

RESEARCH PROJECT

Nov 2024
(revised)

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Freight News



FREIGHT NEWS (P.1/2)

Analysis

Trump's victory in the US presidential election yesterday may start impacting the ocean freight market even before his January inauguration.

During the recent campaign Trump proposed applying across the board tariffs of 10% to 20% on most of the \$3 trillion worth of annual US imports, and a minimum 60% tariff on all imports from China. In 2018, Trump's announcement of tariff increases led to a significant pull forward of ocean imports as shippers rushed to bring in goods before the tariff increases went into effect in early 2019. Freightos Baltic Index data showed that transpacific container rates doubled from July to November in 2018 as ocean volumes and inventories grew, with rates and volumes in 2019 muted in comparison.

This time, anticipation that Trump will follow through on these campaign promises could be enough to spur some increase in ocean freight demand and rates starting now, with these trends possibly intensifying once tariff increases are actually announced.

If pressure is renewed on the US ocean freight rates due to the election, it will be starting from an already elevated floor. Though prices have fallen significantly as peak season demand pressure has eased – transpacific rates to the East Coast are nearly 50% lower than their July high – at about \$5,200/FEU East Coast prices are more than double their level last year, and West Coast prices are more than triple what they were last year and in October 2019. Rates are also \$1,000 – \$2,000/FEU higher than their lower for the year reached this April.

The root cause of elevated rates across the container market is the Red Sea crisis which continues to absorb capacity. But there may be other factors at play unique to the N. American market, keeping more pressure on rates compared to other tradelanes.

The first could be some pull forward of volumes in the last couple months by shippers in anticipation of a possible Trump victory – a trend that could intensify now that the election is over. The other is the looming January 15th deadline for a possible renewal of the port worker strike at East Coast and Gulf ports. This last factor could also be contributing to transatlantic spot rates which climbed to \$2,583/FEU last week, 35% higher than a month ago, and at its highest level since May 2023.



Source: Freightos

FREIGHT NEWS (P.2/2)

Also in North America, port operators in Prince Rupert and Vancouver – Canada’s largest container port – have locked out ILWU workers since the start of the week in response to the union’s strike announcement. Several vessels are currently stuck at the ports waiting out the strike, with others scheduled to arrive soon. Disruptions at these hubs could lead to diversions and increased traffic at Seattle – Tacoma. Meanwhile, port workers in Montreal have ceased operations at two of the port’s terminals, impacting 40% of the port’s capacity as the newest escalation in this ongoing dispute.

Asia -Europe ocean rates – which had returned to April levels – increased last week on start of month GRIs as carriers seek a price rebound especially as annual contract season gets underway on this lane.

The latest daily rates of more than \$4,500/FEU are more than 20% higher to last week’s levels. Carriers will be hoping some continued congestion in Hamburg, 2-3 day waits in Taiwan ports, Shanghai and Ningbo due to last weekend’s typhoon, and an increase in blanked sailings may support this rate hike even as demand eases post-peak season. An early Lunar New Year and longer lead times needed ahead of the holiday due to Red Sea diversions could also work in carriers’ favor.

Conventional wisdom since the start of the Red Sea crisis has been that once it ends, overcapacity in the market will take hold to push rates down, possibly to extreme lows. In a recent earnings call, though, Maersk – which also said it will take about three months to get its new alliance with Hapag-Lloyd up and running smoothly after its launch in February – speculated that demand growth, slow steaming, and a significant increase in scrapping older vessels, could blunt the impact of fleet growth and keep rates profitable for carriers.

In air cargo, China – N. America rates of around \$7.00/kg for the last couple weeks – the high for last year – suggests that air peak season is upon us for this lane, though prices to Europe have stayed level just below \$4.00/kg, still below the \$4.80/kg high reached last December.

The elevated starting point for air rates is due to the surge of B2C e-commerce volumes that have kept capacity tight for much of the year. But challenges to this flood of low cost imports continue to mount.

Besides the Biden administration’s proposed closing of the de minimis exemption to most Chinese imports – which may be unlikely to happen before the end of its term, though the Trump administration could feasibly try to enact something similar – the European Commission has opened an investigation into Temu’s possible failure to limit the sale of illegal goods. In the US, increases in warehouse leasing by Chinese logistics companies, including for e-commerce, may signal that some platforms are preparing for a shift away from de minimis and air cargo.

Ocean Rates – Freightos Baltic Index

- Asia-US West Coast prices (FBX01 Weekly) fell 2% to \$5,403/FEU.
- Asia-US East Coast prices (FBX03 Weekly) increased 1% to \$5,219/FEU.
- Asia-N. Europe prices (FBX11 Weekly) climbed 5% to \$3,655/FEU.
- Asia-Mediterranean prices (FBX13 Weekly) increased 2% to \$3,504/FEU.

