

Uncertain Times for Freight Markets

June 9, 2026

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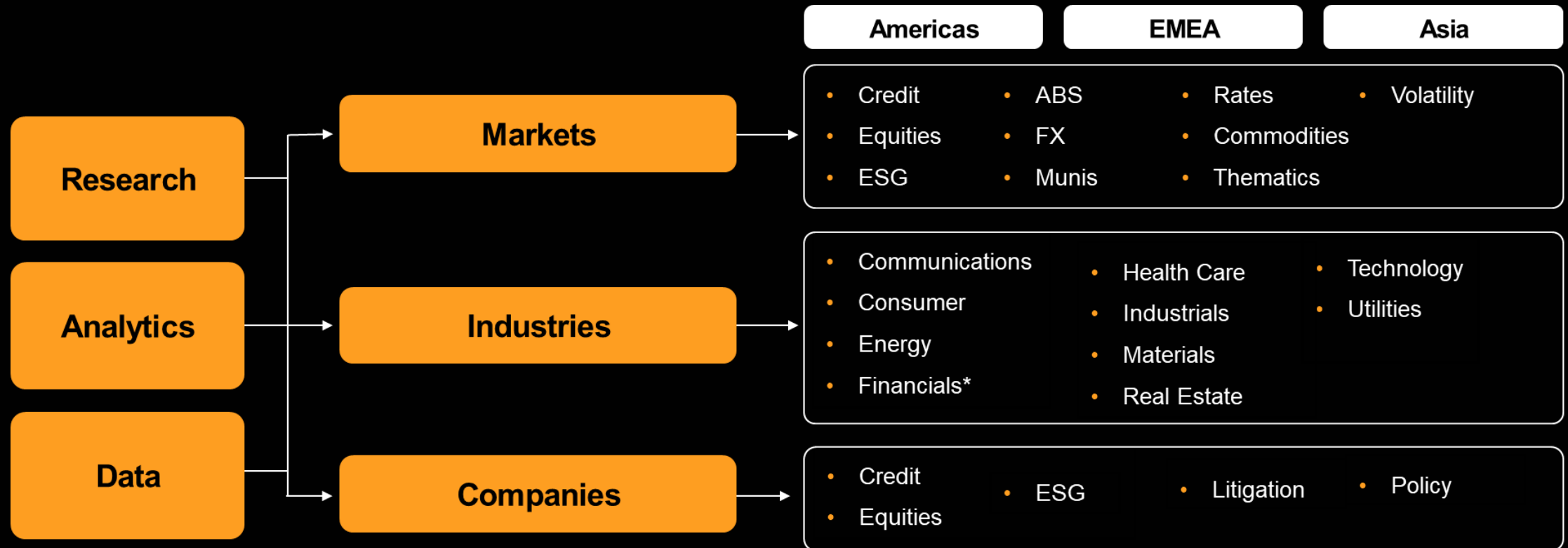
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Today's Speaker



