

TL & LTL MONTHLY MARKET UPDATE

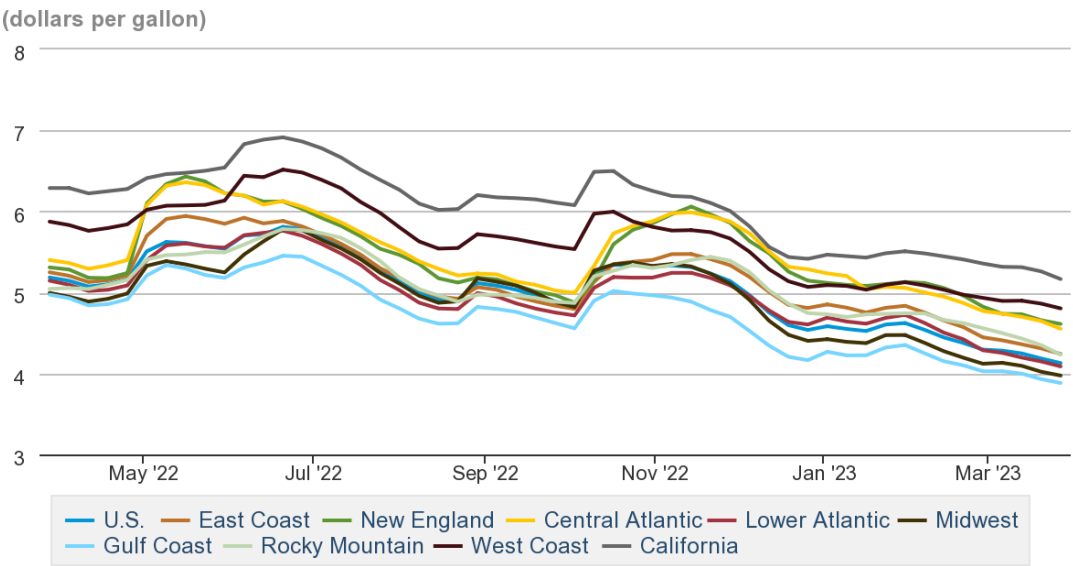
APRIL 2023



Diesel prices continue steady decline

National average diesel prices declined marginally in March compared to February, finishing the last whole week of the month at \$4.128/gal compared to \$4.294 /gal at the end of the prior month. This was down \$0.057 from the previous week and down \$1.057 relative to the preceding year. The agency updated its outlook predicting a gradual price decline through 2023 and into 2024.

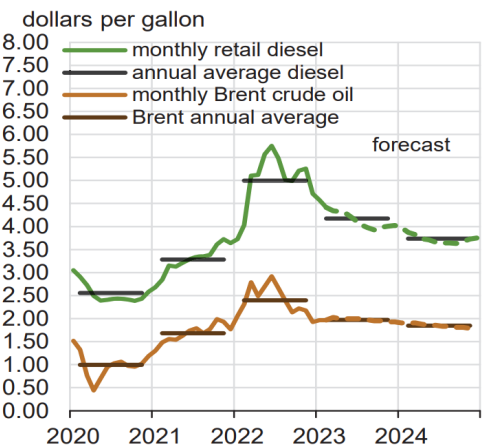
On-Highway Diesel Fuel Prices



Data source: U.S. Energy Information Administration

(Source: EIA)

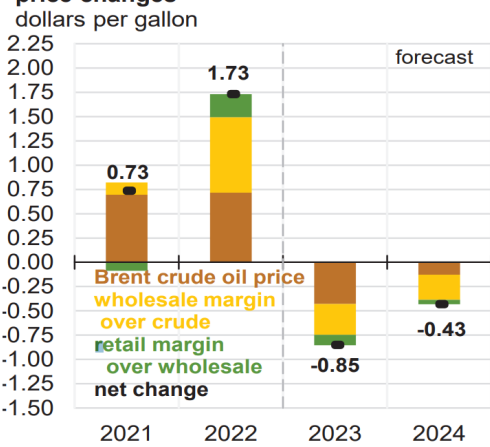
U.S. diesel and crude oil prices



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, March 2023, and Refinitiv an LSEG Business

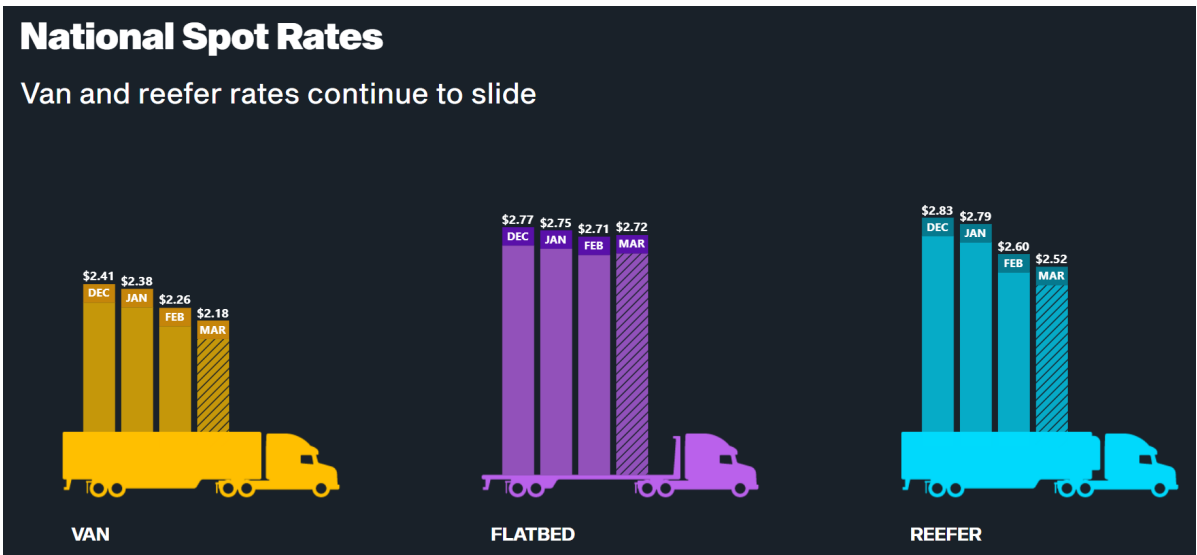
(Source: EIA)

