ECONOMIC TRENDS • SHIPPING TRENDS • TRADE AND COMMODITY TRENDS • PRICING TRENDS • CAPACITY TRENDS

JOC INSIGHTS

AUGUST 2013

THE SHIPPING ECONOMY

From the desk of* MARIO O. MORENO, *Economist, The Journal of Commerce

THE QUESTION ON JUST about every economist's mind is simply this: when will the Fed start unwinding its exceptional monetary stimulus? The timetable for Fed 'tapering' will depend not only on the upcoming flow of data but also on political factors. A recent Reuters poll indicated economists expect 2nd quarter GDP will be revised upward, from 1.7 percent to 2.2 percent owed to greater contribution from net exports. This is far from being a strong recovery but the upward revision could persuade the Fed to make its move as early as its September 17-18 policy meeting, and start scaling back its large bond-buying program. Also, other economic indicators are worth considering. Sales of existing homes jumped in July to a 3-year high, while the four-week moving average for new jobless claims fell to the lowest level in almost 6 years. The numbers show that the economy is gradually improving but there are some political elements worth considering before the Fed takes action.

The risk of a government shutdown in October over next year's budget likely has the Fed consider postponing its next policy move. It seems logical to wait a bit longer. History has and can repeat itself, and a repeat of the brinkmanship like the one that roiled our economy two years ago cannot be disregarded. There's also the possibility of leaving the timetable of tapering to the next Fed Chairman to be elected in early 2014. Maintaining temporarily the current pace of long-term bond purchases will benefit the housing market recovery as mortgage rates hold down. This in turn, will support construction activity, jobs, and imports of home goods.

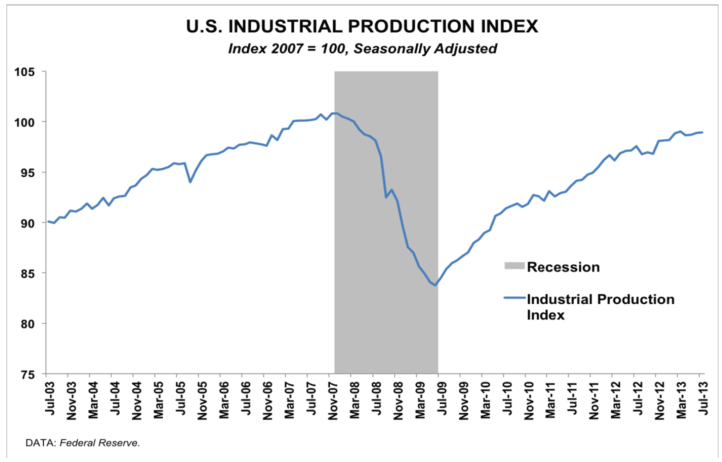
Fed's announcement last May of its intentions to scale back its stimulus effort did not help emerging markets facing serious economic challenges. In the eight weeks through July 17 investors pulled $40.3 billion from emerging-market bond and equity funds, according to Bloomberg BusinessWeek estimates. China's significant slowdown and social unrest in other emerging economies from Brazil to Egypt are also contributing to the set back. The Fed has advised central banks of emerging markets to protect themselves as the Fed's mandate is to protect the interests of the United States only.

On the short-term rates front, lifting the federal funds rate from near zero currently isn't up for discussion as the job market isn't strong enough to warrant such a move.

This issue of JOC Insights presents my most updated forecasts on the trans-Atlantic container trade, and a special analysis of fastest-growing U.S. traded commodities by volume.

I hope you'll enjoy the latest issue of JOC Insights.

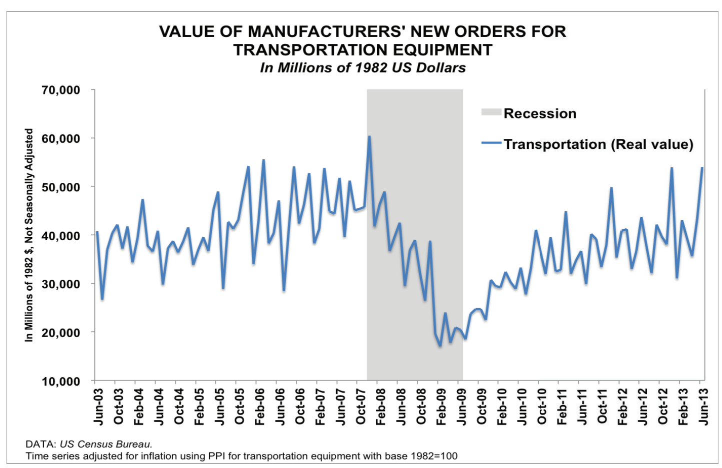
- ***ISM's manufacturing advances to highest level in at least two years***
- ***U.S. ocean container trade declines in June on weak export markets.***
- ***New home sales tumbled in July, possibly linked to higher mortgage rates***
- ***Retailers pulled back on restocking in second quarter***
- ***Upturn in nonresidential fixed investment contributed to economic growth in second quarter***



