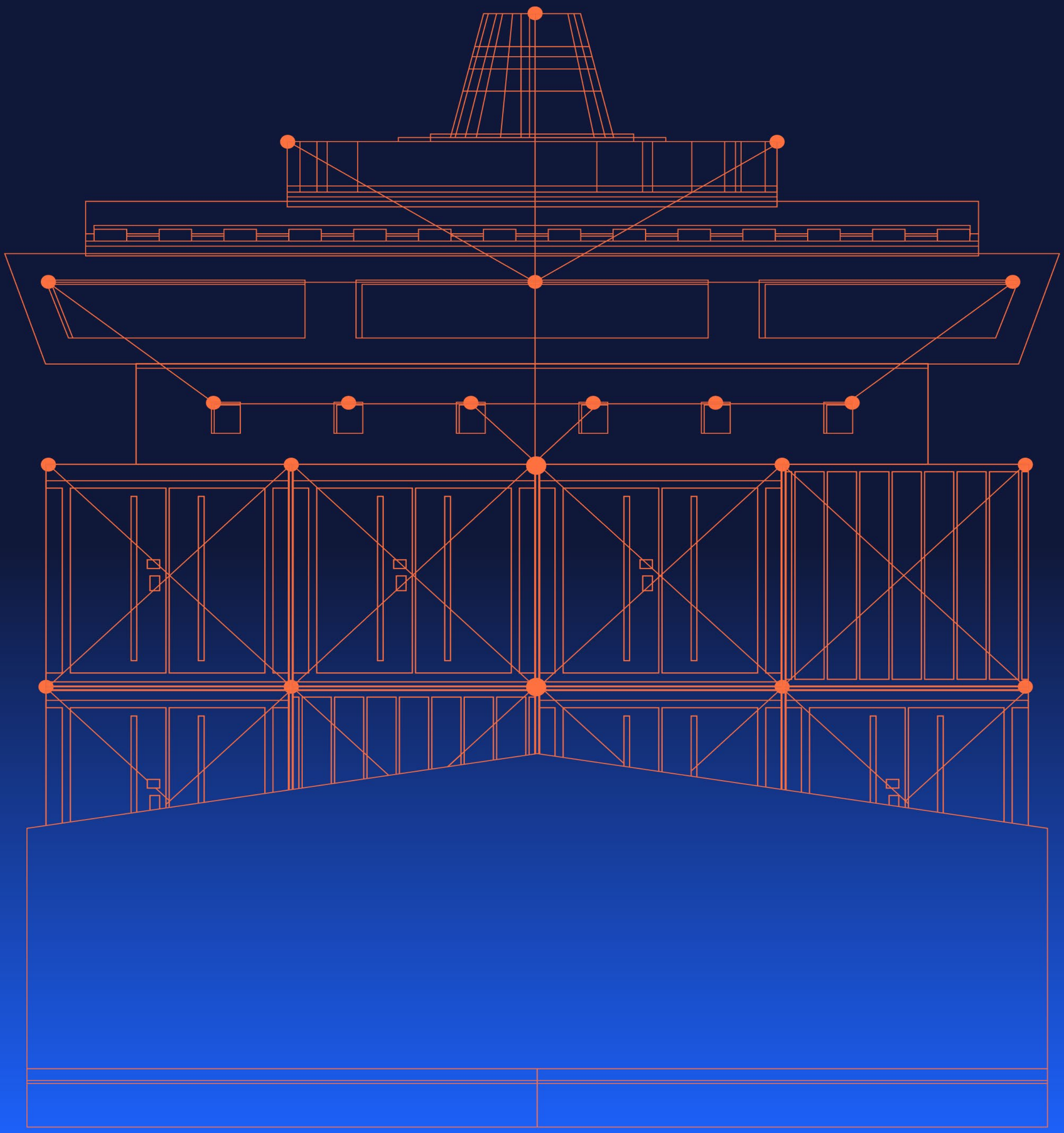
XSI® PUBLIC INDICES

OCEAN FREIGHT | August 2019

Long-Term Contracted Market



XSI ® - August 2019

XSI ® - Global

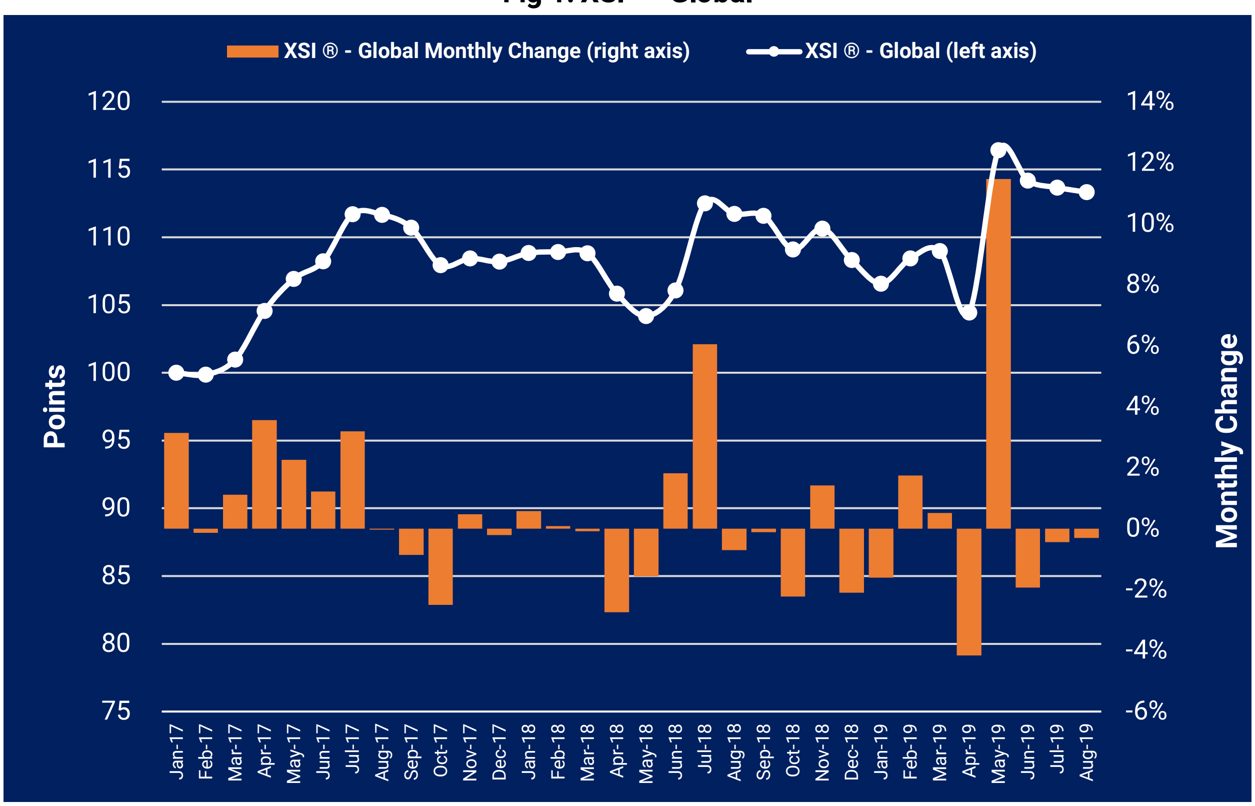
The global XSI ® fell 0.3% in August to 113.32 points and has now declined by 2.7% since the all-time high of 116.43 reported in May-19. Despite this month-on-month fall, the benchmark remains 1.4% higher than the equivalent period of 2018 and is up 4.6% since the end of last year.

In other news, the financial results of carriers have diverged in the last quarter. For example, Maersk Group reported an underlying net profit of $134m in the second quarter, representing a substantial increase on the $15m reported in the same period last year. The group attributed the improvement to its liner division.

On the other hand, HMM has continued to bleed cash, posting a loss of $88m. This is despite a jump in revenues and volumes of 11% for the three months. The poor results can be attributed to the carrier's decision to protect its brand and go it alone via its AEX Asia-Europe service. However, in a commoditized trade where the price is key, the strategy has not paid off. The South Korean line will now look to use capacity from THE Alliance and expedite its participation in the group.

The last quarter had also been more positive for Hapag-Lloyd, which reported a net profit of $56m off the back of average revenue of $1,071 per TEU, compared with Maersk's $934.

