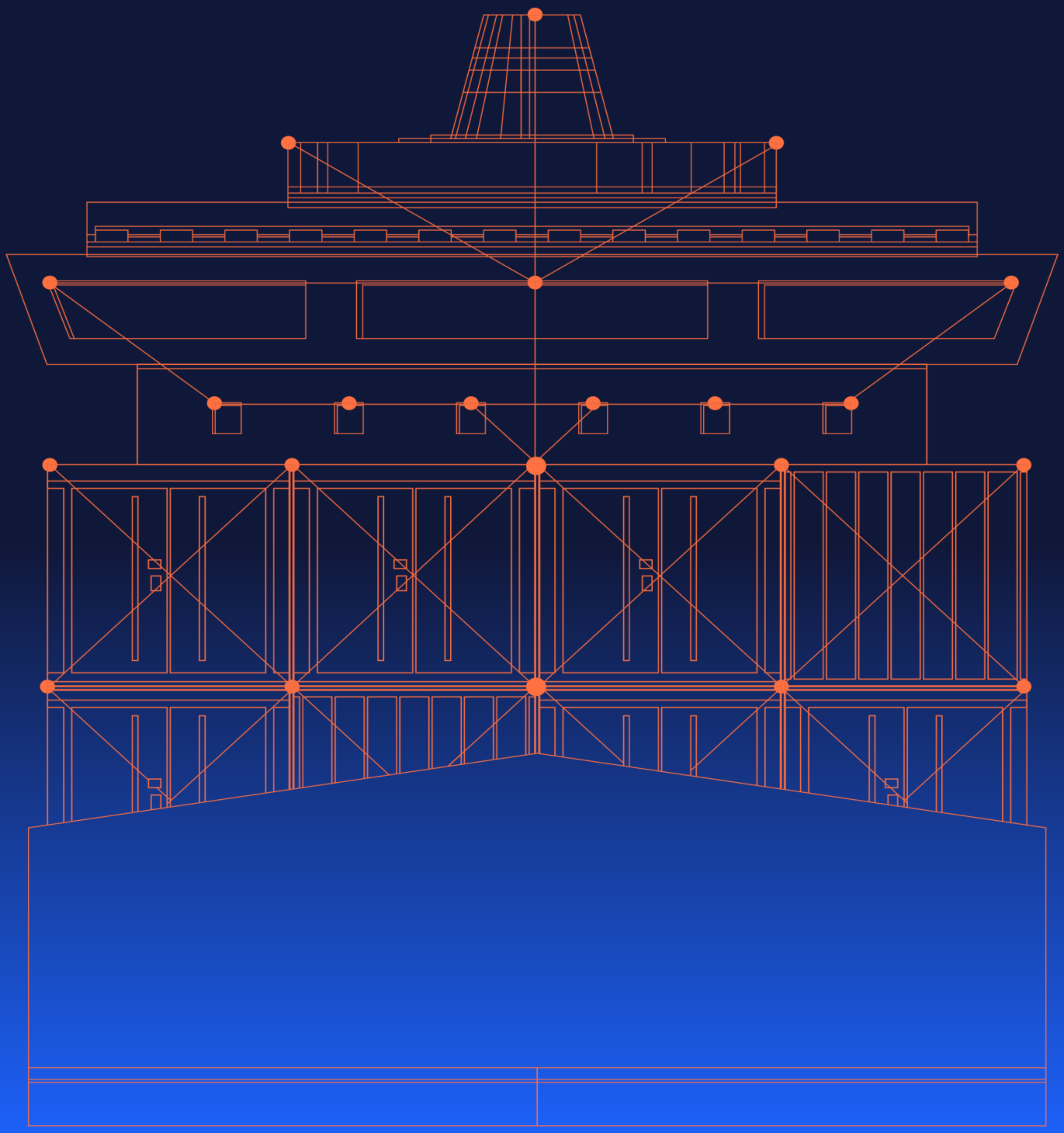
XENETA

XSI® PUBLIC INDICES

OCEAN FREIGHT | December 2019

Long-Term Contracted Market



XSI® - Global – Dec 2019

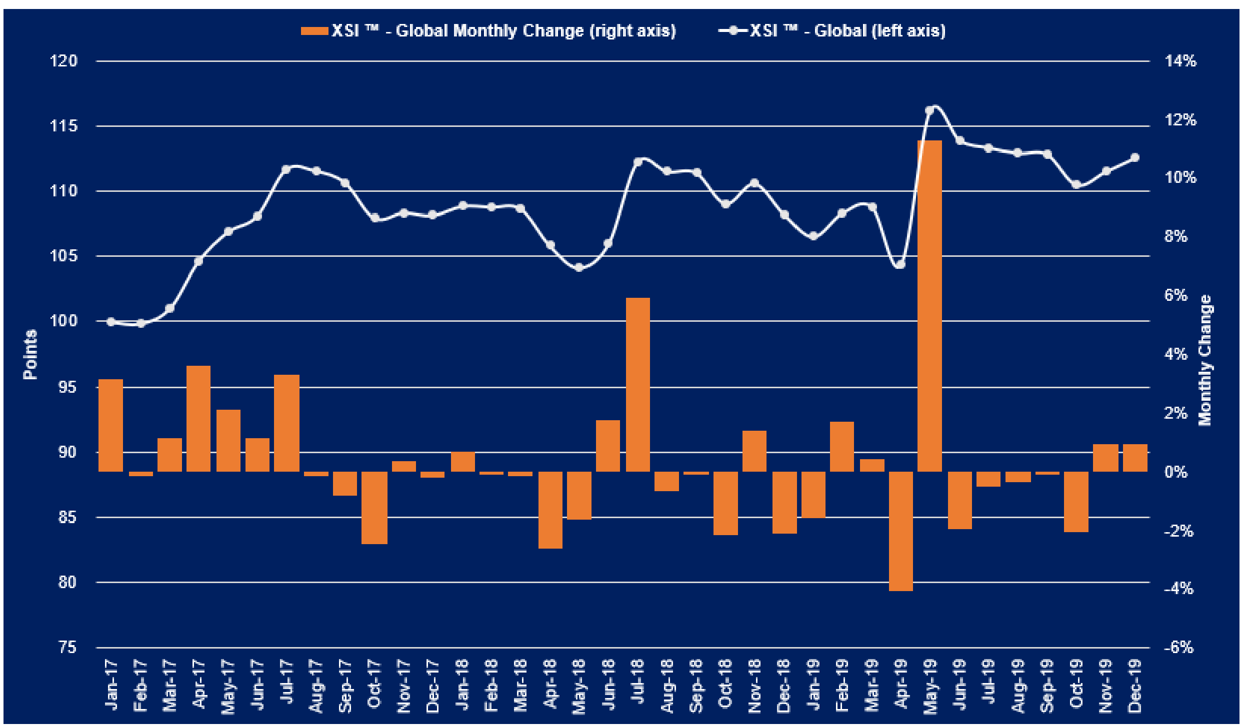
The global XSI® continued to trend upwards in December, increasing by 0.9% to 112.58 points. While the month-on-month increase is modest, it compares to a decline of 2.1% reported in Dec-18. Furthermore, the benchmark is now up 4.0% year-on-year. Much of this increase can be attributed to a large jump recorded back in May and while some of the gains were subsequently eroded, the index remains in positive territory for the year.

As the new low Sulphur regulation looms closer, carriers are facing increasing criticism from shippers due to the lack of transparency regarding their surcharge calculations. Somewhat bewilderingly, there is a large spread between surcharges, even between alliance members, causing skepticism about the true nature of the charges being imposed.

For example, ONE is charging just $92 TEU while fellow alliance member Hapag-Lloyd is proposing $135 TEU. Another conflicting message comes from within the 2M, with MSC charging just $71 TEU, while Maersk is looking to impose an additional $116 TEU, albeit they are taking different approaches to reduce their carbon footprint.