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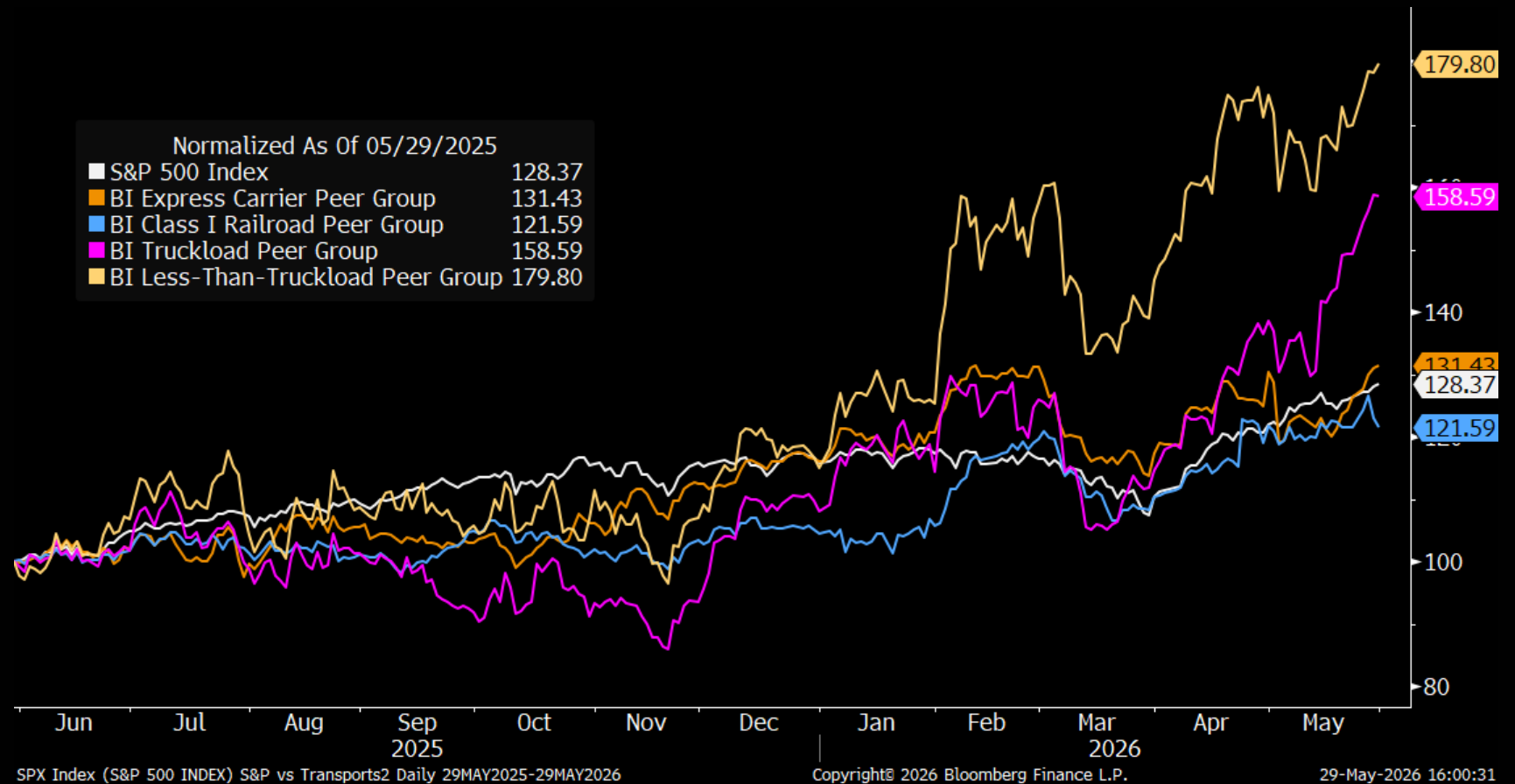
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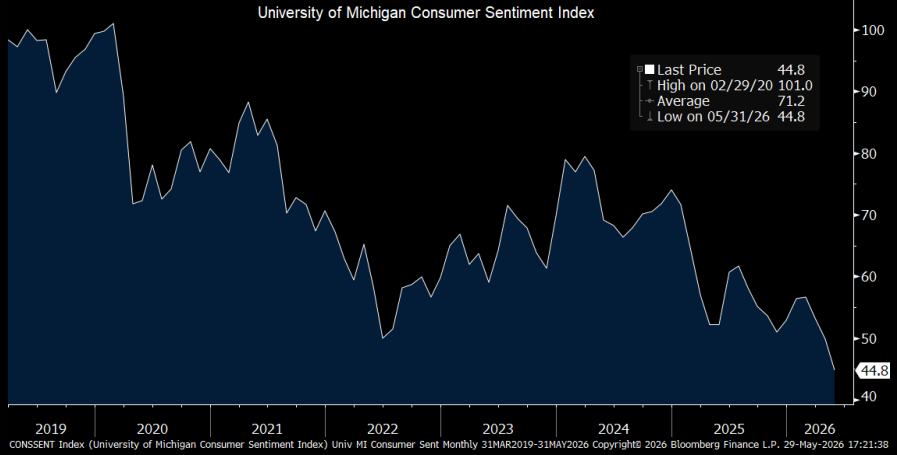
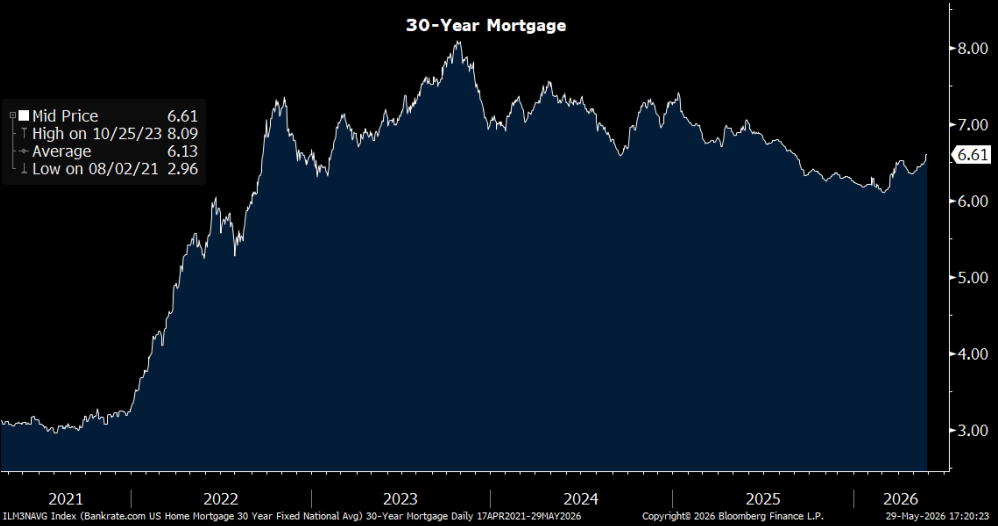
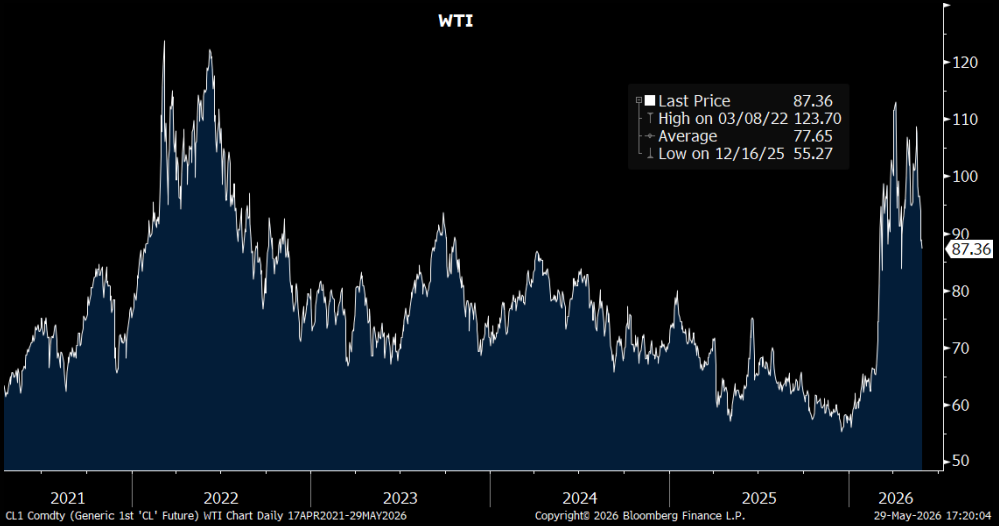
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Trucking Has Outperformed the Broader Market Over the Past 12 Months

- Increased uncertainty created by inconsistent US tariff policies and conflicts in the Middle East are providing challenges for the US economy and could be inflationary.
- Rising oil prices are set to pressure freight demand and may push a recovery in truckload rates and less-than-truckload demand further out than we expected.
- The group has underperformed the broader market (+16%) in 2025
 - BI Express Carriers (+13%)
 - BI Railroads (+8%)
 - BI Truckload (-13%)
 - BI LTL (-14%)



