NOVEMBER
2024

STATE OF THE INDUSTRY

REPORT

SUPPLY CHAIN | DEDICATED TRANSPORTATION | FLEET MANAGEMENT SOLUTIONS

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Weathering the storms

October 24, 2024 | 2 p.m. EDT

Overview

The truckload market showed some signs of life at the beginning of October as it had to absorb multiple disruptions: two hurricanes and a port strike. It has been able to handle the disruptions, but the fact the market was more reactive to these outside influences than to the Labor Day holiday signals it is in a transitory state.

The intermodal market has continued to see volume growth, acting as the pressure relief valve for the record-high import levels that have been flowing through U.S. ports, specifically West Coast ports, the past couple of months. Intermodal pricing continues to be challenged, but intermodal marketing companies have been more constructive on pricing heading into 2025 while being able to capture share in the current environment.

Shipping season on the ocean is past its peak , evidenced by lower volumes of twenty-foot equivalent units leaving overseas headed for the U.S. but also by spot rates that are down nearly 50% from their recent highs. The U.S. election results have the potential to add demand to the ocean market during the traditionally slower period for freight demand.

On the macroeconomic front, the consumer continues to spend money as retail sales have been better than expected for multiple months in a row. The question now is, when does the industrial side of the economy wake from its slumber? With the Federal Open Market Committee lowering interest rates in September and likely to do so once again in November (or December), it seems likely that there will be increased activity in 2025 from the industrial side of the economy.

Macro indicators	(y/y change)
Sept. industrial prod. change	-0.3% (-0.6%)
Sept. retail sales change	+0.4% (+1.7%)
Sept. U.S. Class 8 orders	37,100 (+0.3%)
Sept. U.S. trailer orders	12,100 (-61%)

Truckload indicators	(y/y change)
Tender rejection rate	5.15% (+156 bps)
Average dry van spot rate[1]	$2.28/mi (+2.7%)
LAX to DAL spot rate[2]	$2.52/mi (+12.5%)
CHI to ATL spot rate	$2.57/mi (-1.5%)

Tender volumes	(y/y change)
Atlanta	395.52 (+4.6%)
Dallas	348.05 (+12.2%)
Los Angeles	324.42 (+8.9%)
Chicago	215.28 (+4%)

Tender rejections	(y/y change)
Atlanta	4.65% (+250 bps)
Dallas	4.58% (+317 bps)
Los Angeles	3.56% (-1 bps)
Chicago	6.26% (+288 bps)

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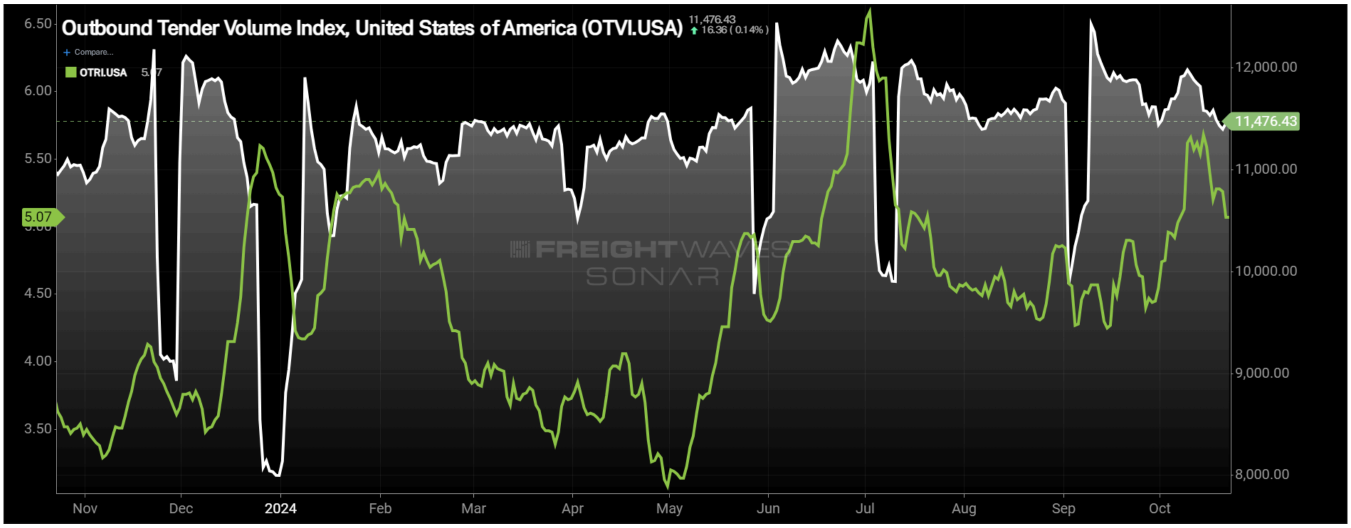
[1] FreightWaves National Truckload Index
[2] FreightWaves TRAC spot rate

Truckload markets

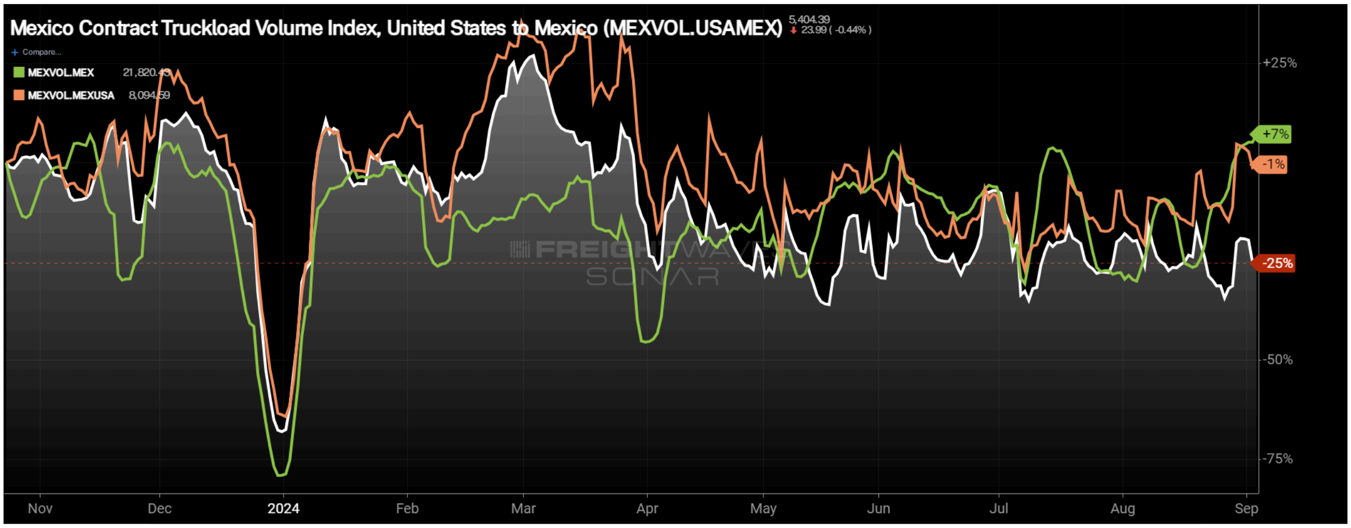
October brought a few potential disruptions for the truckload market: Hurricane Helene, which actually made landfall in late September, the strike by the International Longshoremen's Association and Hurricane Milton. All of these disruptions happening within a couple of weeks of each other created some market pressure, especially in the Southeast. The disruptions didn't cripple the freight economy, but rather signaled that some of the slack has been taken out of the market. As 2025 approaches, more seasonality will likely appear, which sets the stage for market conditions to change in the middle of 2025.



Source: FreightWaves SONAR. Outbound Tender Volume Index (white, right axis) and Outbound Tender Reject Index (green, left axis).

Truckload volumes showed some signs of life to start October. Shippers made a strong push for goods as soon as the ILA strike ended and ahead of Hurricane Milton. Volumes have fallen off as network fluidity has improved following the hurricanes and strike. As a result, the Outbound Tender Volume Index (OTVI), a measure of shippers' requests for truckload capacity, is down 3.04% over the past month, as volume levels continue to trend lower after the Labor Day peak. The decline in volumes during October is fairly seasonal as they fell during October in each of the past five years. The OTVI does continue to hold on to annual gains, up 4.33% year over year, but some of that growth is masked by the fact that tender rejection rates are higher than they were this time last year.

The dry van market continues to be the driver of the year-over-year growth in the truckload market as reefer volumes continue to decline. The Van Outbound Tender Volume Index, like the overall market, is lower over the past month, falling by 2.25%. Even with that decline, dry van volumes are still 2% higher than they were this time last year. The reefer market, on the other hand, has experienced a more significant slowdown in volumes. The Reefer Outbound Tender Volume Index has fallen by 5.6% over the past month. With the decline, reefer volumes have turned negative on a year-over-year basis, now down 3.25%.



Source: FreightWaves SONAR. Mexico Contract Truckload Volume Index, relative view. Northbound (orange), southbound (white) and intra-Mexico (green).

The Mexican truckload market has faced challenges in recent months, especially with regard to southbound movements. Over the past year, southbound truckload movements from the U.S. to Mexico are down 25%. At the same time, intra-Mexico truckload movements are up 7%. Northbound truckload movements from Mexico to the U.S. are down just 1% y/y, with volumes gaining some momentum exiting the summer months.

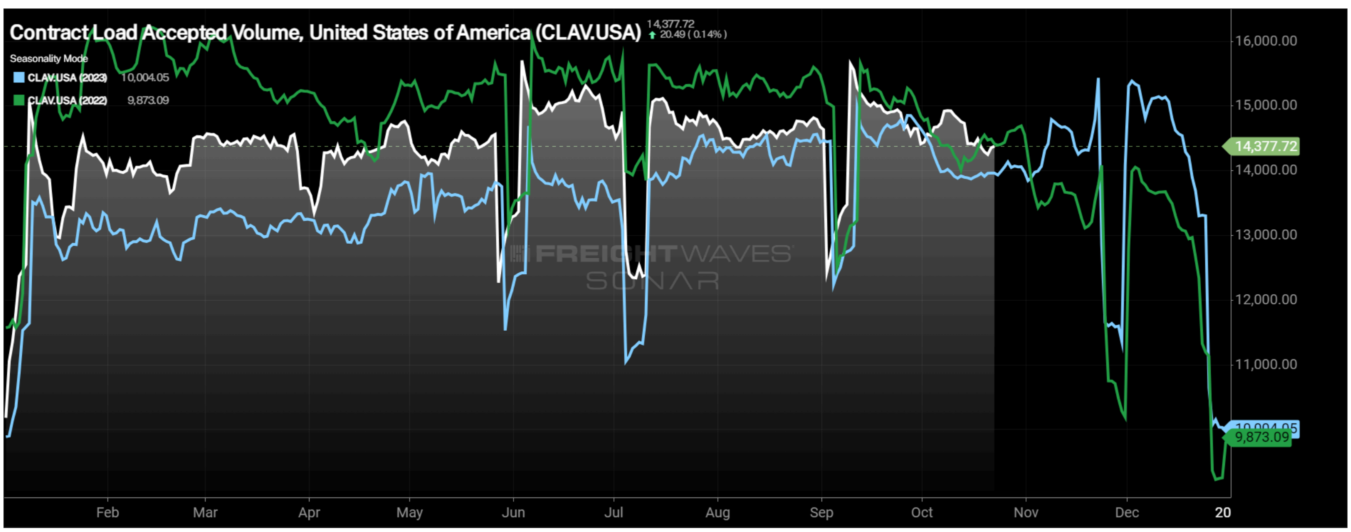


Chart: FreightWaves SONAR. Contract Load Accepted Volume: 2024 (white), 2023 (green) and 2022 (blue).