Fig 1: XSI ® - Global



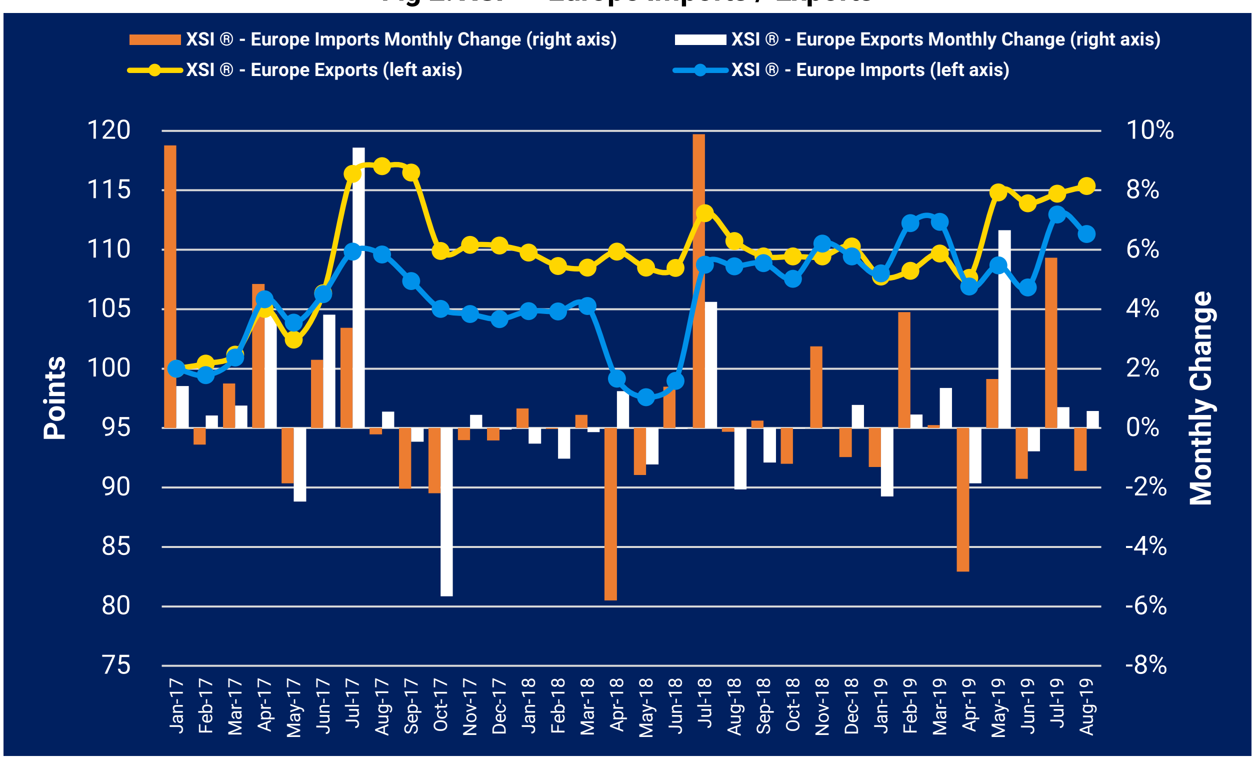
XSI ® - Europe Imports / Exports

European imports on the XSI ® were unable to maintain last month's momentum and fell by 1.4% to 111.32 points. The index remains at a comparatively high level and is 2.5% higher than the same period of 2018, while it is up 1.7% since the end of last year.

On the key Far East-North Europe trade, carriers have been unable to capitalize on the rate increases implemented at the start of the month, despite a series of blanked sailings. There have also been anecdotal reports that carriers have been using the threat of rollovers to try and secure higher rates, however, rate reductions from September 1st suggest the tactic has been unsuccessful. Moreover, such aggressive short-term tactics may backfire, if when new IMO regulations come into force fundamentals remain weak.

Exports on the European benchmark continued to trend upwards, posting a small increase of 0.6% in Aug-19 to 115.37. Unlike European imports, which have been relatively volatile month-on-month, exports have been steadily increasing, with the index 4.2% higher than Aug-18 and 4.6% higher than the end of 2018. The benchmark is, therefore, closing in on the all-time high of 117.34 points recorded back in Aug-17.