Challenges Abound

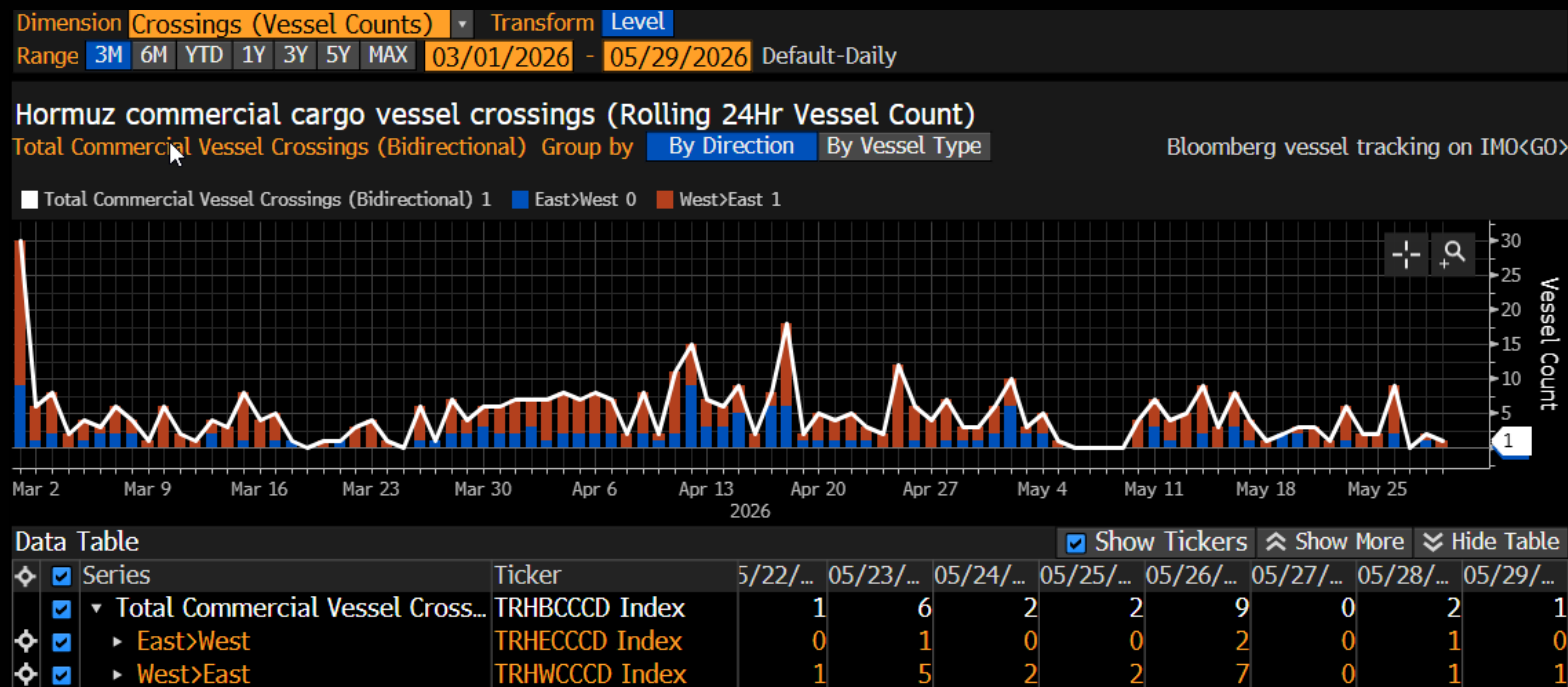


Iran War's Impact on the Strait of Hormuz Crossings

The most obvious impact in a prolonged US-led war with Iran will be on the energy markets and tanker carriers such as Cosco, DHT and Frontline, given about a fifth of the world's energy moves through the Strait of Hormuz.

The war will add risks to ships in the region and could result in a similar scenario as in the Red Sea, where ships aligned with Iran could receive safe passage and all others face the risk of being attacked.

About 11% of total seaborne trade moves through the Strait of Hormuz, driven by about one-quarter of the world's energy commodities, and to a lesser extent, dry bulk and containers.



The Iran War Puts a Wrinkle on Economic Growth, Freight Demand

Indicator	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Economic Activity										
Real GDP (YoY%)	2.5	-2.1	6.2	2.5	2.9	2.8	2.1	2.1	2.0	2.2
Consumer Spending (YoY%)	2.1	-2.5	8.8	3.0	2.6	2.9	2.6	2.0	2.0	2.2
Government Spending (YoY%)	3.9	3.4	-0.1	-1.2	3.5	3.8	1.1	0.8	1.1	1.1
Private Investment (YoY%)	3.2	-4.4	9.0	6.1	0.8	3.0	1.9	3.6	3.9	3.9
Exports (YoY%)	0.5	-12.6	6.5	7.6	2.8	3.6	1.6	4.1	2.3	2.6
Imports (YoY%)	1.2	-8.8	14.6	8.5	-0.9	5.8	2.7	2.8	2.5	2.3
Industrial Production (YoY %)	-0.7	-7.1	4.7	1.7	-0.2	-0.7	1.1	1.3	1.5	1.9
Price Indices										
CPI (YoY%)	1.8	1.2	4.7	8.0	4.1	3.0	2.7	3.5	2.4	2.3
PCE Price Index (YoY%)	1.4	1.1	4.1	6.5	3.8	2.6	2.6	3.6	2.4	2.1
Core PCE (yoy%)	1.7	1.3	3.6	5.3	4.2	2.9	2.8	3.2	2.4	2.2
Housing Market										
Housing Starts (000s SAAR, monthly avg.)	1292	1394	1603	1552	1421	1370	1356	1381	1400	1420
New Home Sales (000s SAAR, monthly avg.)	685	830	769	637	666	684	679	675	727	752
Existing Home Sales (Mln SAAR, monthly avg.)	5.0	6.0	6.0	5.1	4.1	4.1	4.1	4.1	4.4	4.5
Building Permits (000s SAAR, monthly avg.)	1387	1478	1735	1684	1516	1474	1431	1416	1457	1463
Labor Market										
Unemployment (%)	3.7	8.1	5.4	3.6	3.6	4.0	4.3	4.4	4.3	4.2
Non Farm Payrolls (000s SA, monthly chg.)	166	-771	603	380	210	122	10	61	71	81
Average Hourly Earnings (YoY%)	3.0	4.9	4.3	5.4	4.5	4.0	4.0	3.5	3.2	3.3

Higher oil prices from the Iran War will likely ripple across economies and supply chains.