Contract Load Accepted Volume is an index that measures accepted load volumes moving under contractual agreements; in short, it is similar to OTVI but without the rejected tenders. At present, accepted tenders are up 2.73% year over year, an improvement from October's report, when accepted tenders were up just over 2% y/y. Contracted volumes are down more significantly m/m than the overall OTVI, falling by 3.5%, but the reason for the outperformance from last year is the significant drop in contracted volumes at the start of October last year.

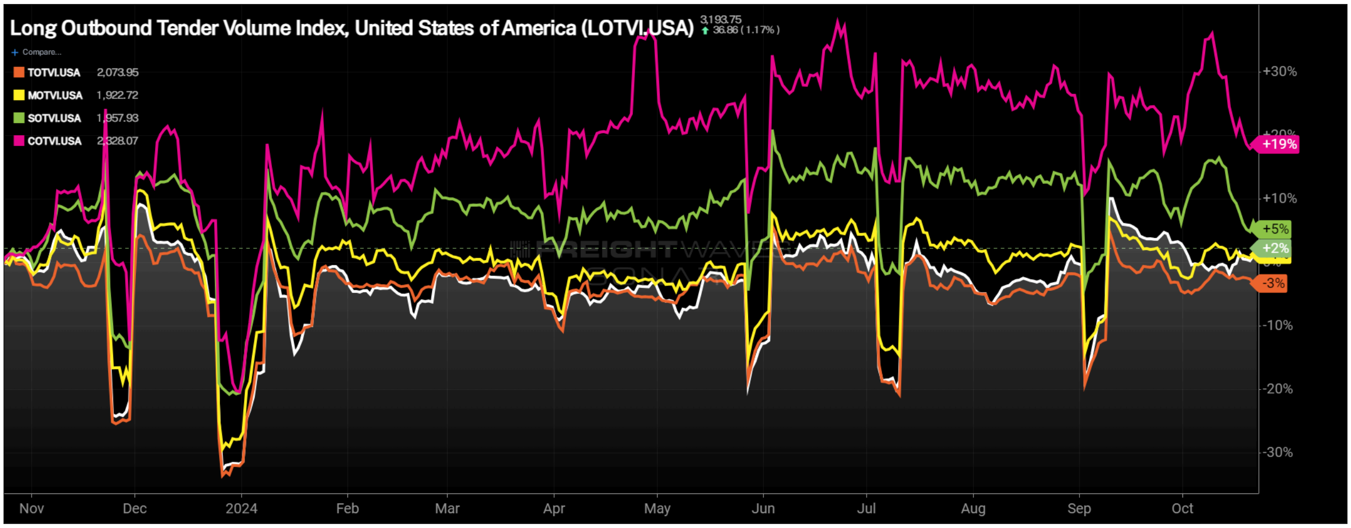


Chart: FreightWaves SONAR. Relative view of tender volumes by mileage band: 800-plus miles (white), 450-800 miles (orange), 250-450 miles (yellow), 100-250 miles (green) and less than 100 miles (pink).

Much of the year, the volume growth has been dominated by the shortest lengths of haul, with loads moving under 250 miles. The favorable indication that a more normal peak season is in order is that long-haul volumes have finally gained a little momentum in recent weeks. Since the beginning of October, long-haul volumes – loads moving more than 800 miles – have increased by over 2% and are in line with where they were during the summer shipping season from Memorial Day through the Fourth of July.

On the capacity front, the market remains oversupplied, but capacity had a far more significant reaction to the three disruptions at the start of October than it has had since the Fourth of July holiday. The Outbound Tender Reject Index jumped to over 5.5%, reaching 5.68% on Oct. 14, the highest level of the year outside of the Fourth of July holiday. Since the disruptions, rejection rates have fallen back some, sitting at 5.07% at the time of writing. Tender rejection rates are up 43 basis points over the past month and are 148 bps higher than they were this time last year. This reaction to the disruption creates the possibility of a more disruptive November and December than what was experienced the past two years.

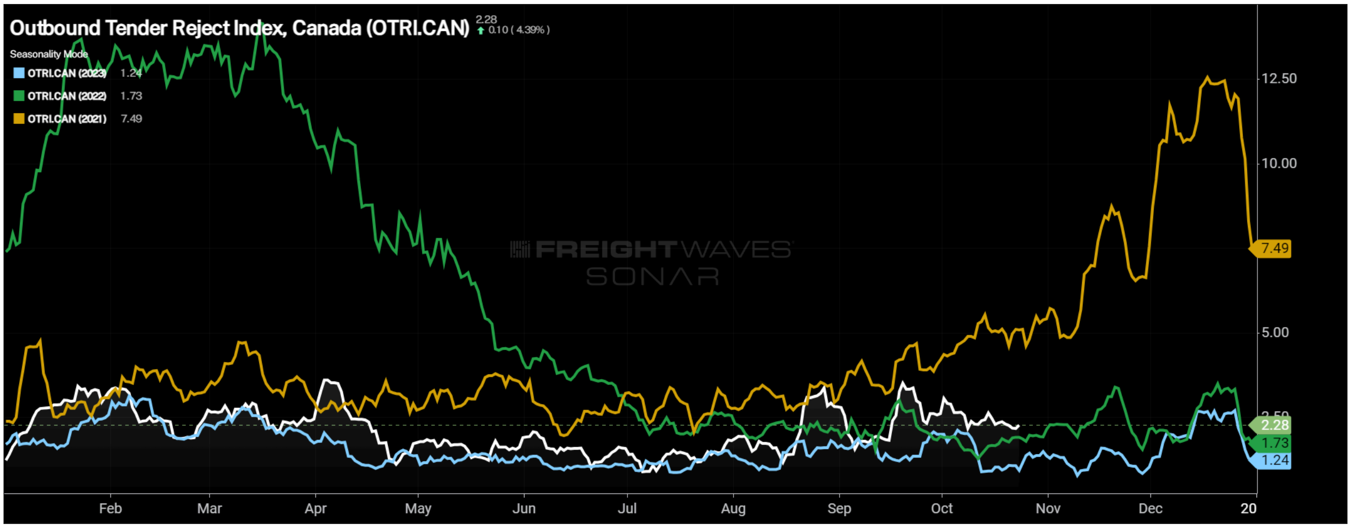
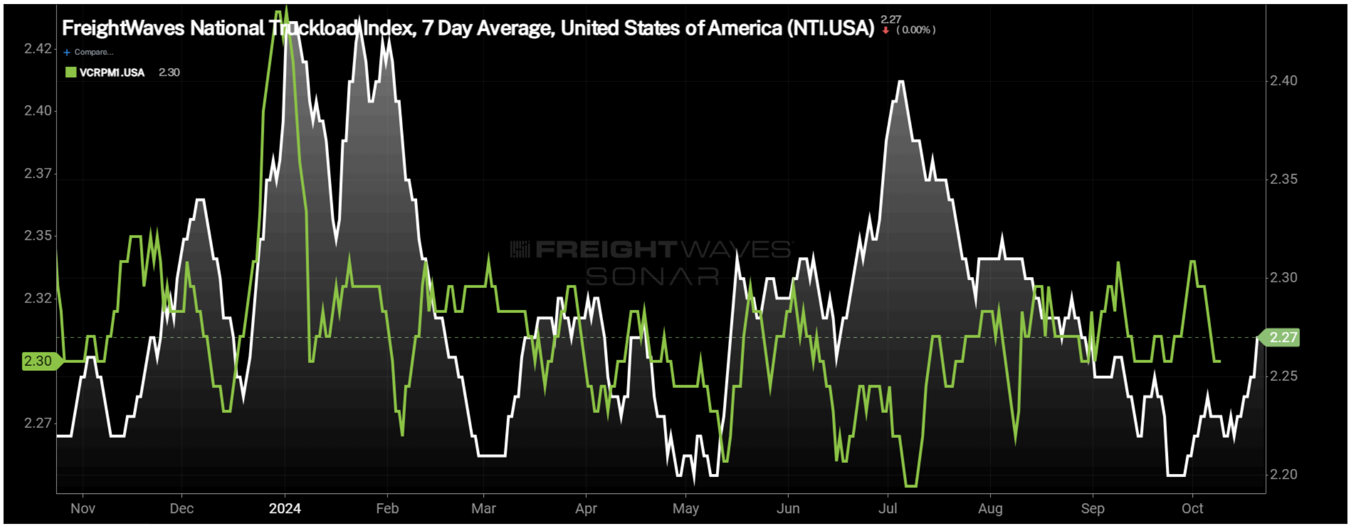


Chart: FreightWaves SONAR. Outbound Tender Reject Index for Canada: 2024 (white), 2023 (green), 2022 (blue) and 2021 (yellow).

Tender rejection rates on loads originating in Canada remain well below levels seen in the U.S. Part of the reason for this is that most of the freight movements within Canada are shorter lengths of haul and move freight around consumption centers as opposed to long hauls from ports inland. The rails tend to dominate the long lengths of haul in Canada, especially when winter weather can significantly impact roads.

The truckload market in Canada has experienced very little pressure as the end of October approaches. Over the past month, after tender rejection rates in Canada jumped to over 3%, they have been declining since, falling by 65 bps to 2.28%. Compared to this time last year, tender rejection rates in Canada are actually 112 bps higher.

Spot rates continue to retreat from summer highs



Source: FreightWaves SONAR. National Truckload Index (white, right axis) and initially reported dry van contract rates (green, left axis).

