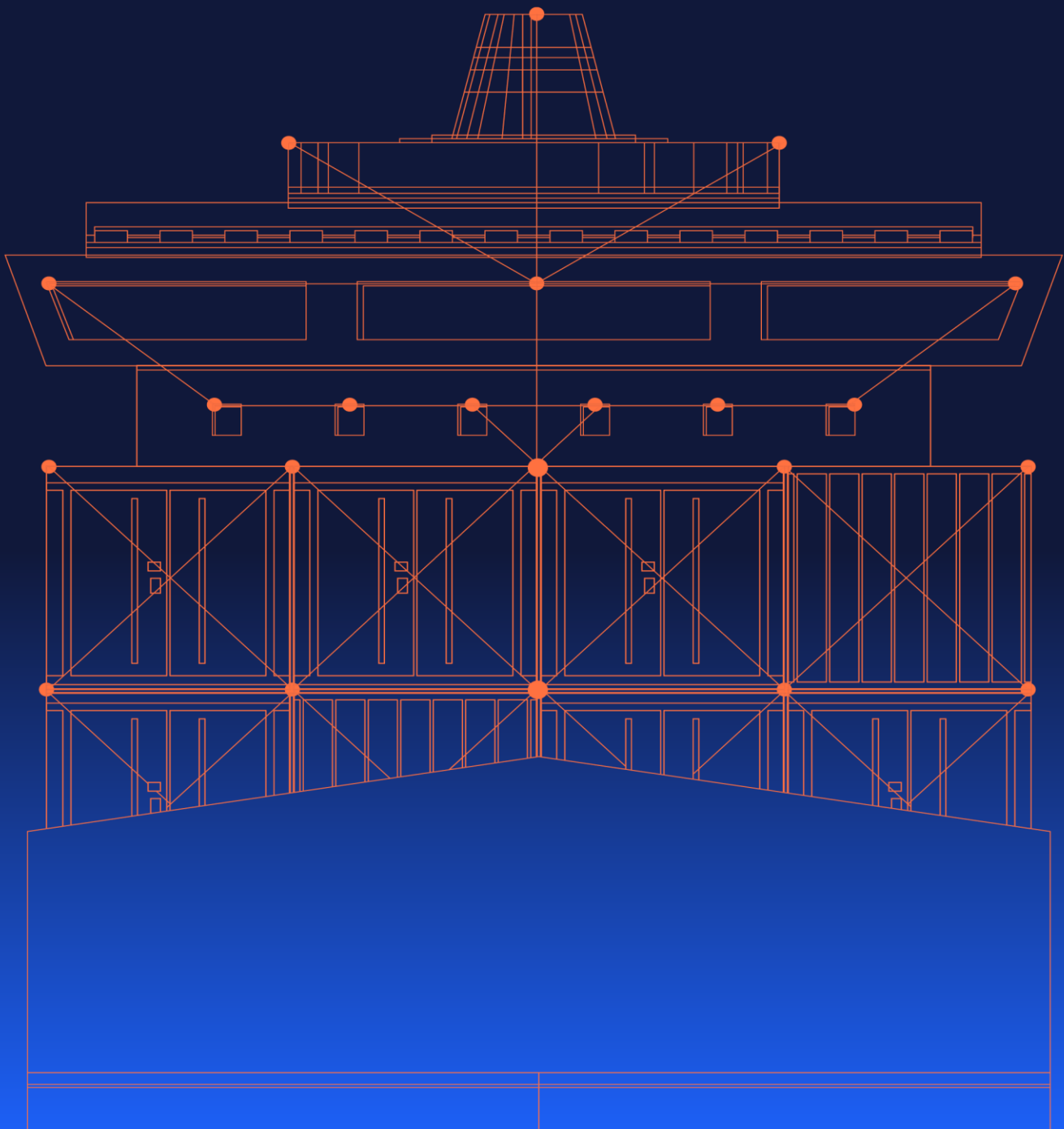


XSI[®] PUBLIC INDICES

OCEAN FREIGHT | January 2020

Long-Term Contracted Market



XSI® - Jan 2020

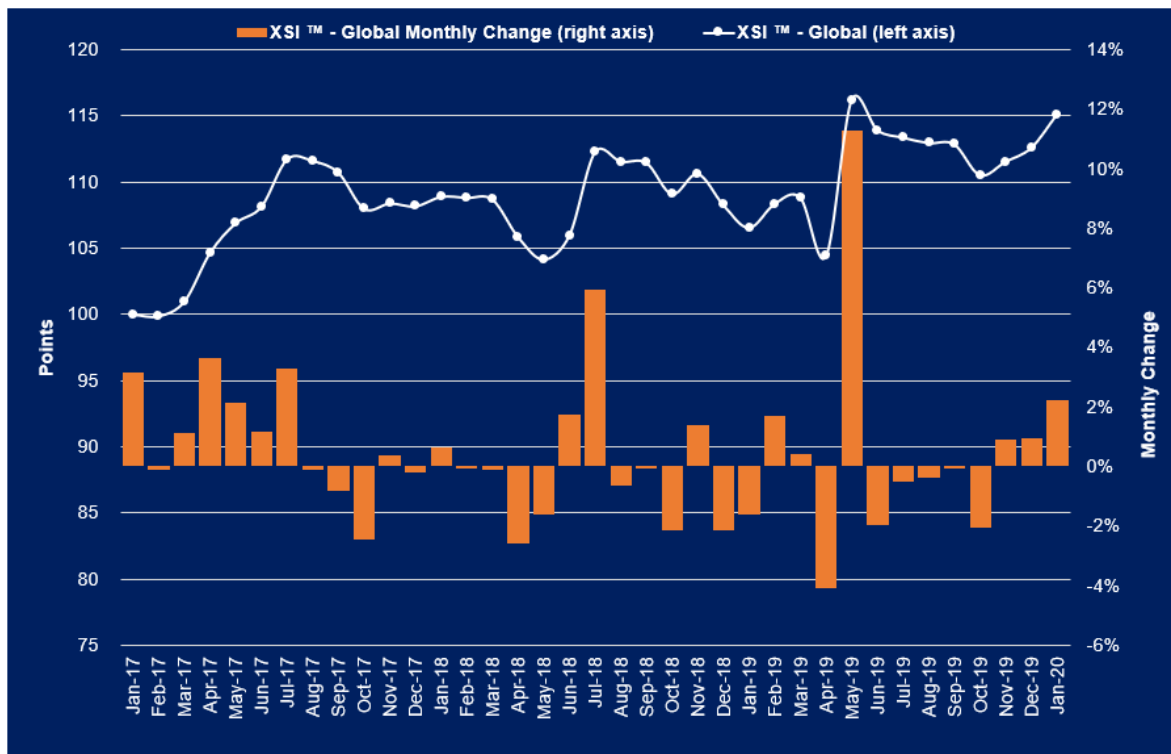
XSI® - Global

The global XSI® has continued its recent upward trend, increasing by 2.2% in Jan-20 to 115.10 points. This marks the third consecutive month-on-month increase, resulting in a rise of 4.1% since Oct-19. Subsequently, the index is now 8.0% higher than the equivalent period of 2019. If the global XSI® continues to rise in the coming months, then it could easily surpass the all-time high of 116.19 points recorded in May last year.

Elsewhere, market commentators and our data correlate to suggest that that carriers have so far failed to fully recover the costs associated with new low-Sulphur IMO regulations. We have previously highlighted the difficulties they will face on commoditized trades, which at present seems to be the case. For example, while spot rates on the Far East-North Europe route have recently improved, one can argue that these are the product of capacity adjustments and seasonal demand rather than the successful recovery of these additional costs.

A quick comparison of previous years shows a consistent upward trend in the run up to Chinese New Year, followed by a softening of rates thereafter. Talk of roll pools and further void sailings only adds weight to this thesis. Therefore, the true scale of cost recovery and the impact these new rules will have to carrier's bottom line won't be known until the next batch of financials are released.