Air Rates – Freightos Air Index

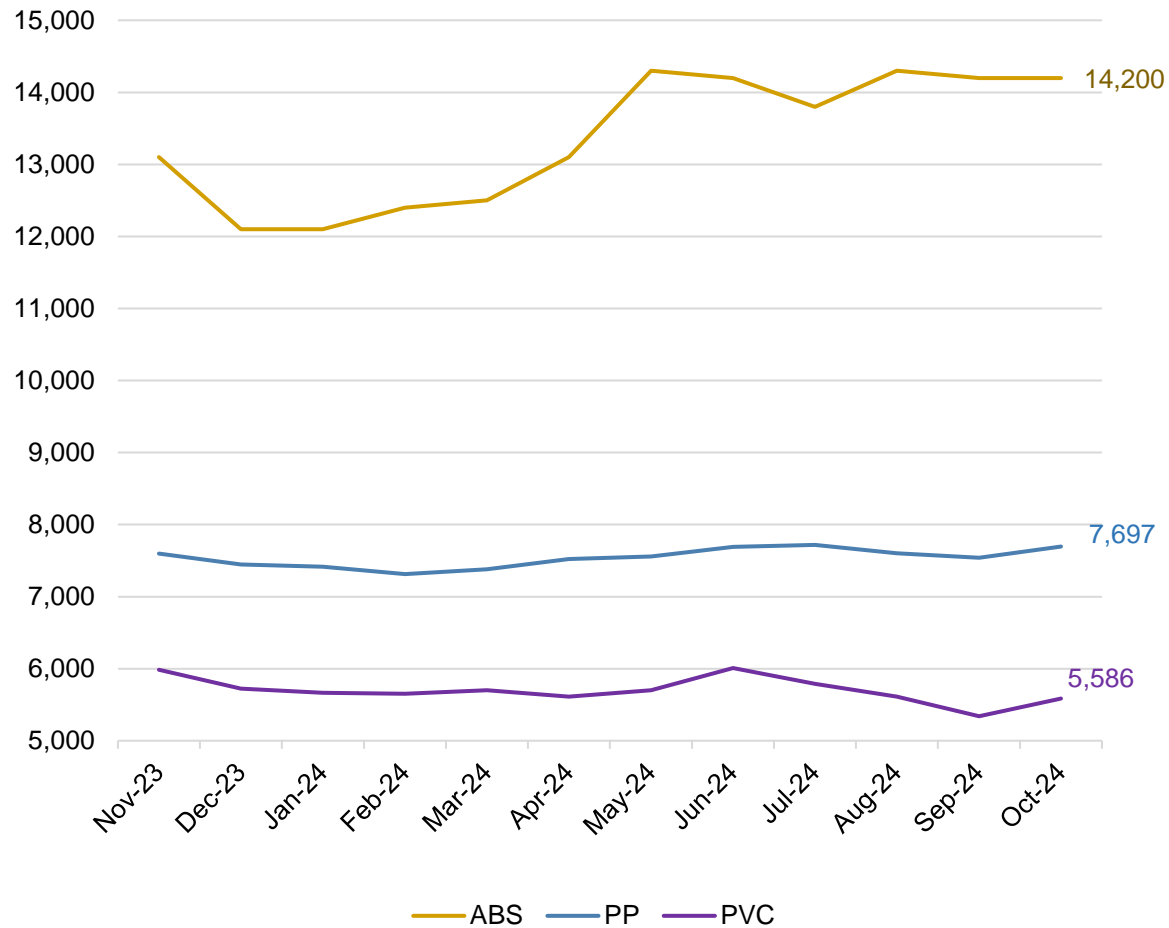
- China – N. America weekly prices decreased 3% to \$6.70/kg.
- China – N. Europe weekly prices increased 2% to \$3.94/kg.
- N. Europe – N. America weekly prices increased 11% to \$2.24/kg.z

Raw Materials



RAW MATERIALS: PLASTIC / RUBBER LIKE

PLASTICS (ABS, PP, PVC, PET, TPR), RMB/ton

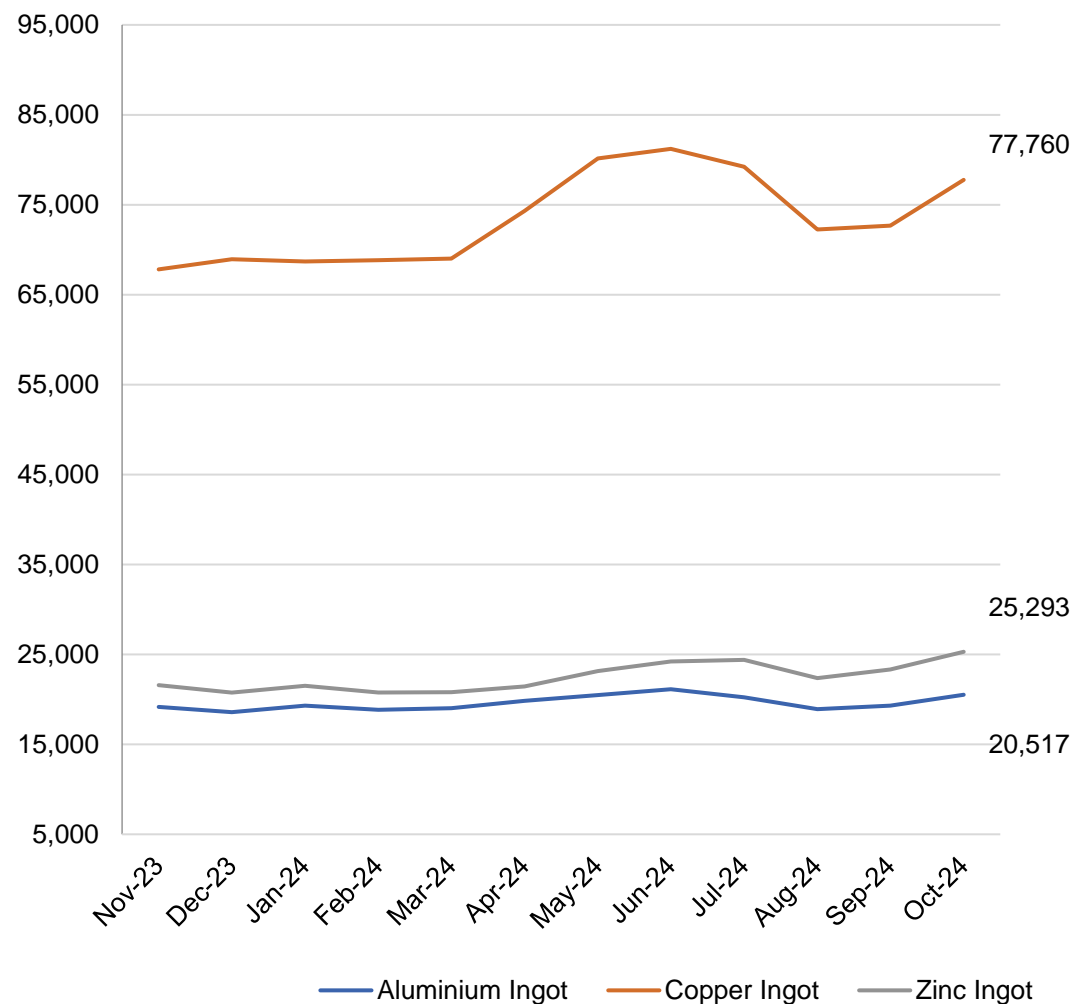


Date	ABS RMB/ton	PP RMB/ton	PVC RMB/ton
Nov-23	13,100	7,599	5,983
Dec-23	12,100	7,445	5,721
Jan-24	12,100	7,415	5,665
Feb-24	12,400	7,313	5,651
Mar-24	12,500	7,381	5,701
Apr-24	13,100	7,522	5,611
Ma-24	14,300	7,557	5,701
Jun-24	14,200	7,689	6,009
Jul-24	13,800	7,718	5,789
Aug-24	14,300	7,603	5,613
Sep-24	14,200	7,539	5,340
Oct-24	14,200	7,697	5,586
YoY%	8.4%	1.3%	-6.6%