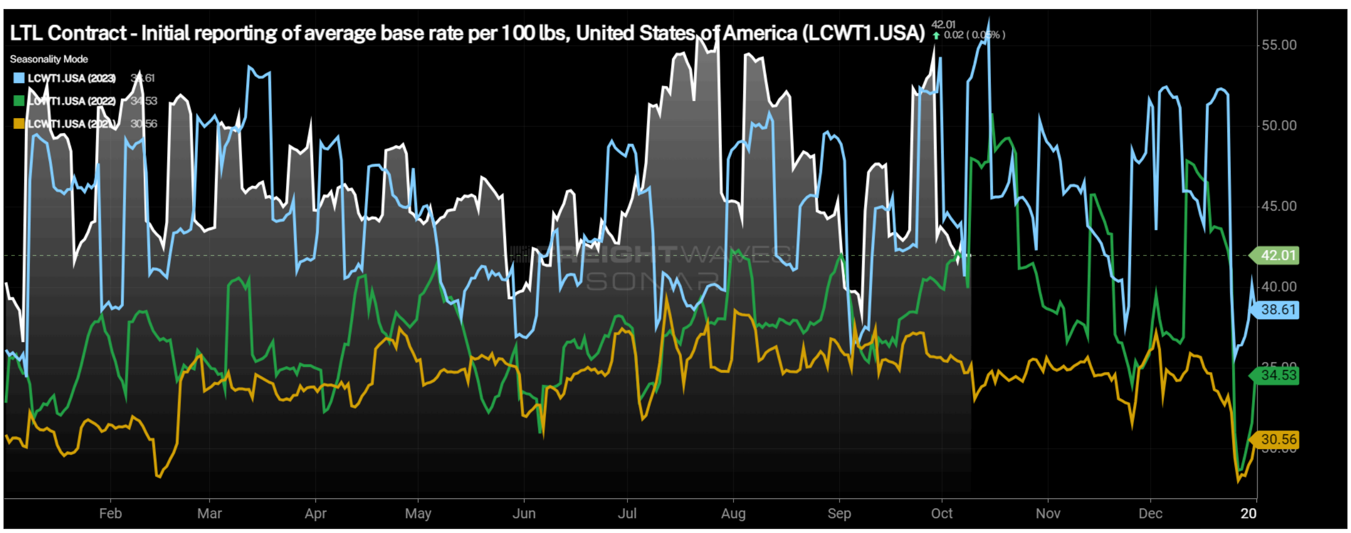
The truckload market took some time to realize market changes were happening when the disruptions occurred. As such, the FreightWaves National Truckload Index — a seven-day moving average of national dry van spot rates that is inclusive of fuel — lagged behind the upward move in tender rejection rates by nearly a week. The NTI started moving higher halfway through October, now currently at its highest level of the month at $2.27 per mile. That is 3 cents per mile higher than it was this time last month and 5 cents per mile higher than it was this time last year.

For much of October, spot rates were flat to down compared to last year, but that has more to do with diesel fuel prices being much lower this year than last. The average diesel truck stop price per gallon is 89 cents, or 20%, lower than it was this time last year. By removing the diesel impacts and looking at the underlying rate, spot rates are not only higher than they were this time last year, but the gap with last year is widening. The FreightWaves National Truckload Index (Linehaul only) is 17 cents, or 11%, higher per mile.

The contract side of the market has been stable the past two and a half months as the initially reported dry van contract rate, which excludes fuel, has been in an 8-cent range since the beginning of August. The initially reported dry van contract rate per mile fell by 3 cents over the past month to $2.30, 7 cents lower than it was this time last year.

In a recent earnings report from one of the largest truckload carriers, there were some positive signs from a pricing perspective. The company reported that truckload revenue per loaded mile excluding fuel was flat year over year and slightly higher than it was in the second quarter. This is an indication this cycle is moving ever so slightly off the bottom.

LTL faces reality of the freight market



Source: FreightWaves SONAR. Initially reported LTL contract rate per hundredweight: 2024 (white), 2023 (blue) and 2022 (green).

The less-than-truckload market continues to combat challenging comps, which has brought the LTL market back to the reality of the freight market. The average LTL contract rate is down $5.15 per hundredweight over the past month and is $6.01 per hundredweight lower than it was last year. This more challenging environment was echoed by the publicly traded LTL carriers that have been more disciplined when it comes to pricing but have suffered volume losses over the past year.

Macroeconomic conditions

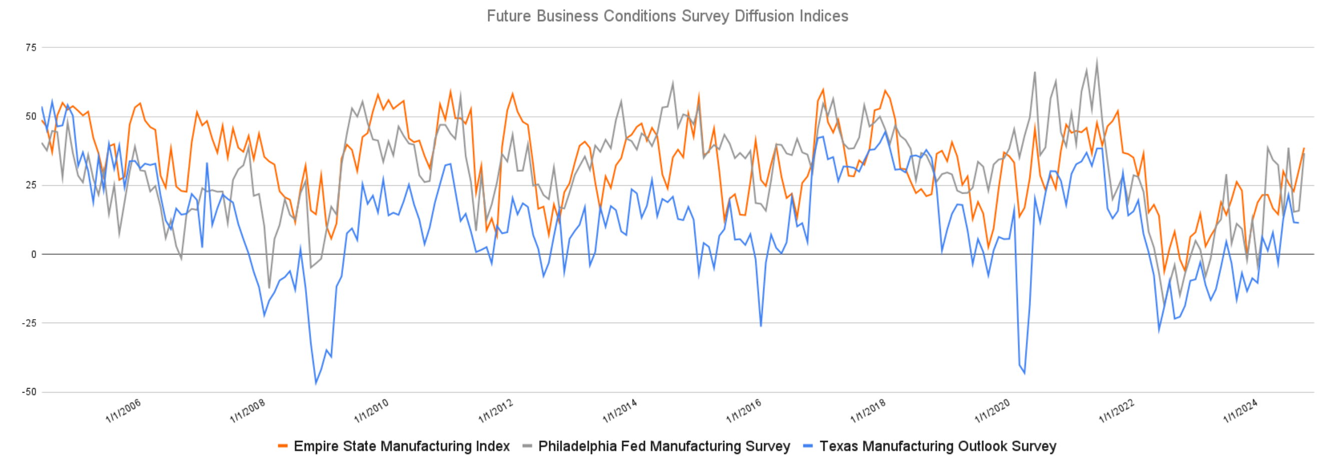
The domestic manufacturing industry has been a laggard the past couple of years, which has created some of the challenges in the freight market. The FOMC's decision to reduce the federal funds rate by 50 bps in September was likely too late to boost the manufacturing sector in the final quarter of 2024 but could generate activity in 2025.

According to the Institute for Supply Management's Manufacturing Purchasing Managers' Index, the manufacturing sector has been in contraction 22 of the past 23 months, marking the longest period of contraction in over 20 years, exceeding that of the Great Financial Crisis. The Manufacturing PMI came in at 47.2 in September, unchanged from August. The overall economy continued to grow as evidenced by the Manufacturing PMI's being above 42.5.

Despite the contraction in overall manufacturing, there were some signs of improvement. The New Orders Index increased by 1.5 points m/m in September. While the index remained in contraction at 46.1, the movement higher indicates that the pace at which new orders are contracting has slowed.

Now one of the challenges moving forward will be that inventories are in a precarious place. Customers' inventories transitioned from "too low" to "about right" in September as the Customers' Inventories Index increased by 1.6 points m/m to 50. On the other hand, manufacturers' inventories transitioned from growing to contracting during September as the Inventories Index fell by 6.4 points to 43.9. The reduction in inventories during the month will likely lead to increased orders in the future, helping drive some level of freight demand.

While the Manufacturing PMI remained in contraction, industrial production also slowed during September. Industrial production fell by 0.3% m/m, erasing the gains in production established in August. The release from the Federal Reserve highlighted the machinist strike at Boeing as a 0.3% detractor from industrial production during the month. Hurricane Helene also impacted industrial production by 0.3%, signaling that for much of the month, production was actually stronger month over month than the headline number leads one to believe. Industrial production was 0.6% lower year over year in September.



After business conditions turned positive in September, the Empire State Manufacturing Index returned to negative territory in October. The General Business Conditions Index within the Empire State Manufacturing Index produced monthly by the New York Federal Reserve regional bank fell by 23.4 points m/m to minus 11.9. The decline shows that September was an anomaly, as business conditions have been negative for the rest of the year excluding September. The Shipments and New Orders indexes also entered negative territory in October, falling by 20.6 points and 19.6 points m/m, respectively.

While conditions were challenged in October, there was increased optimism about the upcoming six months. The forward-looking General Business Conditions Index hit its highest level since early 2022, rising 8.1 points m/m to 38.7. The percentage of respondents who expect conditions to improve over the next six months increased to 54.8% from 44.6% in September. Over half of the respondents expect more shipments over the next six months as the forward-looking Shipments Index increased by 1.2 points m/m to 37.6.

The Manufacturing Business Outlook Survey conducted by the Federal Reserve Bank of Philadelphia showed conditions continue to improve in October. The current General Business Activity Index rose 8.6 points m/m to 10.3, though just 24.3% of respondents reported an increase in business activity in October. Looking to the future, the forward-looking General Business Activity Index experienced one of its largest monthly increases, rising 20.9 points m/m to 36.7, the highest since July. Nearly half (47.4%) of respondents expect an increase in business activity over the next six months. Shipments again appear to be a driver of optimism. The forward-looking Shipments Index nearly doubled to 45.8 as 53.8% of respondents expect higher shipment levels over the next six months.

September was another move in the right direction in Texas, though production suffered during the month. The current General Business Activity Index of the Federal Reserve Bank of Dallas' Texas Manufacturing Outlook rose by 0.7 points m/m in September to minus 9. The optimistic outlook soured slightly in September as the forward-looking General Business Activity Index fell by 0.2 points m/m to 11.4. Unlike the other surveys, just 24.6% of respondents expect conditions to improve over the next six months.

August was slightly more positive in Texas as production turned positive, but overall activity remained weak. The current General Business Activity Index of the Federal Reserve Bank of Dallas' Texas Manufacturing Outlook rose by 7.8 points m/m in August to minus 9.7. The outlook for potential improvements over the next six months soured in August, though it was still in positive territory. The survey's Future General Business Activity Index fell by 10 points m/m in August to 11.6, the third consecutive month the index has been in expansion territory.

Not much has changed from an interest rate perspective since the FOMC's mid-September meeting. Eyes are now on the FOMC meeting Nov. 6-7 to see whether Federal Reserve officials believe that the economy can absorb another interest rate cut. The belief among Fed officials is that there will be further reductions totaling 50 basis points before the end of the year, but there are mixed feelings about how that would occur.

Analysts are currently expecting that Fed officials will opt for a 25-bps reduction to the federal funds rate at the November meeting and then another 25-bps reduction at the December meeting. Federal Reserve officials are tempering expectations based on comments they are making around the potential for aggressive interest rate cuts. Chris Waller, a Federal Reserve governor, stated in a speech at Stanford University, "I view the totality of the data as saying monetary policy should proceed with more caution on the pace of rate cuts than was needed at the September meeting."