INDUSTRIAL PRODUCTION FLAT IN JULY

U.S. industrial production was flat in July on lower-than-expected activity in the manufacturing sector. Manufacturing, which accounts for 75 percent of total production, slid 0.1 percent following a boost of 0.2 percent in June.

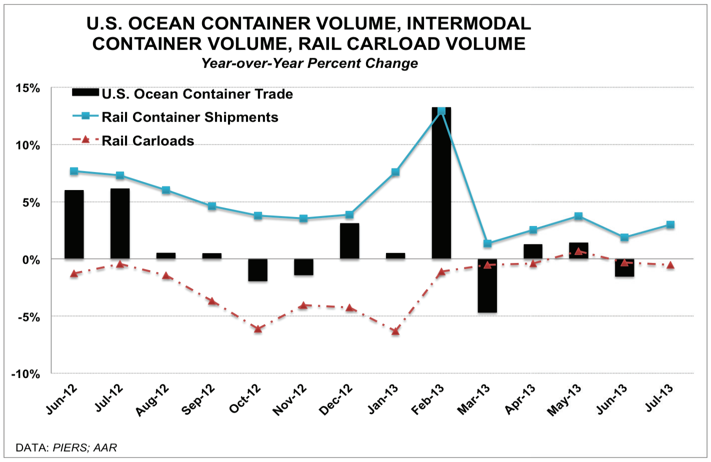
Despite the disappointing number for July, the index for industrial production continues on recovery mode. Since 2009, the index has recovered 15.4 percentage points. Also, U.S. industrial production is performing better than Europe's. Industrial production in the euro area declined on average by 2.3 percent a year during 2007-2012, while production in the U.S. only dipped on average by 0.6 percent a year during the same period.



Factory orders increased 1.5 percent in June after an upwardly revised 3.0 percent gain in May. Nevertheless, the strength in orders is mostly tied to the volatile transportation component. Excluding transportation, factory orders fell 0.4 percent.

New orders for transportation equipment remain in recovery mode, and they are still slightly below pre-recession levels. Transportation equipment orders, adjusted for inflation, totaled $246.3 billion year-to-date through June, an increase of 6.7 percent from the same period in 2012. Orders peaked in 2007 when real value totaled $562.0 billion. In 2012, orders totaled $474.3 billion, accounting for just 84.4 percent of the 2007 peak.

New orders are a good indication of future production activity.



U.S. OCEAN CONTAINER TRADE DOWN 1.5 PERCENT IN JUNE

U.S. ocean container trade declined for the first time in three months on weak exports. Total container trade dropped 1.5 percent year-over-year, totaling 2.4 million TEUs for the month.

Rail container shipments picked up the pace to 3.0 percent year-over-year in July, following a 1.9 percent gain in June, while rail carloads dipped by half a percent after sliding 0.3 percent in June.

GLOBAL MANUFACTURING

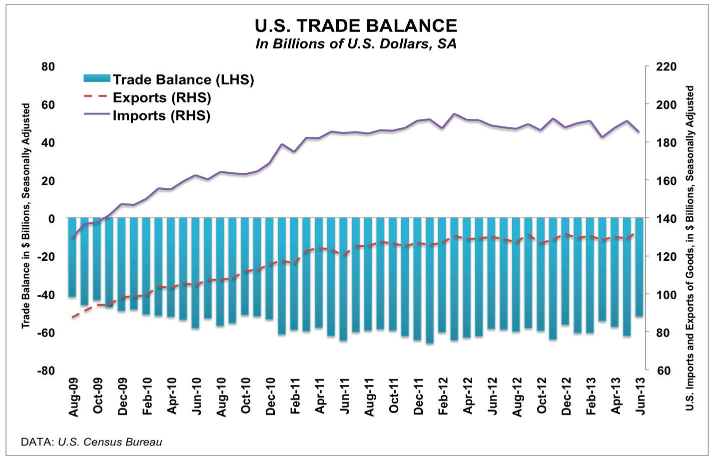
	JUL-13	JUN-13	MOM	DIRECTION, RATE OF CHANGE
US PMI	**55.4**	**50.9**	**4.5**	**Growing, from contracting**
NEW ORDERS	58.3	51.9	6.4	Growing, from contracting
INVENTORIES	47.0	50.5	-3.5	Growing, from contracting
CHINA PMI	**47.7**	**48.2**	**-0.5**	**Contracting, faster rate**
GLOBAL PMI	**50.8**	**50.6**	**0.2**	**Growing, from contracting**

