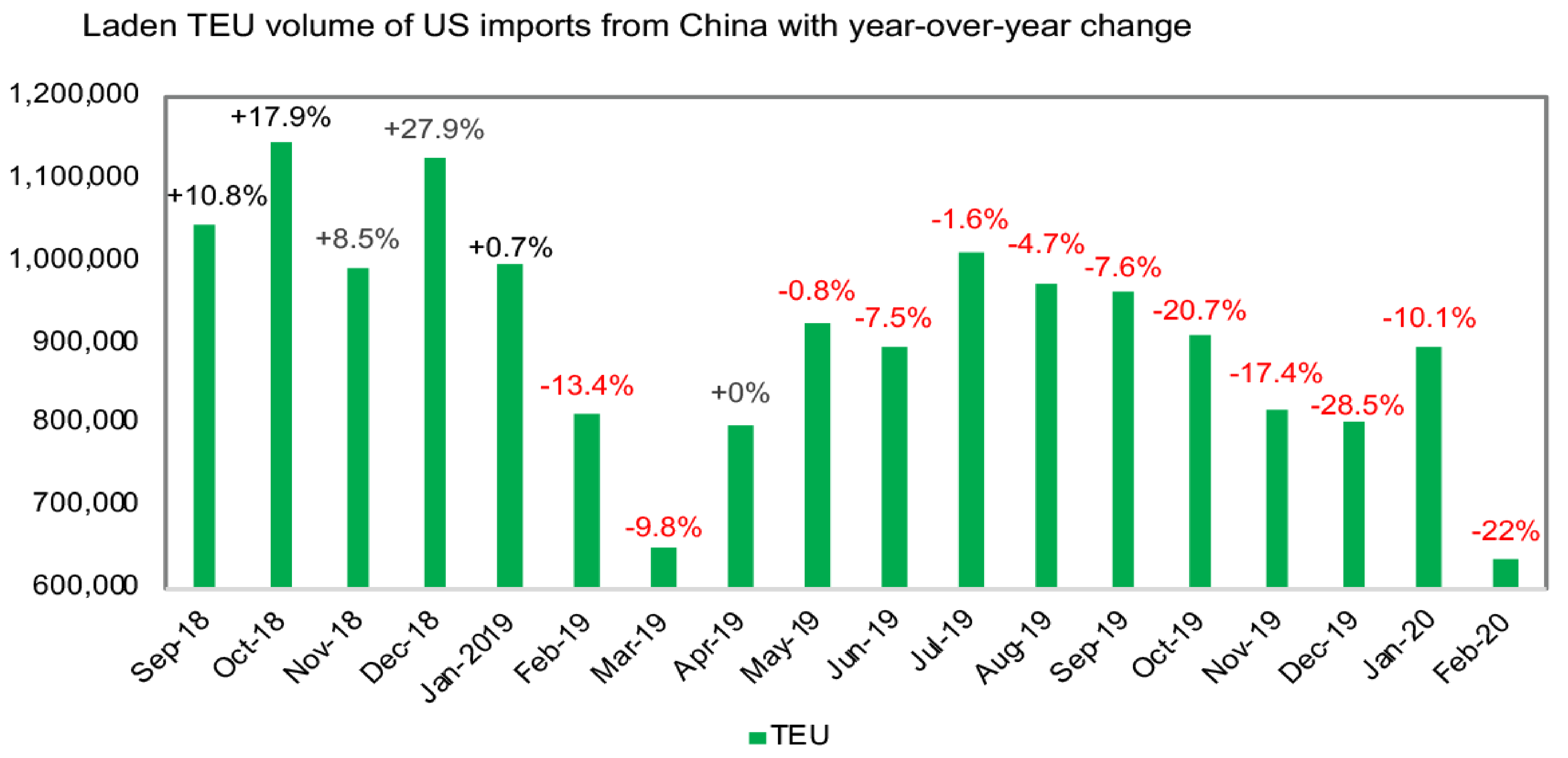
INTERNATIONAL

COVID-19 GLOBAL SUPPLY CHAIN IMPACTS

- U.S. ports and warehouse and freight transportation providers will remain open as essential services.
- 60% of air cargo capacity has been removed from the market.
  - Air freight spot market heavily impacted by cancellation of commercial passenger flights. TAC Index data shows air rates from Shanghai to North America are up 70%.
  - Shippers will continue to face tighter air freight capacity and higher rates as medical supplies and perishables get priority.
  - U.S. passenger airlines are using passenger planes to move cargo for the first time in decades.
- Most Chinese manufacturers are back online but some factories have reduced production due to a shortage of raw materials and skilled labor.
- Sea-Intelligence Maritime Consulting has forecast a 10% decline in container shipping demand, equivalent to 17m TEU.
- Container shipping industry better positioned for slower growth due to the pandemic than passenger airlines states Rahul Kapoor, head of research and analytics for IHS Markit. Carriers will exercise discipline collectively in regards to slashing capacity when demand plummets. New container ship orders is at the lowest point in a decade demonstrating discipline.
- The global pandemic will force corporations to approach sourcing in a new manner including contingency inventory, safety stock approaches, network redundancy, multi-supplier agreements, and the end of just-in-time that will profoundly impact future supply chain management.
- Use of Force Majeure is being cautioned by insurance companies as to invoke the clause is much harder than common belief.

COVID-19 GLOBAL SUPPLY CHAIN IMPACTS

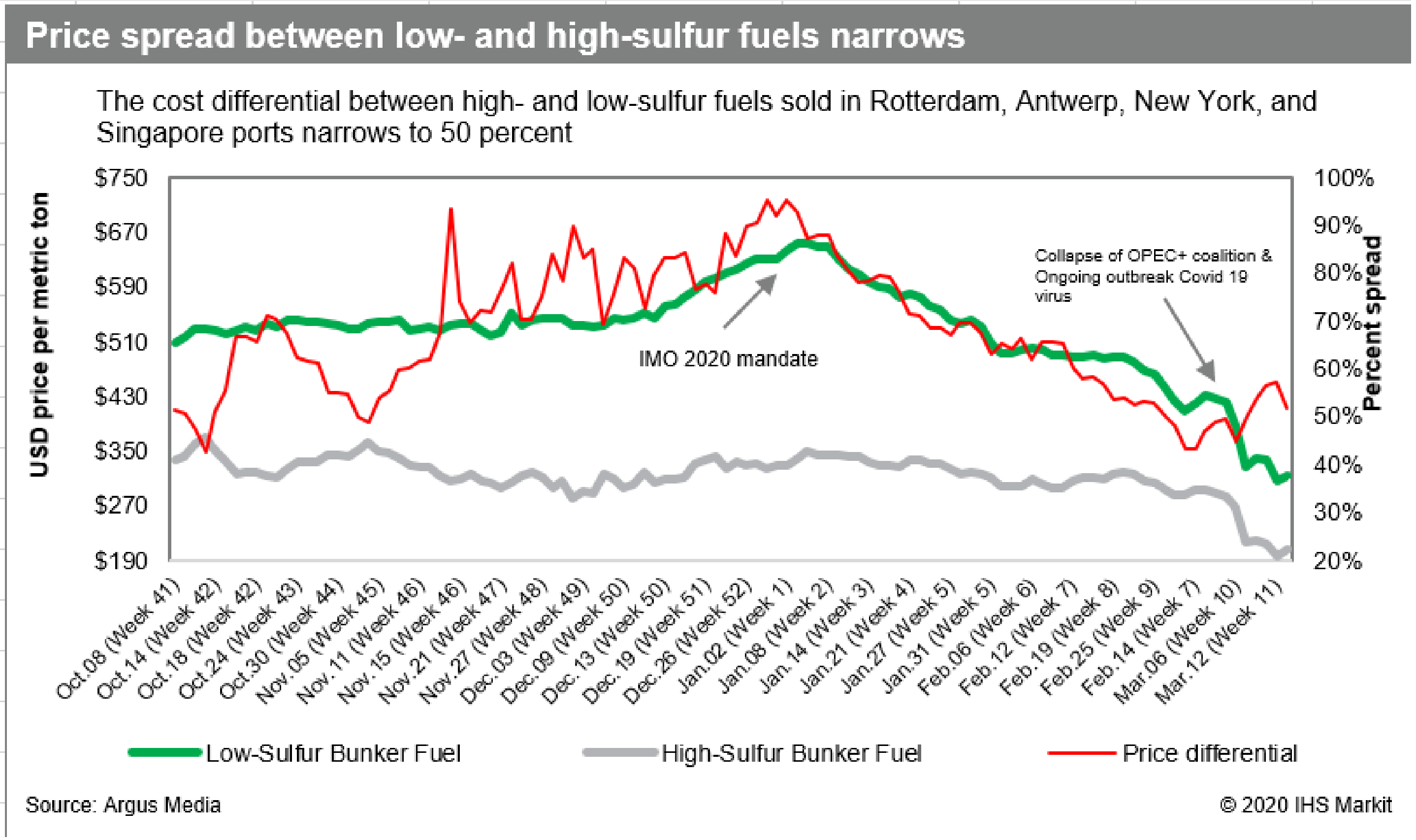
US imports from China fall to a near four-year low



Source: IHS Markit

IMO 2020 CURRENT MARKET CONDITIONS

- Declining bunker fuel prices are nullifying benefits of installing scrubbers on container ships.
- Very low-sulfur fuel oil (VLSFO) has decrease 60% since early January.
- Spread per metric ton between VLSFO and high-sulfur fuel oil (HSFO) is just $65, down from $300 January 6.
- Due to lag in bunker fuel surcharge assessment on current shipments, shippers are paying fuel surcharges based on VLSFO in January while carriers are purchasing fuel at much lower prices in current market which gives carriers positive cash flow in short term.
- MSC is the first major ocean carrier caught carrying non-compliant high-sulfur fuel. MSC Joanna, 9,784 TEU post-panama vessel, has been prohibited from operating in UAE waters for 1 year. MSC is investigating internally.



TRANSPLACE

OCEAN CONTAINER TRADES

Transpacific Eastbound to U.S.

- TPEB container spot rates impacted by COVID-19 since Chinese New Year have been relatively flat but volumes appear to be recovering although not surging to where ship space is tight.
- Week 11 spot market showed double digit growth but slight dip in market for Week 12 (↓ 4.4% to USEC & ↓ 3.8% to USWC).

Transatlantic Trade

- Cargo volumes increased on trans-Atlantic routes in 2019, ports of NY/NJ dominant U.S. import gateway. Total containerized trade U.S. – EU increased 4.1% to 5.67m TEU. 2018 growth was 4.5%.
- U.S. imports account for 65% and exports 35%.
- Houston has seen strong export growth U.S. to EU, 11% increase in 2019 YoY, total 342,471 export volume.
- Top two ports in EU are Antwerp and Rotterdam for this trade.

U.S.- South America Container Trade

- Containerized trade growth between U.S. and South America decelerated last year. Volumes grew 2.5% in 2019 compared to 5.9% in 2018.