Source: ABS - <http://www.buyplas.com> | PP,PVC - <http://www.stats.gov.cn>

RAW MATERIALS: NON-FERROUS METALS

NON-FERROUS METALS, RMB/ton

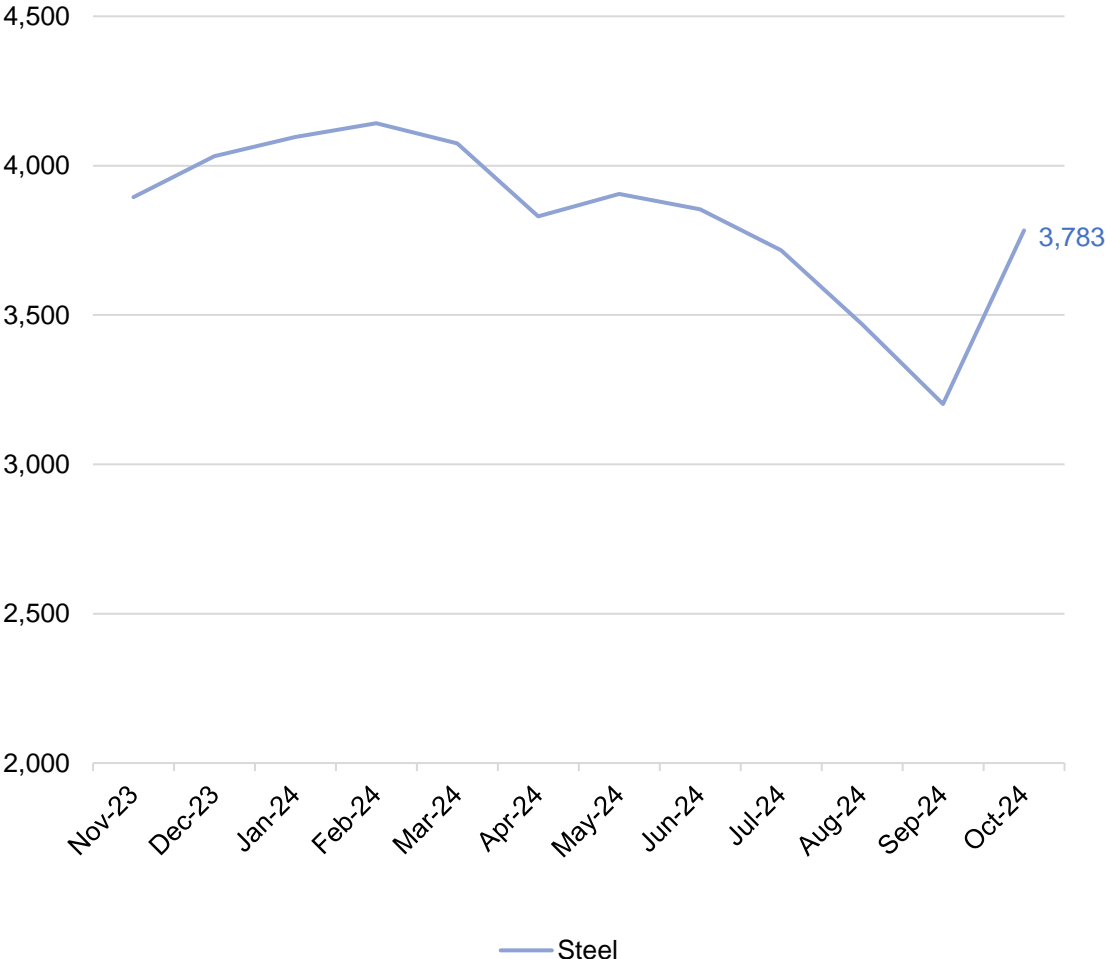


Date	Copper Ingot RMB/ton	Aluminium Ingot RMB/ton	Zinc Ingot RMB/ton
Nov-23	67,816	19,160	21,570
Dec-23	68,928	18,580	20,758
Jan-24	68,695	19,304	21,519
Feb-24	68,822	18,850	20,780
Mar-24	69,010	19,005	20,785
Apr-24	74,333	19,857	21,442
Ma-24	80,142	20,494	23,140
Jun-24	81,216	21,130	24,212
Jul-24	79,241	20,243	24,389
Aug-24	72,267	18,911	22,367
Sep-24	72,666	19,319	23,330
Oct-24	77,760	20,517	25,293
YoY%	14.7%	7.1%	17.3%

