Transcript: Xeneta Webinar, January 24, 2018

Jan 2018 Ocean Freight Rates at a Glance

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Katherine Barrios: [00:01] I'd like to welcome everybody to this year's first webinar - January 2018 "Ocean Freight Rates at a glance" webinar.

[00:24] Some of you may have joined our webinars in the past. The main goal of our webinar is to give an overview of the benefits that Xeneta can offer for you and your company during ocean freight rate procurement. And especially, now, as there is some tendering and negotiation periods happening for a lot of cargo owners.

[01:25] We've had a pretty great end of 2017. If you've been following Xeneta, we have announced a couple of things in the last quarter which are interesting and definitely very useful for many cargo owners.

[01:46] We added reefers rates to our platform at the end of last year. And another thing that we did is that we also announced the development of adding airfreight to our platform. And that's currently under development.

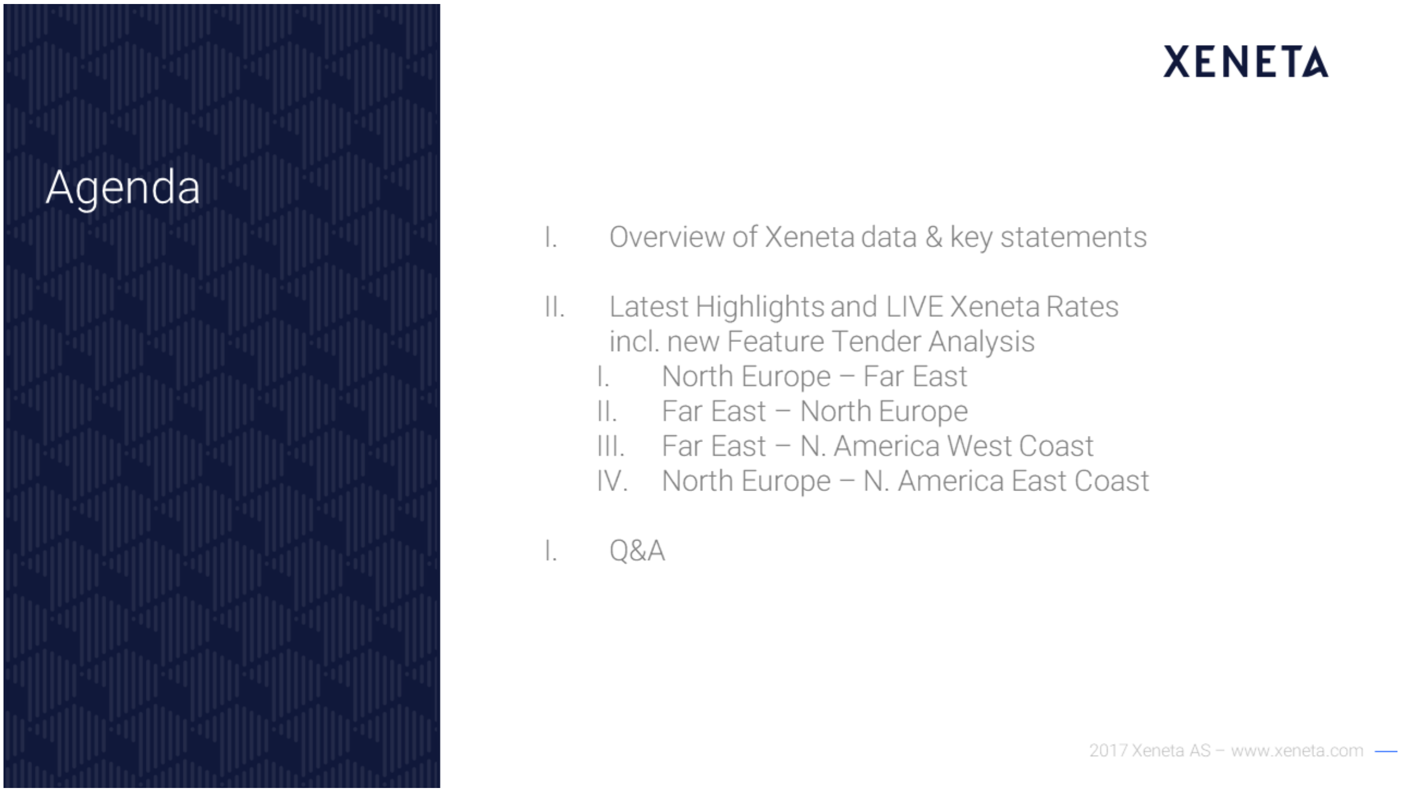
[02:05] Our target is to have that available, in the second quarter of this year, to the public. So that's definitely a great milestone for us. This webinar today, we'll focus on ocean freight and rates and market trends for that market.