Even with those expectations, there is a chance the Fed takes a wait-and-see approach as it did with the first interest rate reduction. The two data points that garner the most attention when it comes to Federal Reserve policies are employment and inflation.

The labor market, despite showing signs of cooling throughout much of the year, allowing the runway for a more aggressive interest rate cut, has held up OK in the past two months. The employment report in September showed that the economy added 254,000 jobs during the month. To put that into perspective, analysts were expecting 150,000 jobs to be created during the month.

On top of that, after an abysmal initial release, the August jobs number revision came in 17,000 higher than the initial release at 159,000 added jobs. These two releases seem to break the trend of challenging jobs report releases, but the revision to the September figures will be important to watch on the first Friday in November.

The job growth opportunities remain in the same industries that they have all year, with health care, leisure and hospitality, and government adding the most jobs during September. The health care sector added 45,200 jobs during September. Government added 31,000, but many of those jobs are in state and local rather than federal government hiring.

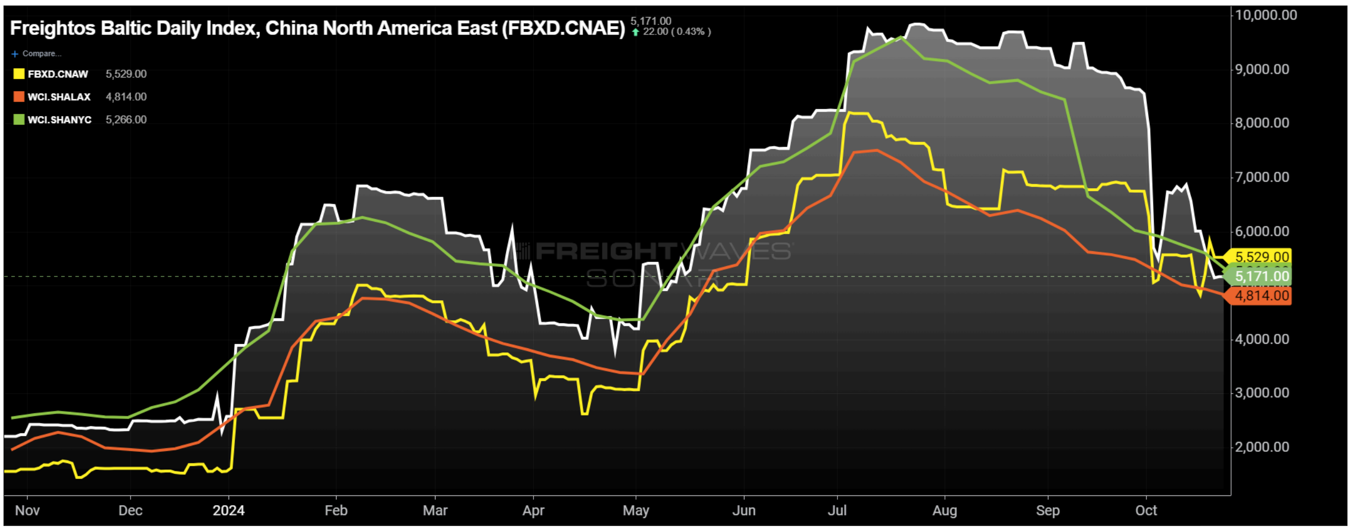
Restaurants and bars were hiring with a vengeance during September, with one of the largest increases in the past year, adding 69,400 jobs during the month.

Maritime: Peak season waning, volumes off recent highs

Ocean carriers believe that peak shipping season for 2024 has come and gone, with Golden Week marking the end of the peak season. This year's peak season has been longer in duration than in previous cycles and at elevated levels compared to the past two years. This has resulted in strong import levels across the country, but especially at the West Coast ports.

The International Longshoremen's Association did strike at the beginning of October, but it was only a matter of a few days before an agreement was reached, limiting the potential impacts that a prolonged work stoppage presented. Eyes are now on Jan. 15, 2025, as the next potential labor disruption, because the tentative agreement extended the master contract until that date. The rank-and-file union members still have to vote on the tentative agreement. If that fails to pass, there is the potential for another strike.

Now the biggest impact to the ocean market in the coming months ahead of Jan. 15 is the presidential election. In the event former President Donald Trump is reelected, there will likely be a pull forward of freight in an effort to front-run any tariffs that he has announced he would implement, especially on Chinese goods. If Vice President Kamala Harris is elected, the status quo would likely be maintained, at least for the time being. That means the more traditional seasonality will impact the market, with a lull during the fourth quarter and then a boost in volumes ahead of the Lunar New Year holiday, which begins Jan. 28 and concludes Feb. 3.

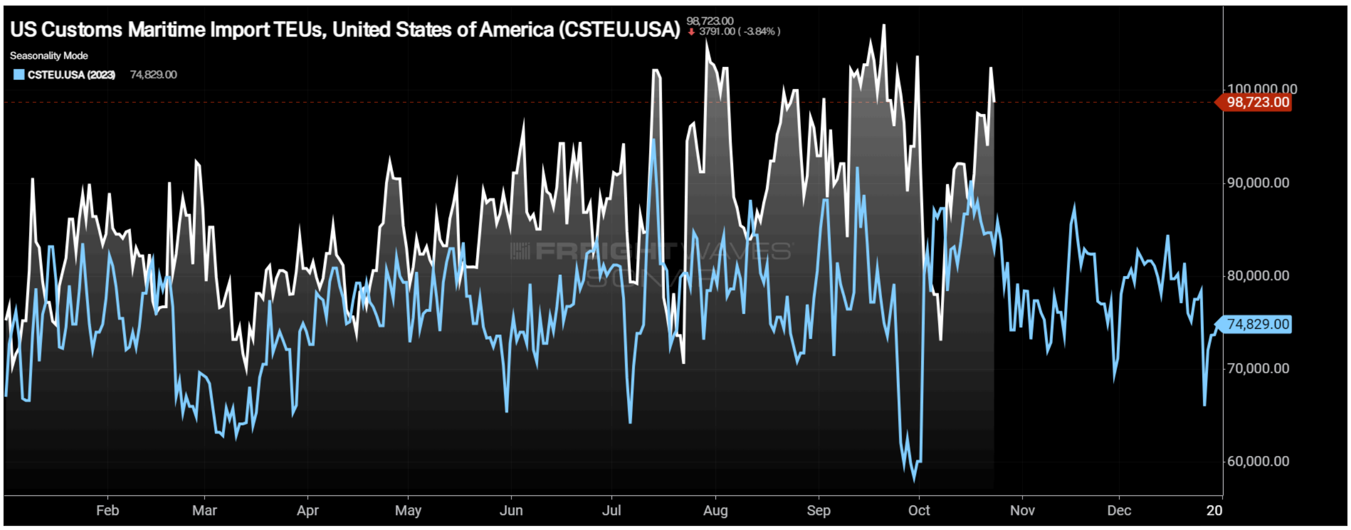


Source: FreightWaves SONAR. Container spot rates, YTD view: Drewry World Container Indexes: Shanghai to Los Angeles (orange), Shanghai to New York (green). Freightos Baltic Daily Index: China to North American West Coast (yellow) and China to North American East Coast (white).

Ocean market spot rates suggest that peak season has passed: Over the past month, ocean rates are down almost 50% from their peak.

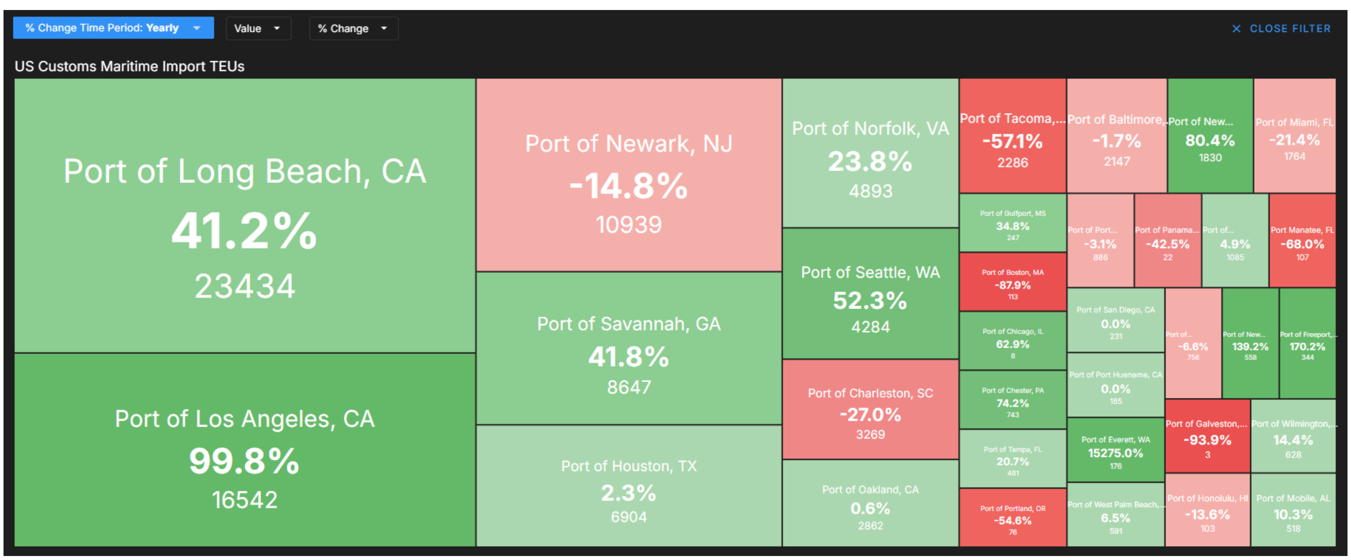
The Freightos Baltic Daily Index from China to the North American West Coast fell by 18.2% in the past month to $5,529 per 40-foot equivalent unit. Despite the month-over-month decrease, spot rates along this lane are 253.6% higher y/y. From China to the North American East Coast, the monthly decline was even greater, falling 40.4% to $5,171 per FEU. The spot rate along this lane is 133.7% higher y/y.

The Drewry World Container Index followed suit, but the declines weren't as severe, as evidenced by the Freightos spot rates. The WCI from Shanghai to New York registered a decrease of 11.9% m/m to $5,609 per FEU, but is still 113.3% higher y/y. The WCI from Shanghai to Los Angeles currently stands at $4,941 per FEU, a decline of 11.2% m/m but 147.5% higher y/y.



Source: FreightWaves SONAR. U.S. Customs Maritime Import TEUs: 2024 (white) and 2023 (blue).