Fig 2: XSI ® - Europe Imports / Exports

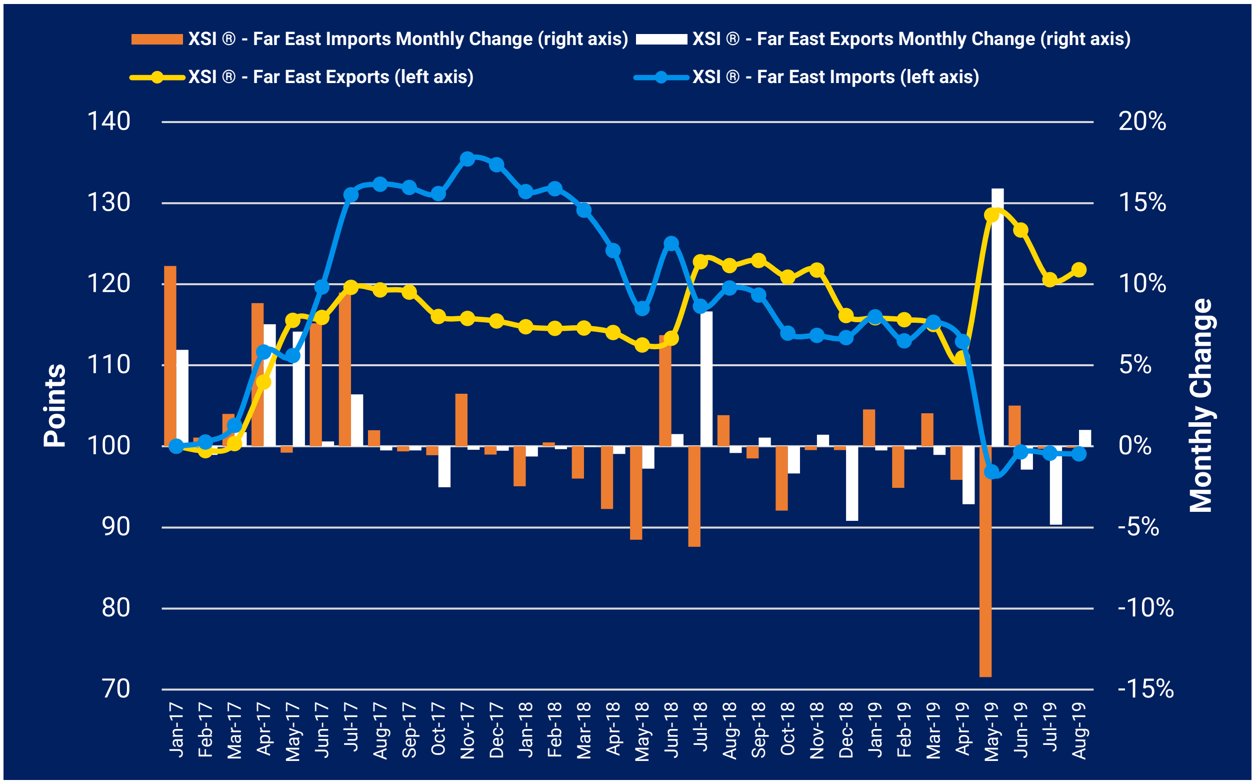


XSI ® - Far East Imports / Exports

Far East imports on the XSI ® remain in the doldrums and declined by a further 0.1% month-on-month to 99.05 in Aug-19. While much of the year-on-year decline can be attributed to a substantial fall reported in May-19, the XSI ® is down 17.1% compared to this time last year and has fallen 12.7% since the end of 2018.

Meanwhile, exports on the Far East element of the XSI ® increased by 1.0% in August to 121.76 points having posted a noticeable fall in the previous month. Although the increase partially offset some of the losses reported in Jul-19, the index is still down 0.4% year-on-year, although thanks to a large increase in May-19 it remains up 4.8% in 2019.