Carrier Updates

- Hapag Lloyd outperformed other ocean carriers recording a net profit of $418M in 2018. The carrier has warned of the impact of coronavirus on 2020 earnings.
- CMA CGM reported a $229M net loss in 2019.

JOC Top 10 Container Carriers in US Imports from Europe

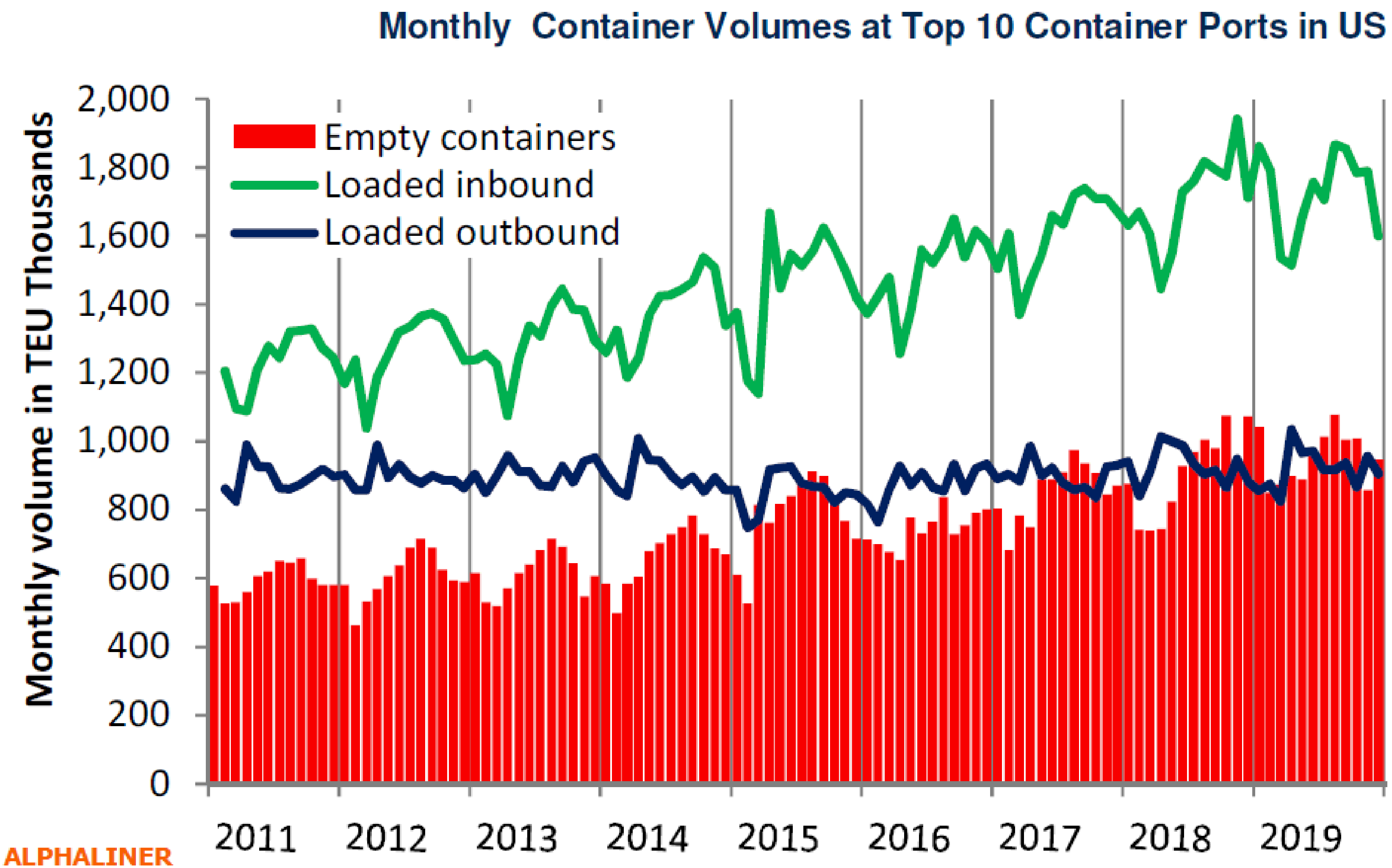
US imports from Europe, January-Dec. 2019 vs. January-Dec. 2015, 2016, 2017, and 2018 in laden TEU

			January - December Imports	Market Share			
	Carrier	Market Share	2019	2015	2016	2017	2018
1	MSC	29%	1,065,763	28.3%	25.8%	26.8%	27.4%
2	Hapag-Lloyd	20%	760,787	20.2%	20.9%	19.9%	19.7%
3	A.P. Møller - Maersk*	14%	510,058	13.3%	14.5%	13.2%	14.3%
4	CMA CGM/APL	10%	369,827	10.6%	10.8%	11.1%	10.7%
5	Cosco Shipping/OOCL	6%	240,920	5.7%	5.9%	6.4%	6.4%
6	Ocean Network Express	6%	236,359	5.1%	5.4%	6.6%	6.4%
7	Independent Container Line	3%	102,788	3.0%	2.8%	2.8%	2.8%
8	ACL/Grimaldi Group	3%	102,031	2.4%	2.9%	3.1%	2.8%
9	Zim Integrated Shipping Services	2%	88,592	2.6%	2.5%	2.4%	2.4%
10	Evergreen Line	2%	88,092	2.2%	2.3%	2.4%	2.4%
	TOTAL JOC TOP 10 CARRIERS IMPORTS		3,565,218	93.5%	93.8%	94.8%	95.3%
	TOTAL CARRIERS IMPORTS		3,714,722				

*A.P. Møller - Maersk includes Maersk Line, Sealand, Safmarine, and Hamburg Sud.
Source: IHS Markit

U.S. CONTAINER VOLUMES

Chart of the week



ALPHALINER

RANSPLACE

U.S. – CHINA TARIFF UPDATE

- U.S. imports from Asia saw a year-over-year decline in 2019 for the first time in a decade due to the trade war: 10% decline in Chinese imports. 2018 decline in U.S. imports from Asia was 2.2%.
- The last interruption in steady growth on the Transpacific Eastbound container volumes occurred during the 2008-09 global economic recession where imports from Asia in 2009 declined 14.2%, specifically China imports decreased 12.4%.
- USTR (Trade Representative's) office is soliciting comments on lifting additional tariffs on imports to battle the coronavirus pandemic.
  - Exclusions have been granted recently for medical products from China including masks, examination gloves, and antiseptic wipes.
  - Trump administration resistant to broader removals of imposed tariffs.

OTHER NEWS OF INTEREST

- **FMC Demurrage And Detention Rulemaking:** Shippers, transportation intermediaries (OTIs) and truckers want the Federal Maritime Commission (FMC) to finalize and publish its new interpretive rule addressing fair demurrage and detention charges at U.S. ports. https://www.fmc.gov/proposed-interpretive-rule-on-demurrage-and-detention-issued/
- **U.S. East Coast Port Momentum:** Data shows that in the ongoing rivalry for Asia inbound cargo between the U.S. West Coast, and East Cost ports, the U.S. East Coast continues to gain momentum. Container freight indexes demonstrate that long-term rates continue to decline for West Coast ports and are increasing for East Coast ports although anomalies such as the trade war and COVID-19 influence these patterns.
- **ICTSI Portland – ILWU Damages Negotiations:** In November 2019, a jury awarded ICTSI Portland $93.6M in damages the ILWU would pay due to tarnishing the reputation of the port of Portland through work slowdowns and decreased productivity. A U.S. district court in March 2020 reduced the amount to $19M. ICTSI declined the reduced offer on March 20, so a new trial will be held to negotiate the amount of the award. The guilt of the ILWU will not be reconsidered.
- **PIL (Pacific International Lines) Pulls out of Transpacific Trade:** In mid-February, PIL announced it was departing the Asia – North America service. PIL had been deeply impacted by the downturn in global container trades and collapse in traffic due to ongoing Chinese trade war and coronavirus pandemic. PIL is currently in talks with creditors on debt repayment plans. The carrier sold six 11,923 TEU capacity vessel and it's South Pacific subsidiary, Pacific Direct Line.
- **CMA CGM Joining Gray Chassis Pool in Memphis:** CMA and APL joining the pool makes this less likely there will be chassis shortages should volume spike post COVID-19 recovery. Gray pool, open choice enthusiasts believe it increases shipper efficiency, provides more affordable and timely chassis access, and improves on time container arrival at terminals and vessel loading, keeping bookings on vessels intact. Need for chassis splits should be reduced as well.

