

- Hey everyone and welcome to our DAT IQ weekly market update. This is our update for June 3rd 2020. I'm Ken Atamo, Chief of Analytics at DAT. I'm joined by Ned Damon, Principal Data Scientist at DAT and we'll have a special guest on later in the video to talk about some very exciting news. And speaking of exciting, how was your weekend Ned?

- well Ken not everybody got to go to the mountains but I had a pretty grand time I was able to visit some friends in a such a distance and socially responsible way of course because Oregon's opening up a little bit and I think that's good news for everybody. To go into the points of the week, we've got some pretty exciting stuff to talk about, in general, it's just good news. Load-to-truck ratios are on pace with prior year. We'd like it if they were a little bit higher or it would be nice, but I won't look a gift horse in the mouth. A reefer MCI map is the hottest we've seen all year, dry van spot rates of return to pre-COVID levels, which is wonderful. And our forecast horizon is starting to see a little bit past the produce driven peak. But we'll get into that and do a little bit more detail when we get there. Ken, are you ready to talk about market dynamics.

- I am Ned, thank you. This should be a lot easier without novacaine this week. I'm gonna dive right into load board activity. So we have Dry Vans here and again, to echo what you said earlier Ned, we're keeping pace with 2019 which is good. This is that hockey stick period we talked about the next couple of weeks and it's good to see that we're keeping pace with prior year. I'm gonna flip to Reefer really quick. We're seeing a bit of a slowing, I don't know that it's anything to be alarmed about. I think next week's number there's still one day of Memorial Day in the sample that we have on the screen right now. So I think next week will be more telling on whether this is a trend or just a bit of a blip in the data. transitioning to drive in MCI, This is a snapshot from yesterday and what we see is the Southeast a little bit in the Midwest and then the Southern California into Arizona. The interesting thing to watch here is, we actually have the third name storm or soon to be named brewing in the Gulf of Mexico. So it'll be interesting to see how that impacts markets along the Gulf. Again, kind of the chart of the week if you will would be reefer MCI tons of shades of color, Southwest, even going up into the Southern Northwest if that makes sense, South Texas, the Southeast, and even going all the way up into the great lakes region, all showing signs of strength. It's really good this is a seasonal peak. It should look like this, but I think we're in a time period where celebrating normal is a bit of a positive. Let's just see real quick. I'm gonna go and talk about spot rate trends because a lot of this warmth should translate into higher spot rates, right? Looking at dry vans we're now at a point where we're above pre-COVID levels. So this, again, just to reiterate, it does not include fuel. And we've seen essentially a 18 to 24 month freight cycle since March condensed into two and a half months, we saw rates shoot up, collapse back down and have not recovered. That's not to say that there's not a long pathway to go for longer term recovery. But I do think it's a positive to see rates sitting above where they were before the COVID pandemic really hit the United States long term, short term view. I just wanna talk real quickly here, the next couple of weeks rates will have to keep increasing to keep pace with prior year. So that'll be something very important to watch and then right around day 190, you start to see rates come back down into the dog days of summer. Looking at reefers, we've seen them slow a little bit, we've talked about how that's going to be a sign of sort of

a jagged line up through produce peak. I don't know that it's anything to be alarmed about. We're just gonna watch it over the next couple of days, couple of weeks to ensure that we still see upward momentum. The week over week view. We show this just to kind of say rates shot up above prior year and have since flattened but since rates were increasing last year, there's a chance we're losing ground on a year, year over year basis. I'm really excited for Ned to jump into the forecast models 'cause we're gonna start to see into that post peak period. So Ned take it away.

- Absolutely. So here we have what we call the spaghetti chart. In the blue, we have the actual spot rates that were observed by DAT that we call actual. And then off to the right, we have our four strands of spaghetti, we have the raycast model in green, that's our flagship model, we have a much more short term focus model in red. And then we have a pair of blended forecasts that are a mixture of the short term or the and the rate cast model in different ways and in different proportions. And those are in the yellow and gray. You can see here that there's broad model agreement that things are gonna be up into the right. I'm again, I like the raycast model. I know that last week it kind of undershot a little bit, but I feel like it's giving a good peek into what's going forward. And you can see that that rate of growth is starting to slow especially as you're heading into the tail end of that produce peak there. which is something that I think is inaccurately assuming that going back to normal that's what you'd expect to see here we can see the reefer chart is very similar to the van forecast. Again, we've got blue, the actual spot rates observed by DAT. And then off to the right we have our model suite. You'll notice that the raycast model was did a pretty good job of predicting up into the right but at a slow pace last week and then going forward I think that that's gonna be accurate you can see that it is up into the right heading into the produce peak, but it's starting to slow down especially in the tail end, which I think is very indicative of what's likely to happen. Whereas the short term model is a little bit less taking into account seasonal trends, but I feel like we're moving back to normalcy. And I think that's about it for the forecast section and we're on to our wonderful guests who I am excited to meet.