[02:21] Hopefully, when we move later in the year, we will then be opening up and looking at air freight. As I mentioned, this is the first webinar of the year. We hold these quarterly webinars every quarter. Check out our webinars here.

[02:35] Another interesting thing that we also will be doing is hosting a webinar series on top of this. We'll be launching monthly webinars on a variety of topics on market trends, on when is the best time to tender RFQ, tips and tricks.

[02:50] So be on the lookout for that, and we will be releasing that information mostly likely, via email and definitely via our blog which I encourage you to follow.

[03:02] At this point, then I think we'll move to our agenda, which is the overview of what Michael will discuss.



[03:29] For our agenda, we will focus on the overview of Xeneta as I mentioned. He'll dive directly into our platform after that, start looking at the market trends and then what the main trade lanes are looking like.

[03:44] As this is an overview of what, the last quarter look like, and also, what we can anticipate to see as we move along this year and definitely in this quarter, he'll go through the four main corridors -- Asia-Europe (impor/Export), trans-Atlantic and trans-Pacific. .

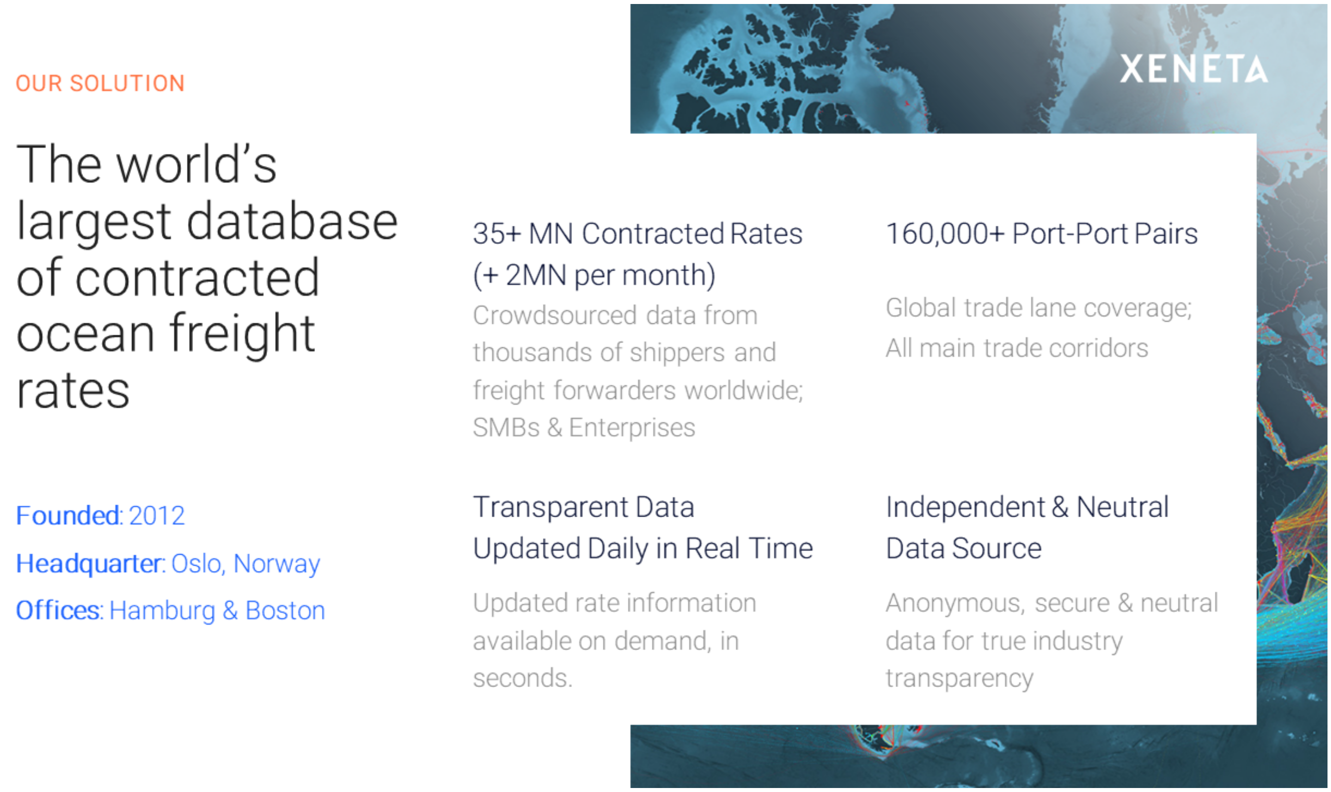
Michael Braun: [04:12] Thanks very much, Katherine. So welcome everybody. Not losing that much more time we really only want to give you a very, very quick introduction on what we try to do, what we want to accomplish together with our customers.