Fig 1: XSI® - Global



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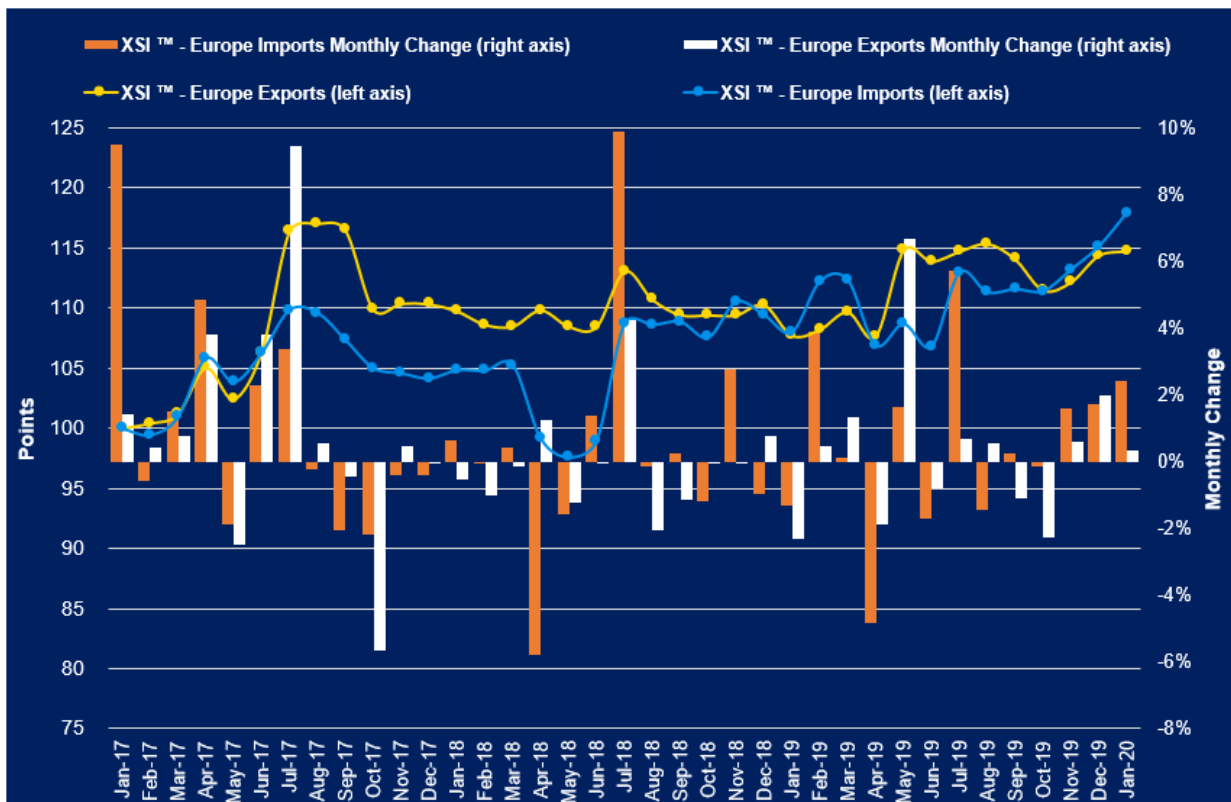
XSI® - Europe Imports / Exports

Imports on the European XSI® rose by 2.4% in Jan-20 to 117.94. The imports index has therefore been above the exports benchmark for the third consecutive month. This is the first time it has consistently outperformed exports since the start of 2019. Year-on-year the European XSI® for imports is up 9.2%. Meanwhile, the exports benchmark increased by 0.3% month-on-month to 114.78 points and is up 6.5% since Jan-19.

In other news, Hapag-Lloyd has entered into a slot charter agreement with the 2M alliance. Starting in March, the German line will be able to increase the frequency and reliability of its services, with full details yet to be released. The move follows a revised THE Alliance network as it incorporates HMM into the group from April 1st.

The 2M alliance has also revealed five void sailings on the Far East - North Europe trade in March, as carriers look to adjust capacity in response to Chinese New Year. Such measures provide further weight to the argument that rate increases on the trade are due to supply and demand changes rather than because of the new IMO regulations.