Source: Institute for Supply Management; Markit; HSBC; JPMorgan

U.S. MANUFACTURING INDEX AT HIGHEST LEVEL IN TWO YEARS

ISM's manufacturing rose in July for the second straight month to its highest level in at least two years. New orders jumped 6.4 points to a reading of 58.3, indicating higher output in the near term. Export orders show strength, while imports and hiring are up. Inventories contracted from growing, suggesting restocking activity will start soon, a welcome boost for future production and hiring.

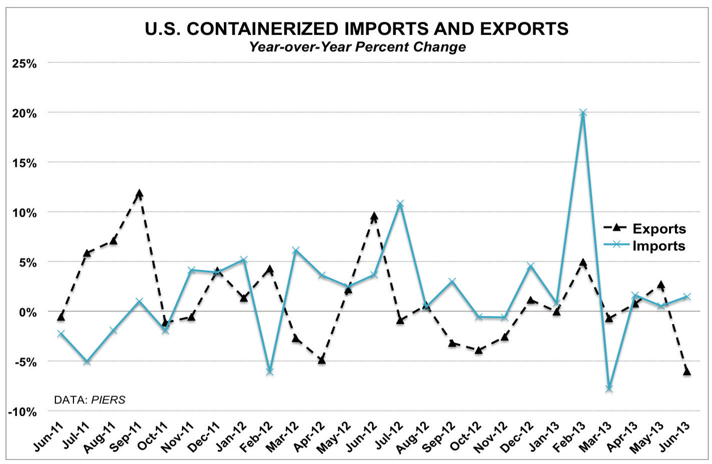
China's manufacturing sector saw faster deterioration in operating conditions in July. Domestic and international markets remain weak, leading Beijing officials to undertake more stimulus programs, from tax breaks for small companies to public spending. With weak demand, U.S. exports of raw materials to China get adversely impacted. Total U.S. containerized exports to China via ocean edged up 0.7 percent year-over-year in the second quarter, after dipping 0.2 percent in first quarter 2013.



JUNE 2013: SMALLEST TRADE DEFICIT OF GOODS IN AT LEAST TWO YEARS

U.S. exports of goods rose 3.3 percent in June, its highest month-to-month growth rate since September 2012. Strength was mostly concentrated in industrial supplies and capital goods. U.S. imports of goods declined 3.1 percent after growing for two straight months.

The strong rise in exports combined with a sharp drop in imports made for the smallest trade deficit of goods in at least two years.



U.S. CONTAINER TRADE

	JUN-13	MOM	YOY	YTD	2013(F)	2014(F)
IMPORTS	**1,497**	**-2.4%**	**1.5%**	**2.3%**	**4.2%**	**4.7%**
EXPORTS	**925**	**-12.5%**	**-6.1%**	**0.3%**	**2.6%**	**3.4%**

Source: PIERS; JOC Container Shipping Outlook, June 2013

JUNE 2013: U.S. CONTAINERIZED IMPORTS UP 1.5%; EXPORTS DOWN 6.1%

U.S. containerized imports via ocean modestly advanced in June as the peak season neared. Overall U.S. containerized imports advanced 1.5 percent in June 2013 year-over-year, totaling 1,497,425 TEUs. Month-to-month, overall containerized imports declined 2.4 percent.

Leading the volume gains among the top 25 imported goods were footwear, up 23 percent year-over-year; auto tires, up 15 percent; and scrap paper, up 13 percent. The largest import declines were seen in women's and infant wear, computers and refrigeration equipment.

