- Hey everyone, welcome to our DAT IQ weekly market update. This is our update for June 10 2020. I'm Ken Atomo, chief of analytics at DAT, here as always with Matt Damon, our principal data scientist. And we're here every week to give you an update on what's happening in the market, and a little bit of insight on what might happen in the future. Dam, do you want to hit us with updates for the week?

- Absolutely. So, load-to-truck ratios are unfortunately starting to lag prior year. MCI maps are starting to cool off, as you might expect, as we're heading into the post produce season, but some regions are still hot. Reefer rate is rally losing steam, like we expected. To that end forecasts are beginning to bake in the expected post peak slowdown, which is maybe not the best for reefer carriers and van carriers but it is moving us back towards normalcy, which is important. We know your time is valuable. So if you want to just get to a particular part of the presentation, we have time code links down at the bottom in the description so you can just jump to what you're interested. Ken you want to hit us with those market dynamics?

- Sure, just like every week, we're gonna start with an overview of what's happening on our load board activity. And we're gonna start with dry van load to truck ratios. As an invention, we've seen a little bit of a slowing down, stagnation, if you will, on the dry van side. We've talked in previous weeks about how it's going to be really hard to keep up with this hockey stick pattern, that happens is seasonally expected. I wouldn't go so far as to say that we're completely done with our upward trend for the season, but it's something we're gonna closely watch into the next week or two. On the reverse side, it didn't quite go flat, but you can definitely see it slowing down a little bit, lagging behind the prior three years that we show on this chart. I don't think it's anything to be overly alarmed about. I think it was a little optimistic. I think we completely put code in our rear view mirror so fast. But you know, again, it's something we're going to track and compare it to prior years. Looking at MCI for driving ins we pulled this yesterday. You can see concentrated areas of red that have remained from prior weeks are still there. We're just seeing a little bit of a general cooling off, especially in the California area, we do still see a nice nexus of heat in South Texas, Louisiana, not really sure how much of that is a result of the tropical storm that blew through there. But again, it's still nice to see shades of red. On the reverse side, still a lot of red, but some of the areas that in previous weeks were kind of a deep red have cooled off to more of a pinkish or salmon tone, indicating that markets are softening up a little bit. Again, it doesn't necessarily mean that demand has dropped, it could just mean that capacity has entered the market to balance out the amount of demand that's there. On the Spot Rate Trends side. As always, we're going to start with Dry Vans We're seeing very much toe in the line that we saw in 17 and 19. Those lines don't materially diverge for another 80 to 100 days. So we really are going to probably settle into that trough. We haven't seen it materially lag behind either of those two years, which is good. And at this point, we're soundly above where we were pre COVID levels. If you look at the year over year comparison, we are starting to see some very early signs of lagging behind prior year, that'll be something to watch, it could just be an artifact of like when we pulled the data or just some very recent rates coming in lower, but again, something to watch to see where the trend continues as it continue up closer to $1.60, or where it's sitting in the $1.55. Reefer Spot, this is definitely flattened, and much more pronounced than on the dry van side. But still very much in line with 17 and 19, which we had been tracking towards and above where we were pre COVID. If you look at the week or the year over year chart here, you can see it's really just middling about where we were in the prior year, not really breaking out above or below in either direction. So I think looking at history here, it's very interesting, but probably what everyone watching is most interested in what's gonna happen over the next few weeks, so I'm going to turn it over to Matt to talk about forecast models.

- Thank you, Ken. So our forecast models are, as always presented in the form of everyone's favorite dinner, a spaghetti chart. You can see in blue, the actual Spot Rates for Van were observed by DAT up through 6.9. And then off to the right, you can see our four strands of spaghetti corresponding to the rate cast model in green, the short term model in red, and two blendings of them are blended forecast one and gold, and blended forecast two in gray. The ray cast model is our flagship model, the short term model is much more heavily dominated by short term dynamics. And the blended forecasts are a mixture of the two. And you can see here there's a really big divergence in the models between the short term and the ray cast model, or the ray cast models expecting that seasonal trends are going to reassert themselves, and that we're going to peak around July fourth, and that's where that little kind of nubbin is in a lot of the forecast, and then start trending back down as per normal seasonal behavior. Whereas the short term model is expecting continued strong growth. I really feel like we're moving back to normalcy. And I expect that the right cast model is going to be the most accurate description of what's gonna be going on. Maybe with a little bit of the blended forecast. If we're still in a hair of recovery mode, maybe the gray line, but I would not expect that rates are going to keep on keeping on up to the peak during restocking. I don't see that happening. Next up, we have our same charts for reefer, again, the blue is the actual rates that were observed by DAT. And then off to the right, we have our strands of spaghetti. And here you can see there's actually broad model agreement between the short term, the rate cast and our blended forecasts all the way through July fourth, where we're expecting it to be very slow, kind of bumpy growth up through July fourth and then post July fourth there's a disagreement about whether seasonal trends are going to reassert themselves. For me, I strongly believe that seasonal trends are going to reassert themselves and that the rate cast model, which sees rates peaking around July fourth, and then dipping down as we move into the dog days of summer is going to be the most accurate wine heading into the future. And that's it for our forecast. And we're ready to move to our Ask IQ Question of the week, which is, "What's the next major market driver after produce season?" Ken you wanna handle that?

- Yeah, thanks Matt. You know, it's been the one silver lining that we've talked about quite a bit is that, the country is reopening during a time of intense seasonal upward pressure and rates. If we would have rolled out of this aggressive social distancing in early January, or frankly late June, early July, the situation would have been the opposite. And the seasonal pressures would have been negative, which could have really been a double whammy on rates. But, you know, we're kind of accommodating, coming to a point where we accommodate around the fourth of July with the spring peak, and then it really is the dog days of summer, as Matt mentioned, until late August, early September, and what's driving that will be back to school, some of the extreme early signs of retail shipping for the fall, but between essentially the Fourth of July or week after and then things really do slow down. So we will expect rates to come back down how far remains to be seen. But I think our best guess is probably further than typical just due to some of the economic damage caused by COVID. But ultimately, we would expect rates to recede a bit and then come back in the fall, how strong may come back is something we're looking at right now, taking a more econometric approach, but I think we'll have more to share on that. Over the next few weeks.

- We're definitely going to be on the lookout for that second peak. I want to thank everybody for joining us this week. I want to remind folks that we have a more text based update with roughly the same information at DAT.com/covid-19 that's DAT.comm/C-O-V-I-D hyphen 19. If you have a more in depth question you can email us at askiq@dat.com we'd love to hear from our customers. And you know just folks who are listening to the show, you don't have to be a DAT customer. We are also offering our top 50 lanes report for free. If you email us at our Ask IQ inbox and request it, we will give you the top 50 freight spot lanes with short term historicals and short term forecasts to help give a little bit of context in this still unsettled time. We'll be back next week with a new update and I wanna thank everybody for keeping America running.

- Bye everybody.

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