Fig 3: XSI ® - Far East Imports / Exports



XSI ® - US Imports / Exports

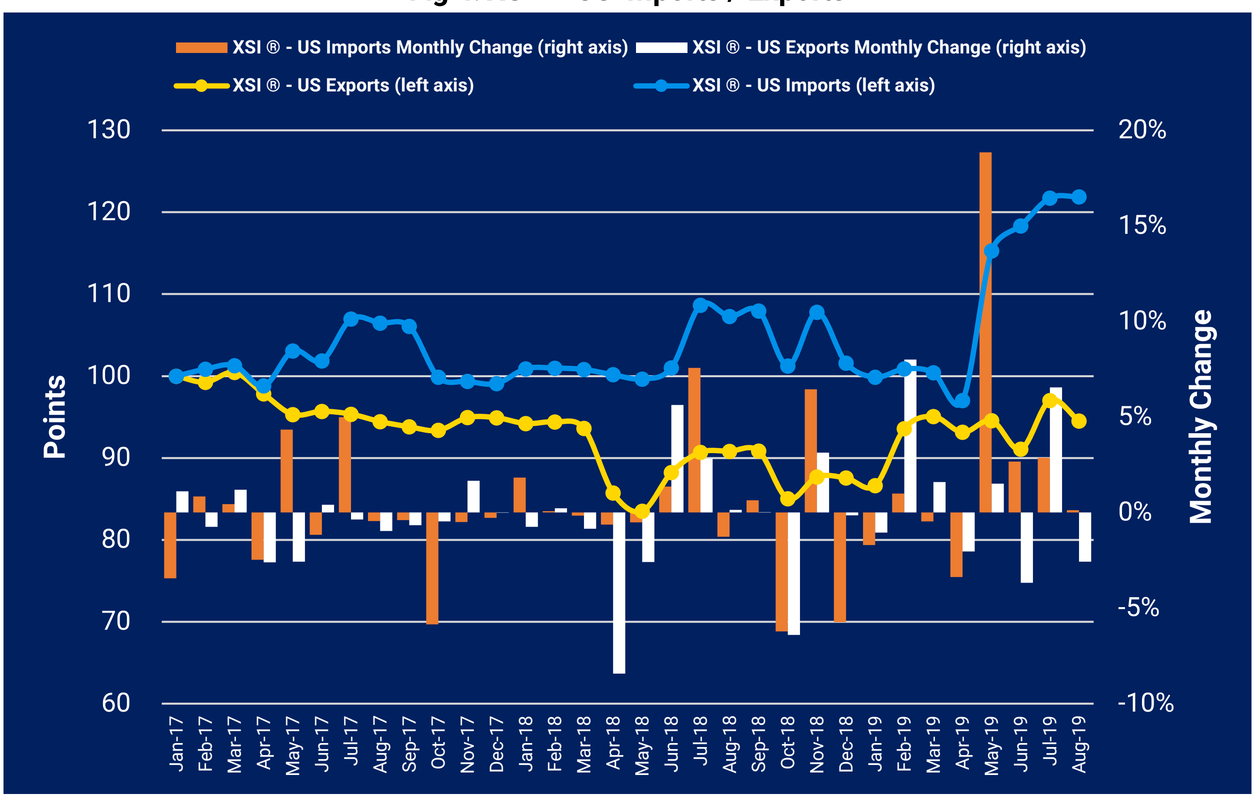
US imports on the XSI ® continued to rise in Aug-19, increasing by 0.1% to 121.88 points, thereby setting another all-time high for the index. Since the end of 2018, the benchmark has jumped 20.0% and it is 13.6% higher than the same period a year earlier.

Month-on-month developments for exports were less favorable, falling by 2.6% to 94.53. However, the index remains 4.1% higher than Aug-18 and has increased by 8.0% since Dec-18.

In another sign that the continuing trade war is negatively impacting trade, ports on the West Coast have attributed a substantial decline in both import and export volumes in the month of July to the tit-for-tat measures being inflicted on both sides.

The news hasn't deterred President Trump from retaliatory measures with reports that a government filing will appear on August 30th announcing tariff increases from 10 to 15 per cent on US$300 billion of mostly consumer related goods from China. In a show of one-upmanship, the move follows China's decision to impose tariffs of between 5 and 10 per cent on US$75 billion worth of American products.

Fig 4: XSI ® - US Imports / Exports



XSI® Public Indices Report METHODOLOGY

- Rates delivered from freight forwarders and shippers
- Based on long-term contracts only
- Rates pulled from Xeneta's ocean freight platform of +110MN contracted rates
- Indices based on an aggregation of trade-weighted corridors
- Indices rates surcharges are based on all-in CY/CY pricing methodology
- Global index is a combination of worldwide trade-weighted corridors not limited to US, Europe and Far East indices

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Xeneta does not recommend price setting on this market report as it is based on an aggregation of trade-weighted uncorrelated corridors. If you are interested in index-based contracting, we recommend our XSI ® index-linked contracting product. For more information, please contact us via www.xeneta.com.

XENETA

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NOTE: The XSI ® public indices reports are based on long-term contracts only.