



November 12, 2015

Transpacific Eastbound Market Update

To Our Valued Customers:

Market Conditions: Space availability and spot rate pricing in the TPEB market - especially to East and West Coast base ports - continues to reflect conditions of over-capacity. In fact, rate level erosion has accelerated in recent days, again, mostly to the East and West Coast base ports. In some areas, rates are at unprecedented levels and until significant market capacity is withdrawn, these conditions will continue to prevail. We at Laufer are committed to monitoring these conditions and making the necessary adjustments for our customers to help maintain your competitiveness in your respective marketplaces.

Idle Fleet Build-up: According to Alphaliner (Weekly Newsletter: Volume 2015, Issue 43), the idle fleet capacity as of mid-October was at 1 million TEUs. That level of idle capacity is the most the market has seen since the carriers significantly reduced capacity (and created a capacity crisis which drove spot rates up dramatically) in 2009-2010. And carriers continue to idle more capacity as the winter slack season approaches. This systemic reduction in market capacity is something we are watching closely, as once enough capacity is reduced to tip the balance between supply and demand, market conditions will change quickly.

Winter Scheduling: Carriers have announced some winter scheduling adjustments to rationalize capacity to the seasonal reduction in demand. The adjustments that we are seeing are primarily within the G6 Network of carriers (APL, Hapag Lloyd, NYK, OOCL, MOL, and Hyundai) and they mirror recent winter scheduling adjustments we have seen in past years.

General Rate Increase: Carriers continue to attempt to mitigate the rate erosion in the marketplace by implementing periodic GRIs – the latest announcement from TSA carriers is that the next GRI attempt will be December 1, 2015 in the amount of \$540/20', \$600/40', \$675/HQ and \$760/45'.

Lunar New Year 2016: The Lunar New Year will be February 8, 2016. Offices throughout Asia will be closed for a series of days to celebrate the New Year, with most transportation-related offices in China closed through Sunday, February 14, 2016. We at Laufer are experiencing a seasonal increase in booking activity for the month of November (versus 2014) and we expect December and January to be even busier as importers push product out of China prior to CNY.

Mergers, Acquisitions, and Carrier Positioning: Current market conditions and poor financial performance are driving carriers, investors, and governments to seek consolidation partners for many of the carriers we all use today. Should these acquisitions and mergers (some forced) be successful, it will dramatically change the landscape of carrier alignments and alliances moving forward. It is fairly well documented that APL is for sale (and potential suitors are Maersk, CMA and potentially others), the Chinese government is pushing for a merger between COSCO and China Shipping, and even the Korean government is encouraging a merger of Hanjin and Hyundai.

Our #1 priority right now continues to be to maintain our customers' competitiveness, to keep your cargo flowing as quickly and as consistently as possible, and to continue to communicate effectively along the way. It will be a while before we can get back to some sense of normalcy in our market – whatever normal is these days. And until that happens, we are 100% committed to navigating through this with you - as your partner.

We thank you for your continued support.