The IMF lowered its global GDP forecast by 20 bps to 3.1% due to higher energy prices.

Probability of a US recession moved back down to 25% based on consensus.

Headline CPI was 3.8% in April, moderating from 9.1% in June 2022, but rising by 50 bps sequentially. Tariffs pass-through may have peaked in October, according to Bloomberg Economics.

The ISM Manufacturing Index showed expansion readings during the first four months of 2026. Prior to this year it was in contraction territory for 36 of the last 38 months.

The market is currently not pricing in an interest rate cut this year.

This Year Looking Better...For Now

	2025E Revenue Growth	2025E EPS Growth	2026E Revenue Growth	2026E EPS Growth	2027E Revenue Growth	2027E EPS Growth
North American Class I Railroads	1.1%	5.4%	4.8%	7.8%	4.7%	11.3%
North American Truckload Carriers	-1.3%	0.7%	7.5%	30.2%	4.8%	78.6%
North American Less-Than-Truckload Carriers	-4.0%	-24.0%	7.6%	20.3%	6.7%	26.8%
Global Integrated Logistics Providers	0.7%	10.9%	2.3%	4.0%	3.6%	12.2%

Key drivers for revenue and earnings growth in 2026:

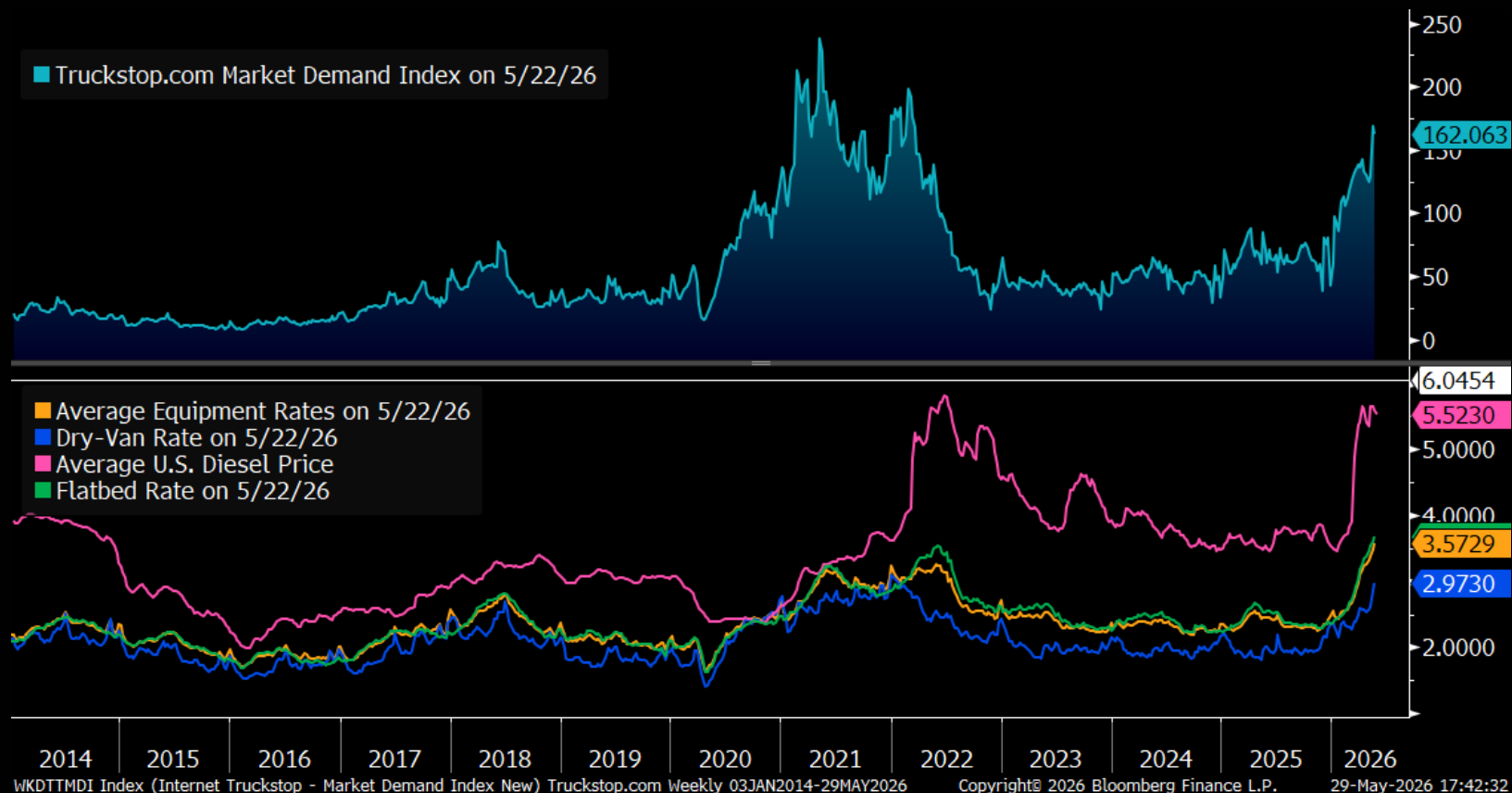
- Rails – Earnings growth looks poised to pick up in 2026 but may fall short of double digits amid uncertainty tied to the Trump administration's tariffs. Volume might be uneven due to comparisons created by pull-forward demand ahead of last year's tariffs. Higher diesel prices might help attract incremental intermodal volume. Railroads will focus on yield initiatives and productivity to drive better margins.
- Truckload – Stricter monitoring of areas such as English Language Proficiency, non-domiciled commercial driver's licenses and B1 cabotage may be the spark needed to finally tighten market conditions enough for spot and contractual rates to improve, which would bode well for carriers' profitability.

Less-Than-Truckload – Pricing remains rational despite more challenging freight backdrop.

- Parcel Carriers – Aligning resources, rate-driven margin gains, technology-fueled productivity gains, waiting for B2B recovery.

Spot Rates Slowly Recovering

Spot Truckload Market - Relative Demand and Rates



The North America spot trucking market has had slack capacity since the extremely tight conditions in 2021.