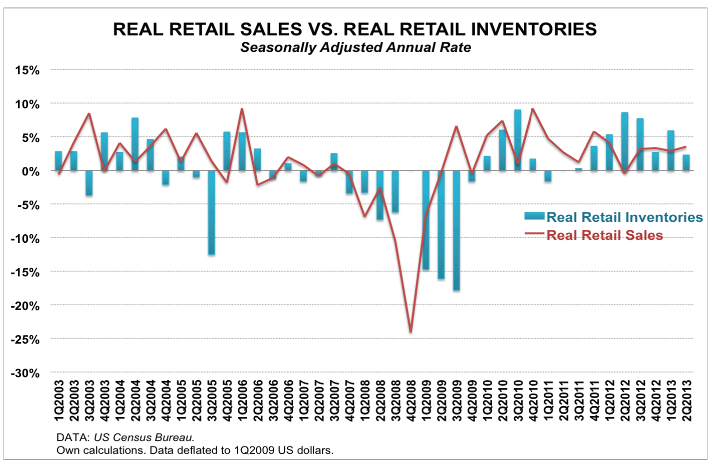
Among the top 25 source countries, Turkey gained the most, up 23.5 percent year-over-year (or 2,035 TEUs). Ecuador followed with a gain of 21.6 percent, while Chile gained 15.9 percent. On the downside, U.S. imports from the Netherlands declined 9.2 percent, (or 1,921 TEUs).

As expected, containerized imports grew by no more than 2 percent year-over-year in the second quarter of 2013 on destocking activity. I expect import volumes will advance modestly in the third quarter as retailers prepare for Christmas season. If there's no peak season, retailers will likely regret it when Christmas season comes.

Overall U.S. containerized exports via ocean tumbled 6.1 percent year-over-year in June to 925,043 TEUs, according to preliminary data from PIERS. Losses were seen in meat, down 47 percent year-over-year; motor vehicles, down 39 percent; and poultry, down 31 percent. On the upside, year-over-year gains were seen in miscellaneous grocery products, up 351 percent; and edible nuts, up 50 percent.

Among the top 25 export markets, shipments to Indonesia were down the most in June, off 43 percent year-over-year (or 9,509 TEUs). Singapore and Vietnam followed with a loss of 22 percent and 16 percent, respectively. On the upside, exports to the Netherlands rose 16 percent (or 2,588 TEUs).

Second quarter 2013 exports slid 0.8 percent year-over-year, below JOC expectations for a modest 1 percent growth. Asia appears to be the main source of weakness. Foreign investors are pulling billions of dollars out of emerging bond markets in response to signs the Fed may start scaling back its stimulus program, adversely impacting the economies in Asia.



RETAILERS PULLING BACK ON RESTOCKING IN SECOND QUARTER

Retail sales advanced 0.2 percent in July after a strong June. The pace of motor vehicle sales still looks healthy. Sales excluding autos rose a respectable 0.5 percent after a 0.1 percent rise in June. Most of the gains were concentrated on clothing, food and beverage stores, health and personal care. Losses were seen in furniture and furnishings, electronics and appliances. Overall, consumer spending looks moderately healthy starting the second half of the year.

As highlighted in the previous Insights report, the bulk of the destocking period occurred in the second quarter. Retail inventories, adjusted for inflation, grew at a seasonally adjusted annual rate of just 2.3 percent in the second quarter after growing 5.9 percent in the previous quarter. Real retail sales, on the contrary, picked up the pace in second quarter and grew at a 3.5 percent annual rate after growing at 2.9 percent in the prior quarter. Thus, it makes no more sense to keep adjusting inventory levels downward as sales are holding up, the stock market is up by a double-digit growth rate year-to-date, and jobs are adding up.

Eastbound trans-Pacific trade volumes slid 0.7 percent year-over-year in the second quarter, slightly below the JOC forecast of 0.2 percent growth. I expect, however, eastbound trans-Pacific volumes to return to modest growth in the third quarter.

U.S. HOUSING MARKET

	JUL-13	MOM	YOY	2013(F)	2014(F)
EXISTING HOME SALES	**5,390**	**6.5%**	**17.2%**	**13%**	**5.0%**
NEW HOME SALES	**394**	**-13.4%**	**6.8%**	**17%**	**-3.0%**
HOUSING STARTS	**896**	**5.9%**	**20.9%**	**15%**	**0%**

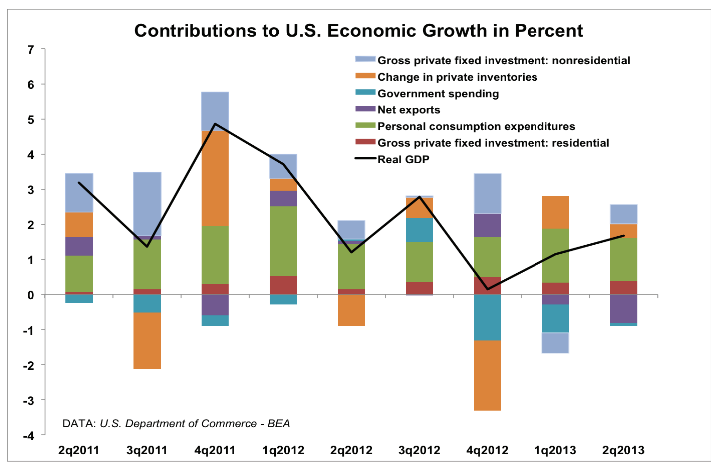
*Source: US Department of Commerce; NAR; JOC Forecast *In Thousands of Units, Seasonally Adjusted Annual Rate*