[04:27] And then, of course, because that's the reason why you're all here we want to go into our platform so that you can really see it on the live element, how we usually supply our services.

[04:37] So that's just summing up for what we Xeneta actually stand for. Our idea is that we want to support all of our customers across the ocean freight industry, later then on air freight as well with valuable benchmarks and market intelligence.

[04:52] Which means that we see the market highly volatile, fast-changing and transparent. A lot of energy and resources are spent in getting rate information, and our idea is just to fasten this process and to bring transparency into the ocean freight market, so that everybody can just concentrate on the core tasks of their business.

[05:12] For this, we have now created what we see as the world's largest database of ocean freight rates. We incorporate over 35 million rate levels every month. So also, now in the month of January, around two million new rates have been brought into our database, counting up to 160,000 port pairs. So, we really have a true global coverage.

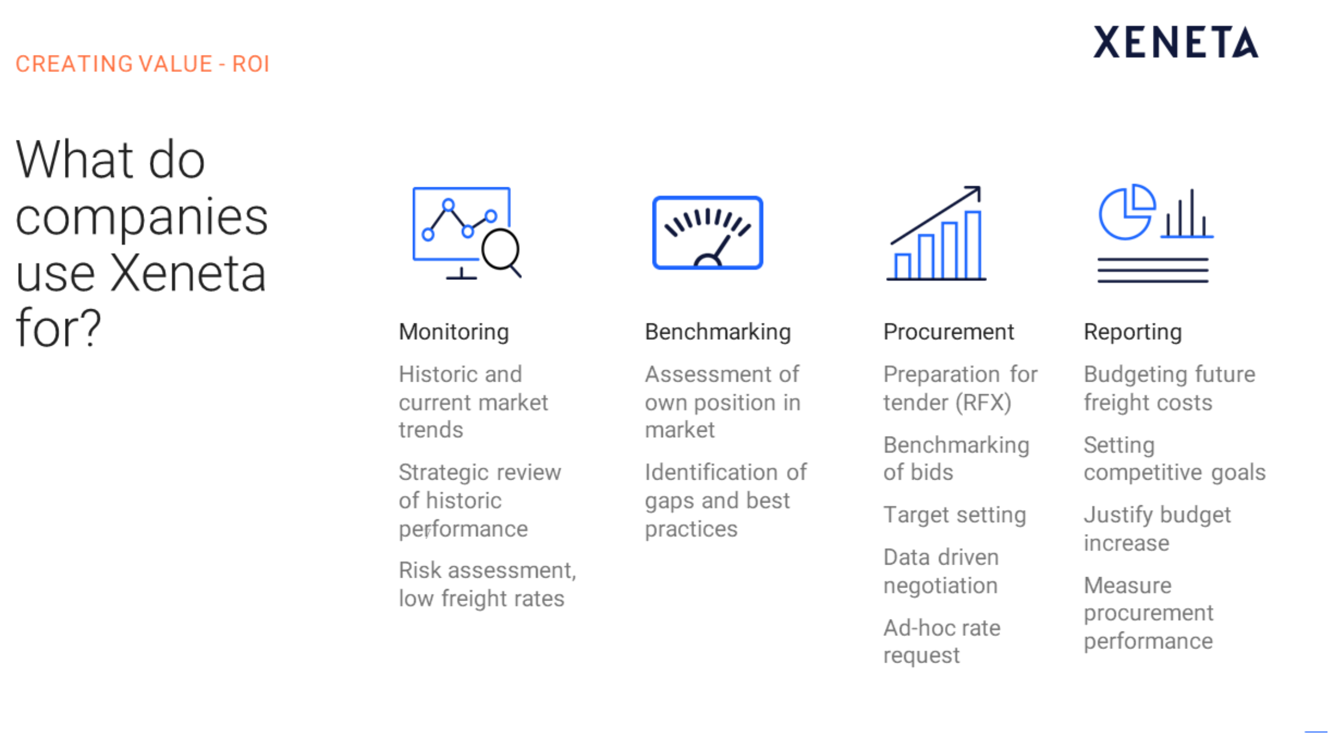


[05:36] That way it makes us possible to, yes, provide this kind of transparency on a daily basis, which is also very important because we don't see the ocean freight market as a static thing but surely volatile, which means that it needs to be guarded in real time, and that's why we will have a look at just until today what the rate levels have been done so far.

[05:57] The last thing to mention which is always important is we serve all parties of the ocean freight industry, but in that way, we are also independent. So, we are not owned by any participant of the ocean freight industry. And in that side, you can be absolutely sure that, our data source is independent, and that we, of course follow all kind of market restrictions and compliance rules which are out there in the different business areas of this room.

[06:24] In that way, we now have also achieved to be a quite trusted source for a lot of other information institutions which are not specialists in ocean freight. So, in that way we are just happy to be on that side and of course we now would like to share this kind of information also with you, as we all would like you to get on board with us and become one of our customers.

[06:49] What are the main deliverables when we present to our customers? It's for four main reasons in the shipping sector. The first one, and that's the one we're going to concentrate on today, it's market monitoring.



[07:04] The market is volatile. There are various markets. It's not just one global figure. We think that our platform is the most valuable tool in order to monitor short and long-term market, and also have this kind of historic backlog as well.

[07:21] In that context then when you have an outside market perspective, you can of course also then access your own position within this market and do a benchmarking exercise in order to get insights into possible gaps, and of course also learn about best practices which we then also share with our customers in our customer summits, where we then go thorough into the details and also then try to present kind of best practices as what we perceive from our customers.