Fig 2: XSI® - Europe Imports / Exports



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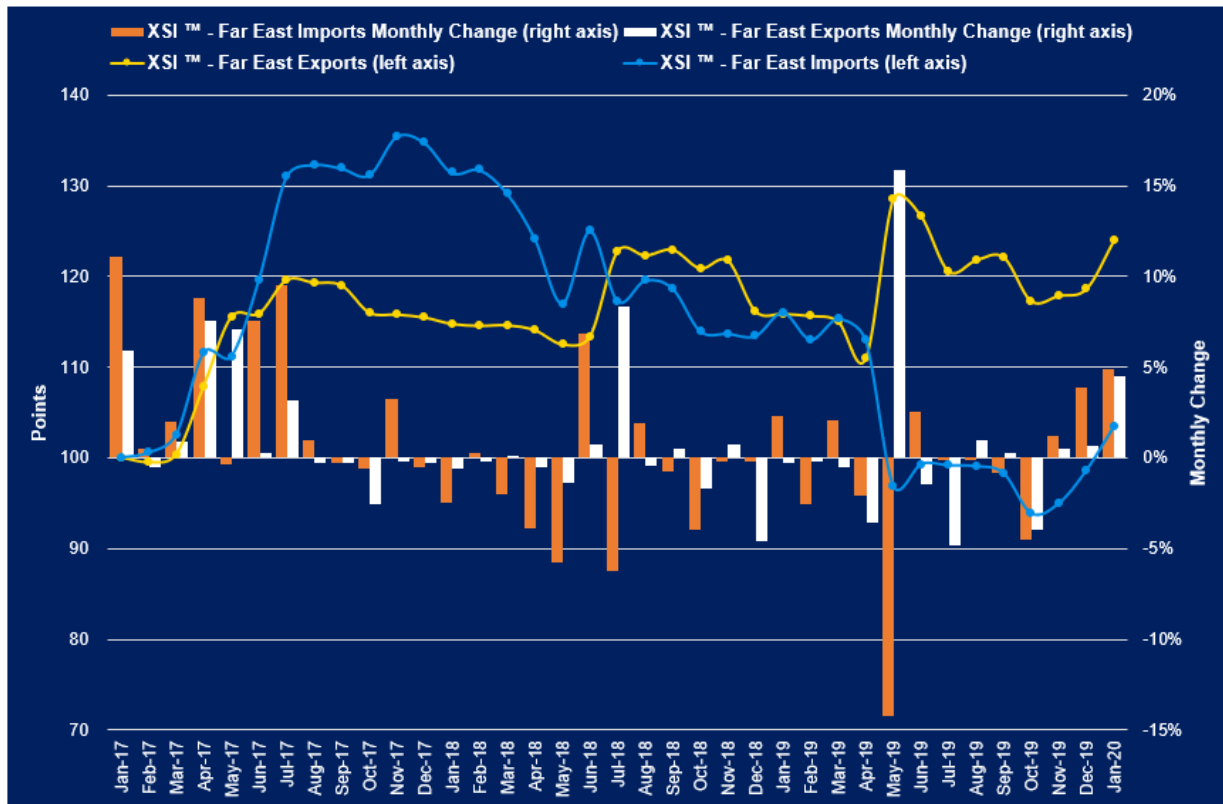


XSI® - Far East Imports / Exports

Far East imports on the XSI® rose by 4.9% in Jan-20 to 103.45, with the index increasing by 10.0% since the all-time low of 93.83 recorded in Oct-19. Despite the month-on-month improvement, the benchmark remains 10.8% lower than the same period of 2019.

Far East exports also improved this month, posting a 4.5% jump to 123.94 points. While the index remains below the level reported in May last year, it is up 7.0% when compared to Jan-19.