TRUCKLOAD

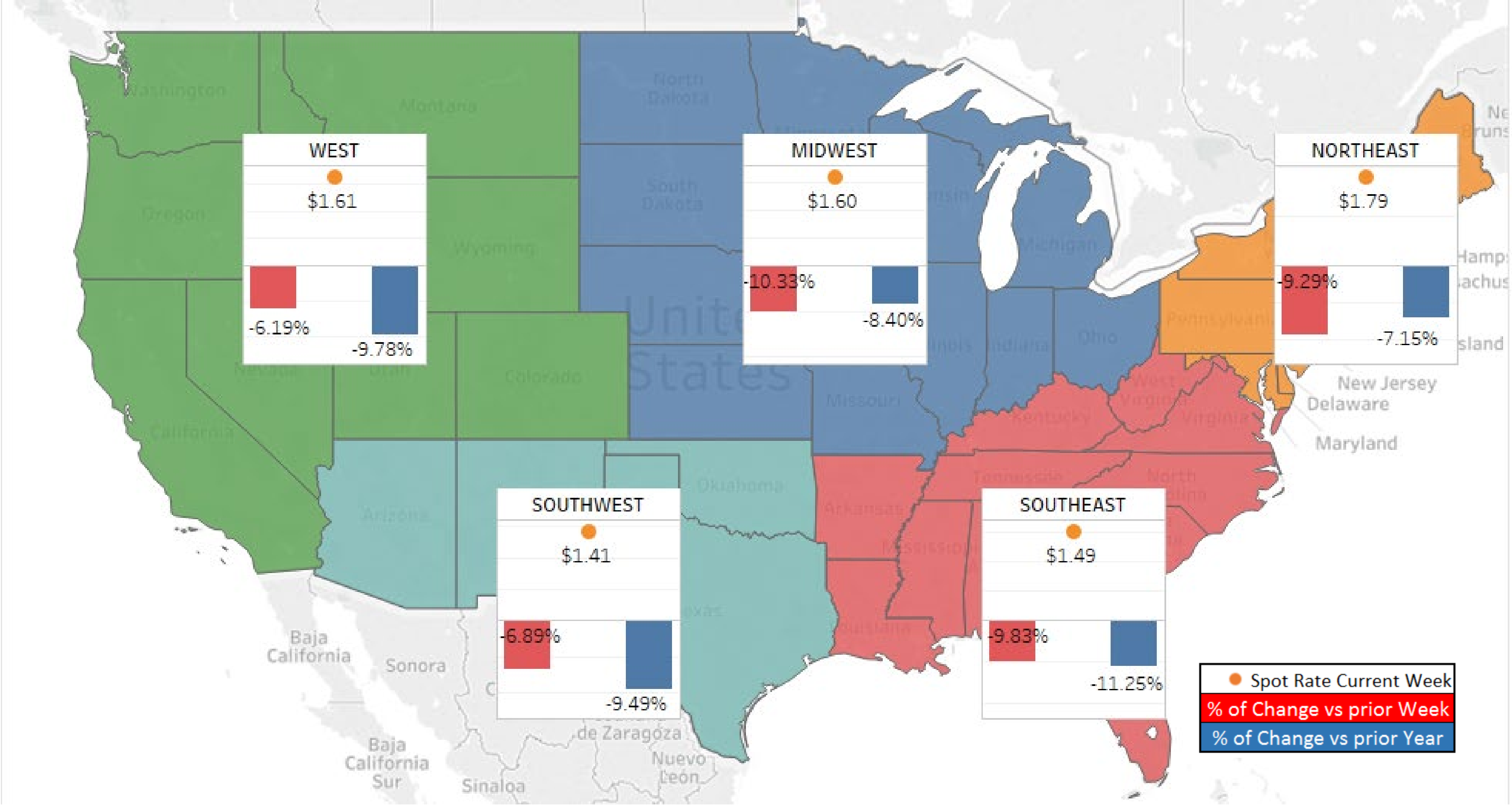
APPENDIX

WEEKLY SPOT RATE INDEX

TRANSPLACE 2020

AVERAGE SPOT RATE INDEX BY ORIGIN REGIONS – WEEK 16

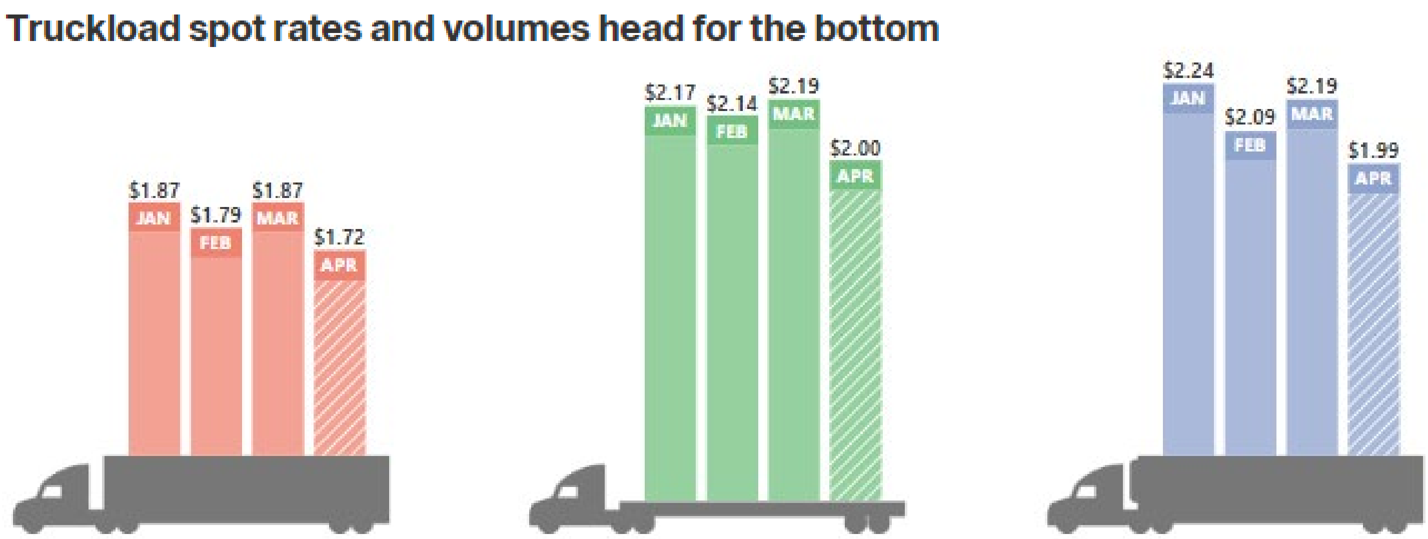
VAN



TRANSPLACE

DAT TRENDLINES

NATIONAL SPOT RATES: VAN, FLATBED, REEFER



National Spot Rates: Van, Flatbed, Reefer

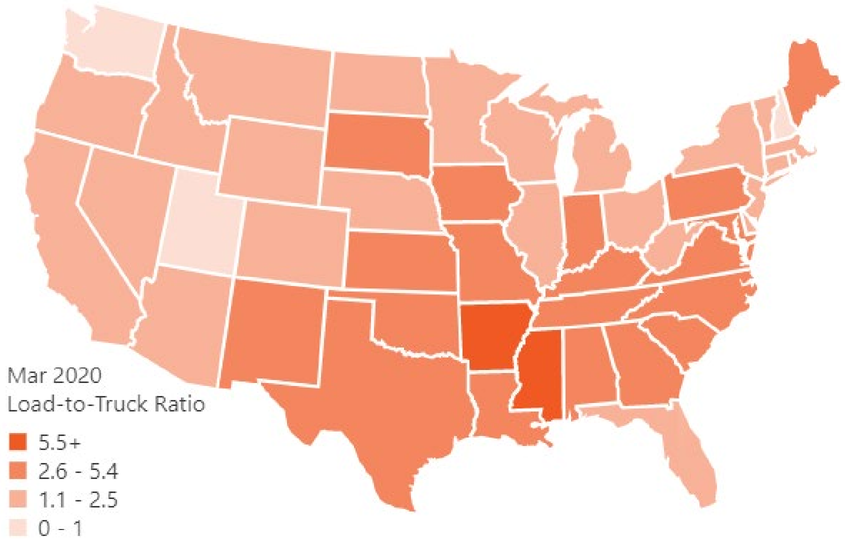
- Downward trend has not flattened out yet
- There's not much good news for truckers this week. Spot rates continue to fall for vans, reefers, and flatbeds, and declining load-to-truck ratios signal that a rebound is not happening just yet. The weak freight market reflects the economic malaise due to coronavirus-related shutdowns and historically low oil prices.

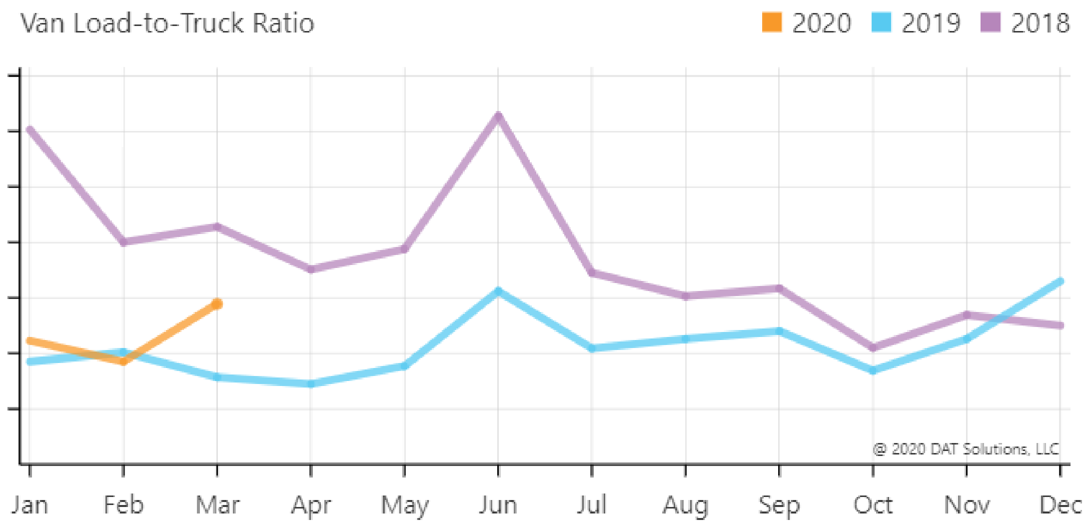
Source: DAT Trendlines Apr 13th, 2020 to Apr 19th, 2020 –https://www.dat.com/industry-trends/trendlines