- Thanks Ned for covering the models and I'm excited as well. I wanna welcome Dr. Chris Caplice to the video this week. Chris is the Chief Scientist of Chainanalytics and he's Executive Director at MIT Center for Transportation and Logistics and a Senior Research Scientist at MIT, Chris will actually be coming over to DAT as part of the recently announced acquisition of FMIC from chainanalytics. Welcome Dr. Chris Caplice both to our Weekly Video Update and to DAT solutions. Welcome, Chris.

- Hi Ken glad to be here I'm looking forward to the conversation.

- Great Yeah, we actually just wrapped up doing an episode of the Freight Vine Podcast. So if you're not familiar with that I'd recommend you checking it out. And we have some really exciting news to share this week. Chris you wanna fill us in on that news?

- Yeah, sure the big news it's been in the works for a couple months now is that FMIC the Free Market Intelligence Consortium along with the Pulse Product and our signals forecasting has been acquired by DAT. So we're now part of the Big DAT solutions family. I'm just waiting to get the T-shirt Ken.

- Yeah, I actually need some more swag these are getting redundant. For those watching today Chris, that aren't familiar with you or the Freight Vine Podcast. Can you tell us a little bit about yourself or your career and your role at FMIC?

- Sure I'm a accidental professional in transportation. I was actually a civil engineer served time in the army, got my PhD in transportation, worked in software for a company called Logistics.com that eventually got acquired by Manhattan Associates. And so I've actually been in freight transportation for a little over 25 years. Mainly focused on the shipper side of things I joined Chainalytics at the same time I went back to MIT to run the Center For Transportation Logistics and that's when I started the what we used to call the Model Based Benchmarking. But then marketing took control and gave it a better name FMIC Freight Market Intelligence. So pretty much my career has been in working with shippers and carriers trying to find better ways that they can work together better.

- Great so for a lot of those folks FMIC customers or others, can you give an overview of what FMIC is? How was it different or similar to DAT and why are we all so excited about this?

- Yeah so FMIC has really strange roots. It actually started because we're trying to understand what a shipper can do to improve the interaction with a carrier to lower those rates. Because as we all know truckload transportation is pretty much a cost plus business. So if you can find a way to lower their carriers costs, you can probably lower their price and the shippers costs. So we're looking and trying to understand how can I determine what drives that rate. And so we developed a series of models that kind of separate out the different driving factors. You can guess anyone who's watching this knows trucking. That means geography, origin, destination, distance, and a bunch of other factors, whether it's going to a grocer retail, whether it's going internal, whether it's team, all these things and we're able to quantify it. So what FMIC is all about is understanding what drives carrier rates for the purpose of improving the relationship between shippers and carriers. So it's very different from what DAT does, but it's makes for a nice, nice marriage.

- Yeah that brings me to my next question, which is how was the combination of FMIC and DAT going to give customers a more complete picture of the freight market?

- Its a great question Ken and there's if you look at the transportation market, you can break it into many different pieces, but the big pieces you can talk about shippers, carriers and brokers. And to be honest the FMIC side is very focused on shippers and how they interact with the market. And what I love about DAT it's the opposite. It's focused on carriers and brokers and how they interact. So I think bringing it together really compliments each other and will bring out strengths that the other ones haven't focused on. But what do you think? And you're just as immersed in this as I have. What do you see the combination of these two companies doing?

- Yeah as a recent consumer of data and industry and now DAT I'm excited it's a full end to end picture. There's really no reason you would need to go to any other source for freight analytics to get that end to end 360 degree view of what's going

on. I think combined it's over a hundred \$110 billion worth of combined freight transactions that we now have under our umbrella.