[07:47] In all that context, of course, we want then to support our customers in the procurement of ocean freight rates, so also in the operational execution of the tenders. So that's why I will also today have a quick snapshot in our new model, the tender analysis.

[08:03] So, you can get a little bit of an impression on how to use our market information directly for your tender, and also get kind of a feature for the short-term tender analysis, you are just probably conducting at the moment or in due course.

[08:18] And in that way, and this sums this up you can also get an overall management reporting.

[08:24] So, all of the information you see in the platform, also then in the later stage incorporating, for example, your own volume flows your own rate levels, your own batching information.

[08:35] You can then also generate management reports which you then can use either for yourself, for your performance tracking to look for, if you have achieved your targets, but of course also for internal justification that, many of you have to report to sales or to other institutions.

[08:52] And, you need to prove their validity in terms of growing market rates for example, and then to show that you actually have done a very, very solid job. So, these are the four main values that we provide to our customers.

[09:05] And now I would like to jump into the platform and just show you how we are conducting that. As Katherine has already mentioned and I'll just refer into the map, we will concentrate mostly on the flows between Europe and Asia in both, in both directions, as well as then have the clients at the transpacific.

[09:24] Due to the fact that the transpacific maritime convergence, TPM, is just coming up in in March. Of course, then also the transatlantic one of the other bigger flows on the world.

[09:37] In case you are interested to have further insights to see what we can provide to our customers, we are of course always happy to provide you with a virtual demo, and then our sales executives will cometo you and set up a meeting for that.

[09:53] But now, enough words. Let's go into our tool. So, the first market we are now going to see, and I will not spend that much time on the North Europe to Far East market, as we have discussed that extensively in the prior sessions. Please feel free to look at our previous webinars here..

[10:18] Just due to the fact that, as you can see already within the last couple of months, the situation on the short-term market, this is the orange line, and the long-term market has quite died down now.

[10:31] So as you all know, that was the market which had the most exposure at the beginning of last year with yes the artificial reductions of the capacity and so on. Which of course, then at the end also led to a constant increase of the rate levels on the long-term market.

