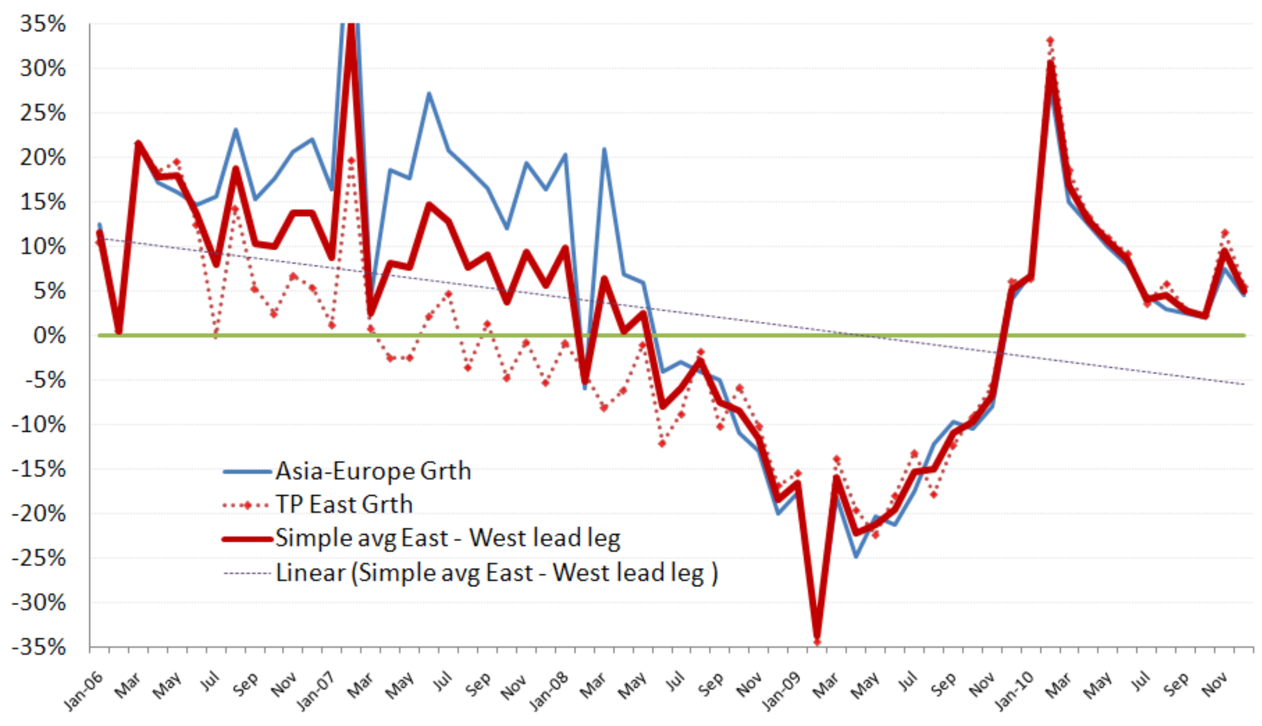
TRANSPORT TRACKERS
INDEPENDENT TRANSPORT RESEARCH

Container Trades 2010 **8 January 2010**

This note is a running summary and first look at 2010 container trade dynamics, which we think will remain in delicate position. But 1Q10 is a sweet spot for momentum (…what we term a "super-spike"). We know there is a knee-jerk trade rebound, but it is finally showing some teeth. Industry players are finally turning more positive, though the owners themselves should remain in a funk for the time being (owners need asset prices to rise substantially before a semblance of normalcy can return). Effective capacity reductions through slow steaming and lay-ups is working on increasing effective specific trade utilizations, to the point where some may add capacity. Herein lies the delicate part. The peace is fragile and rates are likely to face significant resistance after early and easy gains. We have modeled the 2010 monthly volumes to give us an average case for a strong rebound looking at YoY data in 1H10, and then a tapering off of growth. The real positive is if we improve on this outlook in 2H10, in our view. The average case will not be good enough to put the industry in good standing, given some capacity that can come back. A warning to those who would cut rates in trades to gain market share: "Why cut rates if you think you are going to pressure the competitor. They'll simply run to their government to get a bailout or a guarantee, which will in turn come back to haunt you…"

Average Case Trade Recovery Pattern in Outbound Asia Container Trade (with a good idea of 1Q10E, but 2H10 unclear)



Source: Transport Trackers; Various trade organizations