

GROUND MARKET UPDATE

CURRENT STATE

During an industry analysts podcast a private TL and LTL carrier had the following to say about recent trends. **This carrier's TL contract rates have increased low-double digits this year, and with a continued tight TL backdrop, they expect another year of double-digit increases in 2027.** While TL demand remains muted, **shippers are still accepting price increases with very little pushback as capacity catalysts mount.** While this carrier hasn't had any problems with driver retention yet, it proactively raised driver pay by 9% recently. Meanwhile, **on the LTL side, this carrier hasn't seen a notable change in core LTL demand, but higher TL rates have supported LTL pricing conversations this year. So, this carrier took its first price increase in two years, and revenue per shipment is now tracking up high-single digits y/y with expectations for another year of high-single digit price increases next year.** This carrier is also making a lot of money on fuel right now on its LTL business. In terms of its fleet, this carrier returned to its normal CapEx cycle this year, so truck deliveries were above replacement levels this year to catch up following a few years of underspending. Looking ahead, they are now targeting replacement-level CapEx again next year without plans to grow its fleet. As a result, this carrier's truck deliveries will be down next year after elevated deliveries this year. Anecdotally, this carrier mentioned that its dealer's order book is wide open for Q1 2027 so far. Finally, used truck prices have improved throughout the year.

TL Spot Freight vs. TL Spot Capacity Index



Source: ITS, Cleveland Research

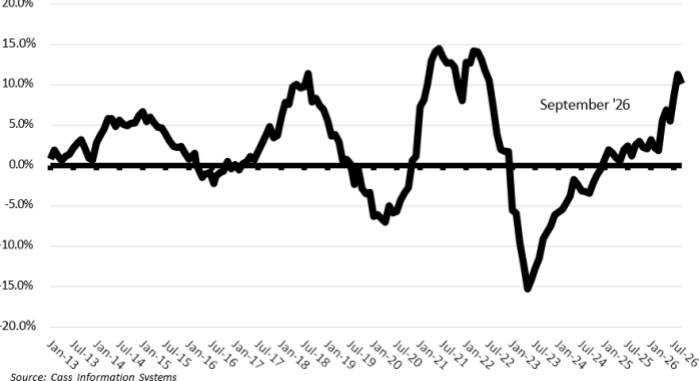
Spot market demand was higher in the second half of September and early October but has since normalized to lower, early September levels as higher contract rates repriced in 2Q have led to fewer tender rejections and less freight ricocheting around the spot market. Capacity has improved slightly through mid-October but remains well below historical levels as carriers continue to struggle to source drivers given ongoing driver regulatory concerns.

MARKET FORECAST

TL linehaul rates (ex-fuel, ex-assessorial) in September were 10% higher Y/Y and 1% higher M/M according to Cass Systems, continuing steady growth YTD. While rates are at their highest point since 2022, rates remain 8% below the May 2022 peak. Our work indicates 2027 contract TL prices likely rise +5-10% Y/Y ex-fuel primarily due to supply/capacity constraints.

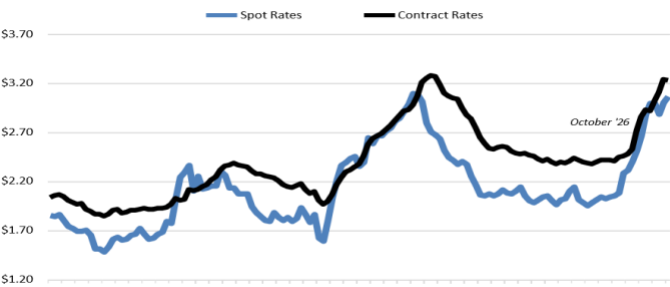
Truckload Linehaul Pricing Index

Y/Y % Change (excl fuel, excl assessorials)



Source: Cass Information Systems

Dry-Van TL Contract Rates vs Spot Rates



Source: DAT, ITS, Cleveland Research Analysis

Note: Rates include fuel

In October, contract TL rates (incl fuel) are +34% Y/Y and spot rates are +49% Y/Y, according to DAT. For the fourth month in a row, contract rates are above spot rates but the spread has narrowed as contract rates were flat M/M and spot rates were up 2% M/M. Our work indicates brokers/carriers are seeing 2026 TL contract rates +10-20% Y/Y ex-fuel, with instances of +20-30% depending on mix. Asset-based carriers appear more focused on volume/asset utilization rather than pure price at this point given modest organic volume growth pace and less cost-push compared to the owner-operator dominated spot market.

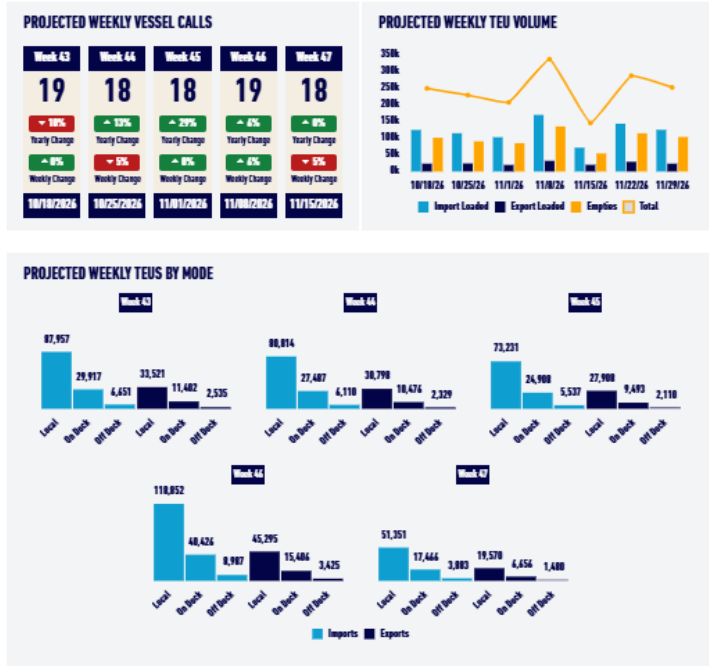
INDUSTRY INSIGHT

The Port of Long Beach currently has 13 container vessels at berth...
Average at anchor is 0 days...