[10:48] But now, as you can see throughout the last couple of weeks and months, the market has really consolidated itself, so especially on the long-term market, and we are only looking at rate levels contracted within the last three months.

[11:01] So, when we take, for example, today's date of the 21st of January, the average of $851 for a 40-foot container, gate-in CY, is really just made up of contracts which we have received within the last three months.

[11:18] You can still see that, the market has now really calmed down, and has been quite stable for quite a long time compared to the years before, so I will not spend that much time this time on it.

[11:30] But what I want to focus on, and this is also now referring to our tool, the possibilities we have, is that at such an example, with such a high development and volatility in the past, you can just see how valuable our tool is depending on the different situations of the market.

[11:50] Because when we now look at, for example, our customers were just profiting from it at the moment when the rate peak started, a couple of months ago in April. And then they were just yes, confronted with these kind of rate impacts on the short-term market, at the beginning of April after the advancements of the Chinese New Year.

[12:12] And of course, then everybody was asking themselves, "OK, what does this mean now? Does the market stay up like this? Do also the long-term rate levels increase? What do I have to follow up for my next tender?"

[12:22] And of course, in case you are a customer of Xeneta, then you have the possibility to just track this kind of movement, and to see that, "Yeah, well, uh, that kind of peak lasted for some time."

[12:34] You all remember the service disruptions and the insecurity in the market. And then at some point in time, yes, we actually saw a kind of a relief again, and the peak went over again, so the market was going down again so that we were at a little a better level at the end of the summertime, at least on the short-term market.

[12:53] But nevertheless, long-term market always follows short-term market due to the delay in the tenders. You could then, of course, experience the same parallel increase of the rate levels also in the long-term market, and the question again was, "OK, how long is that going to go on for, or do we actually even see a counter-reaction of the market?"

[13:11] Because when you, for example, look at it like this, then you even can get the impression that short and the long-term market are overtaking each other, and that it could be for the short-term more favorable to switch on to the spot market, which then at the end did not turn out like this.

[13:27] Both markets more or less consolidated themselves, and that's the reason why we had now quite a stable market development, throughout the last couple of months. And as you can see, the differences between the short and the long-term market have really remained quite stable.

[13:43] But that's actually one of the things what I wanted to show you today, that yeah, with this kind of transparency over the market, you just get an indication on how to follow the market, and actually react on the various market movements.

[13:58] Because now looking back, yeah, well, everything looks quite good. But if you compare it with the various steps we just had throughout the last couple of month there was a lot of insecurity.

[14:09] But for the moment now, looking at the current market, I would say if we don't see anything significantly going on now within the next couple of weeks after Chinese New Year, I would expect that this year's tender season will be more stable and calmer than the year before.

[14:27] Because last year at that point of time and you can see it already, here is February and January, the market was already going up quite well.

[14:37] So, if you don't see anything within the next four weeks, new announcements of reductions of capacities and so on, and changes on the short-term market in the aftermath of Chinese New Year, then I would really expect that the market remains pretty much stable like before. But of course, it needs to be followed closely similar to last year, of course.

[14:58] Moving up to the next market which is now actually getting more interesting. Asia to Europe the back direction it had been quite disregarded the last couple of months due to the reason that Europe to Asia was so big. But now this market, formerly the most volatile one, is getting more and more interesting.

[15:20] As you can see, 2017 was mostly characterized by the long-term market moving up towards the short-term market. So, we saw a huge increase of the rate levels throughout the whole year, starting at around 1,600 in February and going up to as around 1,800, so plus 50 percent a couple of months later.

[15:46] I can actually show that to you like this, because then you directly see it in our tool that at the very beginning, they were at USD1,599, and then six months later, we were at USD1,853, so we had a huge and significant increase on that level.

[16:01] The question was always, "Wow, does this trend hold on? How is it going to be in the future?" You could then see that towards the end, towards September, we had, was the first time that there was not anymore successful general rate increases .

[16:17] So, the short-term market more and more went down on the level of the long-term market, and then even throughout the last quarter, under passed the long-term market.

[16:25] So that was a clear and significant signal that we see a change in the trend line, and that it actually looks like that we would have a falling of the market in the upcoming tender season.

[16:37] But now the carriers were quite successful to impose at least one, or one and a half short-term rate general rate increases, which actually broke that trend, which led to the fact that at the end now, that we are pretty much back on a stable rate level throughout the last couple of weeks.