Given the lack of transparency from carriers, it should come as no surprise if they face some difficult questions in the coming months, particularly from well informed shippers tracking the fuel markets. Additionally, in commoditized trades such as the Far East - North Europe route, the lowest cost wins. Therefore, it would be unsurprising to see the spread between carriers narrow over time as carriers react to changes in demand.

Fig 1: XSI® - Global



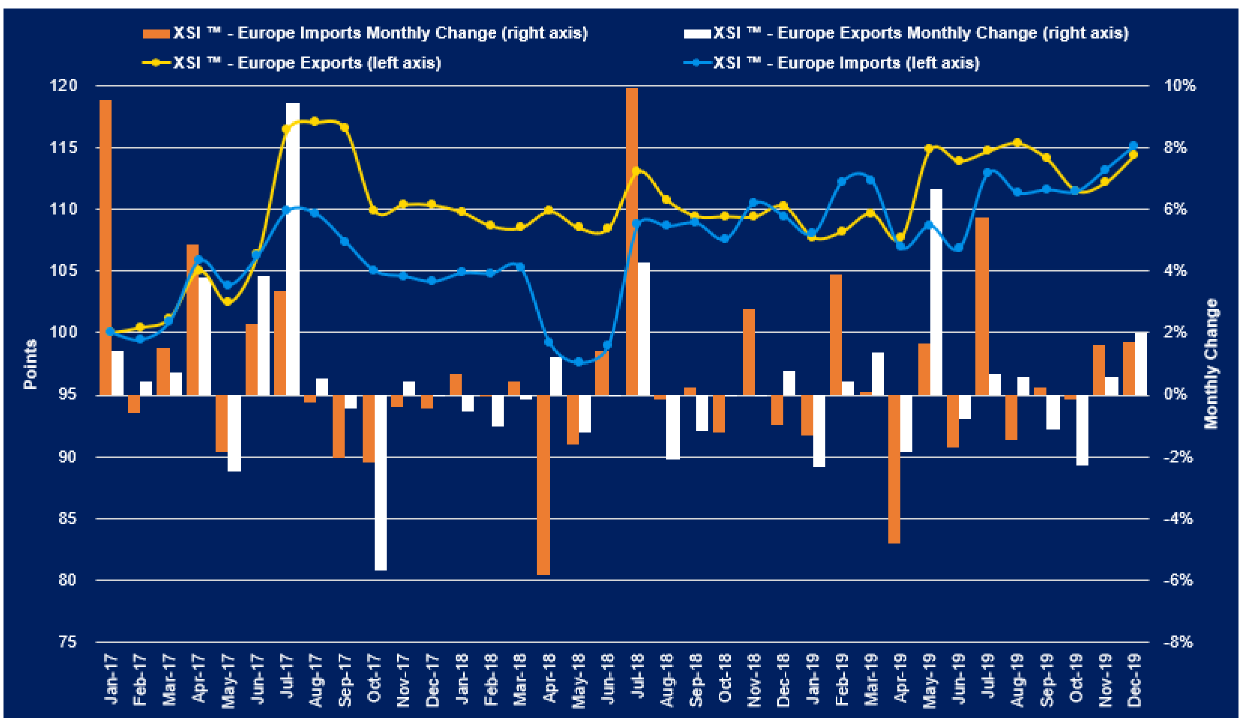
XSI® - Europe Imports / Exports

Imports on the European XSI ® increased by 1.7% in December to 115.15, having increased by a similar percentage last month. With the imports index at an all-time high, year-on-year, the benchmark is up 5.2% with much of this increase attributed to gains made back in July.

European exports also developed positively in December, rising by 2.0% to 114.39 points. As a result, the index has regained ground it lost in October when it fell by 2.3% and the benchmark now stands 3.7% higher than the equivalent period of 2018.