Fig 3: XSI® - Far East Imports / Exports



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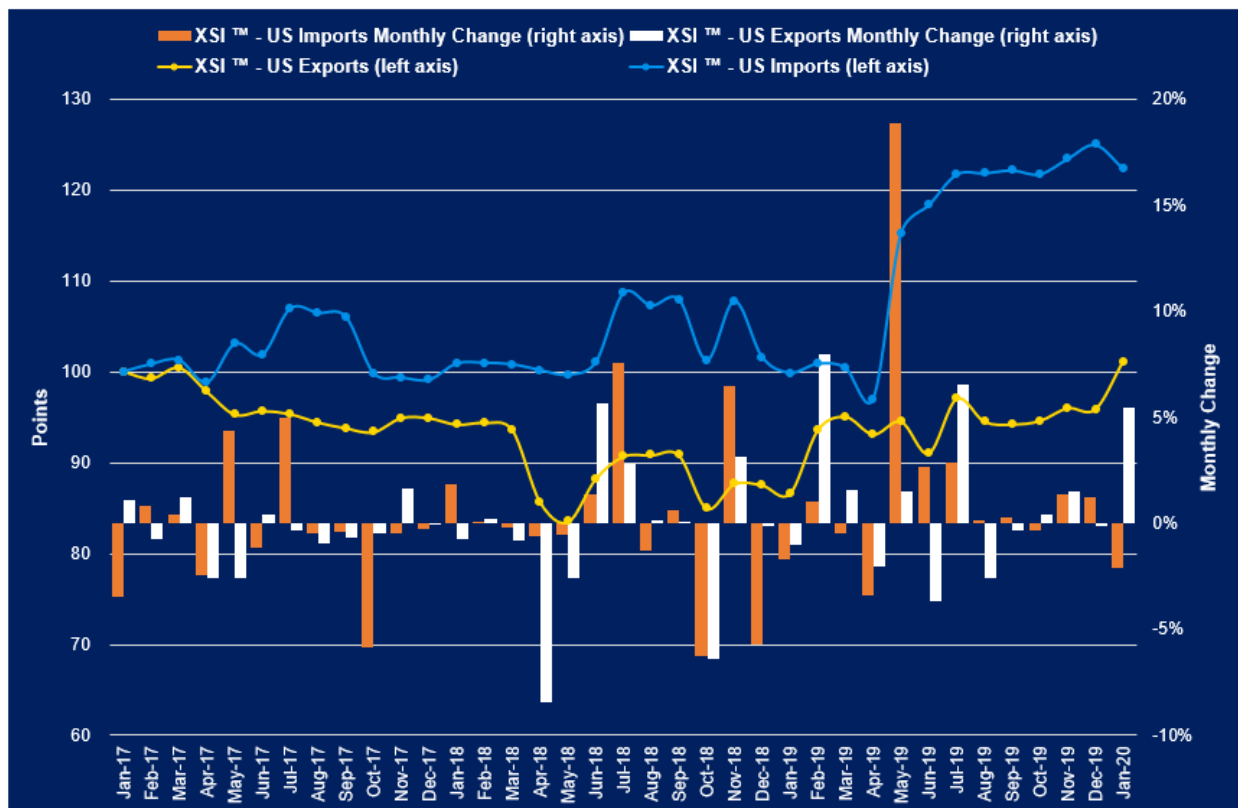
XSI® - US Imports / Exports

US imports on the XSI® fell by 2.1% in Jan-20 to 122.38. This represents the first monthly decline in the index since Oct-19 and the largest month-on-month fall since Apr-19. Nevertheless, the benchmark is still up 22.5% year-on-year.

Developments on the exports index were much more positive, with the benchmark posting an increase of 5.5% to 101.14. This represents the largest month-on-month increase since Jul-19 (+6.6%) with the index reaching a new all-time high. US exports on the XSI® are now up 16.7% since Jan-19.

The most significant update to occur in recent weeks was the trade deal signed between the US and China, which marks the first tentative step towards improved relations. While China has pledged to increase US imports by \$200bn above 2017 levels and strengthen intellectual property rules, the US has agreed to halve some of the new tariffs it has imposed on Chinese made goods. However, the deal only cuts duties on \$120bn worth of goods, with higher tariffs remaining on a further \$360bn. As such, business groups have called for further talks to take place, as the remaining levies will continue to place downward pressure on consumer demand and therefore imports.

Fig 4: XSI® - US Imports / Exports



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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

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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.

XENETA

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