December 9th – December 15th, 2017 Week 49

Overall Summary

-7.99% **Demand (Loads)**

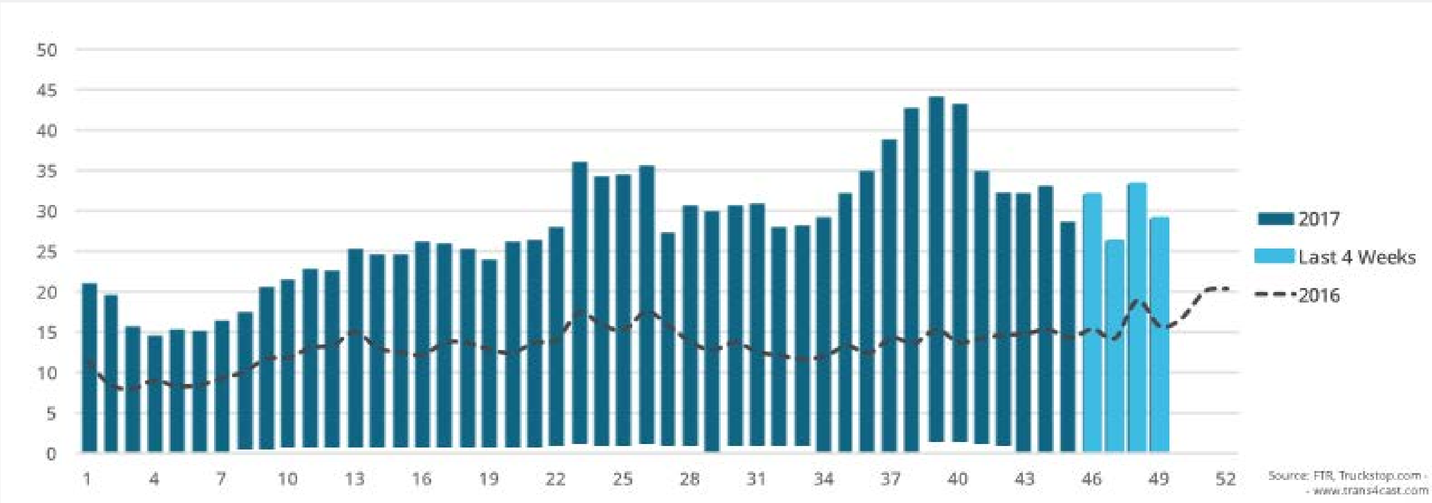
5.27% **Supply (Trucks)**

-12.65% **Market Pressure**

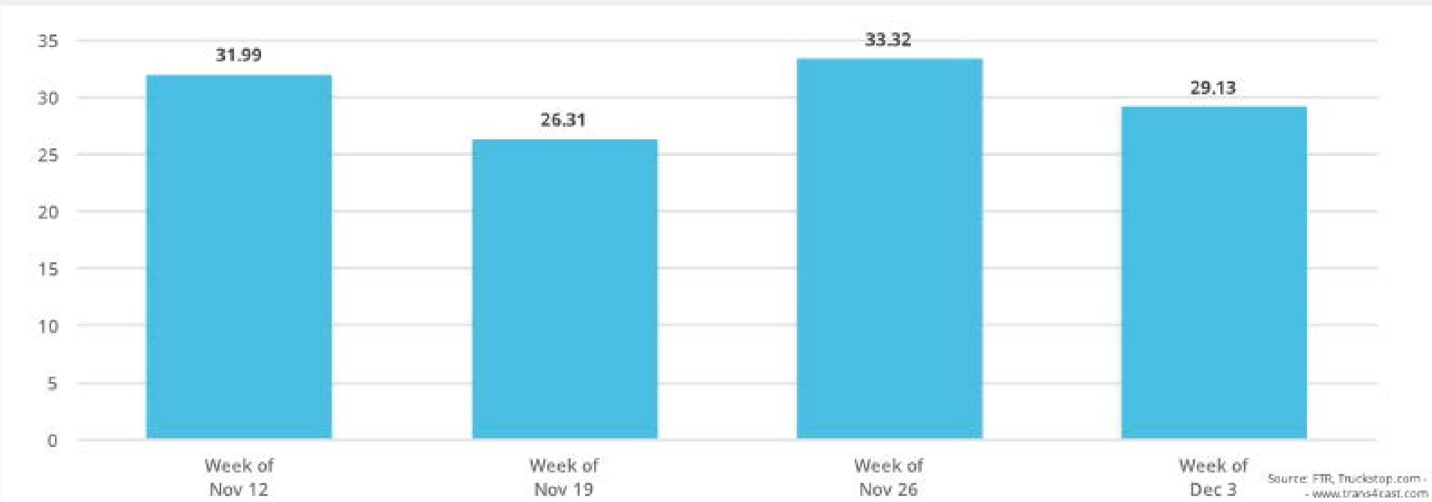
-2.61% **Rates**

Weekly Market Demand Index (MDI)

Down 4.2 points from the previous week.