[16:57] This also then leads to the fact that we most probably won't see any further reduction on the long-term rate levels, at least when we now look at the short-term trend having happened so far.

[17:07] And the latest and the most important thing is now that since the start of this year, we have now experienced a couple of general rate increases again, so you can clearly see that the carriers tried to pull up the market again.

[17:20] And the biggest question will be now, and that's exactly the thing our customers are following on in a, in a very close look within the next four weeks, is if this kind of general rate increase, what we have now seen within the last weeks, is just a short-term period.

[17:36] Now as Chinese New Year nears, and of course the production is high at the moment, everybody is going to the max compared to what's going to happen after Chinese New Year, especially when the factories close.

[17:50] So that will be interesting to see if we really see a kind of a new upwards trend, which will then, most probably, also lead to the fact the, the long-term market will go up a little peak again, to the peak levels of last year.

[18:03] Or, if that one is actually dying down, and we are going down back again on a lower level which means that will, most probably, consolidate on a lower level. Nevertheless, still I'll show now the long-term market significantly higher than the year before last year, $500, versus $200, $300 for some ranges, especially when we are up there or when we return to this level.

[18:30] And this is also now the moment when I would like to introduce our new tender management point, because this could be exactly the situation for you now at the moment. You may be having a valid rate level, which is probably even better, like a thousand dollars for, CY get out, rate, out from now, in this example, Ningbo to Rotterdam.

[18:53] And now you're actually within your tender, and you get confronted with these new upcoming bids. So, what I'm going to show you is our tender analyst module, which means that we are not only able to display your own valid rate levels, but also the valid incoming bids from your now upcoming tender.

[19:13] So, imagine that these were in our bids, which just came on. You always then mark them just for a month, so that you see them and that you get an idea. And, of course, looking at that tender picture alone this looks quite challenging and you have to explain a lot, internally, why you have such a huge and significant increase of the rate levels.

[19:33] But, of course then the other way around. If you then bring in the average rate level, well then it explains already quite a lot because you then get the possibility to actually justify that.

[19:49] Because you can say that, "Well, at the last time when we did our tender, the average rate level was down at USD981and we actually conclude at a USD1000 so we were pretty much on an average rate level. Since then, the market has continuously grown, and, yes, we are right. Our current offers for around one or around two, they are higher than current average, so that's why we have to renegotiate."

[20:12] But this also gives you then a clear goal. So, in case you want to repeat your position of the year before, then you know that to put your target rates pretty much on this kind of average rate level.

[20:23] While the other way around, if you're now a manager and you want to improve yourself or the performance of your team, you could, in addition, also put in our market level to see that, "Well, this time we are no longer satisfied with reaching the market average. We actually want to move further towards the market low."

[20:41] And in that way, you will, of course, put the target rate not only on the average level, but then more towards the market low level, what you see in this corridor. So, this is what I wanted to show you with our tender analysis module.

[20:54] Because it gives you the possibility to mirror your own individual tender situation with the corresponding market development at the same time, so that you can better prepare your negotiations, and, of course, also get a couple of better arguments, both in the negotiations with your carriers, but also for internal justification talks.

[21:17] But now moving on to the next market Transpacific, the one which will be now most important, especially yes, for the upcoming TPM. Here you can see that the situation has been quite stable for a lot of carriers, throughout the last12 months, so there has hardly been any movement.

[21:37] There have been some successful GRIs going up, but the market always improved. There was then a significant drop in Q4, but again, similar to Asia, to Europe, the carriers were able to actually consolidate that one, as well, so that, at the moment, we stay pretty much on the same corridor of rates than we did throughout the whole year.

[21:58] But it will be, of course TPM will show it, so, again, the next two to three months need to be regarded very, very closely. Because it will be interesting to see if these kinds of upward steps are now the start of a new trend, where the market is actually going up.

[22:14] Or, like we had the similar situation last year then, just the situation more or less remains under the same stable level, and that we don't see a significant increase. Downward trend I would say I don't see immediately, at the moment, and in some cases some shippers actually try to just extend their contracts.

[22:31] If this will be successful in how the market is reacting, as I said, needs to be regarded closely throughout the next weeks, in order to see, yes, if these general rate increases which just happen to remain, on that level, if they remain successful, or if they even further, and more general rate increases are now coming in the aftermath of, Chinese New Year and before TPM actually starts.