Source: <http://www.stats.gov.cn>

RAW MATERIALS: FERROUS METALS

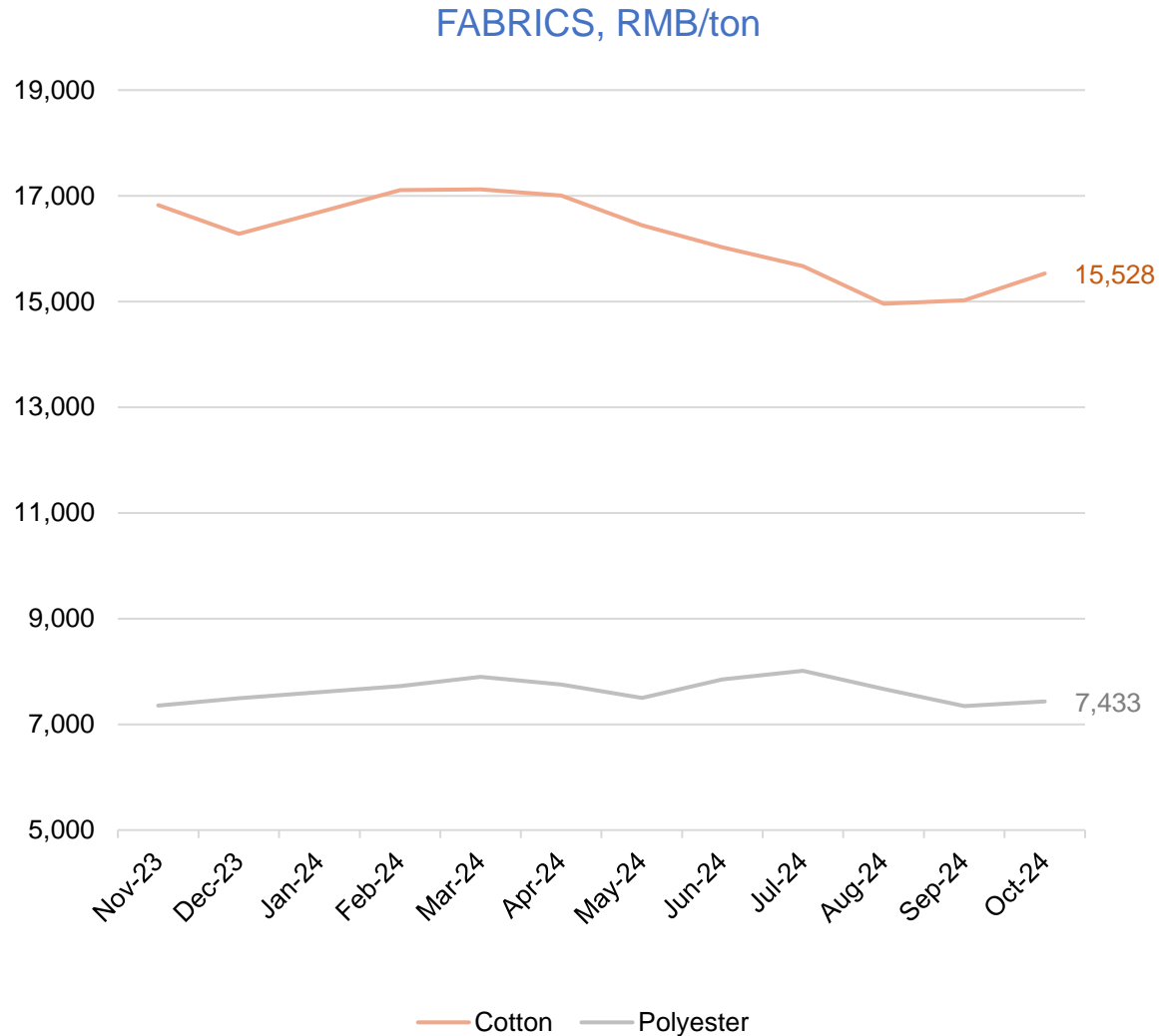
FERROUS METALS (STEEL), RMB/ton



Date	Steel, RMB/ton
Nov-23	3,895
Dec-23	4,032
Jan-24	4,096
Feb-24	4,142
Mar-24	4,075
Apr-24	3,830
Ma-24	3,905
Jun-24	3,854
Jul-24	3,717
Aug-24	3,469
Sep-24	3,202
Oct-24	3,783
YoY%	-2.9%

Source: <http://www.stats.gov.cn>

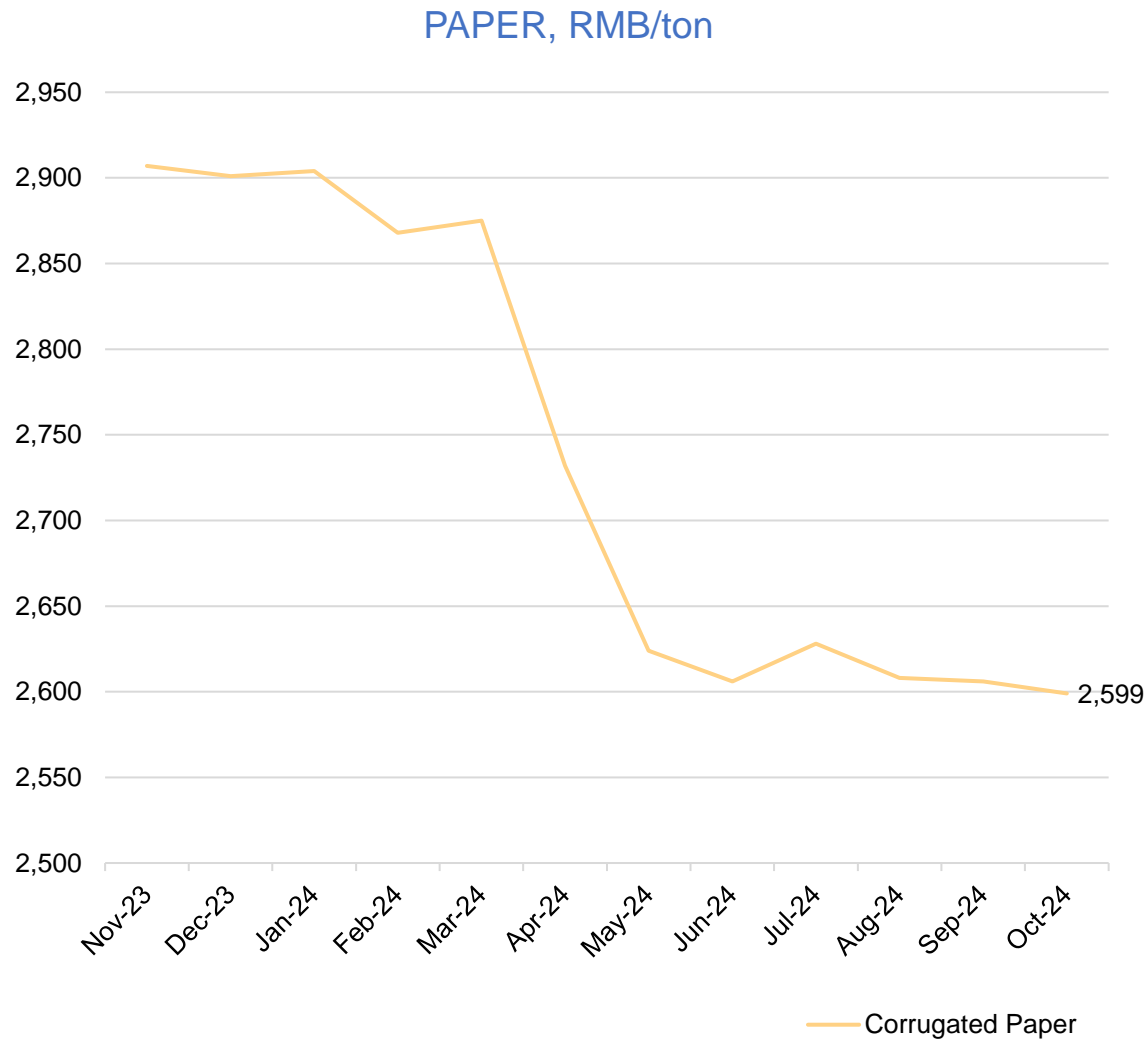
RAW MATERIALS: FABRICS



	Cotton, RMB/ton	Polyester, RMB/ton
Nov-23	16,825	7,353
Dec-23	16,278	7,492
Jan-24	16,690	7,607
Feb-24	17,106	7,725
Mar-24	17,122	7,900
Apr-24	17,006	7,754
Ma-24	16,441	7,500
Jun-24	16,029	7,850
Jul-24	15,672	8,013
Aug-24	14,957	7,671
Sep-24	15,024	7,346
Oct-24	15,528	7,433
YoY%	-7.7%	1.1%

Source: Cotton - <http://www.china-cotton.org> | Polyester - <http://www.stats.gov.cn>