SALES OF EXISTING HOMES JUMPED THE MOST IN ALMOST TWO YEARS

Existing home sales jumped 6.5 percent in July to a seasonally adjusted annual rate of 5.4 million units. This is the fastest pace we've seen in almost two years. Prices were merely unchanged over June so rising mortgage rates may be behind the sudden jump in sales. When mortgage rates began to rise, undecided buyers may have been quickly prompted to take action. As mentioned in the June report of Insights, the expectation of a continued rise in mortgage rates likely prompted those undecided buyers to purchase now rather than later. Nevertheless, this is not sustainable as the year progresses.

Worthy of mention, sales advanced 17 percent year-over-year in July, but excluding foreclosures and short sales, sales jumped 31 percent, indicating remarkable growth in conventional sales which is a healthy sign.

New home sales tumbled in July, likely linked to rising mortgage rates and better deals in existing homes. The outlook for new and existing homes sales adjusted accordingly.



WHAT'S DRIVING THE ECONOMY THESE DAYS?

The U.S. economy grew at a seasonally adjusted annual rate of 1.7 percent in the second quarter, faster than the downwardly revised 1.1 percent pace seen in the prior quarter. The modest acceleration in real GDP is mostly attributed to upturns in nonresidential fixed investment and exports. Also, government spending decreased moderately, which contributed to overall growth.

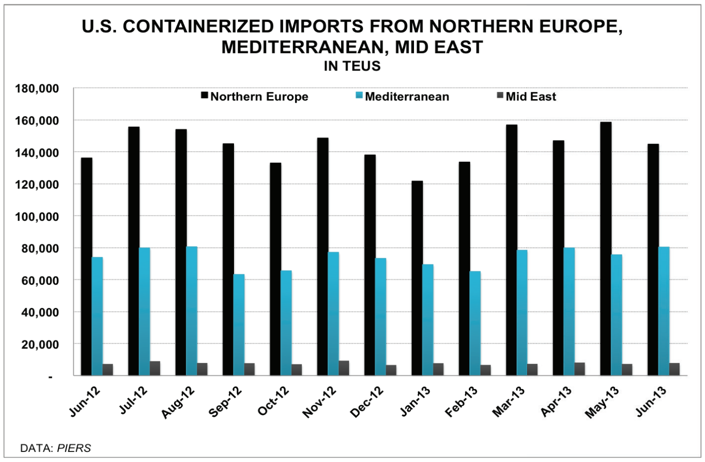
Overall inflation slowed in the second quarter, but it's expected to pick up in 2014 as the economy accelerates. The Fed has indicated it will tolerate above-trend inflation while the job market remains in the healing process.

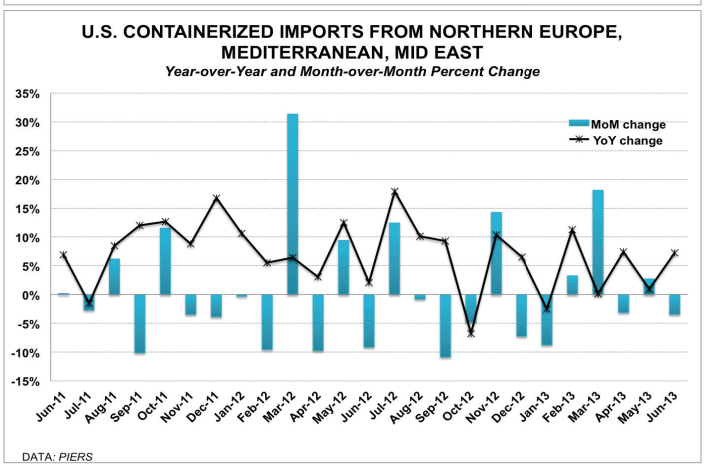
In the area of foreign exchange rates, the Japanese yen has lost about 20 percent value against the U.S. dollar since the beginning of the year on the back of extensive monetary policy activity. Nevertheless, Japanese containerized exports to the U.S. declined 7 percent in the second quarter of 2013 year-over-year, the third successive quarterly decline.