Truckstop's Market Demand Index (MDI), has tightened in 1Q and 2Q sequentially, snapping two consecutive quarters of looser conditions.

Spot rates appear poised to move higher as the federal government's crackdown on non-compliant truck drivers, English language proficiency standards and commercial driving schools pushes more capacity out of the market.

Knight-Swift and J.B. Hunt have become more optimistic about where market conditions are heading.

Spot truckload rates excluding fuel surcharges are up 18% on average in 2026 after rising 3.5% last year and 0.6% in 2024 following two years of double-digit declines.

Average 2025 spot rates by equipment type:
 Specialized (+4.4%)
 Flatbed (+3.2%)
 Dry-van (+2.0%)
 Reefer (+2.4%)

Contract Truckload Market Following Spot's Turn

The weaker spot market has put pressure on contractual rates.

Truckload contractual rates are up 5% on average in 2026 after declining the past three years, based on DAT data. Rates have declined 13% since 2022.

Flatbed (+5.8%) is up the most this year, followed reefer (+4.6%) and dry-van (+4.4%).

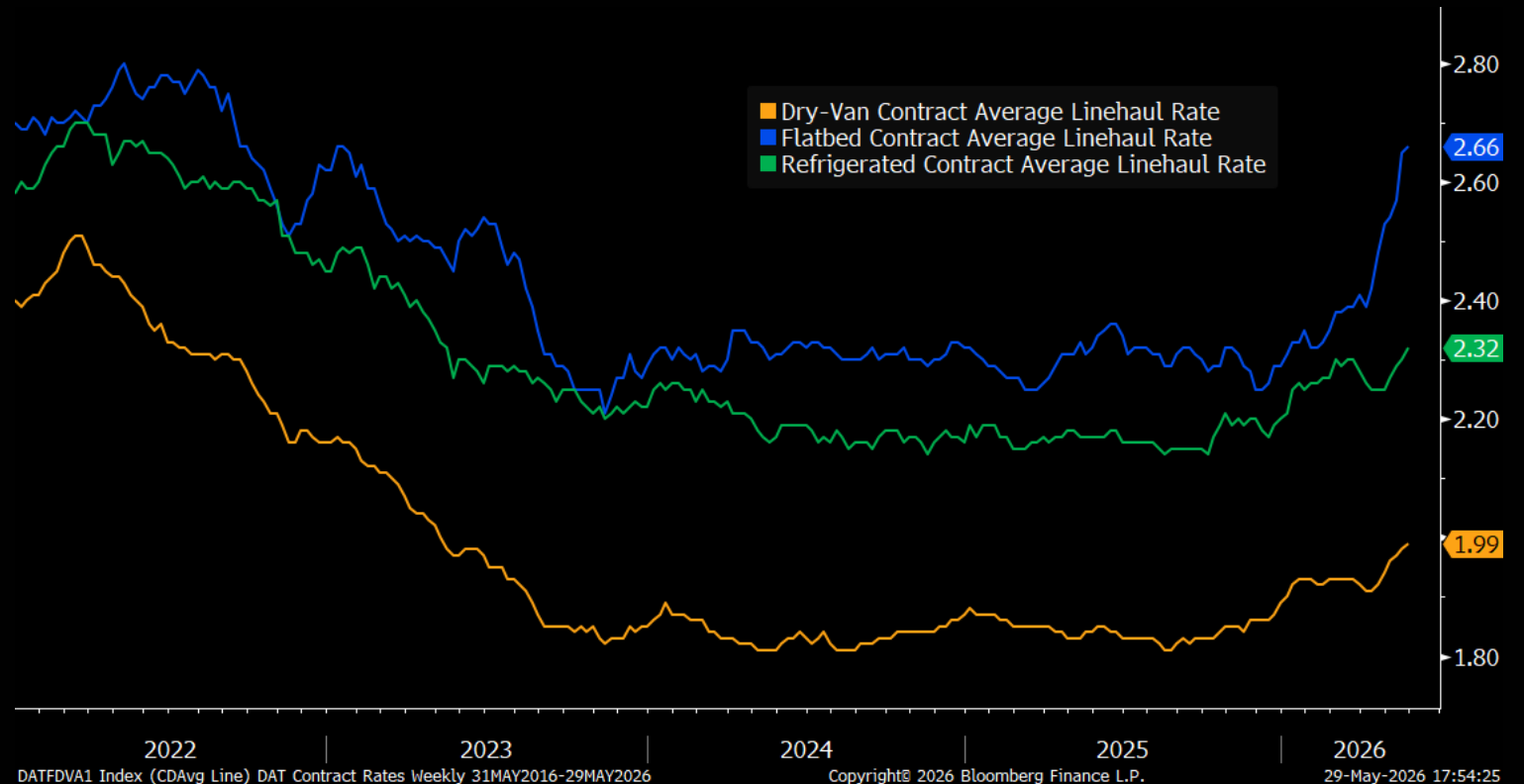
Tighter spot conditions and a return to normalized demand patterns will be key for contract rate strength.

Contract rates will not be as volatile as the spot market, which is in the process of rebalancing.

Contractual rates are now lower than spot rates in May, which hasn't been seen since February 2022. This should bode well for renewals.

