SENATOR INTERNATIONAL

MARKET UPDATE
OCEAN FREIGHT

Update 27.10.2021

Topics

- Europe to Asia/EMEA
- Europe to Americas
- Asia to Europe
- Asia to US and ROW
- Intermodal

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Europe to Asia/EMEA

SPACE EQUIPMENT RATES

Market Expectation / Space, Volume & Rates

Far East, China and Japan rates will remain unchanged until end of this year, just with slight BAF adjustments and/or reductions of USD 25 per container.
IPBC and Middle East remain on a high , but stable level. To Australia/New Zealand as well as to Africa we see further rate increases and/or PSS implementation like to South Africa

The space situation on certain service has meanwhile eased a bit, but still we face major issue with the on-going port congestion across Asia as well as in North Europe.

Below an overview of the major disruptions:

- OOCL stopped their service to Japan and Manila
- Hapag will stop calling several Japan outports as of January, details to be advised
- Entire operation to Port Sudan has been ceased until further notice, all containers on the water will be discharged at transhipment hubs.
- ONE is still not offering a service to Australia
- THEA skips Jebel Ali call on FE3 service until mid December, consequently space to Middle East available as of end November only
- YML & HMM have currently just limited equipment available at Rotterdam, if at all
- YML & HMM fully booked to Far East until end November/beginning December
- 2M will change the rotation of several services in Europe, due to port congestions and supply chain issues. Condor/AE7 service will call at Wilhelmshaven instead of Felixstowe until end of this year, Griffin/AE55 service will omit Antwerp and add Le Havre for the next sailings, Lion/AE6 service will omit Le Havre

- Carriers still abstain from offering on new named account / long term biz
- Due to severe vessel delays, 'technical' void sailings FE2/FE3/FE4 from THEA until end of this year
- Barge services to/from Rotterdam/Antwerp are faced with delays of up to 78 hours
- Inland truck capacities fully booked 2 weeks in advance

Still, we strongly recommend that:
All quotations should be 'subject to any emergency surcharges announced'

Announcements:

DAL and MSC impose a PSS to South Africa effective November 1st of USD 275/TEU, respectively USD 300/TEU. We expect ONE to follow within short

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Europe to Americas

SPACE EQUIPMENT RATES

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The situation on this trade continues with no major changes. Import volumes continue high and due to ongoing congestions in the ports we have delays in the services resulting in capacity shortages.
We have ongoing blank sailings and port omissions specially to the USWC due to schedule recovery processes.
There are 66 vessels at anchor in Los Angeles/Long Beach waiting for berthing. On the entire USWC we count in total more than 90 vessels waiting. In Savannah 24 vessels are waiting, in NYC 4 and Houston 9 vessels. Charleston doesn’t show any congestion.
We believe that this situation will continue with no major changes at least till Q1/2022.

As far as rates are concerned, we see mainly rate extensions to the US/Canada for November, some carrier already confirmed rates valid till end of 2021.
As some carriers diverted their service from Savannah to Charleston or Jacksonville in order to avoid the congestion, MSC did increase their rates to Savannah respectively.
Space is available on short notice with OOCL and MSC against high rates. Cheaper carriers are fully booked 2-3 weeks in advance.
The congestion in the US is escalating and port/rail/intermodal issues are further increasing.

To Mexico we are currently facing problems with ONE as they are not able to offer sailings on the AL4 service due to operational constraints. They have no space on this service till end of November.
ONE chartered an extra loader for beginning of November in order to be able to lift the left behind container. We switched our consol container to Mexico to Hamburg Sued in order to avoid delays.
Mexico rates are stable on high levels. Space is still tight and only MSC and OOCL are able to offer space on short notice without allocation.
We have managed to negotiate an automotive basket deal for Mexico with MSC with a validity till end of June 2022. Rates will be published in Cargosphere soon.

South America
The volumes are still very high, specially to the SAWC. Short notice bookings only possible with OOCL and MSC, all others full till mid/end of November already.
OOCL increased rates to SAWC by EUR 200,00 per TEU.
Rates to SAEC are stable, Hamburg Sued increased rates by EUR 100,00 per Container.
Booking to SAEC possible with MSC, CMA CGM and Hapag with some 2-3 weeks pre-advice.
We expect rates to remain stable on the current levels till beginning of Q1/2022.

Announcements:

Savannah temporarily loses three loops as carriers have decided to temporarily remove the US East Coast port of Savannah from their rotations due to heavy congestion. Two weekly services with 8,000 - 10,100 teu ships have been diverted to Charleston, while another Transatlantic loop will start calling Jacksonville in Florida for a period of 7 weeks.