The outperformance in U.S. imports is evident when looking at throughput at U.S. ports, but so are the impacts of the ILA strike. Overall, TEUs clearing customs at U.S. ports turned negative during the ILA strike, one of the first times that had happened all year, but in the weeks that followed imports have been quite strong. At present, import TEU volumes are 2.7% higher than they were this time last month and 19% higher than they were this time last year.

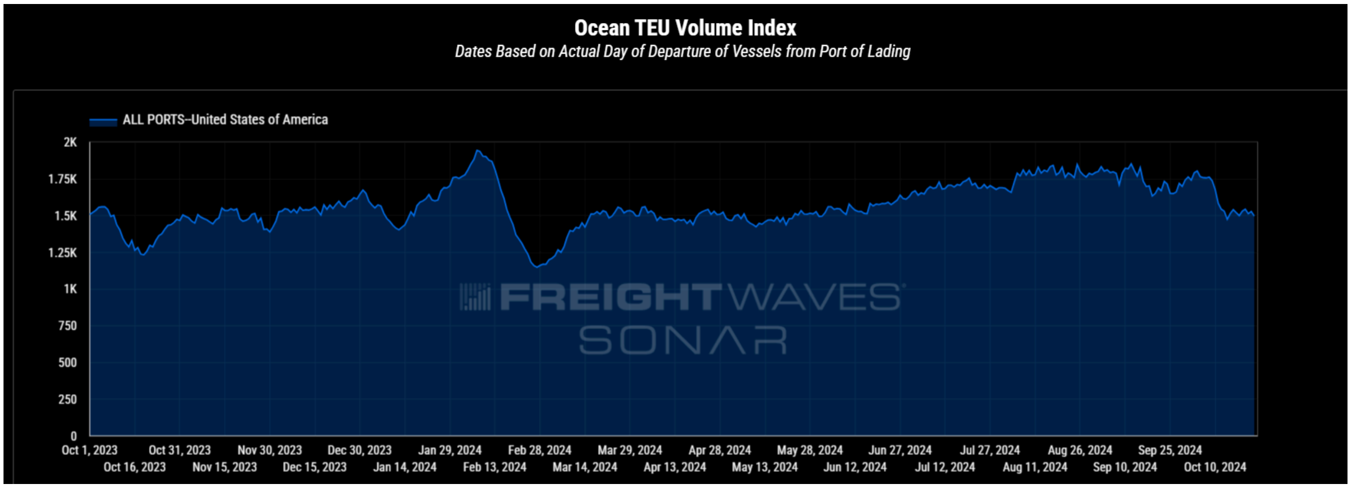


Source: FreightWaves SONAR. Maritime Import Shipments by Port — Tree Map.

The growth in TEU volumes has been widespread, but it is hard to overstate how impressive volume growth in imports along the West Coast has been. The ports of Long Beach and Los Angeles have both seen volumes grow significantly over both the past year and month. At the Port of Long Beach, TEU volumes have grown by over 30% in the past month and 41.2% y/y. At the Port of Los Angeles, TEU volumes increased by 8.8% over the past month but are up nearly 100% compared to this time last year. The challenges in measuring the changes are that the way in which customs officials clear imports can create extreme volatility in the changes.

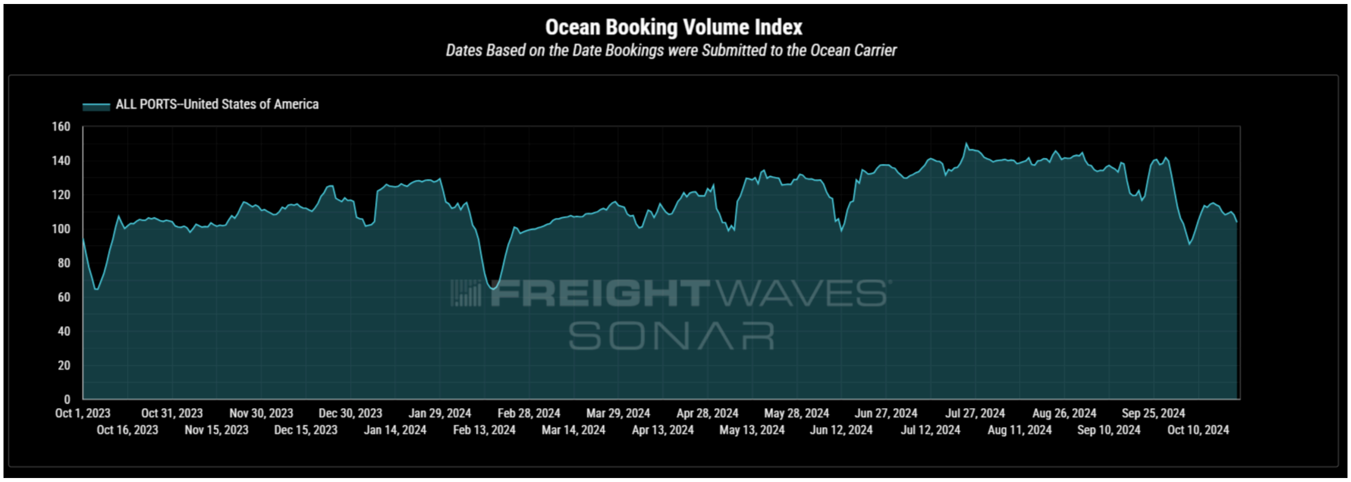
The Port of Seattle has also seen impressive growth in TEU volumes, growing 24.6% m/m and 52.3% y/y.

The growth on the West Coast has primarily been driven by the risk of the ILA strike, but even as the strike has passed, the East Coast ports have yet to recover. The Port of Savannah, Georgia, one of the largest on the East Coast, saw TEU volumes decline by 12.7% m/m, but they are still up 41.8% y/y.



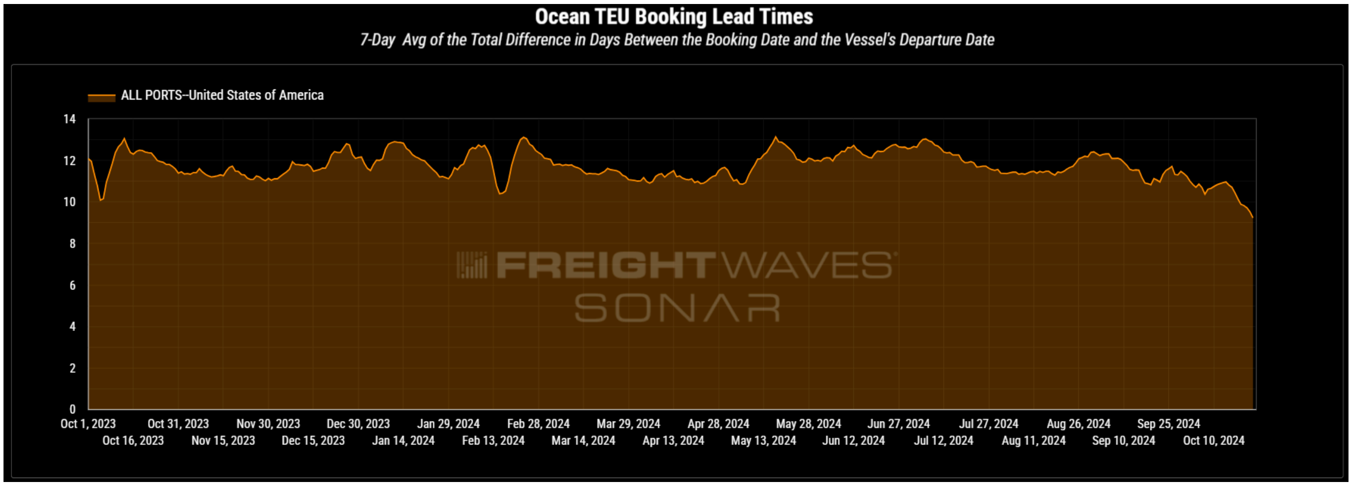
Source: FreightWaves Container Atlas. Ocean TEU Volume Index — all global ports to all U.S. ports.

The Ocean TEU Volume Index, gauging container trade from all global ports to all U.S. ports as TEUs leave origin ports, has fallen following Golden Week as maritime peak season is in the rearview. Over the past month, the Ocean TEU Volume Index has fallen by 12.71%. But even against the decline over the past month, the Ocean TEU Volume Index is 9.76% higher year over year. As Election Day draws closer, there is the potential for stronger-than-expected volumes if tariffs become increasingly likely, but that probably won't play out until the time between the election on Nov. 5 and the inauguration on Jan. 20, 2025.



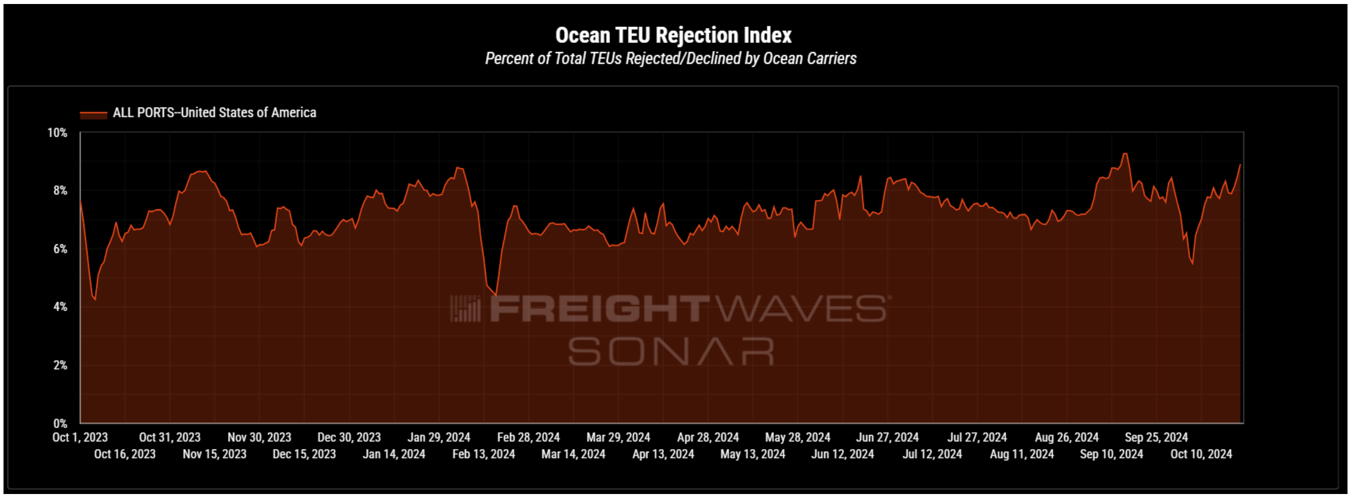
Source: FreightWaves Container Atlas. Ocean Booking Volume Index — all global ports to all U.S. ports.