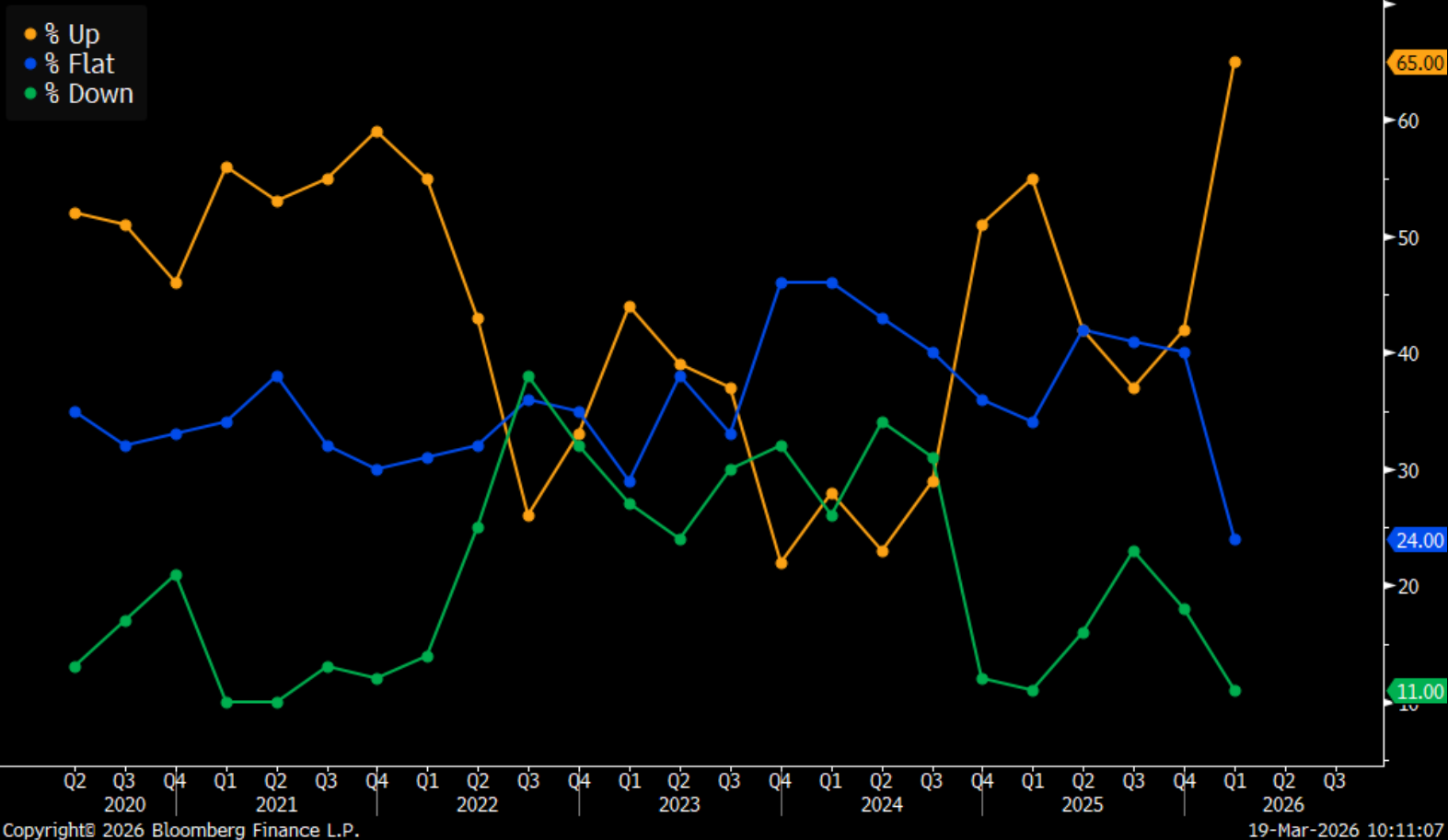
Contractual rates tend to lag behind the spot market by 6-9 months.

Revenue per Mile Excluding Fuel Surcharge (\$)



1Q26 Bloomberg Intelligence | Truckstop Survey

Survey Question: Where Do You Expect Rates to Be Over the Next 3-6 Months?



Spot truckload rates seemed to improve for many operators in 1Q, with 26% of survey respondents noting that rates increased compared to last year, 12 percentage points better than 4Q.

This fueled enthusiasm for the trajectory of rates - 65% of respondents expect pricing to improve over the next 3-6 months, 23 percentage points higher than in 4Q.

Volume was on the mend in 1Q, with 28% of respondents in the BI/Truckstop survey noting load growth from the year prior, 10 percentage points higher than 4Q.

Truckers were also significantly more hopeful regarding future demand -- 70% of respondents expect volume up over the next 3-6 months, 18 percentage points higher than 4Q.

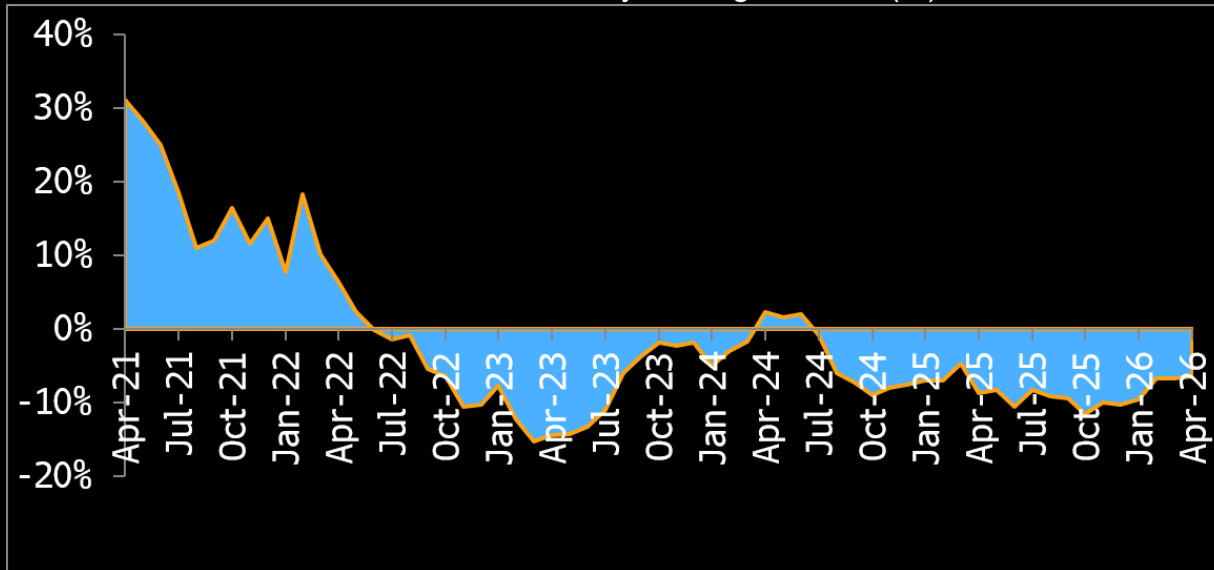
Still, we have become less constructive given concerns that fuel prices could offset slack capacity leaving the market amid the federal government's focus on English language proficiency, non-domiciled commercial driver's license holders and subpar driving schools.