Last Four Weeks

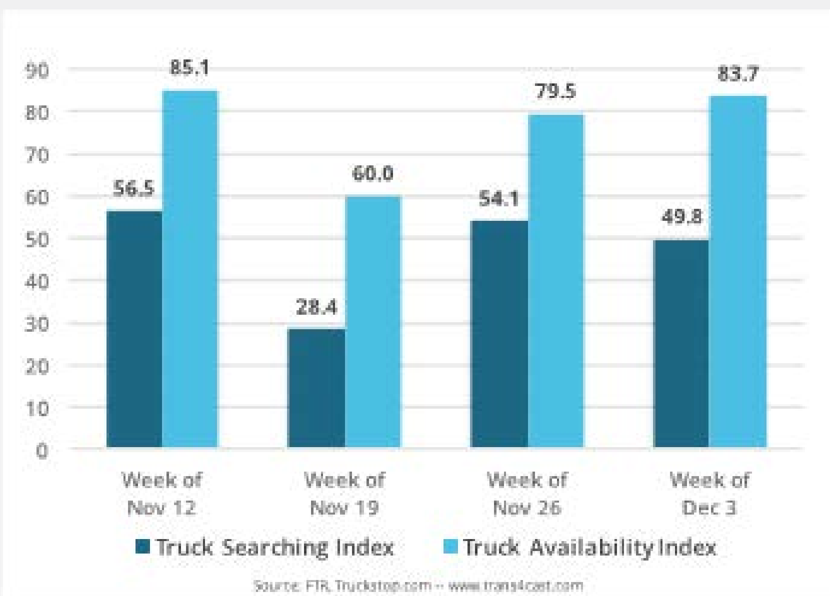


What is the Market Demand Index? The Market Demand Index (MDI) is a measure of relative truck demand in the spot market. It compares load availability to truck availability. Over the last four weeks MDI has on average **increased 0.1 points**. The latest week shows MDI is **down 4.2 from the previous week to 29.1. At this point last year MDI was 15.7.**

Load Searching vs. Load Availability

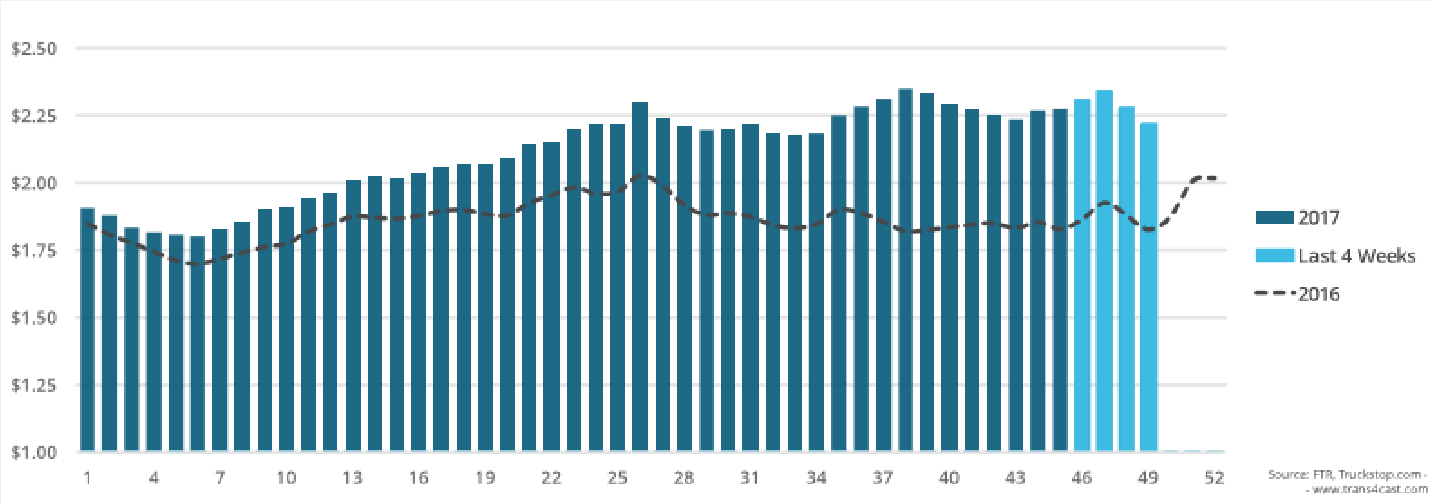
Load Availability decreased 8.0% from the previous week. **Growth in Load Availability in the most recent week was less than growth in Load Searching. Load Searching increased 5.6%** from the previous week.