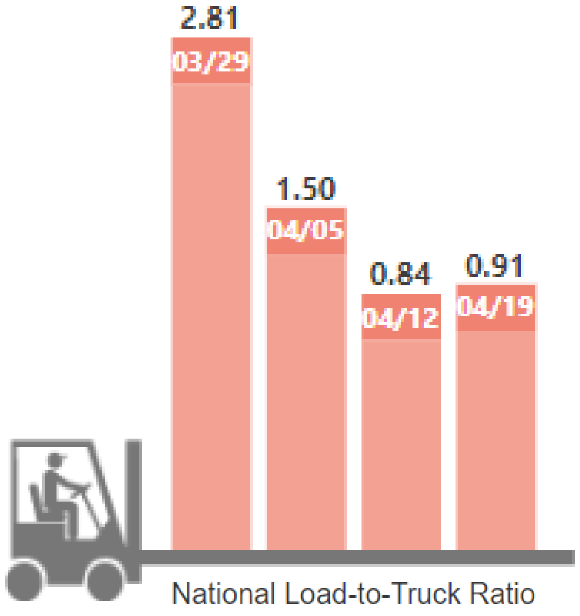
WEEKLY SPOT RATE INDEX

DAT TRENDLINES

NATIONAL VAN DEMAND AND CAPACITY







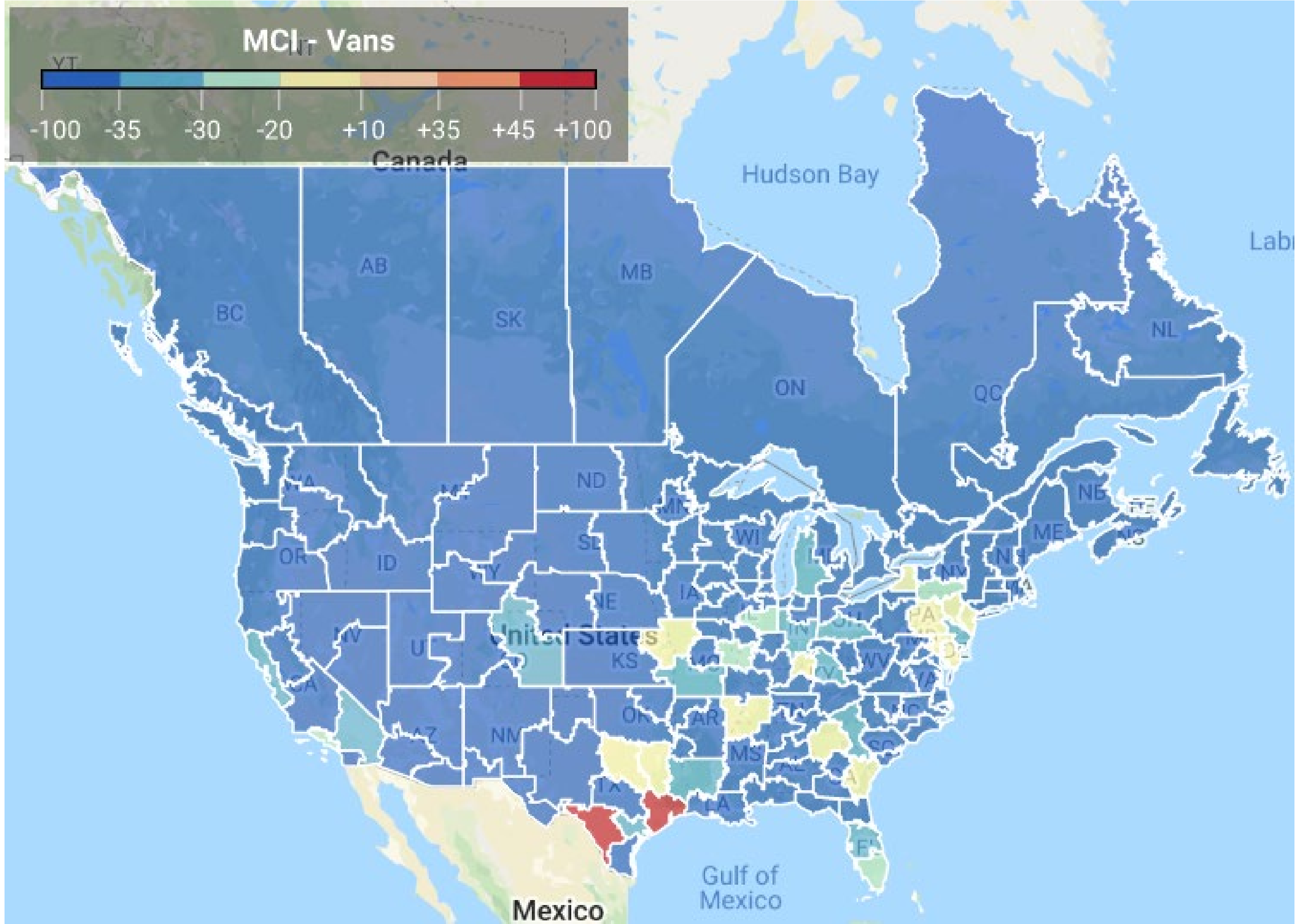
Source: DAT Trendlines: Apr 13th, 2020 to Apr 19th, 2020 https://www.dat.com/resources/trendlines/van/demand-and-capacity

TRANSPLACE

WEEKLY SPOT RATE INDEX

VAN HEAT MAP

LAST 7 BUSINESS DAYS



Dry van load-to-truck ratio heat maps, the darker the color, the tighter the capacity.

Source: DAT L/T – Previous 7 days– Apr 13th, 2019 to Apr 19th, 2020
https://marketmaps.dat.com/default

WEEKLY SPOT RATE INDEX

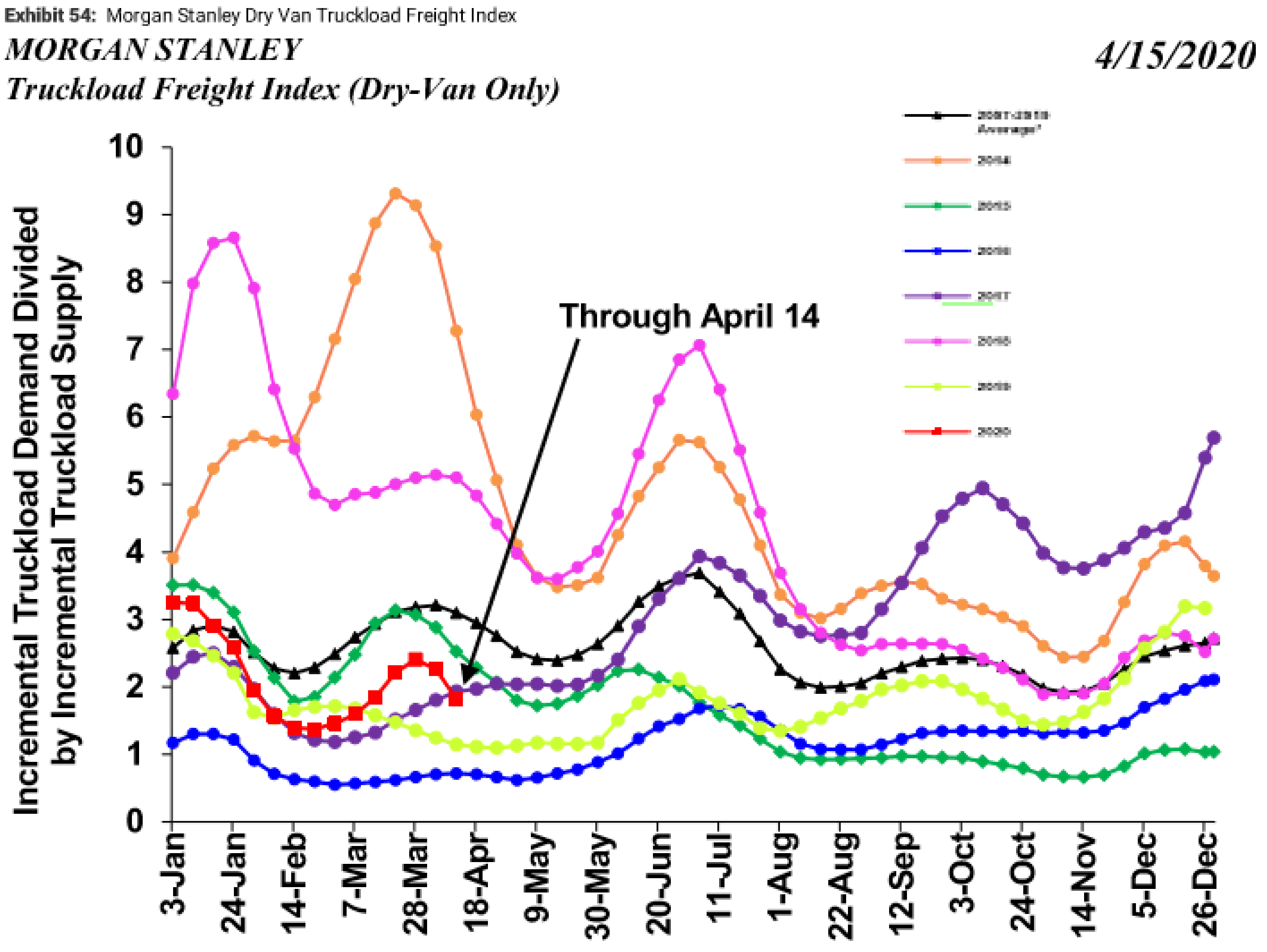
TRANSPLACE 2020

WEEKLY VAN SPOT VS CONTRACT AVERAGE RATES

TRANSPLACE

MORGAN STANLEY TL FREIGHT INDEX

DRY VAN

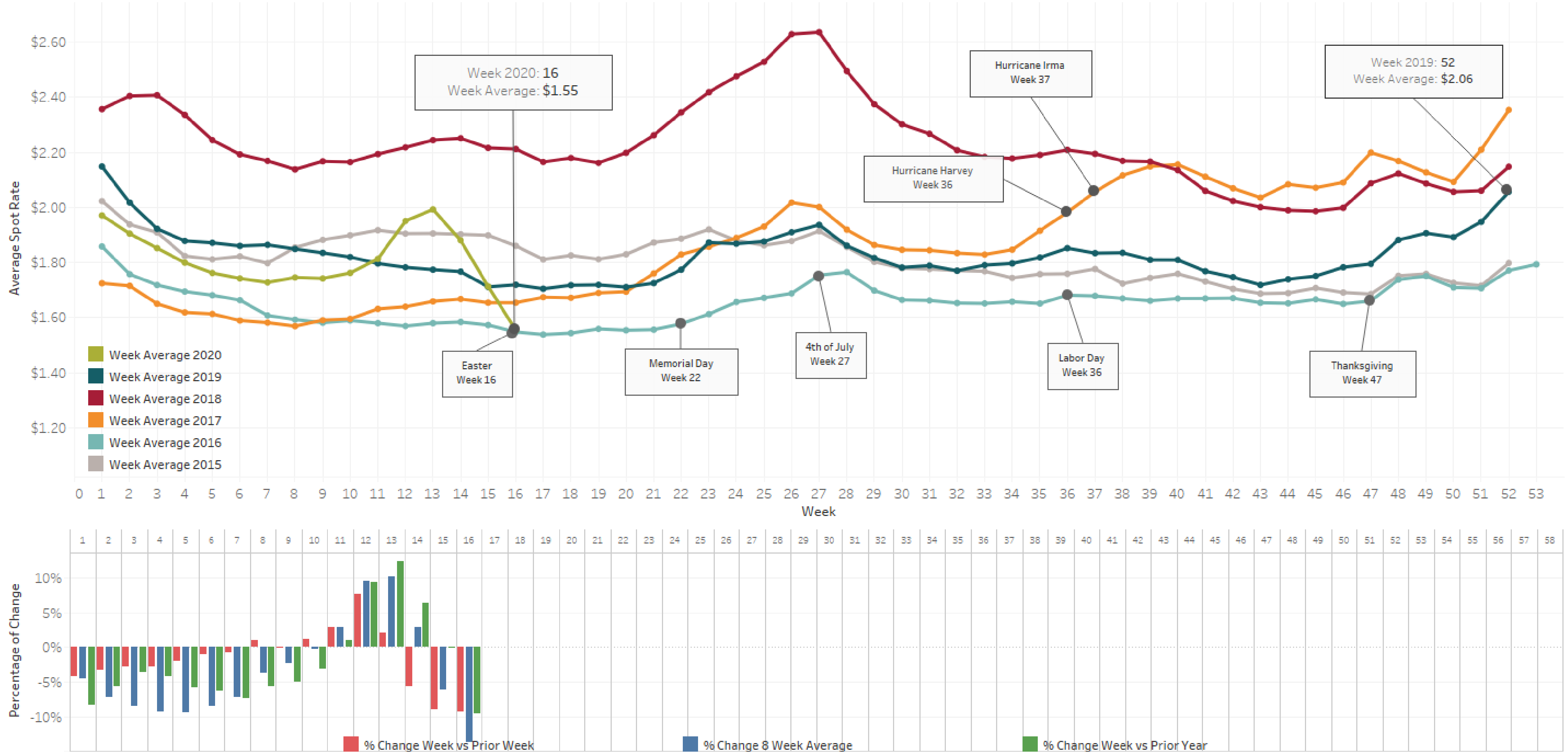


Source: Morgan Stanley Research; *2007-2017 average trend line excludes financial crisis years of 2008 and 2009