ZIM is to launch next month a North Europe - US East Coast service branded 'Zim North Europe' or 'ZNE’.The 'ZNE' will kick off as a monthly service, port rotation Antwerp, Rotterdam, Bremerhaven, New York, Norfolk, Charleston, Antwerp.

Maersk has announced major changes to its West Coast South America, Caribbean and Central America to/from North Europe network effective January 2022. These include the closure of the North Europe - Mexico - WCSA - Ecuador 'Ecubex' service. The westbound North Europe to Veracruz and Altamira connection of the 'Ecubex' will be transferred to the North Europe - USEC - Centram 'Costa Rica Express' (CRX).

Asia to Europe

SPACE EQUIPMENT RATES

Market Expectation / Space, Volume & Rates

Congestion
Congestion in the ports is still one of the main factors that limits global ocean trade and disrupts the supply chains.
Carrier have planned on Asia-North Europe to increase their sequentially deployed capacity in the fourth quarter by 16 percent, or 17.3 percent year over
Year but at the same time 12.9 percent of the capacity deployed on Asia-North Europe will be cut by port congestion. Means – the potential positive impact will be leveled out.

Rates
Rates have not really moved the last couple of months. We notice only on short term (FAK) contracts smaller changes which are mainly driven by increased oil prices.
Based on the current Feedback we expect November rates to be more or less on the same level as October. We are still not able to sign new monthly, quarterly or even long-term deals no matter what business we present.
The latest SCFI figures only underline that carriers at least for now stopped pushing for further increases.

01.10. USD 7537 / TEU
08.10. USD 7713 / TEU
15.10 USD 7687 / TEU
22.10 USD 7666 / TEU

It's difficult to say already whether we will see another rate rush in the course of Chinese New Year.
Considering the strong demand and no hope for capacity improvements anytime soon, it is not expected to receive any remarkable rate decreases until end of February.

Schedule Reliability
On schedule performance form the Carriers in general remains at very low levels. Currently the schedule reliability is around 25 % on Asia Europe Trade. For example, in August 2019 schedule reliability was at 90 % !?! .

Allocation
Said persisting port congestions causing space and equipment to remain tight for the month of October and November. Carriers do not expect short term improvements as delays and rollovers are still on a high.
OOCL announced to suspend their LL3 service ex Yantian in December, diverting the cargo on their services LL4 / LL6 / LL7, which will reduce the overall capacity.
Ocean Alliance decided to omit every second Antwerp call on their NEU2 service.
The shortfall of Hamburg Sud cuts our allocation drastically and will make our life even harder to accommodate cargo on collect contracts. As usual It is recommended to book several weeks in advance to secure the space on our contracts.

Asia to US and ROW

SPACE | EQUIPMENT | RATES

Market Expectation / Space, Volume & Rates

For imports **USWC** ports remained near record highs and meaningfully above multi year averages. It is expected that full year volumes are likely +25% Y/Y with a strong entrance into 1H22 as demand commentary remains strong and growth is expected to continue due to organic demand recovery and inventory restocking/pull forward.
Ocean capacity remains tight as monthly volumes are at all time highs, more than offsetting carriers returning previously sidelined capacity (idling, blank sailings). Expect strong demand and below average industry network velocity to keep capacity constrained through 2022.

Container dwell time at the ports of LA/Long Beach increased 66% Y/Y in August to 5.4 days, up 4% M/M. We expect dwell time to remain elevated vs pre COVID levels until backlogs can be meaningfully cleared as demand continues to outpace capacity. The Port of LA recently announced that they will operate 24/7 for the next 90 days to reduce backlogs ahead of the holiday season.

The overall market situation in **China** has not changed much during the last few weeks. An exception is the Trans Pacific trade with its significantly rate drop of more than $6000/40'HC in October. The reason here was a domino effect of the abrupt downfall of most of the production lines in China before the Golden Week due to energy regulations for certain regions.
This all came with short notice and forced various master co-loaders and shipping lines to reduce their spot and market rates as they had to deal with a supplying over-capacity.

On the **Trans Pacific Trade** the rate decreased sharply. As an indication we are currently looking at rates of USD7500 -USD8500/40’ to USWC and USD12000/40’ to USEC.
Due to the massive backlog at various port in the US, carriers are omitting different ports and consolidating their schedules into November.

However, the equipment situation isn't easing up as more than one million containers are on board of anchored vessels.

To **LATAM** space and rates remain like October, there was not much fluctuation. Space to Mexico is available due to new services launched end of October from South China.
Hyundai is also intending to open a new service from Asia to Latam via South Africa. First sailing is planned from Busan on Dec.7th.
Hence the overall allocation for NVOs based on prepaid conditions remains to be limited. It's to be expected that there is a lack of capacity and equipment for that trade since carriers cut down the allocation for NVOs. Supply and demand are also on this trade not aligned.