Truck Searching vs. Truck Availability

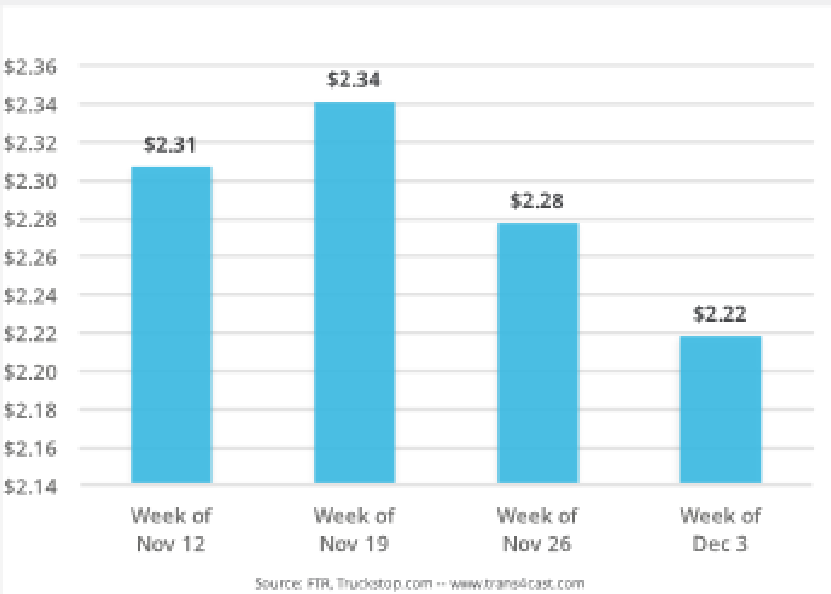


Truck Availability increased 5.3% from the previous week. **Growth in Truck Availability in the most recent week was more than growth in Truck Searching. Truck Searching decreased 8.0%** from the previous week.

Rates 2017 YTD and 2016

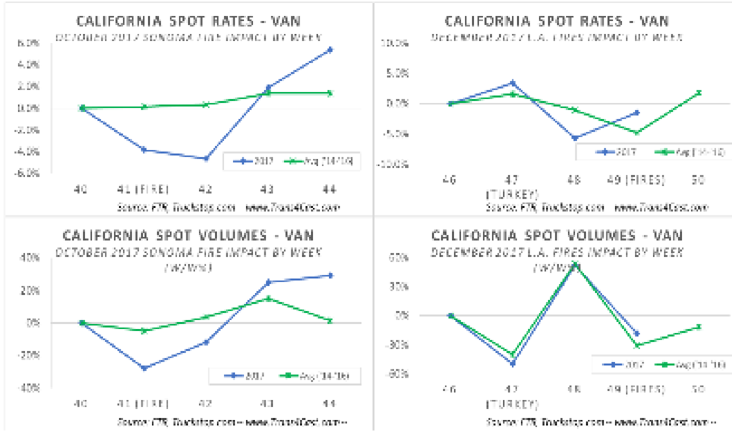


Last Four Weeks



Decreased 2.6% from previous week. This graph represents broker rates (including fuel) posted on the Truckstop.com load board. The latest week shows **rates were decreased 2.6% from the previous week to $2.22. Over the last four weeks rates have averaged a decrease of 0.6%. Rates are 21.6% higher versus this time last year.**

California Burning



The growing fire situation around Los Angeles led us to take a look at the market dynamics in California to see how the situation is developing.

Hurricane Insights

The detailed analysis that Noel Perry performed following Hurricanes Harvey and Irma gives us some background on understanding supply chain effects from concentrated weather events. Shortly after Hurricane Harvey hit, he gave us this tidbit that applies to today:

“The second big effect we see is in pricing. Rate changes have displayed a strong directional bias, interestingly, in the opposite direction to the volume bias. Truckers are reluctant to go inbound to this risky environment, even with more outbound spot loads than inbound. Inbound rates are up 12%, while outbound rates are down 5%. … Of course, individual rates are much more volatile, depending on many factors. One should expect this volatility to continue for a month or more, until the supply chain settles enough for truck circuits to stabilize.”

Hopefully the length and severity will be less than what was experienced during Hurricane Harvey, which would allow the market to revert to a normal environment much quicker. However, the fact that we are right in the midst of the holiday and end-of-year freight season gives us reason for pause.

Fire Insights: Sonoma Fire (October ’17)

Another useful history lesson comes from the highly destructive Sonoma Fire from October of this year. During that event, outbound volumes for van freight in CA took a significant hit but were back close to ‘normal’ within 3 weeks.

Outbound van rates were below the pre-fire level for at least 4 weeks and were well below normal seasonal gains in pricing for that time of year. Remember from above, inbound rates were likely up, in order to incentivize truckers that knew they were less likely to get a load coming out.

Current Events: L.A. Fire (December ’17)

This event is quickly approaching the same scale as the Sonoma event from 2 months prior. So far, California outbound van volumes look to be at a ‘normal’ level for early December. We are early in this analysis, but volumes so far are holding up much better than during the Sonoma event. Part of the answer may lie in the fact that produce moves are going very strong right now and they are generally outside of the L.A. region. In addition, port activity is staying healthy and most (if not all) of that activity is away from the fires. Extra miles may be needed to stay away from the affected areas, but freight activity is holding up so far.

On the rate side, outbound spot van rates have held up slightly better than normal for California during the early December holiday push. It is tough to attribute this to the fires, although it clearly is having a significant impact in portions of the marketplace.

Stay tuned and stay safe…