As with TEU volumes, bookings are retreating, but the decline isn't as severe as the picture currently looks. The Ocean Booking Volume Index is based on when a booking is confirmed by an ocean carrier, so it can vary greatly because shipments can be booked closer to the date of departure or shipment sizes can fluctuate. Over the past month, ocean booking volumes are down 19.4%, and they are 2.5% lower y/y.



Source: FreightWaves Container Atlas. TEU booking lead times — all global ports to all U.S. ports.

Ocean TEU Booking Lead Times continue their decline as it appears there is plenty of available space on vessels overseas and shippers are confident in their ability to get goods on the container ships. Over the past month, TEU Booking Lead Times are 18% shorter.



Source: FreightWaves Container Atlas. Ocean TEU Rejection Index — all global ports to all U.S. ports.

The Ocean TEU Rejection Index serves as an indicator of the rate at which ocean carriers decline cargo bookings. As of Oct. 23, the index stands at 8.91%, an increase of 128 basis points over the past month. The increase signals that ocean carriers are being more selective in the freight they take, but it also suggests an attempt to keep spot rates inflated as long as possible against market dynamics.

Rail intermodal: Import growth continues to drive intermodal traffic

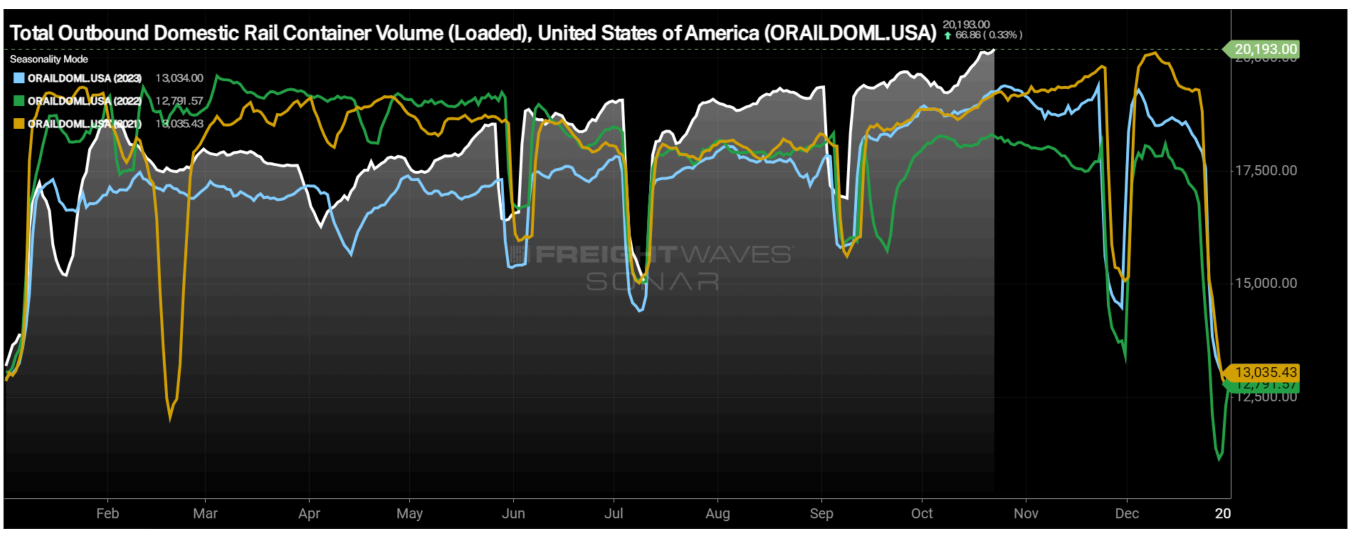


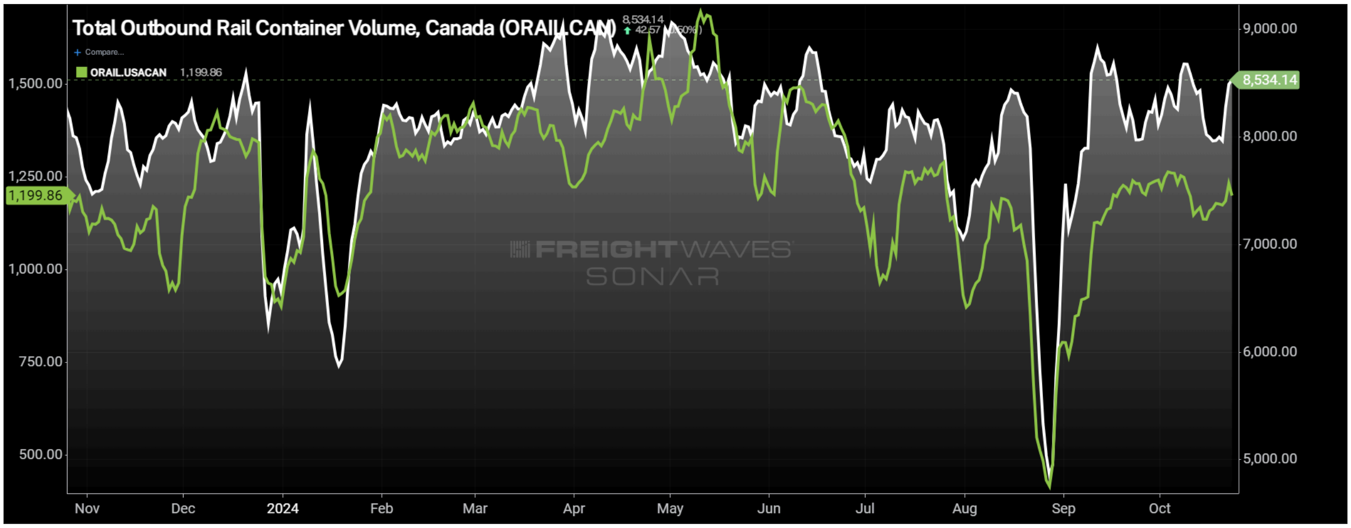
Chart: FreightWaves SONAR. Loaded domestic intermodal container volumes for 2024 (white), 2023 (blue), 2022 (green) and 2021 (yellow).

The intermodal market has been the pressure relief valve that has helped keep the truckload market depressed for as long as it has. The intermodal market added capacity at the same time the truckload market was, and when the market turned, the value proposition of slightly longer transit times in exchange for lower rates became much more enticing. Now that the traditional peak season for the truckload market approaches and the value proposition of intermodal is diminished by increasing time sensitivity, one would expect intermodal volumes to come under some pressure. So far, that isn't the case. Total intermodal volumes have increased by 0.2% over the past month, and they are over 7% higher than they were this time last year. Strong import levels were the primary driver of the growth as loaded intermodal volumes are up 2.4% m/m and 7.2% y/y.

The domestic intermodal market has fared better than the international market over the past month, especially when looking strictly at loaded intermodal containers. Domestic loaded intermodal container volumes increased by 2.6% over the past month and are up 4.3% y/y. The domestic market has lagged behind the growth in international intermodal volumes throughout the entire year.

Loaded international intermodal volumes have increased by 2.2% over the past month and are 11.6% higher than they were this time last year. Ocean carriers have been adding container capacity, which is evident in the fact that the ocean carriers are willing to let containers move inland despite demand on the ocean being elevated.

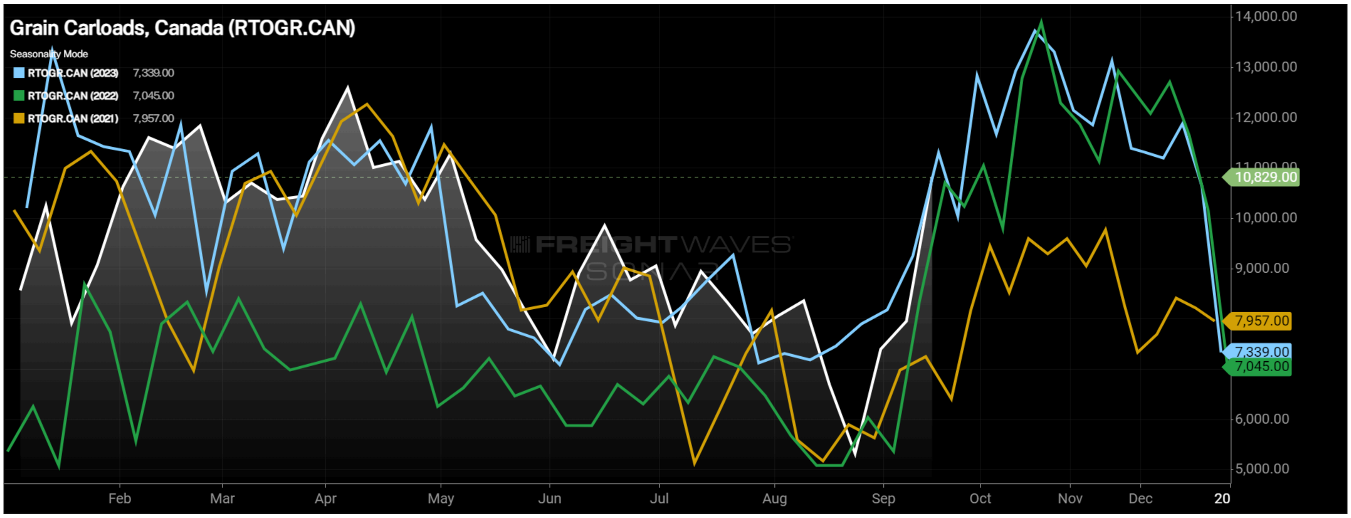
Now, empty container movements have come under pressure, especially on the international side of the market. Total empty intermodal container volumes are down 8.1% over the past month, solely driven by lower international volumes. Empty international intermodal volumes are down 20.6% over the past month, while domestic empty container volumes are up 9.7% m/m.



SONAR: Total intermodal container volume: Canada (white, right axis) and U.S. to Canada (green, left axis)

The impact of the brief work stoppage on the Canadian rails is a thing of the past as intermodal volumes continue to show strength. Over the past month, total intermodal volumes originating in Canada have increased by 7%, nearing the highest level of the year. Intermodal volumes originating in Canada are up 1.8% y/y.

Cross-border intermodal movements have slowed over the past month, but it shouldn't be a cause for concern yet. Total intermodal container movements originating in the U.S. destined for Canada have fallen by 2.63% over the past month and are 1.7% lower y/y.



SONAR: Total Grain Carloads originating in Canada: 2024 (white), 2023 (blue), 2022 (green) and 2021 (yellow).