[22:55] So, in that one, at the moment, market looks calm, but, with the risks of turbulence coming up in due course.

[23:03] Before we go into our question and answer session, the last market we are going in, and that's really the one which remained the most stable, is actually the Transatlantic market. So here, as you can see, throughout the last couple of months, we had some increases in the earlier times.

[23:21] But now, through the last weeks, both markets actually remain very, very stable on the three-month look-out, as well as when we incorporate all of the contracts. So, in this context, I'm not just loading them. I would assume that, in both cases, the market will remain quite stable. So, there shouldn't be that big differences, compared to the situation before.

[23:46] We don't see any signals yet. Of course, if something happens on all of the other trades, something can happen here, as well. But compared to the volatility, as you can see, over here, which we had at the beginning of last year, we don't see anything like that at all.

[24:01] Both short-term market and long-term market really remain flat. And, in that context, I would say that this will be most probably, together with the Europe to Asia market, the most constant one. And that's probably also a little bit the situation for this.

[24:16] Like if there is at all a kind of a ballpark figure outlook, that the export rates from Europe will most probably, remain much more stable than last year, while now probably more the export rates out of China, on the Transpacific and toward Europe, will be the ones where we will see more volatility again. That's at least the impression I get.

[24:36] And with these words, I will now pass over to Katherine gain, in order to see,what kind of questions came up from you people.

Michael: [25:12] That would be great if you can read them for me. I can just mention for, like the pictures you now saw on the ocean freight, they will be very similar also coming to air freight, of course fitting to the market specifications, also looking then at the different rate brackets and so on.

[25:28] But, overall you are going to expect a very, very similar product when it comes to the quality of the information.

Katherine: [25:35] Right. And one thing to add there is that what we're showing now is actually our new user interface that we have now been developing. So, this is being rolled out to customers, and then also for our new sales already in the next couple of weeks.

[25:50] So, this is brand-new, and of those of who have joined webinars before can probably notice the difference. So, we're quite proud of what this is looking like and the visibility that it gives for procurement professionals.

Michael mentioned, we're going to be at TPM in March. If you're in the area, we encourage you to get in contact with us. We're going to be holding an information lunch session seminar.

[35:58] So please get in contact. And, of course, if you will like to learn more, as Michael mentioned, we do offer value assessments. We'll take in your rates, our rate data team will have a look at them. We'll put them into our platform and let you know what correlations we can find, how we can help you, how we can work together and take it from there.

Questions and Answers

Q1) Where is the data coming from that you're showing? Carriers, forwarders, or BCO?"
A1) All the long-term market information is mostly coming from BCO shippers, going on three, either three-month contracts or mostly one-year contracts, because these two markets are then similar. The short-term market information is 200 percent coming from the freight forwarders.
We have only buying rates, so we will never incorporate carrier rates on the sellers' market, because that would influence the results. So, all of the rates are only contracted rates, which have been brought, either by freight-forwarders or by shippers, and the by BCOs in that context.

Q2) What is your view on using index-based pricing, such as the Shanghai Container Freight Index, to price long-term rates for Asia to Europe and Asia to US trades?
A2) We do have customers using our long-term rate levels for index-based pricing. So, we offer that as an optional module. Of course it always depends on what kind of averages you get and on how much volatility you have in the market.
But that depends then on the individual set-up and the kind of set-up we find then, together with the corresponding customer, and also then the rate provider on the other side.

Q3) Is your database capturing DDT (door-to-door) rates, and of the, and is the tool designed to tender DDT rates, all inclusive?
A3) No, we are only focus on ocean freight rates not incorporating pre- and on-carriage, just due to the fact that we see too many differences in the various options, what you can have on the rail side, on the truck side, and so on. And so, we concentrate pure on the ocean freight costs. But, in that context, all-in costs, from terminal to terminal.

Q4) Apart from historical data, does Xeneta give market forecasts?
A4) We don't give forecasts in a way that where we tell you in a crystal ball where we expect your market is going. So, in that context we can only display what we receive from our customers.
But what we do have is a "future" add-on, which means that today we are on the 21st or 24th January. But we have already now, on the plate, rates being valid on from 1st of February, sometimes even 1st of March. So, they get kind of future rates, but all of these rates are, already contracted today, and that's why they are real, and that's why we can show them.