WEEKLY SPOT RATE INDEX

TRANSPLACE 2020

WEEKLY AVERAGE VAN SPOT RATE

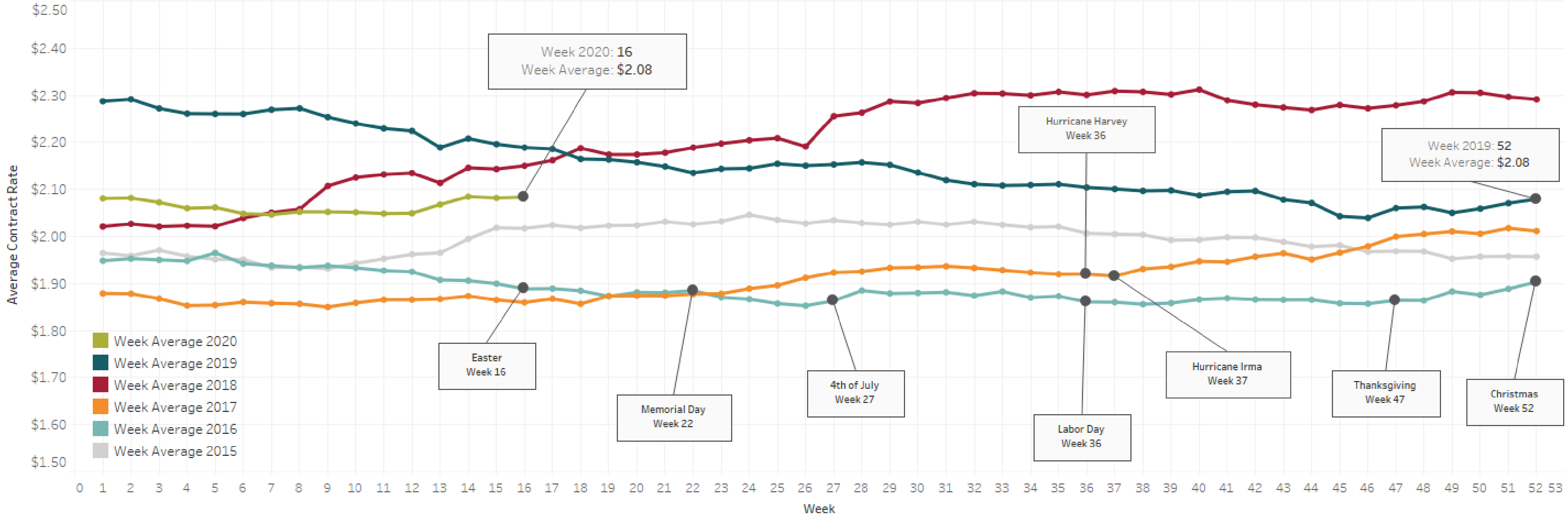


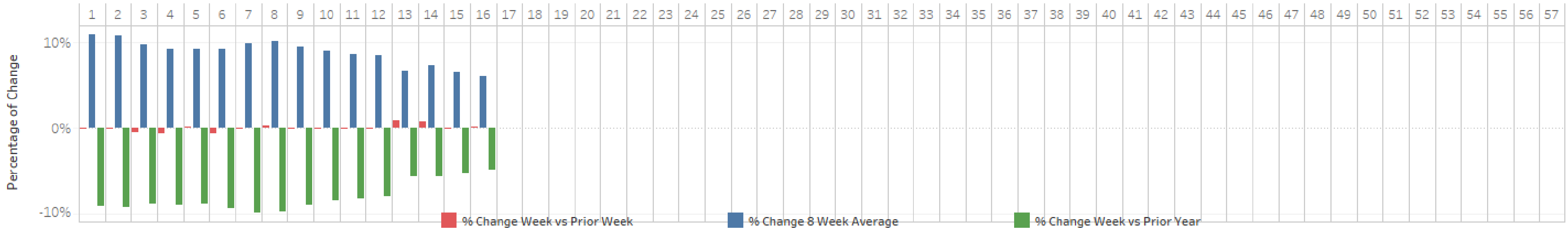
TRANSPLACE

WEEKLY SPOT RATE INDEX

TRANSPLACE 2020

WEEKLY AVERAGE VAN CONTRACT RATE

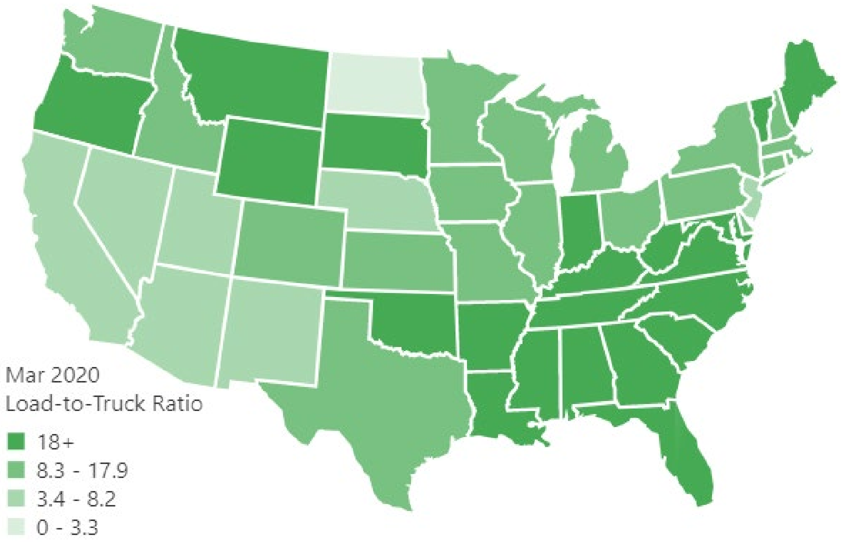


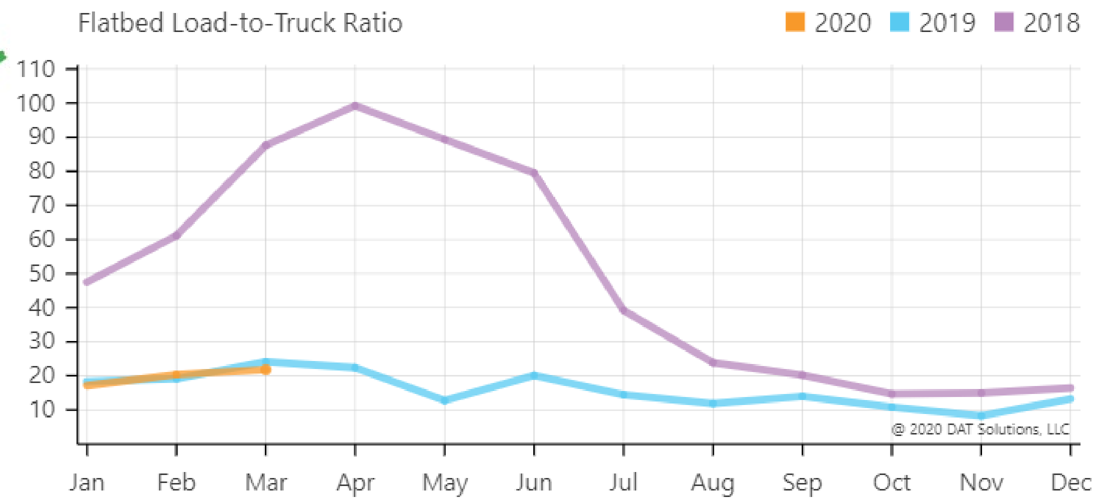


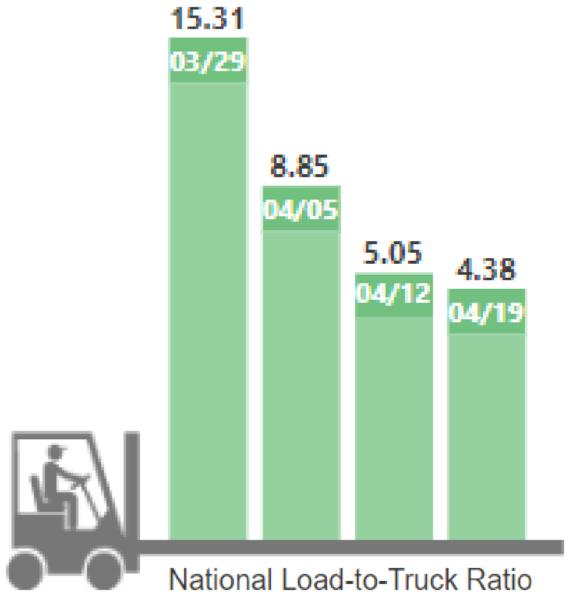
WEEKLY SPOT RATE INDEX

DAT TRENDLINES

NATIONAL FLATBED DEMAND AND CAPACITY







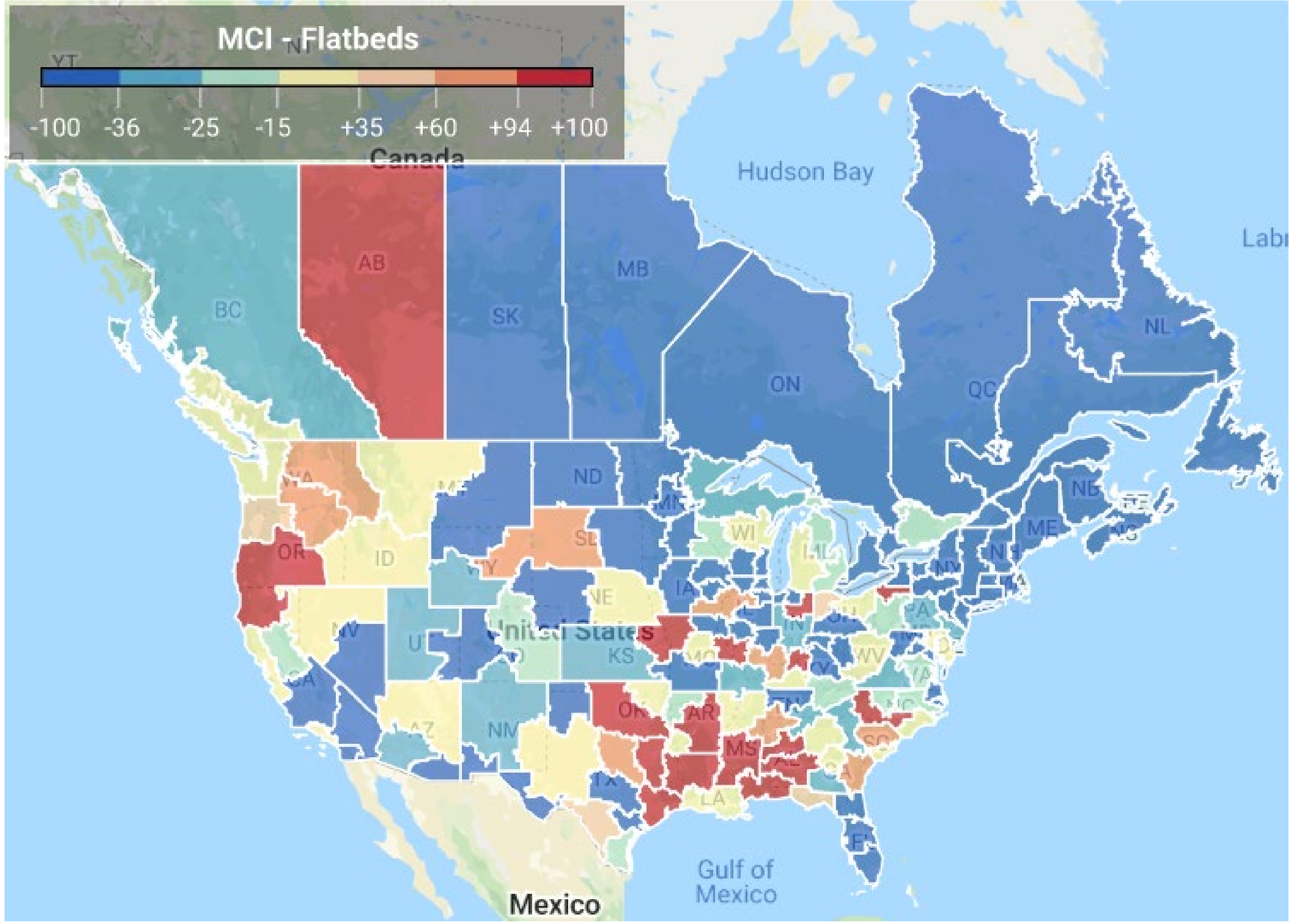
Source: DAT Trendlines : Apr 6th, 2020 to Apr 12th, 2020 https://www.dat.com/resources/trendlines/flatbed/demand-and-capacity