Canadian grain shippers faced a far more challenging environment with the short-term lockout as there are very few, if any, alternative modes of transportation and the lockout happened right ahead of the seasonal harvest/shipping season. The positive sign for the Canadian grain shippers is that network fluidity improved and the number of grain carloads surged back to near-2023 levels. Over the past month, grain carloads originating in Canada have increased by 3.36%, but they have fallen by nearly 10% over the past year.

Intermodal contract rates continue to trend sideways

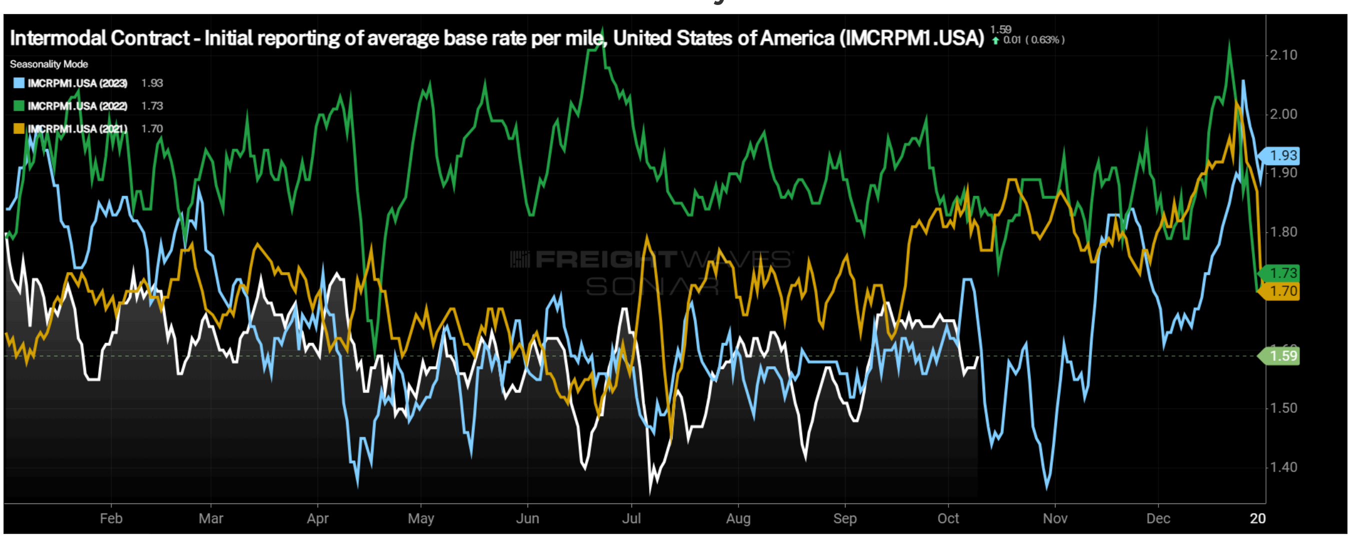


Chart: FreightWaves SONAR. Intermodal contract rates on a sample of domestic intermodal lanes in 2024 (white), 2023 (blue), 2022 (green) and 2021 (yellow).

Intermodal contract rates trended sideways in the third quarter, and that has continued into the fourth. With intermodal volumes moving higher throughout the year, typically intermodal contract rates would follow suit, but bid season for 2025 is ongoing, thus there has been no significant movement higher. Over the past month, the initially reported intermodal contract rate has fallen by 3 cents per mile exclusive of fuel.

Intermodal marketing companies are becoming increasingly optimistic about the future of intermodal contract rates as we enter 2025, but intermodal spot rates remain fairly muted. While not much intermodal volume moves on the spot market, changes in spot rates can reflect carriers' desire to protect capacity for contractual shippers. In the most recent week, the average domestic intermodal spot rate (an average of 100 lanes) to move 53-foot containers door to door is just $1.51 a mile including fuel, matching October's report but down 12.7% from the same week last year.

Given the high density and the recent volume growth in the outbound LA lanes, it is worth watching those lanes' intermodal spot rates for evidence that capacity may be becoming more scarce. Of the outbound LA lanes, LA to Atlanta has shown the most volatility of late, which may reflect carriers' desire to not send too many containers that far east given continued demand for transloading on the West Coast.

Across the 13 densest intermodal lanes, all but two experienced higher intermodal spot rates over the past month. The aforementioned LA to Atlanta intermodal spot rate is down 5% m/m, but it is the only lane where intermodal spot rates are higher y/y, up 5.1%. Outbound Chicago experienced increases in intermodal spot rates over the past month, with the exception of Chicago to Dallas, but all of the outbound Chicago lanes are down y/y.

The Chicago to Atlanta and the Dallas to Chicago lanes have been under the most pressure over the past year as intermodal spot rates are down 27.3% and 26.5%, respectively.

Intermodal spot rates rebound out of Chicago, still down y/y

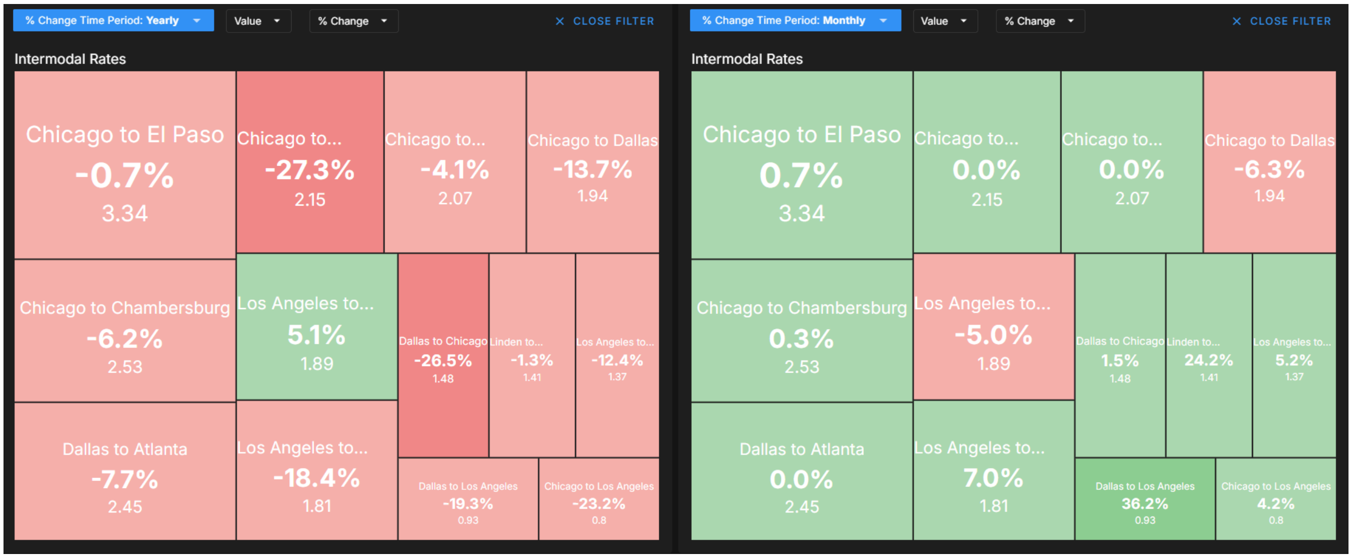


Chart: FreightWaves SONAR. Intermodal spot rates to move 53-foot containers door to door, including fuel surcharges and their respective y/y (left) and m/m (right) changes.

Intermodal tender rejections offer a way to gauge service disruptions as carriers often operate on "auto-accept," especially when contract rates are competitive with spot rates. The current national intermodal rejection rate remains relatively low at 1.66%, just slightly above where it was this time last year.

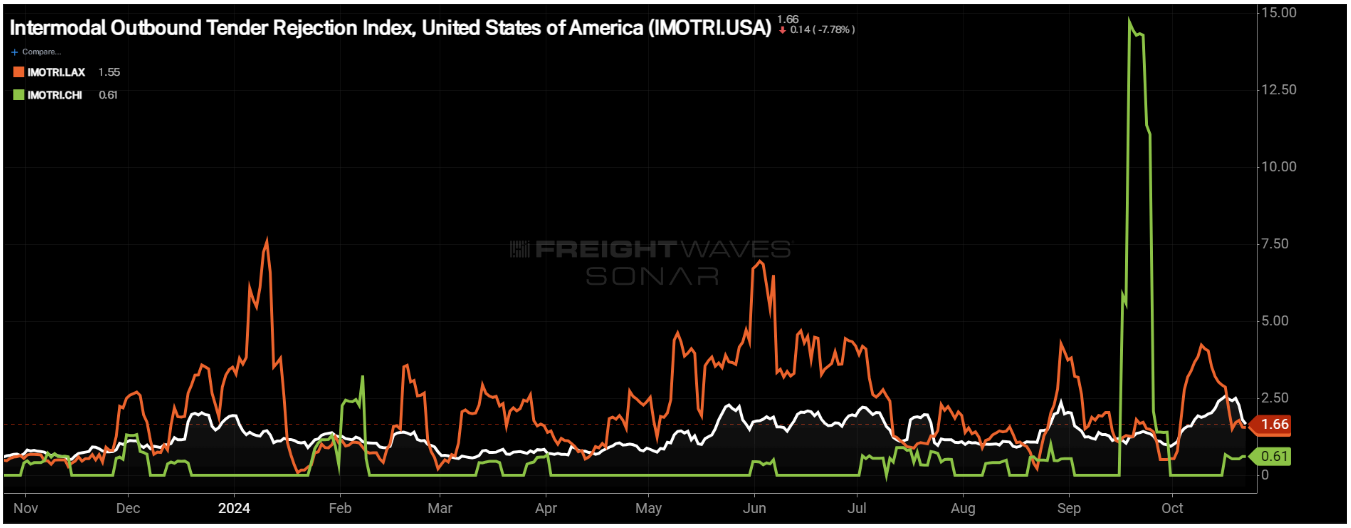
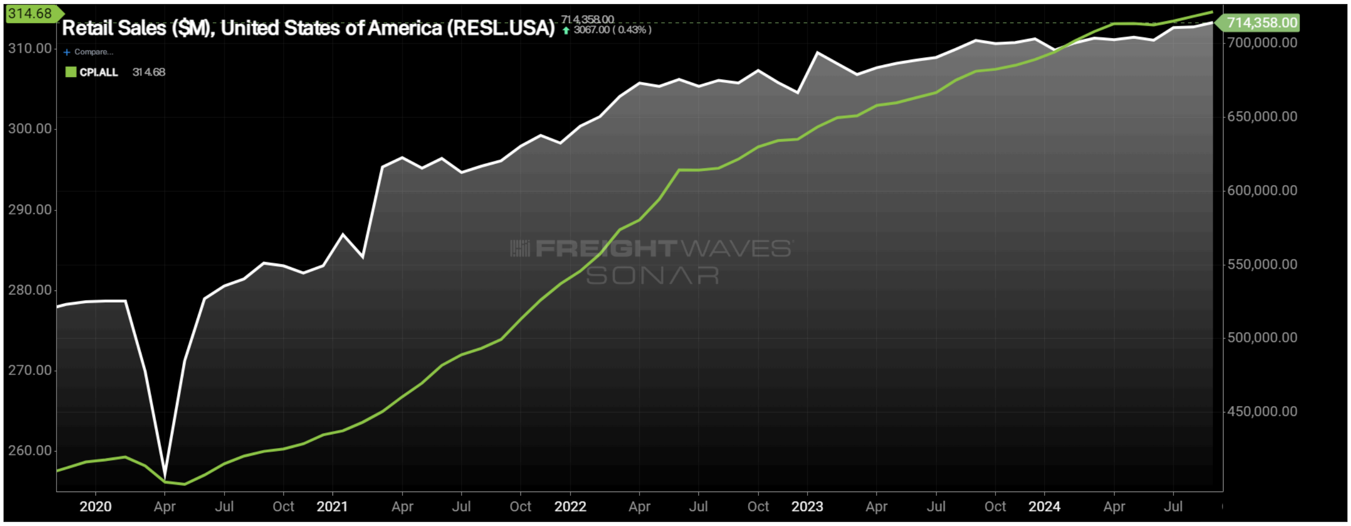