LTL – Weak Demand, Rational Rates

Disciplined rates might not be enough to offset declines in volume, with revenue for the top LTL carriers estimated to mostly flat in 1Q. Carriers are extremely leveraged to pricing (ex-fuel) -- it takes 300 bps of tonnage growth to offset 100 bps in rate declines. We expect LTL rates, excluding fuel surcharges, will rise by mid-single digits this year.

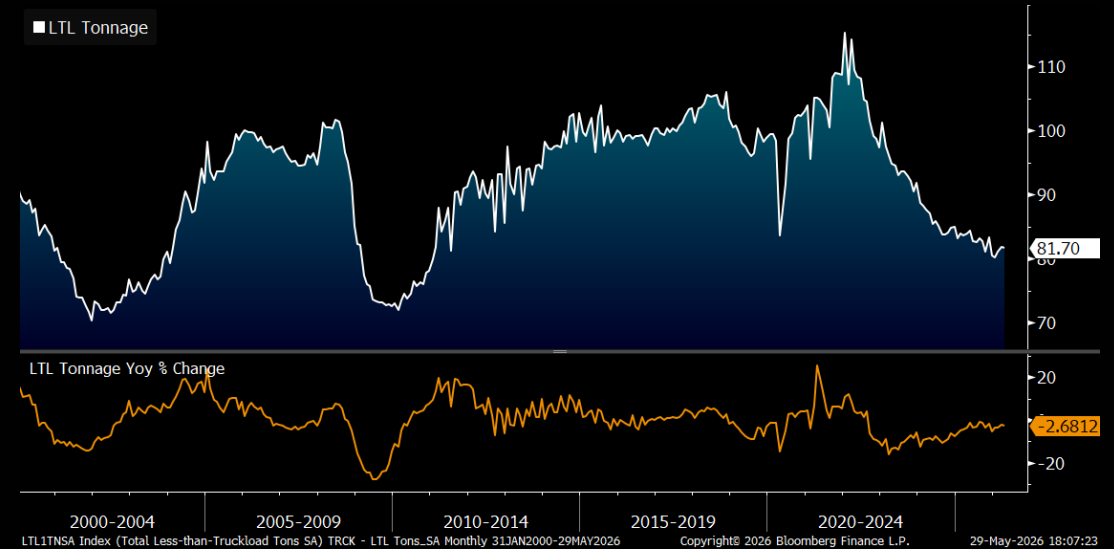
The recent move of the ISM manufacturing index, a good proxy for LTL demand, has been in expansion territory this year through April, which is encouraging for demand.

Old Dominion's Monthly Tonnage Growth (%)



Source: American Trucking Associations, Bloomberg Intelligence

ATA Seasonally Adjusted Tonnage



Less-than-truckload revenue rose 1.8% in April, marking the third monthly increase, according to the ATA's seasonally adjusted index. Revenue has been down in 37 of the last 41 months.

April Tonnage Statistics:

- ArcBest +5.0%
- Old Dominion -6.5%
- Saia +6.5%
- XPO -1.0%

Container Liner Rates Rally on Dislocations

Containerliner rates rose 3.2% to \$2,800 per 40-foot container (FTU) in the week ended May 28, according to data from WCI.

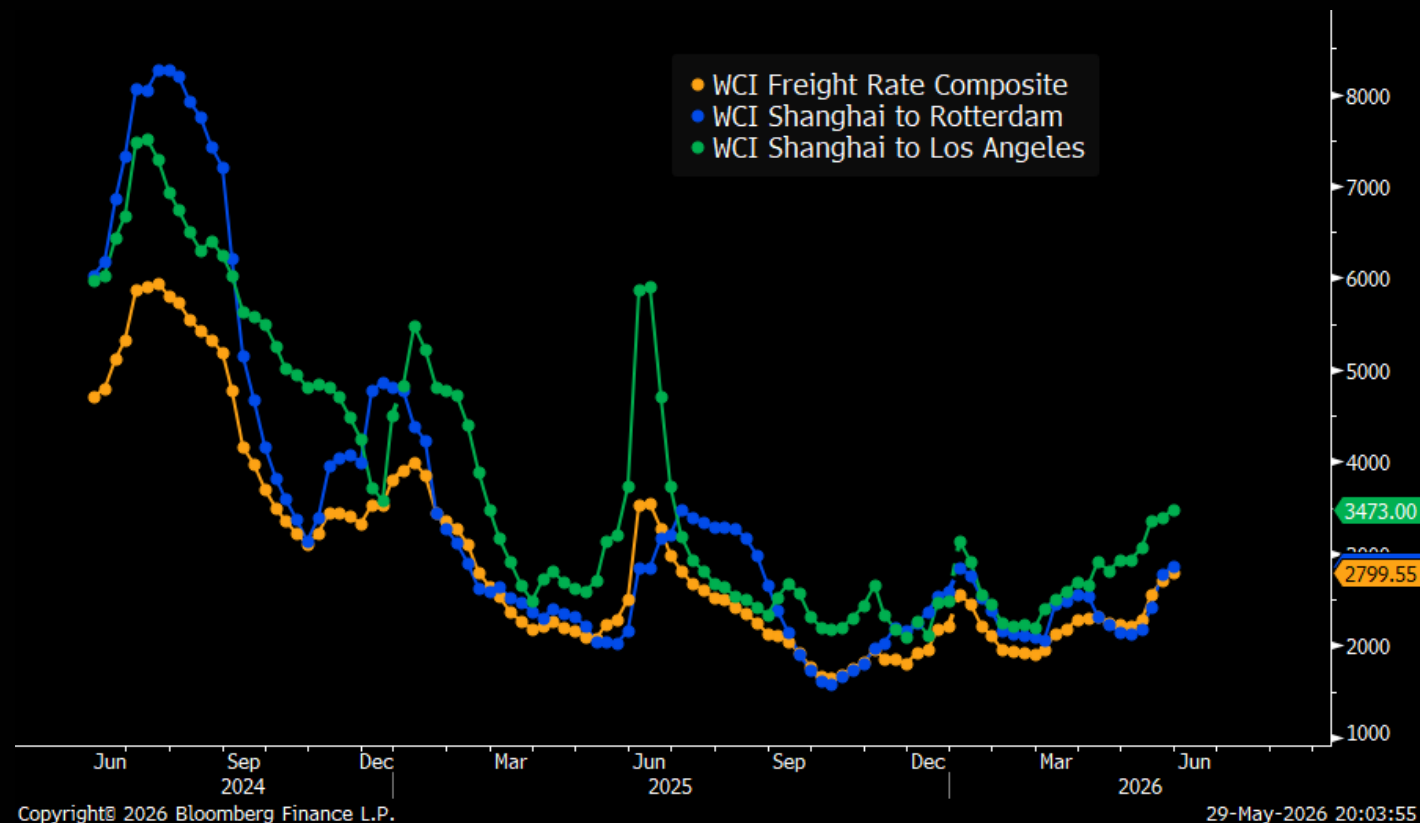
Rates have climbed 48% since the breakout of the Iran war due to the conflict's ripple effect on capacity, and increased surcharges for rising fuel costs and supply-chain disruptions.