TRANSPLACE

WEEKLY SPOT RATE INDEX

FLATBED HEAT MAP

LAST 7 BUSINESS DAYS



Flatbed load-to-truck ratio heat maps, the darker the color, the tighter the capacity.

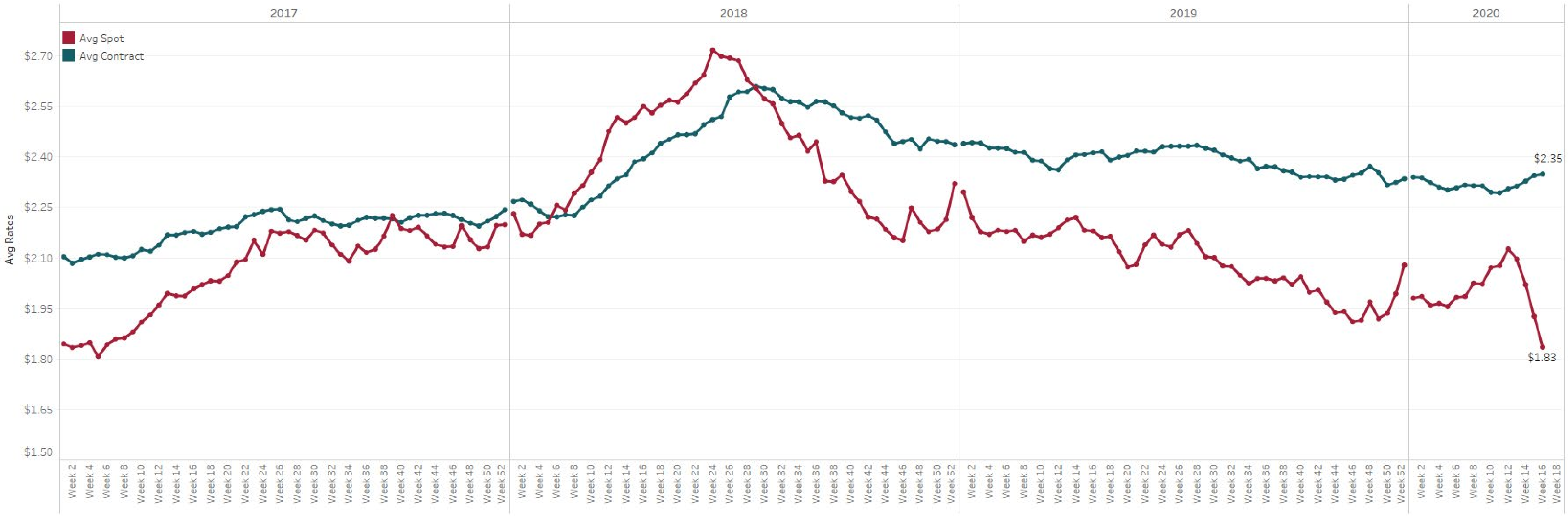
Source: DAT L/T – Previous 7 days– Apr 6th, 2019 to Apr 12th, 2020
https://marketmaps.dat.com/default