REGIONAL CONTAINER TRADE

- ***Demand for northern European goods expected to gradually accelerate as the year progresses***
- ***Deflation risks weigh on demand for U.S. goods in northern Europe***

IMPORTS FROM EUROPE AND MIDDLE EAST





IMPORTS, JUNE 2013

	TEUS	MOM	YOY	YTD	2013(F)	2014(F)
NORTHERN EUROPE	**144,739**	**-8.7%**	**6.4%**	**2.2%**	**5.4%**	**4.7%**
MEDITERRANEAN	**80,362**	**6.4%**	**8.7%**	**7.6%**	**8.0%**	**6.8%**
MIDDLE EAST	**78,838**	**8.1%**	**8.1%**	**0.2%**	**13.1%**	**25.6%**

Source: JOC-PIERS Container Shipping Outlook June 2013 issue

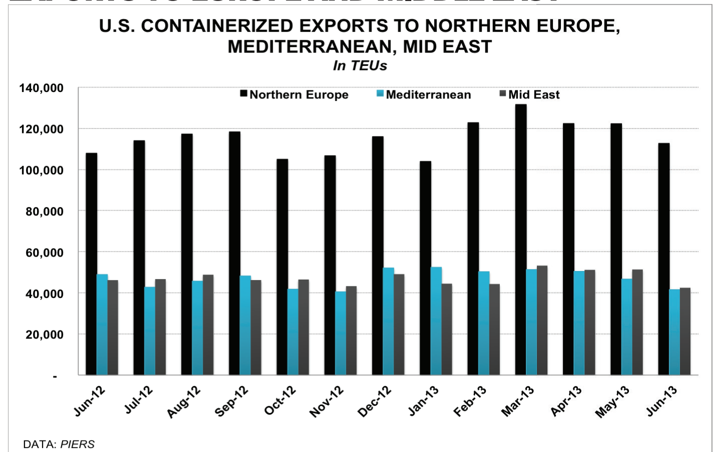
JUNE 2013: IMPORTS FROM EUROPE AND MIDDLE EAST UP 7.2 PERCENT

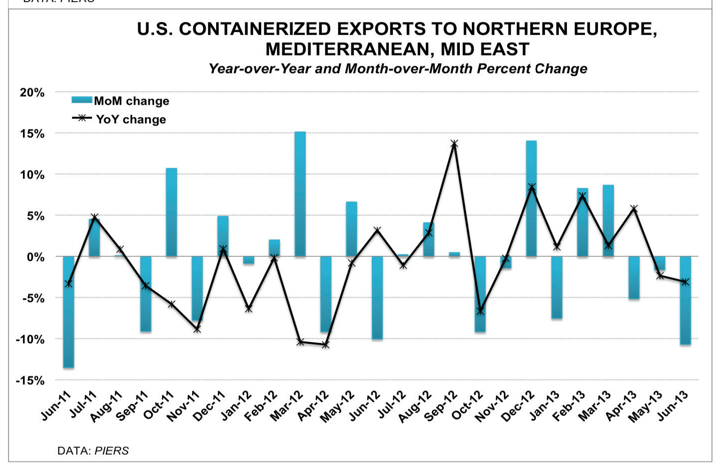
Inbound trade from northern Europe totaled 144,739 TEUs in June, up 6.4 percent from June 2012. The advance was mostly driven by gains in furniture, miscellaneous machineries, and wine. Imports from the Mediterranean region rebounded by 9 percent in the month, to a total of 80,362 TEUs, led by gains in scrap paper, marble, and non-alcoholic beverages. Imports from the Middle East rebounded by 8 percent on increasing shipments of synthetic resins, auto parts, and tacks and nails.

After sharply slowing the pace in May, total imports from Europe and the Mideast jumped 7.2 percent and totaled 232,938 TEUs. On a month-to-month basis, imports from these regions declined 3.5 percent.

Demand for containerized imports from northern Europe is expected to gradually accelerate during 2013, as modestly improving economic conditions in the U.S. give consumers and businesses more confidence to spend. Inbound traffic is projected to increase 5.4 percent this year, compared with the prior forecast of 2.3 percent. A similar rate of growth is anticipated in 2014 (4.7 percent), largely unchanged from the previous forecast of 4.5 percent growth.

