**January 2024 FTL Market Update**

January is historically one of the quietest months of the year in the FTL market in terms of volume and volatility. Shippers focus on completing negotiations on their annual contract bids. Companies whose fiscal year follows the calendar year await approval in the new budget for their projects. Retail freight takes a sharp drop as the retail holiday peak has come and gone.

Many shippers will halt operations between Christmas and New Years, decreasing the total volume. What we look for is the rebound in the outbound tender volume index (OTVI) level when operations resume January 1st. In 2024, OTVI was higher than the start of 2023 which is great news on the demand side. As consumer buying has continued to transition from brick-and-mortar stores to e-commerce, consumers are now shipping back returned goods rather than returning to the store. This has created an annual injection of volume referred to as the “return season.” This typically lasts for the first two weeks of the year and tapers off mid-month. This January did follow seasonal trends with a little added volatility due to winter weather.

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Freight Waves Sonar (OTVI)

Winter Weather Impact

Winter weather can have a significant impact on the total market as evidenced by the disruption of the 2021 polar vortex. Supply chains were brought to a standstill for many days causing a backlog of hot freight that needed to be moved. Capacity grew scarce as many carriers were unable to operate in the severe weather conditions and demand greatly exceeded supply causing rates to skyrocket. We had two winter storms with a wide impact this month (Heather and Indigo). What we normally see is an initial decrease in volume and increase in spot rates. Outbound rates in the Pacific Northwest skyrocketed .22c/mile. In the Midwest we saw outbound rates rise .37/mile.

The outbound tender rejection index (OTRI) is a compliance measure of contracted tenders (carriers rejecting tendered and contracted freight). The OTRI has been very low throughout 2023 and the winter storms timing being right in the middle of the “return season” caused rejection rates to exceed the 5% barrier that they did not exceed throughout 2023 apart from Christmas Day. The volatility has caused spot rates to remain elevated during a time when we would normally expect them to trend downwards.

Review by Mode

Dry Van volume is moving as anticipated and demand levels are strong. Spot rates continue to have downward pressure due to an over supplied market though the net change in authorities (carriers entering the market subtracted by carriers leaving) is moving in a positive direction.

Reefer rates were volatile this month in response to the winter storms. Rates dropped .10c/mile over the first two weeks and increased .06c/mile to finish the month. Normally winter weather will add volume to the Reefer spot market as freight that would normally move by Dry Vans has a need to be protected from freezing.

Flatbeds are typically slow this time of year as many shippers elect to move what they can in enclosed trailers or wait for better weather to ship. The winter storms caused a 26% drop in volume and 1% increase in spot rates. New construction also slows down for the winter months. New housing starts were down 8.6% from November but are 16% higher year-over-year.

Looking Forward

Spot rates are likely to start moving down slightly as the volatility of the winter storms subsides. New storms with a widespread impact could change this significantly. Expect a temporary increase in volume in the Reefer section of frozen grocery for the Superbowl. Lunar New Year starts February 10th which will significantly decrease imports and likely OTVI towards the end of the month.

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