TRANSPLACE

WEEKLY SPOT RATE INDEX

TRANSPLACE 2020

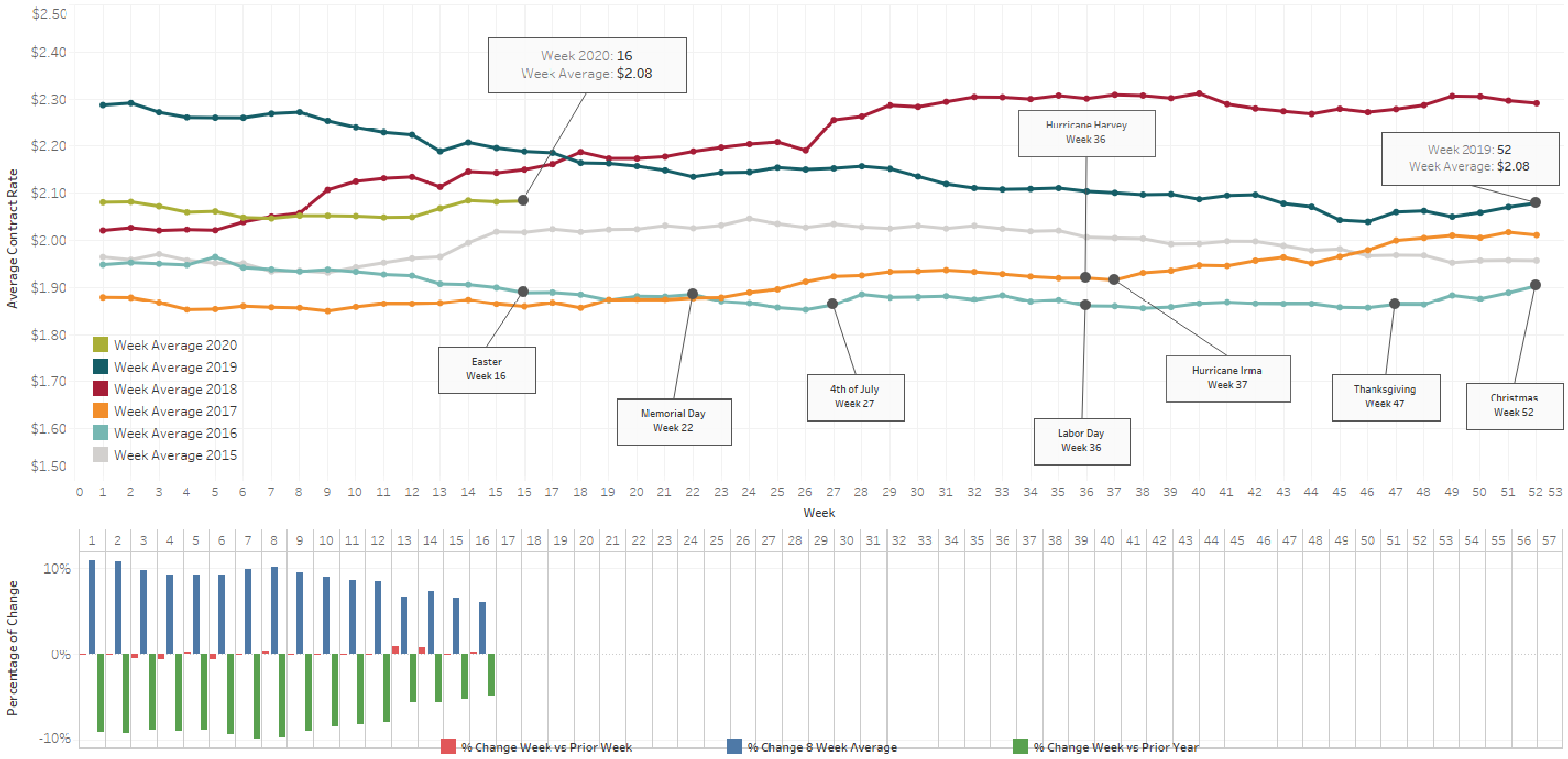
WEEKLY FLATBED SPOT VS CONTRACT AVERAGE RATES



WEEKLY SPOT RATE INDEX

TRANSPLACE 2020

WEEKLY AVERAGE VAN CONTRACT RATE



TRANSPLACE

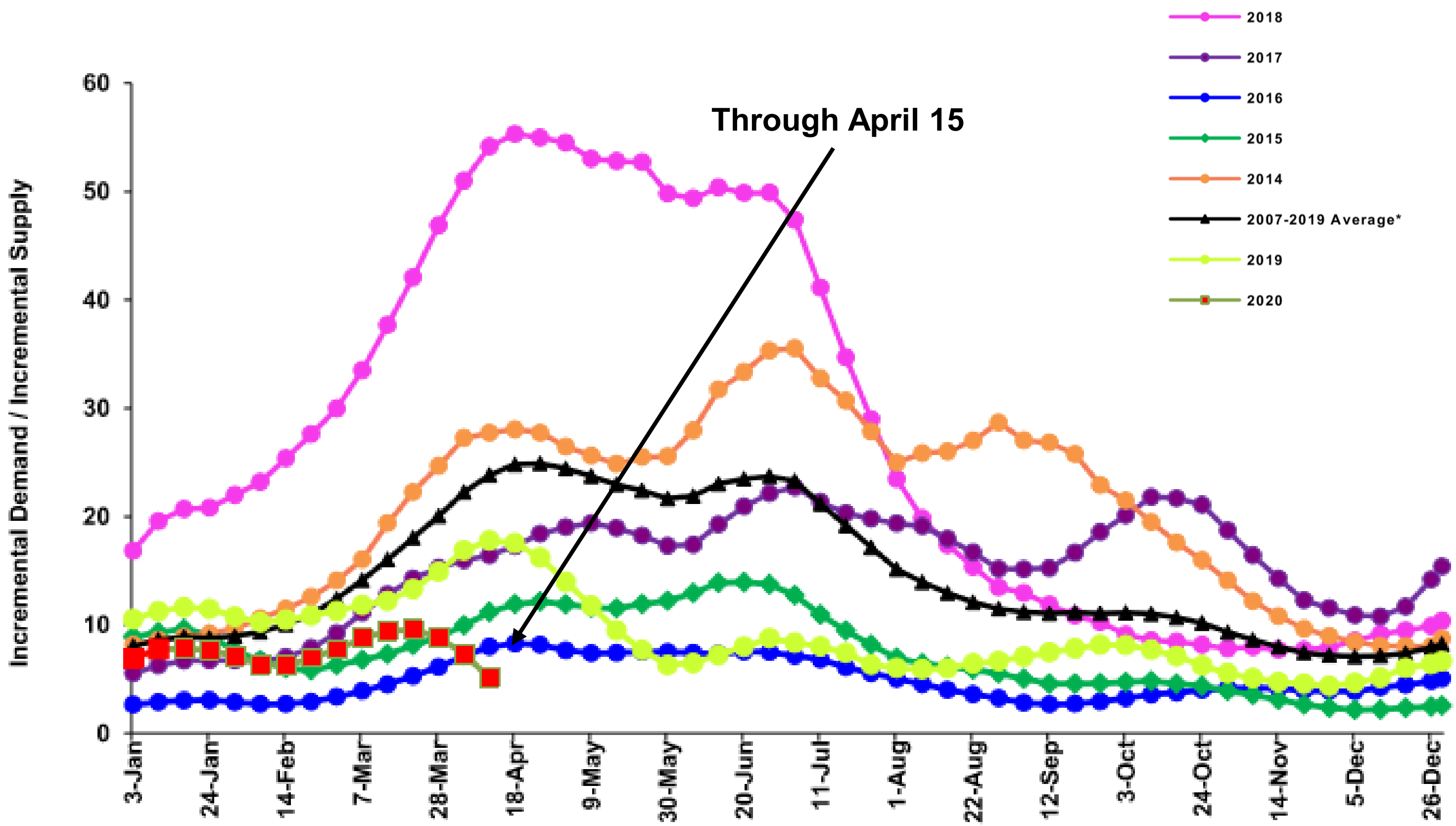
MORGAN STANLEY TL FREIGHT INDEX

FLATBED

Exhibit 55: Morgan Stanley Flatbed Truckload Freight Index

MORGAN STANLEY
Truckload Freight Index (Flatbed Only)

4/15/2020

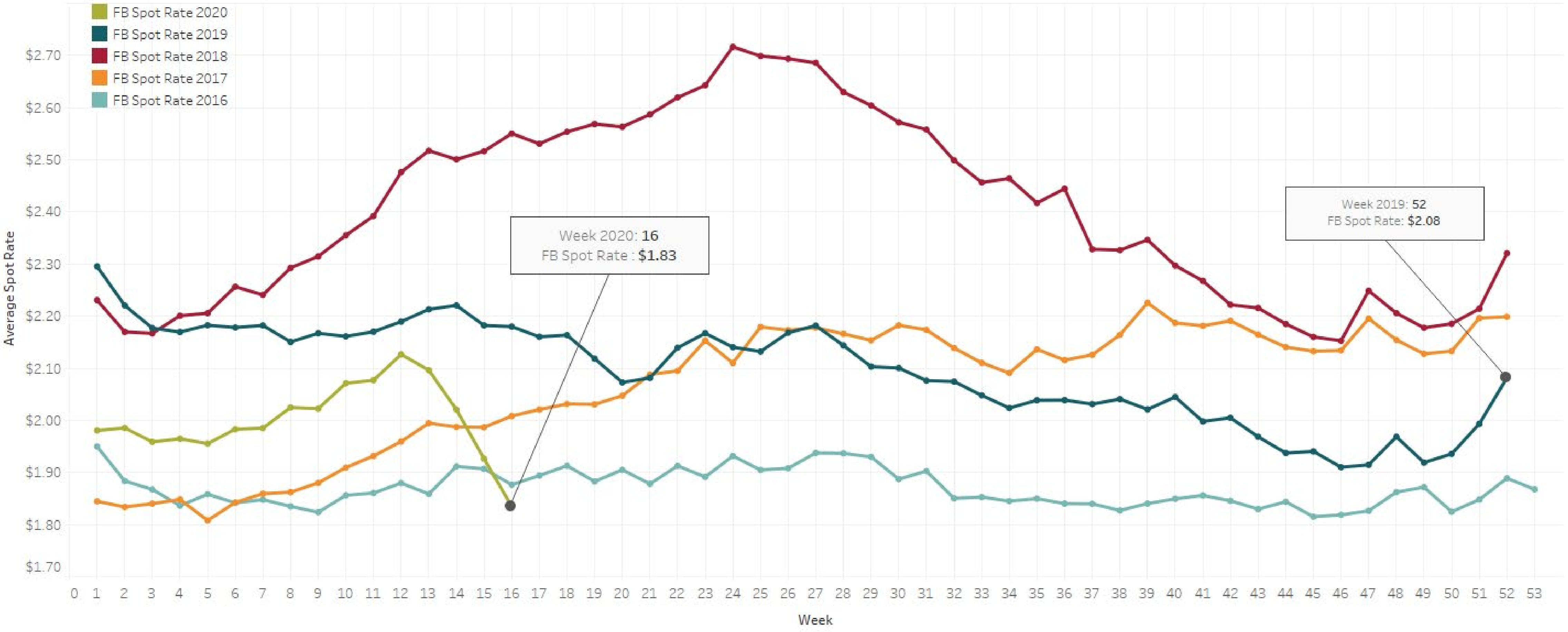


Source: Morgan Stanley Research; *2007-2017 average trend line excludes financial crisis years of 2008 and 2009

WEEKLY SPOT RATE INDEX

TRANSPLACE 2020

WEEKLY AVERAGE FLATBED SPOT RATE



- Only lanes > 250 miles

TRANSPLACE

CASS FREIGHT INDEX REPORT

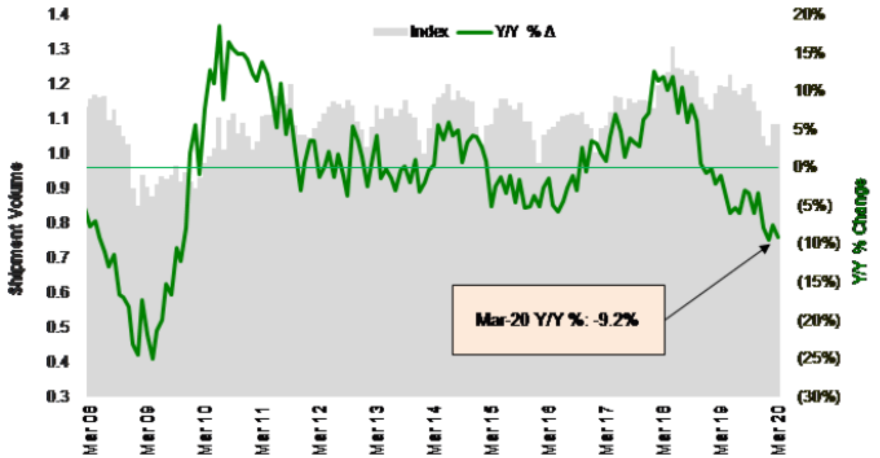
MARCH 2020

"I hear the train a comin', it's rolling round the bend."

	March 2020	Year-over-year change	2-year stacked change	Month-to-month change
Cass Freight Index - Shipments	1.087	-9.2%	-10.1%	0.2%
Cass Freight Index - Expenditures	2.651	-8.2%	-2.6%	-1.0%
Truckload Linehaul Index	130.0	-6.6%	-3.0%	0.2%
Intermodal Price Index	142.0	-4.4%	0.0%	3.0%

Note: All historical data for the truckload and intermodal indexes was restated in November 2019, with an extremely high correlation to the previous data.

Chart 1 – Cass Freight Index – Shipment Volumes. March slid back down on the comp, and April should rival early 2009



Highlights from March's indexes:

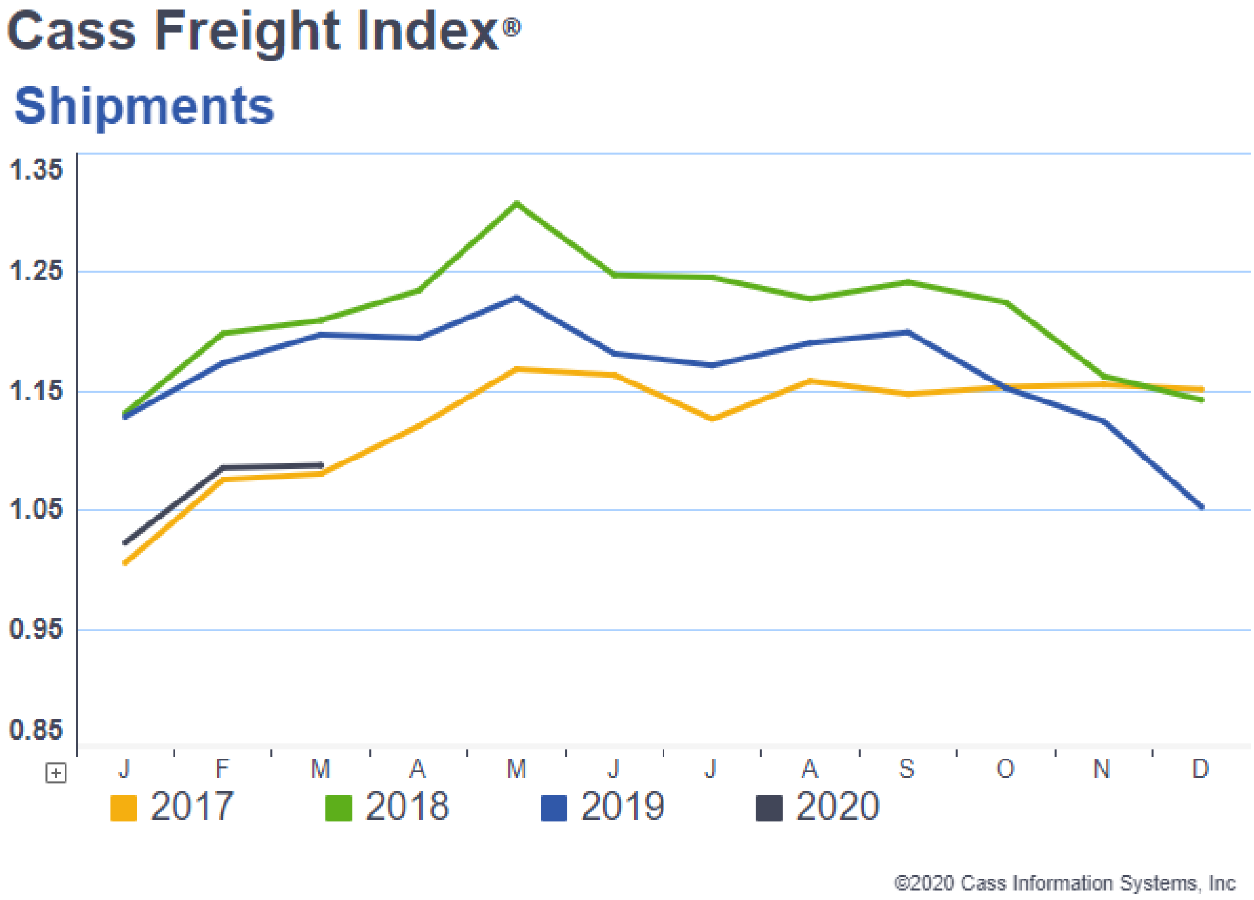
- North American freight volumes fell 10.1% year over year in February, marking the largest decline since 2009
- With excess capacity, truckload linehaul rates remain down year over year (-6.6%)
- Intermodal shipping costs are continuing to fall, showing a decrease of 4.4% y/y in March
- And this ends any chance of 2Q20 seeing y/y growth in domestic U.S. shipments and freight costs. This has quickly gone from a China production concern to a U.S. (and global) consumer spending problem. No business, no jobs, and no income for many leads to much less freight moving around.