EXPORTS TO EUROPE AND MIDDLE EAST





EXPORTS, JUNE 2013

	TEUS	MOM	YOY	YTD	2013(F)	2014(F)
NORTHERN EUROPE	**112,717**	**-7.8%**	**4.4%**	**0.5%**	**1.8%**	**0.7%**
MEDITERRANEAN	**41,566**	**11.0%**	**-15.0%**	**2.7%**	**7.9%**	**4.8%**
MIDDLE EAST	**42,468**	**17.3%**	**-8.0%**	**3.4%**	**2.2%**	**3.6%**

Source: JOC-PIERS Container Shipping Outlook June 2013 issue

JUNE 2013: EXPORTS TO EUROPE AND MIDDLE EAST DOWN 3.1 PERCENT

Exports to northern Europe totaled 112,717 TEUs, a year-over-year rebound of 4.4 percent on gains in grocery products, edible nuts and synthetic resins. Shipments to the Mediterranean region tumbled 15 percent year-over-year, mostly dragged by losses in paper and paperboard, auto parts and household goods. Trade to the Middle East, totaling 42,468 TEUs, declined in June for the first time in 15 months. Losses in this trade lane were mostly in auto parts, motor vehicles and scrap paper.

Total exports to Europe and the Middle East, at 196,751 TEUs, were down in June year-over-year for the second successive month. On a month-to-month basis, exports to the regions dropped 10.7 percent.

Weak business and consumer confidence will continue to weigh on northern Europe demand for U.S. goods. Additionally, there is a real risk of deflation in the region, particularly in Belgium, Germany and France. As evidenced by the Japanese economy over the last two decades, deflation has many negative effects, including causing people and businesses to delay purchases. Presumably, the European monetary authorities will work rigorously to prevent such an occurrence, but it is a risk to U.S. export sales.

TOP COMMODITIES: EUROPE

TOP US IMPORTS FROM EUROPE IN TEUS, JUNE 2013

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	AUTO PARTS	12,823	-23%	0%	7%
2	BEER&ALE	10,490	-14%	-16%	-9%
3	FURNITURE	10,444	2%	16%	7%
4	PAPER&PAPERBOARD,W/ WASTE	8,871	13%	26%	12%
5	NON ALCOHOLIC BEVERAGES	8,391	-19%	-5%	11%
6	STILL WINES	8,183	2%	3%	7%
7	AUTO&TRUCK TIRE&TUBES	4,604	-6%	3%	12%
8	VEGETABLES	4,418	3%	-4%	-3%
9	HOUSEHOLD GOODS	4,115	19%	5%	7%
10	MACHNRY MISC,CASETTE PLAYERS	3,773	-5%	31%	16%

Source: PIERS

U.S. imports of European auto parts were flat in June year-over-year, a sign of sluggishness in the U.S. manufacturing sector. Furniture imports, however, posted a strong 16 percent year-over-year increase for the month, helped by the continuing recovery in the U.S. housing market.

TOP US EXPORTS TO EUROPE IN TEUS, JUNE 2013

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	PAPER&PAPERBOARD,W/ WASTE	11,475	-13%	-24%	0%
2	GROCERY PRODS,MISC.	9,792	305%	351%	59%
3	WOOD PULP	8,463	-7%	-1%	-2%
4	AUTOMOBILES	5,168	-32%	-39%	-8%
5	AUTO PARTS	4,866	-29%	4%	15%
6	VINYL ALCOHOL,PVC RESINS	4,393	0%	28%	27%
7	EDIBLE NUTS	4,270	0%	50%	32%
8	SYNTHETIC RESINS,NSPF	4,243	-19%	1%	0%
9	FABRICS,INCL.RAW COTTON	3,916	-42%	7%	75%
10	HOUSEHOLD GOODS	3,862	48%	-12%	-11%

Source: PIERS

U.S. exports of grocery products to Europe almost quadrupled in June on a year-over-year basis, totaling 9,792 TEUs. Edible nuts also showed remarkable growth in the month, up 50 percent in June year-over-year.

PORT TRAFFIC

- *Port of Los Angeles was top U.S. port through June, with traffic volume of approximately 2.7 million fully loaded TEUs*
- *Port of Shanghai is China's top port with total traffic of 16.3 million fully loaded and empty TEUs through June*

TOP 10 CONTAINER THROUGHPUTS OF U.S. MAJOR PORTS

In June 2013 *Unit: 1000 TEU*

RANK NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2013
1 LOS ANGELES	451	-11.8%	2,689
2 LONG BEACH	392	7.1%	2,422
3 NEW YORK	336	-9.2%	2,031
4 SAVANNAH	196	-1.9%	1,153
5 VIRGINIA PRTS	142	6.9%	860
6 OAKLAND	135	3.2%	796
7 HOUSTON	126	4.9%	778
8 CHARLESTON	103	7.9%	645
9 TACOMA	103	38.9%	619
10 SEATTLE	80	-35.1%	517

Source: PIERS. Figures are rounded. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

Top 10 ports handled 85 percent of the total U.S. container trade through June.