Space from **China to Vietnam and Thailand** is getting tight due to huge rolling pools by the Golden Week and several blank sailings. Carriers intend to increase or adjust their rates accordingly for those lanes.
To the Middle East and Australia, the rates decreased slightly after a year high beginning of October. Also, the space situation became slightly better that month.
As the demand is there, YML is going to launch a weekly, so called KCX service (Korea-China-Southeast Aisa Express Service), starting as of Nov.23rd. from Busan via SHANGHAI-XIAMEN-Singpore-Port Klang-Pasir Gudang-Laem Chabang-Shekou back to Busan.

For South Africa, the demand keeps being high from China and rates remain on a constant level.

The overall equipment status in China for all lanes hasn't really changed much. Due to a massive amount of non un/loaded vessels, anchored at the shores of Shanghai, Ningbo, Hong Kong and the Pearl Delta, schedule delays can be expected also for November as this ripple won't get solved within the next week.

Intermodal/Others

Europe

Equipment & Congestion
In congestions at European seaports has not much eased and the impact on hinterland transports to **Germany continues**. Rail handling at load port terminals Hamburg/Bremerhaven are delayed due to the high volumes as well as construction work in the rail network.
Cosco will carry out truck loads just on basis round trip until end of the year.
Barges to/from Rotterdam and Antwerp are faced with waiting times in the ports of approx. 78 hours. Capacity constraints for LTL & FTL trucks increased the minimum lead times to 72 hours. Still the delivery windows at warehouse terminals have been restricted to cope with the increasing export volumes. In combination with the vessel delay, sometimes container must be stored off dock, against respective extra costs/charges.

In the **UK** we see a general shortage of HGV (Heavy Goods Vehicle) drivers across all industries. The general haulage and port situation continues to deteriorate.
Beginning of October, the Port of Felixstowe suspended the return of Evergreen, Maersk and CMA CGM empty containers. London Gateway has put an embargo on Hapag Lloyd and Maersk empty container restitution with immediate effect. Empties are being diverted to other ports leading to increased haulage costs and additional D&D charges

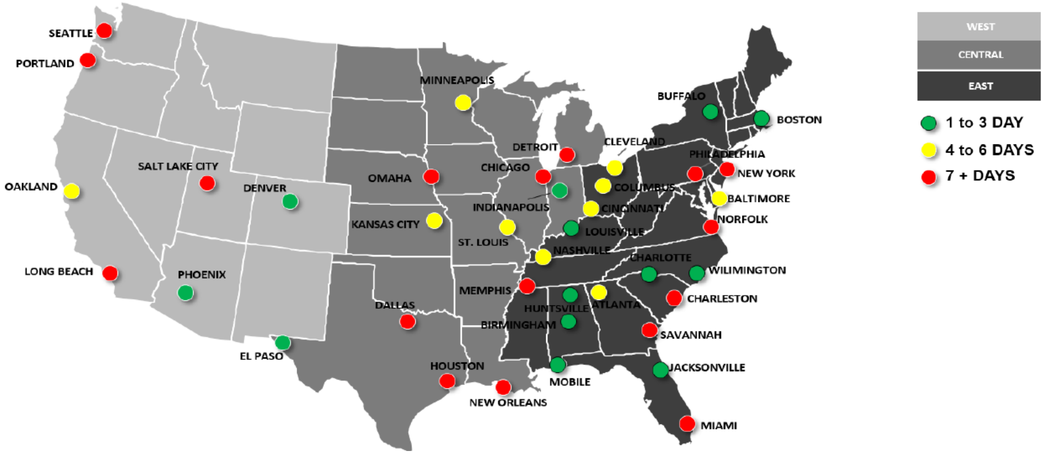
In **Italy** major ports have been blocked for an entire weekend mid of October by port workers, truck drivers and citizens who did strike against mandatory vaccines and the vaccine passport. Similar actions were reported nationwide.

USA

The trucking situation in the US remains a big challenge. The dwell times for chassis and equipment increased drastically. The massive increase in ocean imports did lead to significant issues with warehouse space. Consequently, containers remain on chassis for a longer period of time than usual (FCL as well as LCL is impacted).
The average lead time for truck capacity is at 10-14 days plus…

In the Midwest & Chicago Area we see dwell times for rail transports of 6-8 weeks, leading now to congestion at rail terminals and CFS stations too.

<u>Overview Container Trucking Availability:</u>



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THANK YOU