- Yeah So I can't think of any other source of that has so much data from so many varied sources. And so what I think it brings us not just the breadth, but the depth of the data there. Can you think of any other source that comes close Ken?

- No, what's really exciting about this is between the two companies we've been in freight rating and analytics for over 20 years. This wasn't just a great idea over cocktails, three to four years ago, we have a long history of helping customers understand, adapt and respond to the uncertainty and frame markets. It will rely on vague marketing claims about our data we don't work... We're transparent 'cause we're proud of how the data is collected and analyzed. And I think also this acquisition speaks to how bullish we are on freight analytics in general. We're a company that's not beholden to our next round of funding. we're not out there constantly fundraising. We are here pouring money into developing great products for our customers. And I think that's why it's such a great fit with FMIC.

- That's an excellent point 'cause I think one of the strongholds of FMIC is transparency. We are very open on what we do, where we get it and steps that we take. But let me ask you a question Ken, what do you think this will allow our FMIC customers to do that they couldn't do before?

- The big thing is gonna be on the spot side of the equation. And if you're a contract shipper as you know Chris you're really focused on that contract book of business but the spot even though it's smaller plays a very important role. So gaining a greater understanding of what's happening there, how it may lead future changes in their contract rates and anticipating and reacting to those changes before they happen. Again and there's this broad suite of predictive analytics and forecasting that we'll be able to gain access to. And I think it'll round out the total portfolio, if you will of analytics. But I'm really interested to hear what do you think about FMIC customers? Why should they be excited about this partnering with DAT.

- Right I I'm gonna echo what you just said because the big takeaway story here is that we're two big companies doing some really interesting stuff on different segments of the market with different perspectives. So getting a merging in with DAT will bring more real time visibility, visibility into spot which we have had limited effect for that. And a lot of more access to leading indicators. Because I think whatever FMIC is really good at is understanding how contracts work and how they work through the routing guide all of those different things. What the DAT is bringing to us is that visibility into that real time, how things are turning in real time and those leading indicators. So I think it's going to be a lot of complimentary value between the FMIC and the DAT customer basis.

- Yeah, for sure we've talked a lot about data and just to wrap up here besides the end to end data and the database size it really does come down to people. While other folks in our industry and specifically in freight analytics are reducing their footprint on industry expertise and analysis. We are I think at this point we have created the greatest nexus of expertise experience both on the data analytics and

data science but also industry expertise side in the industry. And that's what's to me most exciting about this I would look forward to really great content as we learn to collaborate. And I'm really excited I think most of all to see what we're building together 12 months down the road and how we're able to change the landscape of freight analytics. So I wanna thank you Chris for joining us. This certainly won't be the last time that you're on. And I think I speak for everyone at DAT when I say welcome to the entire FMIC team. And we're extremely excited to have you guys part of the team.

- Great. I'm excited to be here Ken is speaking on behalf of the whole team. We're very excited to get started and rolling our sleeves up. As soon as we get our t-shirts, we need some swag.

- We're a golf forward company so it's going to be polos.

- All right that's great. Thanks Ken.

- And again I wanna thank Chris for joining us. Ned what did you think about that?

- I mean I'm really excited. I feel like just as he said we've got two different perspectives on the overall freight market where we're more spot focused and they're more contract focused and if you put that chocolate in that peanut butter you get something that's pretty damn good. Having the addition of somebody who is much more contract focused and has kind of a different source of the data is gonna be able to give us a much more complete picture of the freight market. And I think it's gonna be really helpful for our ability to build all kinds of interesting products not just improving the ones we have but also maybe some new stuff that we couldn't do before. Also it's fun to even a single swoop double the number of PhDs at a DAT. So I think that that's going to be pretty good.

- Yeah Ned I'm really excited as well. I think it's going to be a really great partnership. To wrap things up this week. I wanna thank everyone for joining thank our guests and run through some housekeeping. So dat.com/covid-19 for our traditional updates.

- If you prefer to have more questions answered or personal contact. You can also email us questions, comments, concerns and burns at askiq@dat.com. That is askiq@dat.com. Love to hear from folks and as a special treat, if you email us at that address, you can ask for our top 50 leads report for free. I wanna give a shout out to Chris Caplice Freight Vine Podcast that we actually, we cut one of those as we mentioned earlier this morning and if you go back really great catalog of content with some really great guests and we will be back next week sharing some of the goings on in the market. Have a great week everyone.

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