Source: CASS Freight Index Report – March 2020 https://www.cassinfo.com/freight-audit-payment/cass-transportation-indexes/march-2020

TRANSPLACE

CASS FREIGHT INDEX REPORT

VOLUME PERSPECTIVE



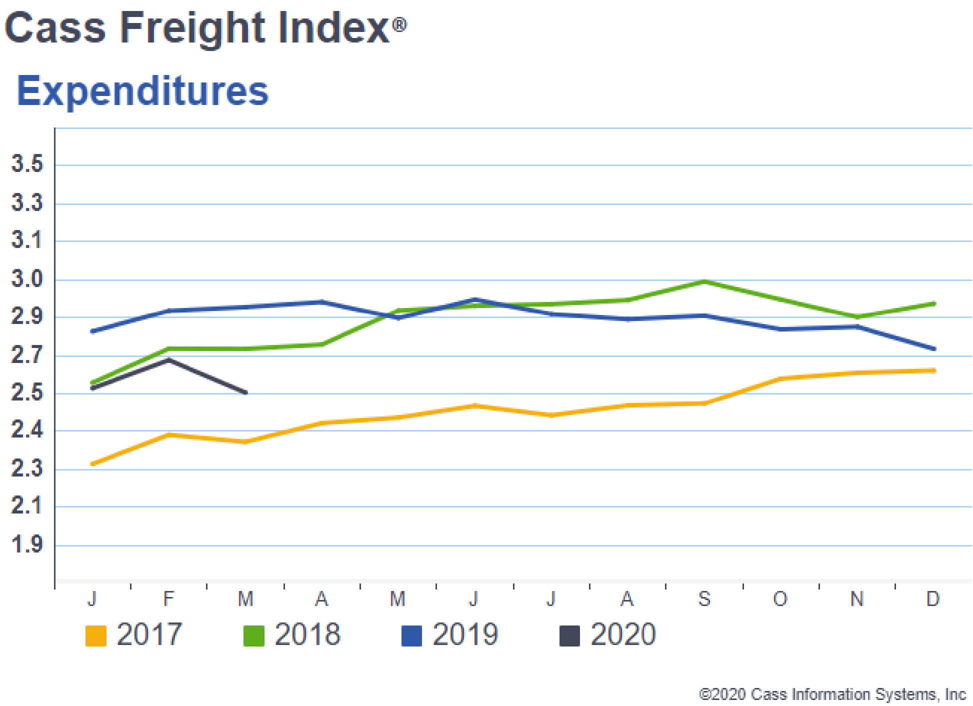
- Shipment volumes dropped 9.2% vs March 2019 levels (Chart 1), but the index improved sequentially for the second straight month off the January bottom. April will undoubtedly be worse and likely the worst month in a long time
- There has been a clear divide between winners and losers of these shut-in orders with demand for groceries, home improvement, e-commerce, and consumer staples increasing, while restaurant, auto, and (mall) retail falling to practically zero volume.
- .

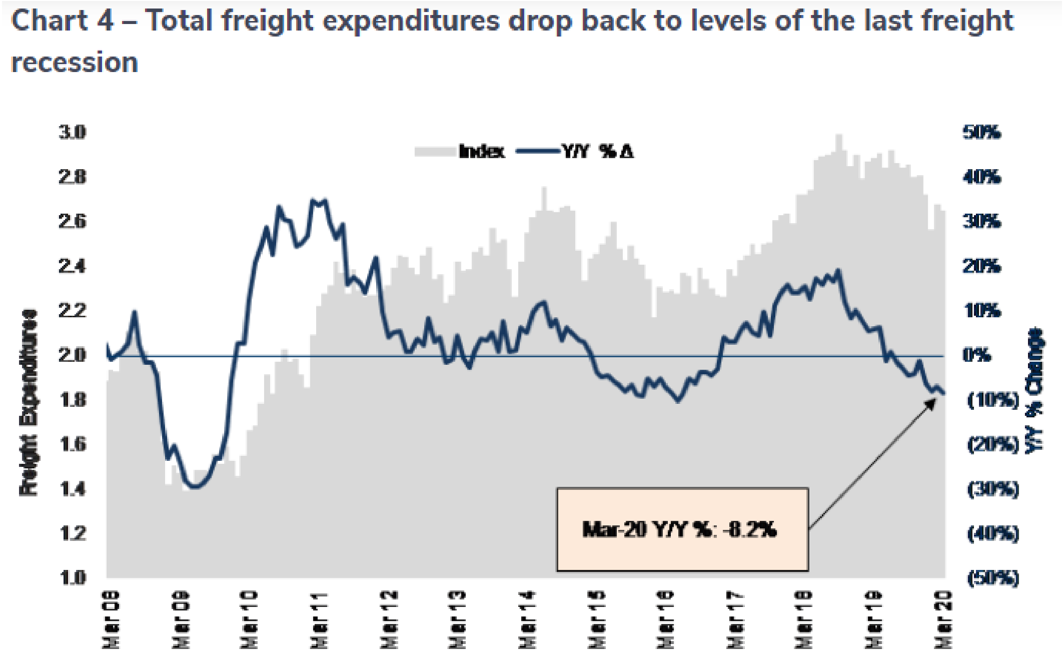
Source: CASS Freight Index Report – March 2020

CASS FREIGHT INDEX REPORT

EXPENDITURES PERSPECTIVE

Enough About Volume and Demand, What About Pricing?





- Back to the Cass Index, freight expenditures, like shipment volumes, also fell in March, down 8.2% y/y The gap between volume and spending comps continues to close, as pricing has been adjusted lower in the truckload market.
- We expect transport pricing growth to stay soft this month and next, but we're watching capacity exits and a potential re-stocking event to drive rates higher again later this year.

Source: CASS Freight Index Report – March 2020

TRANSPLACE

CASS FREIGHT INDEX REPORT

TL LINEHAUL INDEX

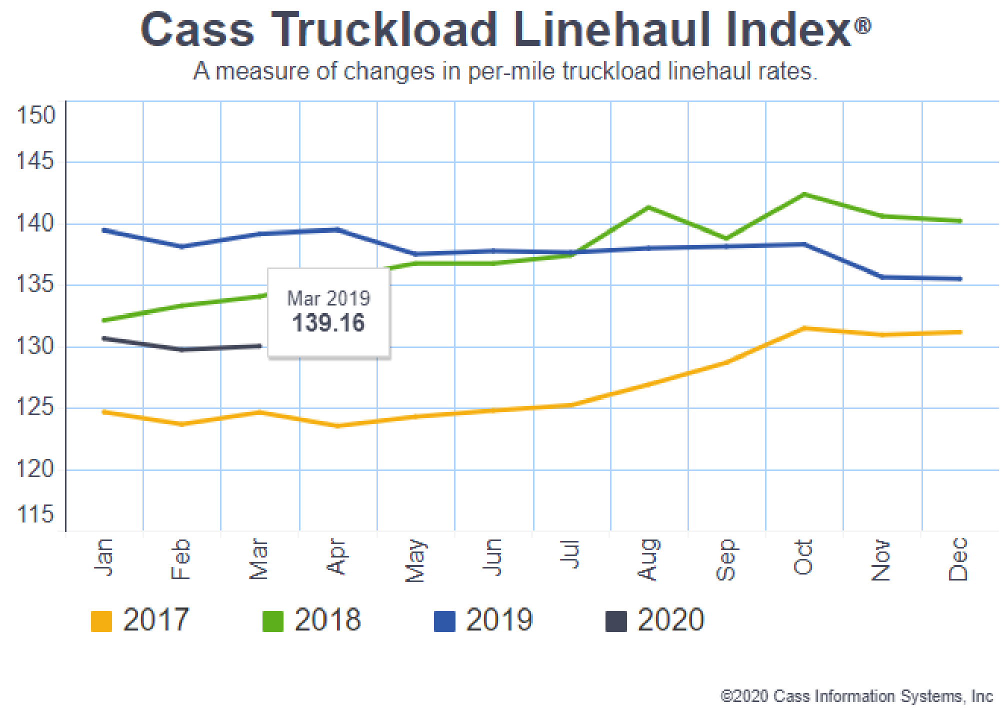
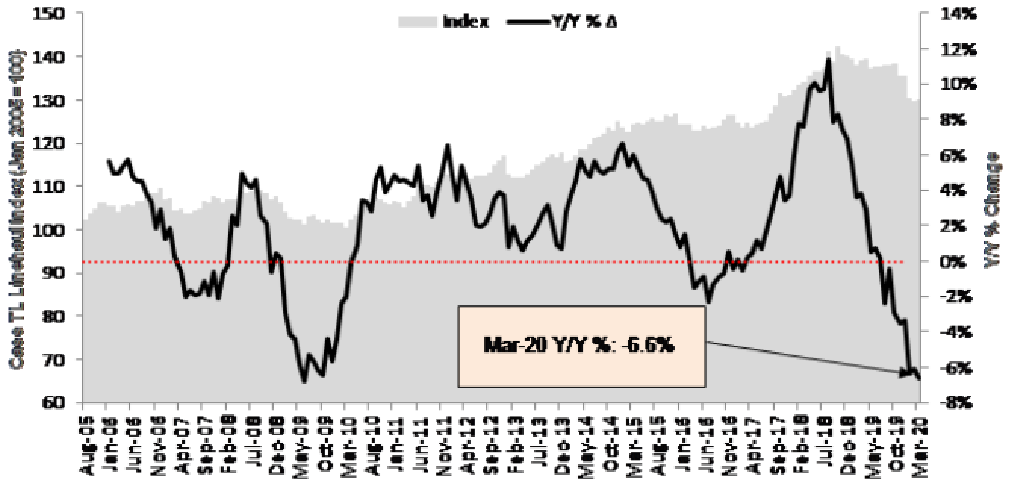


Chart 5 – Truckload Linehaul Rates. The Cass Truckload Linehaul Index falls further – back to global financial crisis levels



- The Cass Truckload Linehaul Index (Chart 5), measuring per-mile linehaul rates, takes a look at the largest (and most fragmented) market in the domestic transportation landscape. Linehaul rates declined 6.6% y/y in March (the worst comp reported since June 2009), as rates remained under pressure through the end of the seasonally soft first quarter.

Source: CASS Freight Index Report – March 2020

TRANSPLACE

TRANSPLACE