Elsewhere, with spot rates on the key Far East - North Europe trade recovering since the end of October, carriers are seemingly keen to maintain the momentum, with several lines planning to withdraw capacity during and post Chinese New Year (CNY). No doubt their motivations are to avoid a repeat of this year, when rates steadily declined both during and after CNY celebrations.

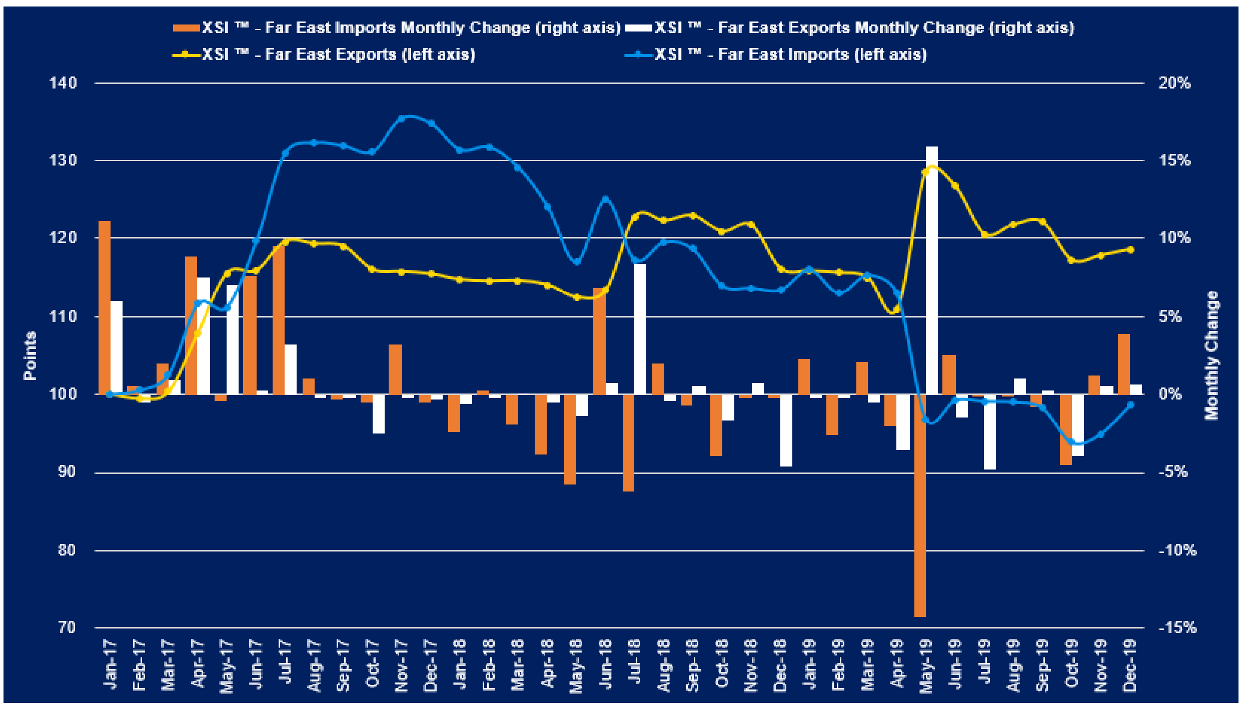
Fig 2: XSI® - Europe Imports / Exports



XSI® - Far East Imports / Exports

Far East imports on the XSI® increased by 3.8% month-on-month in December to 98.60. While this represents an improvement compared to the long-term downward trend, the index remains 13.1% below the level of 113.40 reported in Dec-18. Meanwhile, Far East exports rose by just 0.6% to 118.59 points, with the benchmark up 2.1% year-on-year.