RAW MATERIALS: PAPER



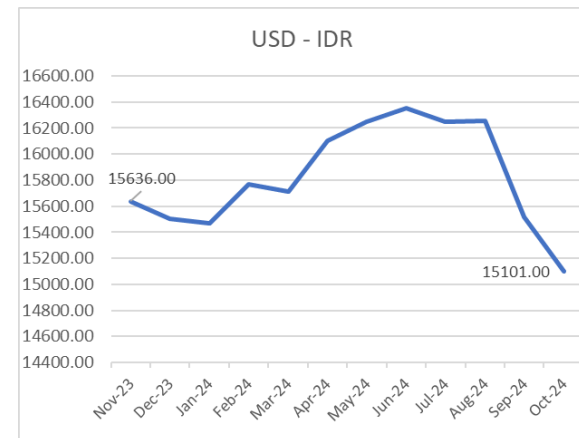
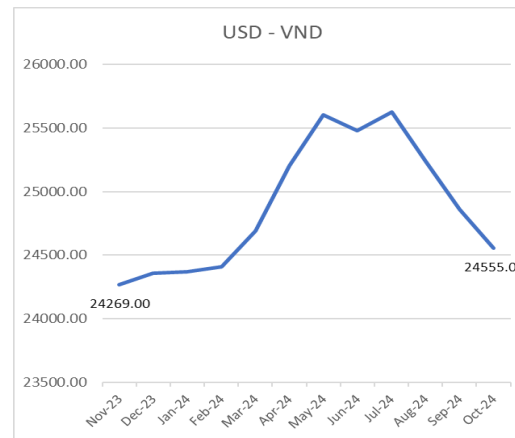
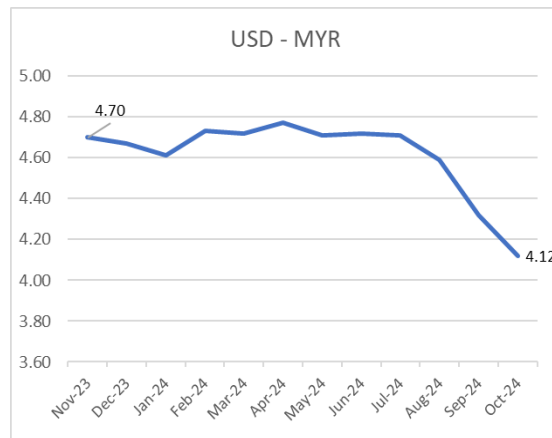
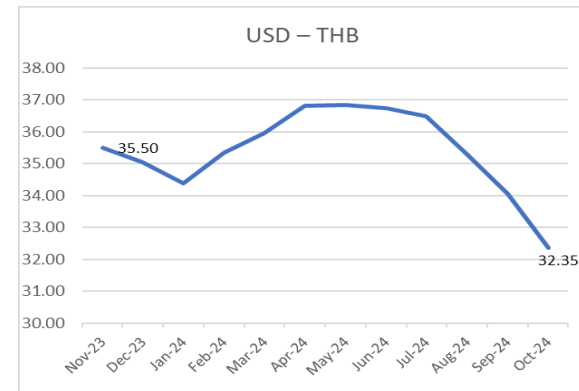
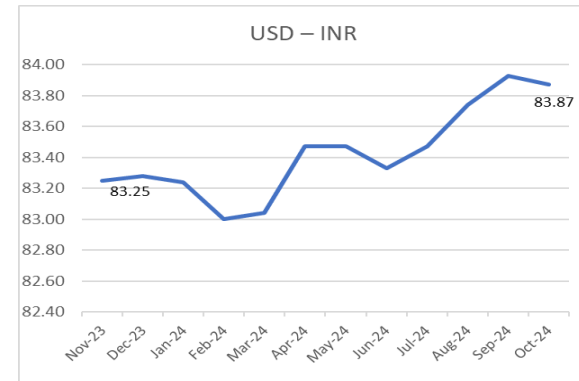
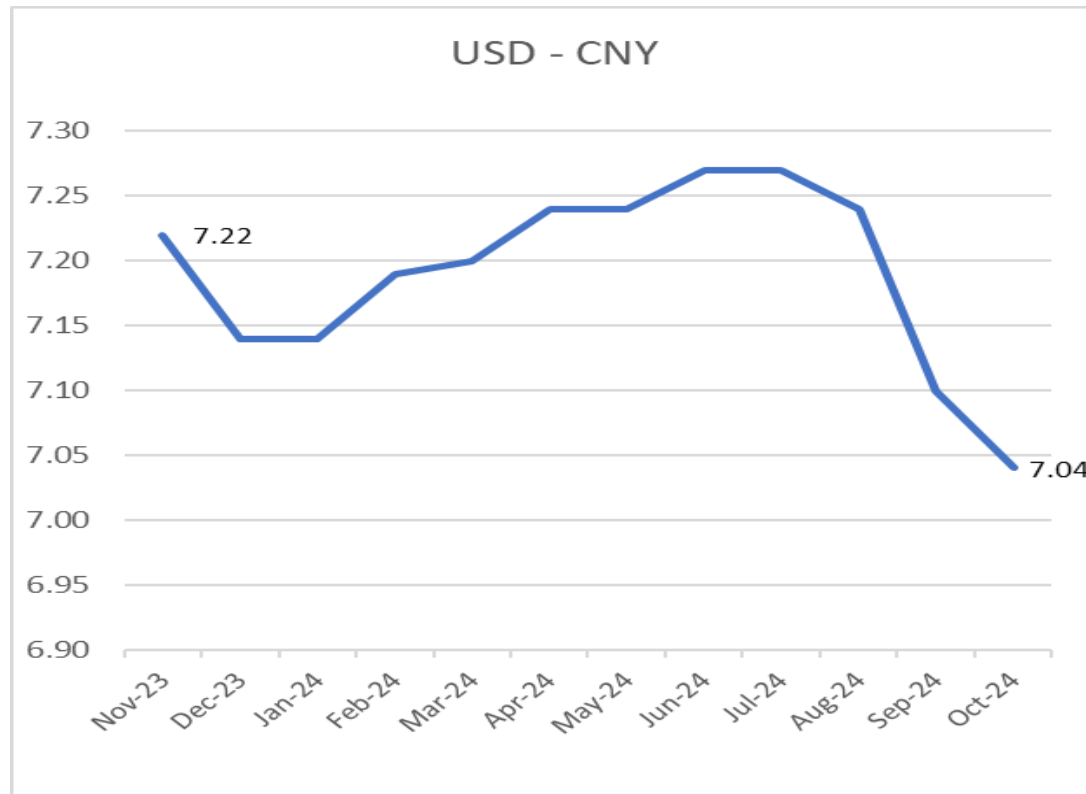
Date	Corrugated Paper, RMB/ton
Nov-23	2,907
Dec-23	2,901
Jan-24	2,904
Feb-24	2,868
Mar-24	2,875
Apr-24	2,732
Ma-24	2,624
Jun-24	2,606
Jul-24	2,628
Aug-24	2,608
Sep-24	2,606
Oct-24	2,599
YoY%	-10.6%