Components of annual diesel price changes



DAT spot rates continue winter dip

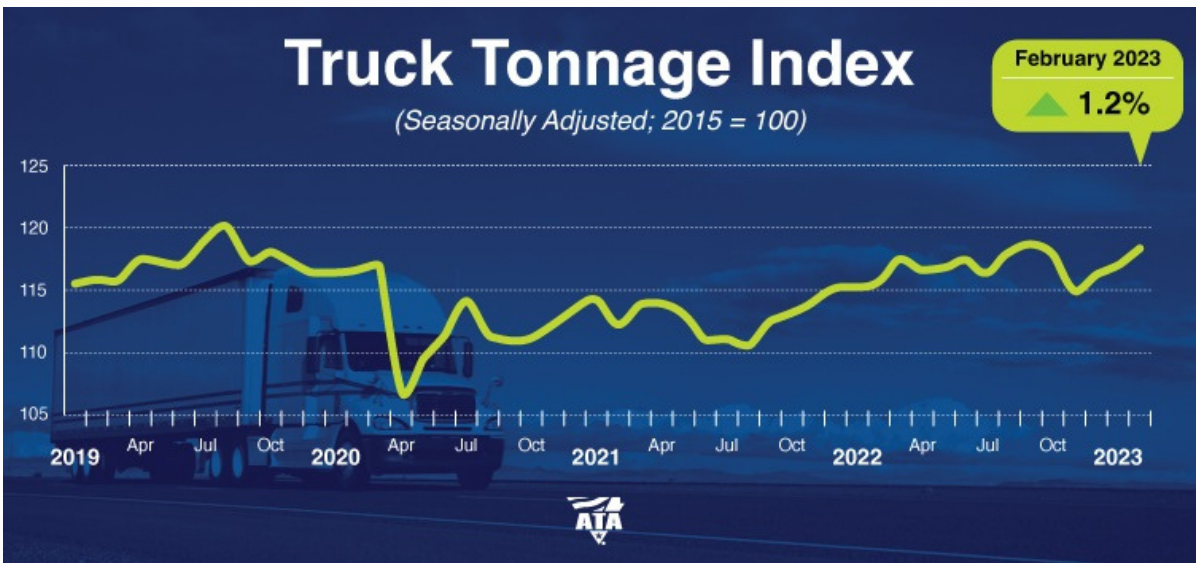
Spot rates continued to decline to historic lows. Flatbed rates recovered to a steady state; however, van and reefer rates continue to deteriorate as we head into spring.



(Source: DAT)

Truck tonnage index maintains steady increase

Truck tonnage has nearly recovered from the weak 2022 Q3 and Q4, with steady increases year-to-date. Total increases over the last three months total 2.9%, with 1.2% of that gain occurring from January through February 2023.



(Source: ATA)

Fed raises key rate by quarter-point despite bank turmoil

The Fed has signaled it will prioritize combating inflation over the potential for continued bank turmoil. However, they have indicated they are nearing the end of their aggressive rate hikes for the time being. Banks will likely tighten their lending requirements as a result of the continued rate hikes, which has some economists worried that could trigger a recession. (Source: [AP News](#))

News from around the industry

Teamsters push Yellow for no purchased transportation

The Teamsters union is pushing for Yellow to eliminate their purchased transportation entirely. This would drastically change how Yellow operates today, with purchased transportation expense accounting for 14.3% of its total revenue. Dialing this down to zero will require significant changes to their current linehaul operations. (Source: [FreightWaves](#))

State of LTL in 2023: Volumes down, yields up

A basic law of supply and demand has been broken, but in a post-pandemic economy, the scenario makes sense. LTL carriers are becoming savvier in their pricing schema and discipline. Carriers are focused on fleet and

personnel right-sizing to keep margins healthy while enjoying some of the pricing cushion built up throughout the pandemic and inventory ramp-up. (Source: [Logistics Management](#))

US approves \$31 billion merger of Canada Pacific & Kansas City Southern railroads

Canada Pacific's acquisition of Kansas City Southern would lay the groundwork for the first-ever single-line railroad between Canada, The United States, and Mexico. There are currently only 6 Class I rail carriers in North America, down from 39 in 1980 before industry deregulation. Even after the merger, the combined Canada Pacific and Kansas City Southern railroad would be North America's smallest Class I railroad. (Source: [New York Times](#))

Market outlook

Some economic cracks the Federal Reserve has been trying to glue together have begun to widen, while others are starting to normalize. Inflation is just starting to decrease from its peak of 9% in June 2022 to 6% in February and seems to be trending in the right direction. However, the Fed's primary means of combatting inflation via manipulating interest rates yielded slower-than-expected results. As a result, stress on the banking system increased, leading to the collapse of Silicon Valley Bank, Signature Bank, and the near collapse of several others.

So far, these macro indicators have yet to materialize any significant influence on the logistics and transportation sectors; however, that can quickly change. Moreover, if confidence in the banking system continues to erode, it will drastically change consumer and business cash flows and appetite for risk.

Sources: EIA, DAT, ATA, AP News, FreightWaves, Logistics Management, New York Times