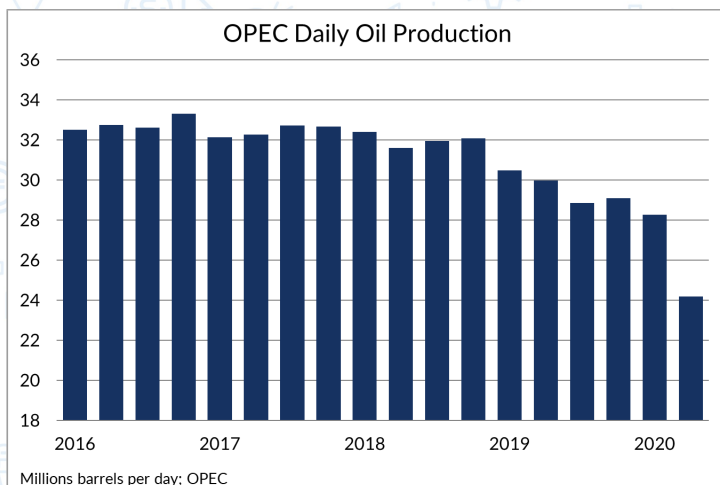


FREIGHT & POWER

Volume 7 | Number 6 | June 25, 2020



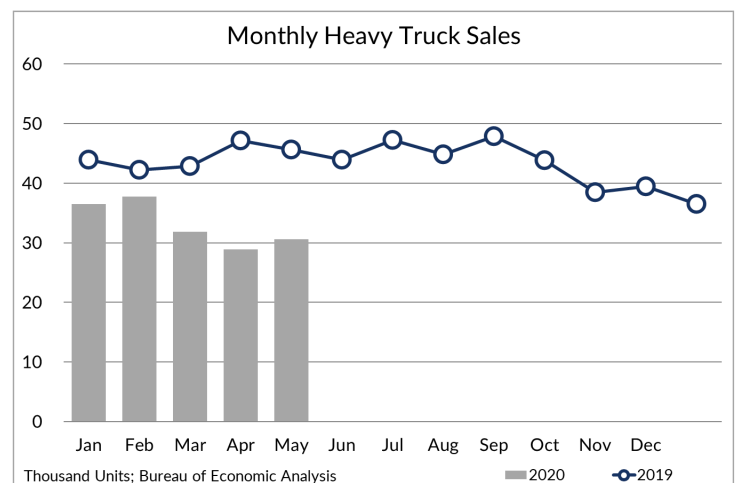
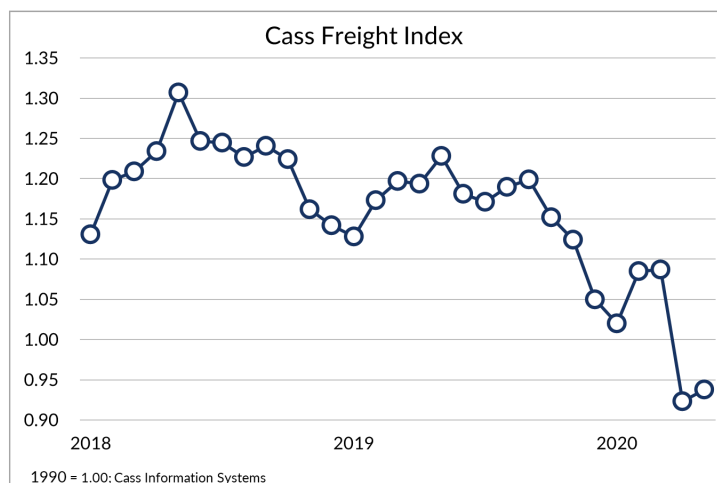
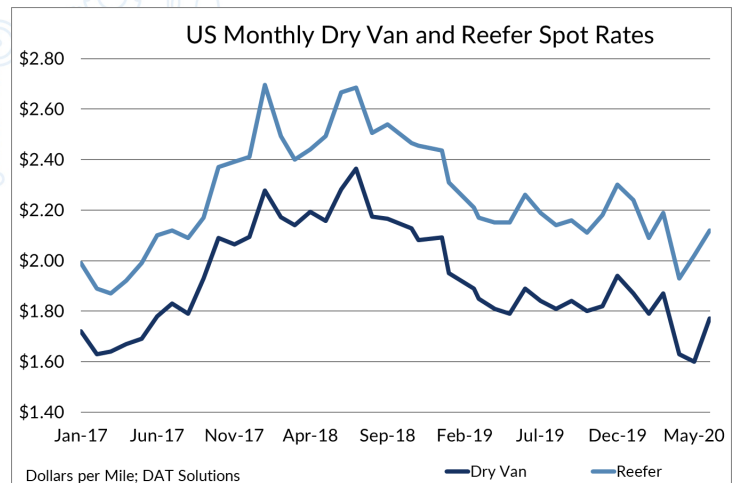
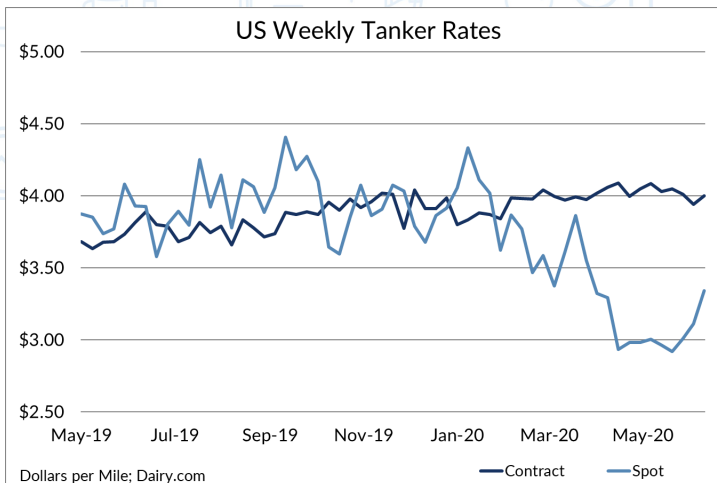
- Domestic freight markets appear to be on firmer ground as demand continues to rebound coming out of COVID lockdowns.
- It's possible that new economic headwinds are forming as new cases have moved higher anew. That could sap demand in many key hauling segments.
- Crude oil prices are higher with recovering global demand and tightening supplies.
- Large truck orders remain depressed.