Source: <http://www.stats.gov.cn>

FX Rate



FX Rate



FX Rate

Date	USD - CNY	USD - VND	USD – THB	USD - IDR	USD – INR	USD - MYR
Nov-2023	7.22	24269	35.50	15636	83.25	4.70
Dec-2023	7.14	24358	35.04	15507	83.28	4.67
Jan-2024	7.14	24368	34.38	15470	83.24	4.61
Feb-2024	7.19	24410	35.33	15765	83.00	4.73
Mar-2024	7.20	24690	35.96	15713	83.04	4.72
Apr-2024	7.24	25202	36.80	16100	83.47	4.77
May-2024	7.24	25602	36.83	16247	83.47	4.71
Jun-2024	7.27	25478	36.74	16351	83.33	4.72
Jul-2024	7.27	25628	36.48	16252	83.47	4.71
Aug-2024	7.24	25235	35.29	16255	83.74	4.59
Sep-2024	7.10	24860	34.06	15520	83.93	4.32
Oct-2024	7.04	24555	32.35	15101	83.87	4.12
YoY, %	-2.5%	1.2%	-8.9%	-3.4%	0.8%	-12.3%

Source: <https://www.bloomberg.com>

Hot Topic in Retail Industry



China's manufacturing activity expands for the first time in six months (P.1/3)

News released on Oct 2024
Source: REUTERS

BEIJING, Oct 31 (Reuters) - China's manufacturing activity expanded for the first time in six months and services picked up in October, indicating that Beijing's latest stimulus measures are helping the battered economy turn a corner.

The National Bureau of Statistics purchasing managers' index (PMI) on Thursday rose to 50.1 from 49.8 in September, just above the 50-mark separating growth from contraction and beating a median forecast of 49.9 in a Reuters poll.

In a further encouraging sign, the non-manufacturing PMI, which includes construction and services, rose to 50.2 this month, after it dropped to 50.0 in September. Policymakers are banking that a last-ditch stimulus effort announced in late September will pull economic growth back towards this year's roughly 5% target and kick lending and investment back into gear, as a sharp property market downturn and frail consumer confidence continue to deter investors.

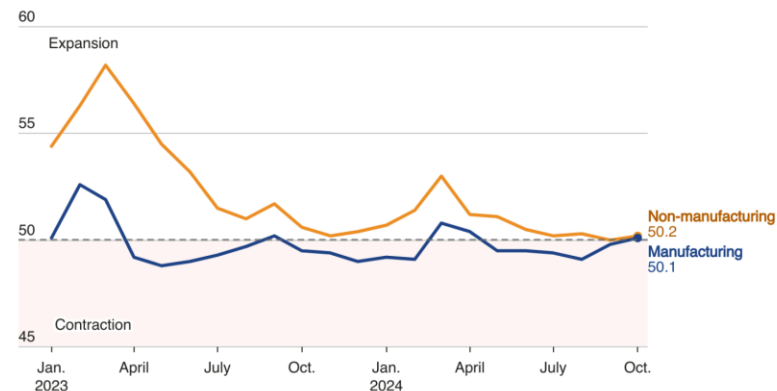
"This is primarily an indication of the early impact of the higher fiscal support, enabled especially by an acceleration in government bond issuance," said Xu Tianchen, senior economist at the Economist Intelligence Unit.

"There was a record amount of such issuance in August-September, which translated into fiscal spending."

The mood in the manufacturing sector has been depressed for months by tumbling producer prices and dwindling orders, with industry plagued by the same lack of confidence that has held back investors and domestic consumers.

China's factory and services activity expand in Oct.

China's manufacturing activity grew for the first time in six months, while services and construction avoided falling into contraction.



China's manufacturing activity expands for the first time in six months (P.2/3)

News released on Oct 2024
Source: REUTERS

SIGNS OF RECOVERY

There are early signs, however, that Beijing has switched into a higher stimulus gear to prop up the world's second-largest economy and that confidence is slowly building. China is considering approving next week the issuance of over 10 trillion yuan (\$1.40 trillion) in extra debt in the next few years, Reuters reported on Tuesday, which would primarily be used to help local governments address off-the-books debt risks. Youth unemployment eased in September, suggesting measures such as employment subsidies aimed at encouraging firms to absorb millions of fresh graduates are having some effect.

Meanwhile, retail sales and factory output sales beat forecasts last month, suggesting demand is beginning to make a comeback. "50.1 is the smallest possible expansion for the PMI but nonetheless bucks expectations for continued contraction, and is a positive sign that the small bounce back of industrial production that we saw in September should continue," said Lynn Song, chief economist for Greater China at ING. "Moving forward, we'll need to see if the stimulus rollout can lead to a recovery of domestic demand to offset potentially softer external demand," Song added.

China's exports, a lone bright spot, faded last month and the economy grew at the slowest pace since early 2023 in the third quarter. China economists have previously pointed to how sentiment-based surveys often present a gloomier picture than hard data indicators. In the poll, one-in-three respondents forecast factory activity broke back into expansion this month.

"The PMIs have overstated the weakness in China's economy during the past year. But they still provide some sense of the direction of travel," said Julian Evans-Pritchard, head of China Economics at Capital Economics.

"The good news is that, after turning a corner in September, the official surveys point to further improvement in October, with an acceleration in manufacturing and services activity more than offsetting a further slowdown in construction," he added.

China's manufacturing activity expands for the first time in six months (P.3/3)

News released on Oct 2024
Source: REUTERS

Industrial profits, a lagging indicator, recorded the steepest monthly decline of the year in September, data showed on Sunday. The National Bureau of Statistics said that was due to factors such as insufficient demand.

But EIU's Xu said the fact the new export orders sub-index dropped further in October but new orders rose to the 50-mark, after five months in negative territory, pointed to improving domestic demand. Firms' profits should show some improvement in the next two months or early next year, he added.

The overall improvement in the PMI was driven by large enterprises, which climbed to 51.5 from 50.6, and medium-sized firms, which edged up to 49.4 from 49.2. Small firms worsened on the month, however.