Chart: FreightWaves SONAR. Domestic intermodal outbound tender rejection rates for national (white), Los Angeles (orange) and Chicago (green) loads.

What else we're watching

The Fed still has its hands full dealing with inflation, as the most recent data highlighted that it isn't going to go away easily. The FOMC did decide to reduce interest rates in September and will continue to weigh recent data on whether the agency will continue to ease policy or if it acted prematurely.



The Consumer Price Index rose by 0.2% m/m in September, matching August's increase. Analysts were expecting the CPI to increase by 0.1% during the month, so the print was slightly hotter than expected, which presents a challenge for the FOMC. The 12-month running total for the CPI came in at 2.4%, also 0.1% higher than expectations but the lowest level since February 2021.

Core inflation, which removes the more volatile food and energy prices, experienced a larger increase during the month, rising 0.3% m/m and 3.3% y/y. Core inflation is a metric that the FOMC tends to gravitate toward when making policy decisions, using the Core Personal Consumption Expenditures Index, so the stickiness in core inflation may lead to a more cautious FOMC moving forward.

The volatility in both energy and food prices was evident in September, in differing ways. Energy prices fell significantly during the month, while food prices, specifically food-at-home prices, experienced one of the largest increases of the year.

Overall energy prices fell by 1.9% m/m in September and were down 6.8% y/y. Diving deeper into energy prices, gasoline prices were one of the main reasons for the deflation experienced during the month. Gasoline prices fell by 4.1% m/m and 15.3% y/y during September.

Food prices, which had been steadily increasing, rose by 0.4% m/m during September, the largest increase of the year. Overall food prices are 2.3% higher y/y. Food-at-home prices increased by 0.4% m/m, matching the overall increase. Food-at-home prices were still just 1.3% higher than they were last year. Food-away-from-home prices increased by 0.3% m/m, rising in line with the rate at which they have been rising in recent months. On a year-over-year basis, food-away-from-home prices are up 3.9% y/y.

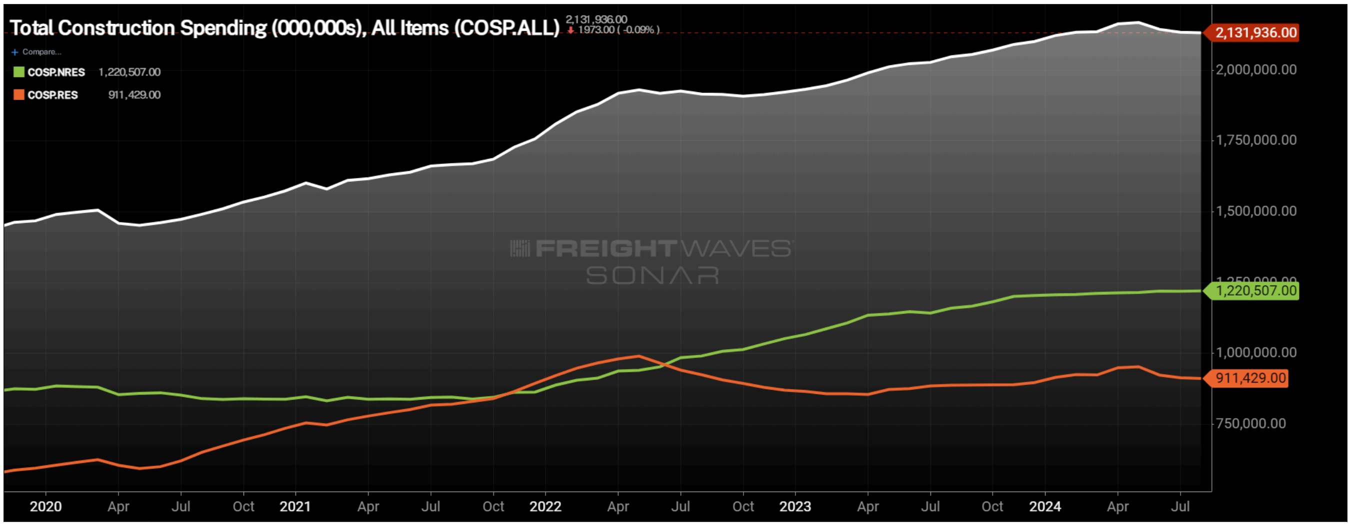
Shelter prices, the primary source of core inflation, continued to rise in September but at a slower rate than in recent months. Shelter prices increased by 0.2% m/m in September after rising by 0.4% and 0.5% m/m, respectively, in the previous two months. Shelter prices are up 4.9% y/y.

While inflation remains a thorn in the side of consumers, they continue to show a willingness to spend. Retail sales came in better than expected once again, showing that there was no summer slowdown in spending. Retail sales grew by 0.4% m/m in September, better than the 0.3% increase many expected. Total retail sales are up 1.7% y/y.

Furniture and electronics sales continue to lag. Furniture sales fell by 1.4% m/m in September and 2.3% y/y. Electronic sales fell by 3.3% m/m and 4.6% y/y.

Gasoline station spending was also a drag on retail sales, falling by 1.6% m/m and 10.7% y/y. The decline in sales is more a function of lower gasoline prices than a slowdown in demand.

Nonstore retail sales continue to grow, rising by 0.4% m/m and 7.1% y/y in September. With retailers creating shopping holidays in early October, there will likely be another boost to nonstore retail sales in October.

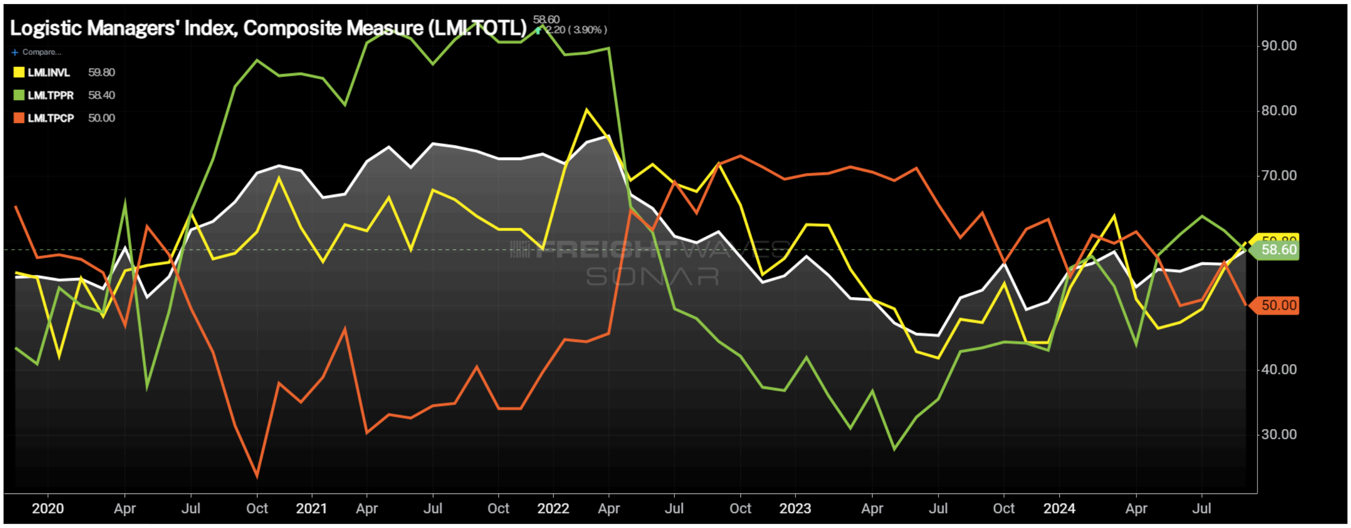


August presented a slight challenge for the construction sector. Total construction spending fell by 0.1% m/m to a seasonally adjusted annual rate (SAAR) of $2.13 billion. Compared to August 2023, total construction spending was 4.1% higher this year.

Residential construction spending suffered its third consecutive monthly decline in August. The residential construction spending SAAR fell by 0.3% m/m in August to $911.4 million. Residential construction spending was 2.7% higher y/y.

Nonresidential construction spending inched higher in August. It rose by 0.1% m/m to a SAAR of $1.22 billion. Nonresidential construction spending was up 5.2% y/y. This growth really stemmed from communication, which increased 1.3% m/m, and conservation and development, which increased by 2.2% m/m.

Looking upstream in housing, activity slowed in September, which is interesting given that FOMC cut the federal funds rate target during the month. Housing starts fell by 0.5% m/m in September to a SAAR of 1,355,000. Single-family housing starts fared better than multifamily starts, rising 2.7% m/m and 5.5% y/y, while multifamily housing starts fell 4.5% m/m and 15.7% y/y.



Source: FreightWaves SONAR. Logistics Managers' Index (white), inventory levels (yellow), transportation prices (green) and transportation capacity (orange).

The Logistics Managers' Index remained in expansion territory, growing at a faster rate in September than in August. The overall composite index for the LMI increased by 2.2 points m/m to 58.6. The growth in inventory levels continued in September as they grew faster than they did a month prior, thanks to downstream firms joining the inventory expansion party. Inventory levels increased by 4.1 points m/m to 59.8. Downstream firms reported inventory levels of 56.7, entering expansion for the first time, while upstream firms reported inventory levels of 61.6.

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