vs Last Mo	vs Last Year	Market	19-Jun	12-Jun	5-Jun	29-May	22-May
20%	-31%	WTI Crude Oil (NYMEX; bbl)	\$ 39.75	\$ 36.26	\$ 39.55	\$ 35.49	\$ 33.25
20%	-35%	Brent Crude Oil (ICE; bbl)	\$ 42.19	\$ 38.73	\$ 42.30	\$ 35.33	\$ 35.13
23%	-31%	Unleaded Gas (NYMEX; gal)	\$ 1.27	\$ 1.12	\$ 1.21	\$ 1.03	\$ 1.03
23%	-37%	Heating Oil (NYMEX; gal)	\$ 1.21	\$ 1.10	\$ 1.13	\$ 0.96	\$ 0.99
1%	-20%	US On-Highway Diesel (EIA; gal)	\$ 2.43	\$ 2.40	\$ 2.40	\$ 2.39	\$ 2.39
1%	-18%	East	\$ 2.52	\$ 2.50	\$ 2.50	\$ 2.49	\$ 2.50
3%	-22%	Midwest	\$ 2.29	\$ 2.26	\$ 2.24	\$ 2.23	\$ 2.23
1%	-21%	Gulf Coast	\$ 2.20	\$ 1.17	\$ 2.17	\$ 2.17	\$ 2.18
0%	-22%	Rocky Mountains	\$ 2.35	\$ 2.35	\$ 2.35	\$ 2.34	\$ 2.35
1%	-19%	West	\$ 2.95	\$ 2.93	\$ 2.92	\$ 2.90	\$ 2.90
3%	-1%	US Contract Tanker (DDC; mile)	\$ 3.95	\$ 3.94	\$ 3.93	\$ 3.97	\$ 3.82
13%	-15%	US Spot Tanker (DDC; mile)	\$ 3.34	\$ 3.11	\$ 3.01	\$ 2.92	\$ 2.96
5%	-6%	US Reefer (DAT; mile)	\$2.12			\$2.02	
11%	-6%	US Dry Van (DAT; mile)	\$1.77			\$1.60	
6%	-3%	Dow Jones Industrial Average	25,871	25,606	27,111	25,383	24,408
3%	-2%	Euro / Dollar	1.12	1.12	1.13	1.11	1.09

freight markets

FREIGHT FUNDAMENTALS AND PRICING

- Freight rates continue to push higher as more parts of the US re-opens. Dry van rates are now up 10% from a month ago, but with a lot of variability depending on segment (i.e. auto parts vs consumer staples). Meanwhile, reefer is showing more modest gains, up 5% from May.
- The tanker market is picking up momentum too with spot rates rebounding to a 12-week high.
- The American Trucking Association reported its Tonnage Index fell 1% in May, on top of a 10% decline in April. May's reading was down 10% from 2019. ATA cited the declines as less pronounced than the broader economy and that retail gains would provide further support.
- Large truck orders remain historically soft with May activity at just 6,700 units, according to ACT. Although a marked improvement over April, orders are still down 37% from a year ago.



macro factors

FUEL MARKETS AND ECONOMIC INDICATORS

- Crude oil prices have firmed over the past month as more states reach new re-opening phases and global supply cuts take hold. A weaker dollar has been occasionally supportive as well. WTI futures topped \$40 earlier this week—highest since early March. Prices remain on shaky ground, however, with a resurgence in COVID-19 cases and fears of new lockdown measures.
- After reaching a two-year low earlier this month, US crude oil production jumped 5% last week, presumably on improved pricing and demand prospects. Meanwhile, oil rigs continue to go offline with the US count now off 72% from March. Domestic stocks remain at record highs.
- Diesel prices rose a few cents to \$2.43 last week—its fifth consecutive weekly gain.
- Retail sales popped in May, rising 18% over April levels—the highest monthly jump on record.