"The manufacturing sector's return to recovery in October shows the economy got off to a good start in the fourth quarter," said Zhou Maohua, a macroeconomic researcher at China Everbright Bank.

(\$1 = 7.1301 Chinese yuan)

After Trump's win, many despondent Americans research moving abroad (P.1/2)

News released on Nov 2024
Source: REUTERS

SYDNEY, Nov 8 (Reuters) - As U.S. election exit polls began to point to a second presidency for Donald Trump, many Americans were already looking for another kind of exit: moving abroad.

Google searches for "move to Canada" surged 1,270% in the 24 hours after U.S. East Coast polls closed on Tuesday, company data shows. Similar searches about moving to New Zealand climbed nearly 2,000% while those for Australia jumped 820%.

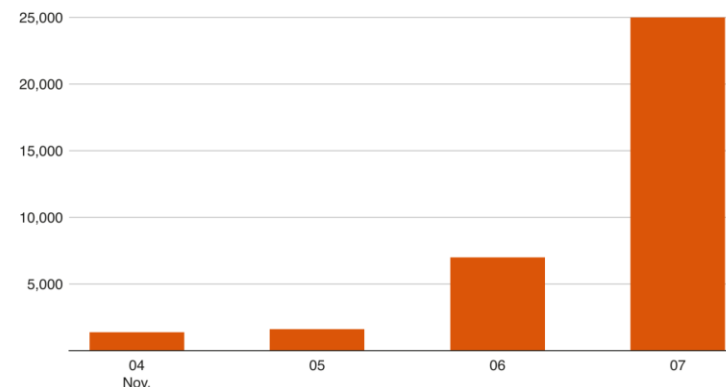
Late Wednesday evening on the U.S. East Coast, Google searches about emigrating were hitting all-time highs for all three countries, according to a Google official. The search giant does not provide absolute figures but data from the Immigration New Zealand website showed the site logged some 25,000 new U.S. users on Nov. 7, compared to 1,500 for the same day last year.

Some immigration lawyers are also being inundated with queries.

"Every half hour there is a new email enquiry," said Evan Green, managing partner at Canada's oldest immigration law firm, Green and Spiegel.

Hello New Zealand

New U.S. visitors to the Immigration New Zealand website



Source: New Zealand Ministry of Business, Innovation & Employment

A chart showing a sharp increase in the number of new U.S. visitors to the Immigration New Zealand website

After Trump's win, many despondent Americans research moving abroad (P.2/2)

News released on Nov 2024
Source: REUTERS

The sudden enthusiasm for emigration echoes the interest in moving abroad seen after Trump's 2016 victory. This time, however, the Republican's re-election has followed a particularly divisive campaign in which nearly three-quarters of U.S. voters said they felt American democracy was under threat, according to Edison Research exit polls.

Many Americans are also worried that his presidency could drive a bigger wedge between Democrats and Republicans on issues such as race, gender, what and how children are taught, and reproductive rights.

"Trump is obviously the impetus, but it's also societal. The majority of Americans voted for him and some people don't necessarily feel comfortable living in that kind of society anymore. People are afraid they are going to lose freedoms," said Green.

In a Reddit group dedicated to those leaving the U.S., called "r/AmerExit," hundreds shared suggestions about ideal destinations and tips for getting visas and jobs. Some users said they feared for their country, their safety, or both after Trump's election.

Even before the election, those fears were increasingly cited by Americans looking to emigrate to Canada, according to Heather Bell, an immigration consultant at Vancouver law firm Bell Alliance.

Few, however, manage to follow through, said Bell.

"Immigrating to Canada is not easy, especially now with the government reducing the numbers of temporary and permanent migrants coming to Canada," she said.

Surging US jobs suggests the Fed needs to tread carefully (P.1/2)

News released on Oct 2024
Source: ING

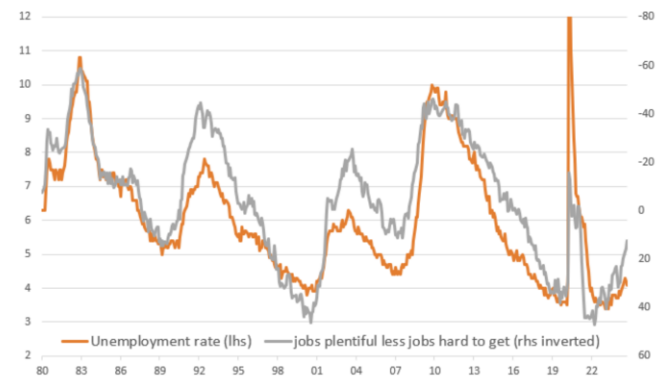
The US jobs report was incredibly strong on every front possible – job creation, unemployment, wages and hours worked. Nonetheless, caution lingers given the lack of corroborating data. While the inflation backdrop is allowing the Fed to start moving monetary policy back to neutral, we think it will be in 25bp increments, not the 50bp we saw in September. Job surge beats all expectations

The September jobs report is unambiguously strong. US non-farm payrolls rose 254k versus the 150k consensus and there were 72k of upward revisions to the past two months of data (the range of expectations was 70k up to 220k). The unemployment rate fell to 4.1% from 4.2%, which only one person out of 71 predicted while wages rose 0.4% month-on-month with August's rate revised up 0.1pp to 0.5% MoM. On the face of this the Fed should be hiking rates with these sorts of figures, not cutting rates.

Data inconsistencies linger, but we don't see the Fed cutting rates by more than 25bp in November

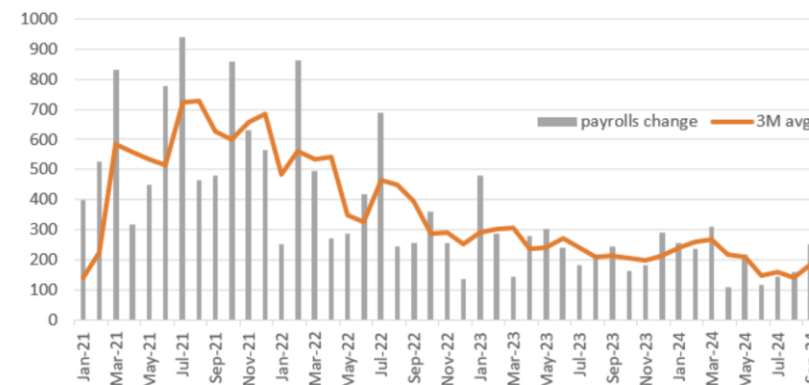
The problem is that none of this tallies with any of the other data. ISM, NFIB and the Fed's own Beige Book are not suggesting that hiring is anywhere close to this while the sharp falls in the quits rate normally heralds a slowdown in wage growth, not an acceleration. Moreover, households themselves are telling survey compilers that the jobs market is weakening rapidly so I suspect there will be a degree of scepticism about this report. Either way though the Fed is not cutting rates 50bp in November. 25bp remains our call and the market has swung from pricing 33bp of cuts in November ahead of the release to 27bp in the immediate aftermath.