Fig 3: XSI® - Far East Imports / Exports



XSI® - US Imports / Exports

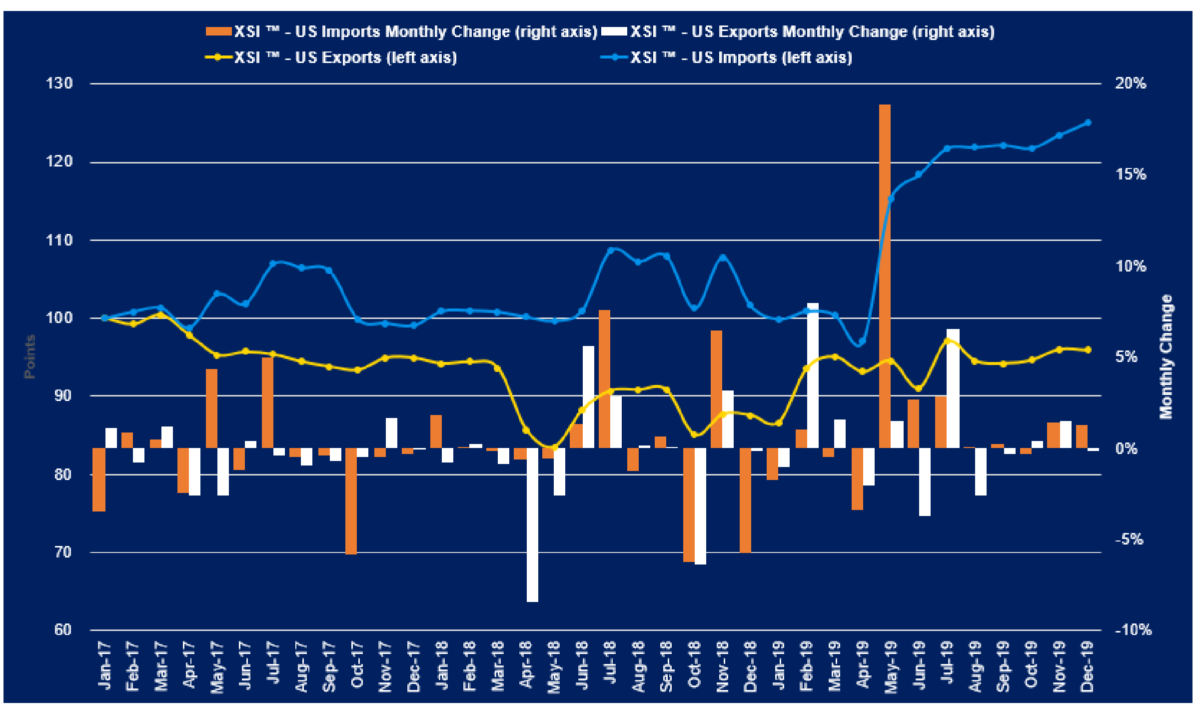
US imports on the XSI® continued to reach new highs, with the benchmark up 1.3% month-on-month to 125.02. The positive trend has been maintained since May this year, resulting in the index being up 23.1% compared to Dec-18.

US exports on the XSI® remained mostly unchanged, falling by just 0.1% in December to 95.90. Despite the decline the index is still 9.5% higher than the same period of 2018. Whereas imports have shown some positive momentum, exports have failed to show any clear direction, remaining largely unchanged since Aug-19.

In other news, with the US and China announcing a phase-one trade agreement, President Trump will hold off on raising tariffs further, while Beijing will not press ahead with its own retaliatory tariffs. Although the deal will prevent the trade war from worsening, it is unclear how much better the situation will become. In a conflicting message, the US has stated it will maintain 25% tariffs on about $250 billion of Chinese imports, along with 7.5% duties on roughly $120 billion of Chinese imports. However, the Chinese have maintained that rolling back tariffs is a condition of the initial deal.

Furthermore, Trump has suggested that China would purchase $50 billion in agricultural products “pretty soon.” On the other hand, Chinese officials have been reluctant to mention any specific targets and analysts suggest the purchase seems implausible. On the face of it the tentative deal looks to mark simply the first steps in what could be a long drawn out process, with uncertainty for shippers likely to remain into the near future.

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 +160MN 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

DISCLAIMER

The monthly XSI® Public Indices report is meant to give an indication of the global market movements for the long-term contract market in the container shipping industry focusing on the biggest regions in the world.

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.

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