Q5) Are feeder regional ports included in the software, feeder regional port rates? If so, is it possible to obtain a direct, visible comparison with direct ports of call, for example, Asia, Europe, comparing...
A5) Yes. Yes, they do. I can actually show it to you on our hierarchy in the platform. So, we do have, out on the Far East, we do have the so-called Far East main ports. And then, yes, you have China, Korea, Thailand, and so on, and then going down to the single ports.
But we also do have the same structure for the so-called feeder ports, and then you could get the corresponding, market rates for the sub-ports. And even there, when you then go down, then you get the,

the numeration in the east and south, even inland ports when it comes to the, Yangtze area. Then you get all of the different ones down there.
So yes, you can get the clear indication of feeder ports, either within a specific country, or typically in Europe, that you can compare, for example, the rate levels out of Scandinavia, Finland, Sweden, compared to the north ports' range, from Hamburg to other options. Yes, you can do all of that.

Q6) Can we have a view of the pool size? So, I imagine just the amount of data points behind every rate. I believe that's what the question is relating.
A6) Yeah, yeah, I can, I can directly, I can directly answer that because, of course, when we look at the large basket, yeah, then you, of course, also have a lot of rate levels in.
Sometimes when we take the biggest regions, we have 50- to 60,000 rate levels on. But now, taking the concrete example here, Ningbo to Rotterdam, you always get an indication of how many market rate levels we have in here. So now, we are only talking about long-term contracts, so no spot market.
Contracted within the last three months on the specific port pair of Ningbo to Rotterdam, and there, we would have over a hundred rate levels. Which are now making up this corresponding picture, what we're seeing here.
Of course, when you then go higher up or to different port pairs, it can now even go up in the range of thousands. This depends on...So with this kind of thing, we always nominate how many rate levels are in. Which, of course, also means that if you have an odd port pair or from one sub port, feeder port to even another one, then it could be sometimes, of course, only like 10 plus rates. But that's then something we transparently share with you, so that you can know how good the data quality is behind that.
And then you can either evaluate it on that level, or you can just move up one level on the hierarchy, and then get, of course, a better coverage with rate levels. At the same time, of course, a little bit more mixing up of the rates.

So, this flexibility we can offer, and on the other hand, we are purely transparent with how many rates are behind.

Q7) There's a couple questions that are related to more of the rate data behind, trade to Africa, Middle East, Latin America, etc. And I think that goes together with that we have data for160,000 port-to-port pairs. What Michael has been focusing on has been the main trade lanes. Michael, for these, go ahead and, and add any additional information there.
A7) No, but, this is absolute true. So, what we are going, just in order to show you that we have more like that, this is a kind of a global trends, where we actually covered the biggest 30 trades. But, of course, you can always go in all of the other ones.
So, you will most probably, and, at least, also see something with Africa and South America. In addition to that, if you wonder if we can provide you with enough network for your specific flows, we are always happy to receive your rate levels for our so-called coverage analysis about your assessment.
And then we can directly give you back how many percent of your network we are able to cover, and how much the relative potential would be compared to our market analysis.
We are open and transparent to say what we can offer, so in that way, just provide us with your data, and we are happy to reply with the corresponding coverage.

Q8) So, is there a way to identify rate by the service instead of port pair, same origins but different transit time?
A8) No, not for the moment. It will be, service will be definitely and differentiate on the air freight side, and, depending on the experiences we do, in the long future, it could be then also an option for the ocean freight side.
But for the moment being, and also for the next couple of months, we will not take account of differentiate of the transit time and the service. It's pure price, pure market.

Q9) Are you going to split rate based on commodity in the future?
A9) Most probably not, because whatever road we see at the moment with the analysis we do on the commodity side, and we shared it with our customers, we don't see clear correlation.
So, the variance, and I'll, I'll show that one under the example here. The correlation, if you're a buyer from a consumer perspective or from an automotive perspective or whatever, is significantly lower, if at all, compared to at what point of time you go out to the market.
Because the variance, what we see here in the rate levels, is significantly less than the variance what we see in the market situation. Depending on if you're going out three months early or later. And in this context, at the moment, for us, as long as the volatility stays on this level, timing is 99 percent of the rate.And that's why we don't go down further.