Rates are getting a boost from an earlier peak season as shippers look to get in front of any delays created by the Iran war.

Volumes in and out of the Indian subcontinent and Middle East dropped 24%. The region accounted for about 14% of global volumes. The Persian Gulf remains mostly closed to commercial traffic because of risks to crews, vessels and cargo,

Container volume declined 2.4% in March vs. a year ago, according to CTS data, marking the first decline since July 2023. The weakness was likely driven by the timing of the Lunar New Year, which was 19 days later in 2026, coupled with disruptions created by the Iran war.

Container Rates (USD per FEU)



Air Freight Rates Moving Higher

Shanghai east-to-west airfreight rates rose 5.8% sequentially in May to \$4.02 a kilogram, according to Drewry, and are up 27% from the same period last year.

An increase in fuel surcharges from the war in Iran and tighter air and ocean supply from supply-chain dislocations have helped keep rates elevated

Average global spot rates are down 1.2% as of May 17 since peaking in the week ended May 3, based on data from WorldACD.

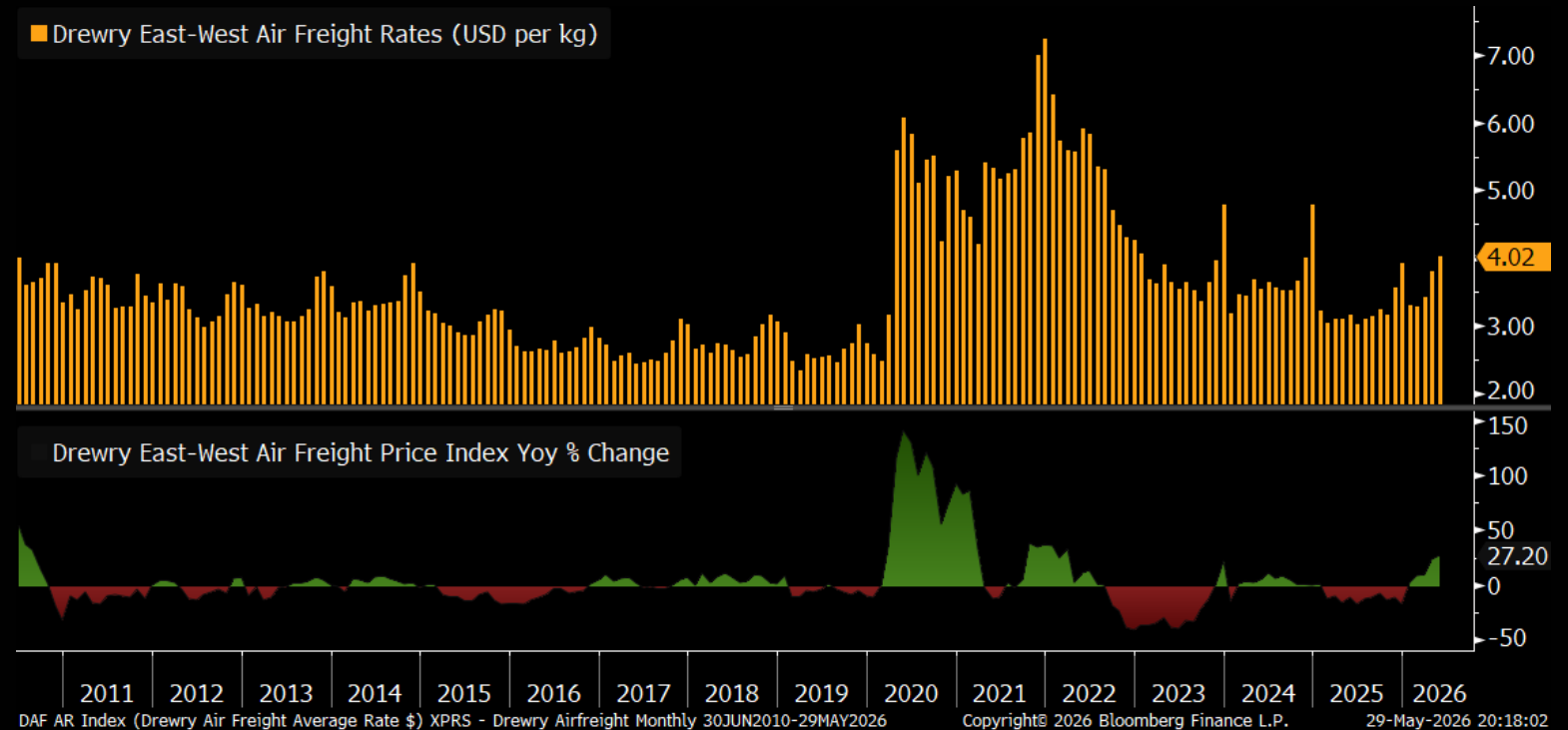
Margins at airfreight carriers will be weighed down by higher fuel costs, though that can be mitigated by firmer rates.

Air cargo tonnage is expected to grow by 2.6% in 2026 according to IATA.

Other factors impacting rates:

- MD-11 groundings in November.
- End of the de minimis exemption last August.

Air Freight Rates by Drewry



Source: Drewry, Bloomberg Intelligence

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