Unemployment rate versus Conference Board measure of jobs plentiful less jobs hard to get



Source: Macrobond, ING

Monthly change in non-farm payrolls (000s)



Source: Macrobond, ING

Surging US jobs suggests the Fed needs to tread carefully (P.2/2)

News released on Oct 2024
Source: ING

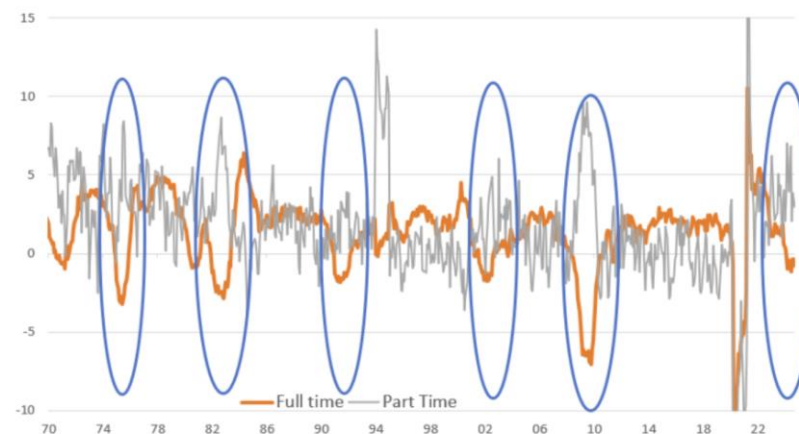
Full-time versus part-time employment doesn't look great

Within the details it is yet again down to the three sectors of leisure & hospitality (+78k), private education and healthcare (+81k) and government (+31k). So the majority of jobs are tending to be more orientated to part time, lower paid and less secure work. Note that full-time employment in the US has been negative year-on-year for eight consecutive months. Consequently, there continues to be question marks over the quality of the jobs that are being added. I'll just throw in this chart showing periods when full-time employment has fallen and part-time employment has risen – the blue circles. I'll leave you to look up what happened in the immediate aftermath of those periods.

Be wary of the consumer's reaction

Our base case remains that the US can achieve a soft landing on the assumption that a fundamentally sound economy responds to rate cuts and greater political clarity after the election. Nonetheless, we feel that the risks remain skewed towards weaker growth and lower Fed funds given the perception amongst households of a deteriorating jobs market (even if today's numbers don't confirm that), which may lead to consumers spending more cautiously. This is hugely important given consumer spending is around 70% of GDP. We will have to wait and see. For now we continue to expect 25bp rate cuts through to next summer with the Fed funds bottoming at around 3.25-3.5%, whereas the market has it dropping to just below 3%.

YoY% change in employment – full-time versus part-time



Source: Macrobond, ING

Southeast Asia prepares for factories fleeing Trump tariffs on China (P.1/2)

News released on Nov 2024
Source: REUTERS

BANGKOK, Nov 8 (Reuters) - Companies have been moving factories from China to Southeast Asia, anticipating Donald Trump would slap high tariffs on Beijing if he regained the White House, a move set to accelerate with his election win, industrial park developers in the region say.

Trump, who won a resounding victory on Tuesday, has threatened 60% tariffs on goods coming into the U.S. from China, much higher than the levies of 7.5% to 25% he imposed in his first term, a major risk for the world's second-largest economy.

Southeast Asia - with auto and electronics factories from Thailand to Vietnam and Malaysia - will likely benefit at China's expense, said two executives, two business groups, a lawyer and an analyst in the region.

Developers of industrial parks are adding Chinese speakers and preparing land tracts for factories, a sign of how Trump, who takes office in January, could reshuffle global supply chains.

As Trump geared up his campaign to retake the presidency earlier this year, calls from Chinese customers flooded WHA Group (WHA.BK), opens new tab, one of Thailand's largest industrial estate developers, said CEO Jareeporn Jarukornsakul.

"There was (already) a relocation to Southeast Asia, but this round is going to be more intense," she said, referring to Trump's 2017-2021 first term.

WHA is expanding its sales force and adding Chinese speakers to teams overseeing maintenance and administration of industrial parks spanning more than 12,000 hectares (30,000 acres) in Thailand and Vietnam, Jareeporn said.

Southeast Asia prepares for factories fleeing Trump tariffs on China (P.2/2)

News released on Nov 2024
Source: REUTERS

Of the 90 factories that have opened this year in industrial parks run across Southeast Asia by Thailand's Amata Corp (AMATA.BK), opens new tab, some two-thirds have been companies relocating facilities from China, said Vikrom Kromadit, the developer's founder and chairman.

TRUMP 'NEEDS SOME FRIENDS'

Trump will be a "big punch" to China, potentially doubling the number of firms looking to move from there into Amata's 150 square km (60 square miles) of industrial estates in four Southeast Asian countries, Vikrom said.

Construction begins this month on an Amata industrial park in Laos, where China has built a high-speed rail line connecting Kunming in southwestern China to the Laotian capital Vientiane, he said.

Thailand, a regional automobile manufacturing hub, has drawn over \$1.4 billion in investment from Chinese automakers into its fast-expanding electric vehicle industry. "We want a lot of investment from China so we can sell to America," said Thai Commerce Minister Pichai Nariphaphan.

"I believe this will happen," told reporters on Thursday. "The Americans love us, the Chinese love us - we don't have to choose sides." Malaysia, hoping to draw over \$100 billion in new investments to its semiconductor sector, could benefit from a realignment of supply chains, said leaders of two business groups.

"This shift could provide Malaysia with new opportunities to capture a larger share of exports to the United States and other key markets," said Soh Thian Lai, president of the Federation of Malaysian Manufacturers.

But risks persist, particularly with some indications that Trump may consider tariffs on imports from countries across the region, said Leif Schneider, head of international law firm Luther in Vietnam.

Vietnam, a major exporter to the U.S. with \$90 billion bilateral trade surplus between January and September, is bracing for volatility under Trump. "Trump will have to choose - you can be anti-China, but you'll need to have some friends in Southeast Asia," said WHA's Jareeporn. "He is a negotiator, so we will negotiate."

Thank You!