OPERATIONS DASHBOARD



LOOKING AHEAD

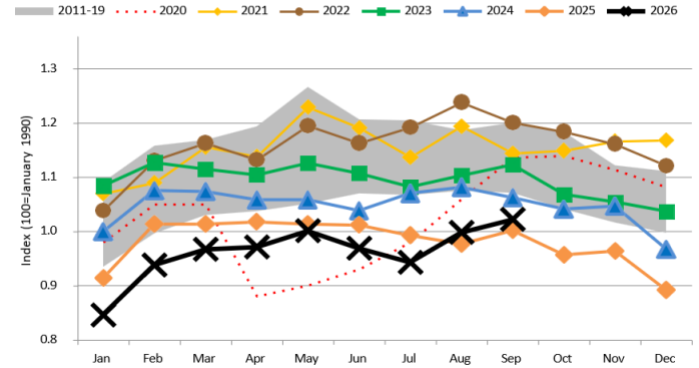


Dozens of trucking companies planned pay increases for 2026. Drivers also saw improvements in compensation recently despite the difficult freight environment, the organization said. Driver pay increased in 2025 compared to a previous 2023 study, the American Trucking Associations found. A survey of over 130 fleets found most planned to increase pay in 2026, according to the American Trucking Associations 2026 Driver Compensation Study. That comes as carriers appeared to be increasing rates, such as irregular-route TL median pay increasing 8.3% to \$73,639 in 2025 compared to 2023's median, the organization said. Dedicated-route's median compensation rose 4.2% over that same two-year period, too, according to ATA's data. "Driver pay continued to move higher even as carriers faced one of the longest and most difficult freight downturns in recent memory," ATA Chief Economist Bob Costello said in a news release. The data covers driver earnings in 2025.

Across all modes, dry van load posts rose the most, at 15% compared to the previous week, according to DAT. With a 7% drop in load posts, the load-to-truck ratio was 13.7, which was nearly double compared to a year ago. Reefer meanwhile had the steepest drop in trucks, falling 12%, DAT reported. With a 9% rise in loads, the load-to-truck ratio was 21.7, which also was nearly twice as high YoY. Flatbed load posts increased nominally by 1% while truck posts fell by 7%, maintaining a tight market. "At 30.02 in the same week a year earlier, the ratio has lifted by nearly half over twelve months," DAT iQ Principal Analyst Dean Croke said in a blog post.

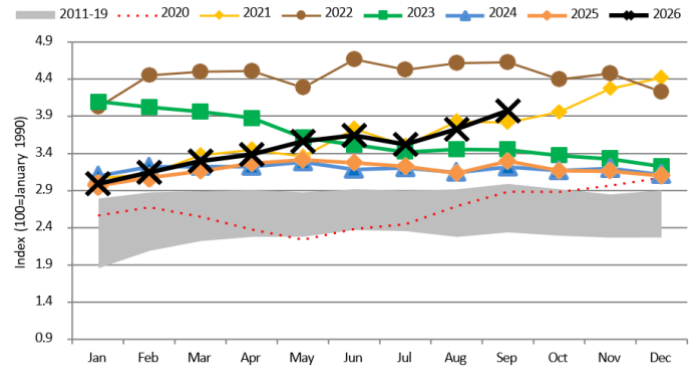
During September, freight shipments across domestic modes were up 2% Y/Y, marking the second consecutive month of Y/Y growth, with a mild improvement vs August (up 2% M/M) according to Cass Systems. After three consecutive years of declines (2025 down 6%, 2024 down 4%, 2023 down 5%, 2022 +1%, 2021 +12%), our work indicates 2026 shipments will likely pace ~flat Y/Y (down 4% YTD) with Y/Y growth into the last 3 months of the year as inventory destocking appears largely complete.

Cass Freight Index - Shipments



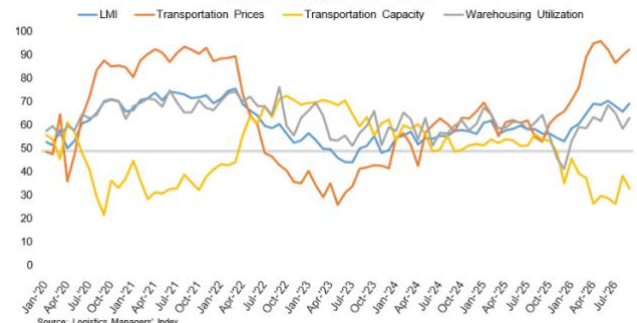
Total freight spend in September was up 20% Y/Y due to higher cost per shipment (core price, fuel) and slightly higher shipments as shipments were up ~2% Y/Y (see above exhibit) according to Cass Information Systems. Versus prior month, expenditures were up 7% and shipments were up 2%.

Cass Freight Index - Expenditures



The September 2026 readings in the Logistics Manager's Index (LMI) was in expansionary territory for the thirty-fourth month in a row (above 50 indicates expansion, below 50 indicates contraction) at 70.2 (66.6 in August). Most notably, Transportation Capacity tightened in September, down 14% M/M, and down 38% Y/Y while Transportation Prices were 3% higher vs August and up 71% Y/Y.

Logistics Managers' Index (LMI)



INDUSTRY INSIGHT