Container traffic at top-ranked Port of Los Angeles declined 11.8 percent year-over-year in June and totaled approximately 451,000 fully loaded TEUs.

TOP 10 CONTAINER THROUGHPUTS OF CHINA'S MAJOR PORTS

In June 2013 *Unit: 1000 TEU*

RANK NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2013
1 SHANGHAI (上海)	2,761	-0.4%	16,326
2 SHENZHEN (深圳)	1,964	4.7%	11,062
3 NINGPO ZHOUSHAN (宁波－舟山)	1,522	9.2%	8,534
4 QINGDAO (青岛)	1,345	3.8%	8,002
5 GUANGZHOU (广州)	1,239	9.2%	7,096
6 TIANJIN (天津)	1,182	14.0%	6,508
7 DALIAN (大连)	826	18.8%	4,467
8 XIAMEN (厦门)	648	12.9%	3,735
9 SUZHOU (苏州)	531	11.3%	2,890
10 LIANYUNGANG (连云港)	465	15.4%	2,714

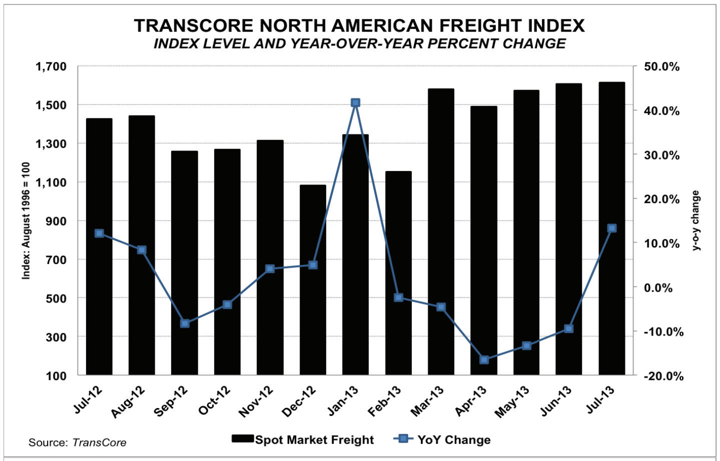
Source: Shanghai Shipping Exchange. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

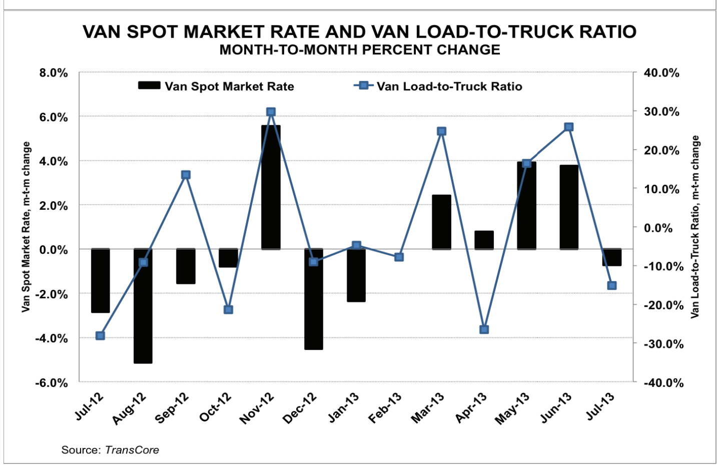
Container traffic at top-ranked Port of Shanghai slid 0.4 percent year-over-year in June, totaling approximately 2.8 million TEUs, including empties.

TRUCKING

◆ *Peak trucking freight season extended on pent-up demand for flatbeds and robust harvest*

Domestic Trucking Pricing





JULY 2013: FREIGHT INDEX ROSE 13 PERCENT YEAR-OVER-YEAR

Spot market freight volumes reported by the DAT North American Freight Index rose 0.5 percent in July, exceeding June levels for the first time since the index was established in 1996. Freight volume typically declines from June to July; the average month-to-month decline was 20 percent during the past 10 years.

Freight availability typically peaks in June on the spot market. This year's atypical, extended freight season can be attributed to combination of pent-up demand for flatbeds due to weather-related delays in housing starts, as well as a robust harvest that added to July demand for refrigerated ("reefer") trailers in the West and Midwest. Freight availability rose 6.0 percent for flatbeds and 1.8 percent for reefers in July compared to June, but July van loads declined 6.2 percent from June.

Year-over-year freight availability rose 13 percent overall, with increased volume for all three equipment types. Flatbed volume rose 20 percent, reefer loads increased 26 percent and van freight added 6.8 percent.

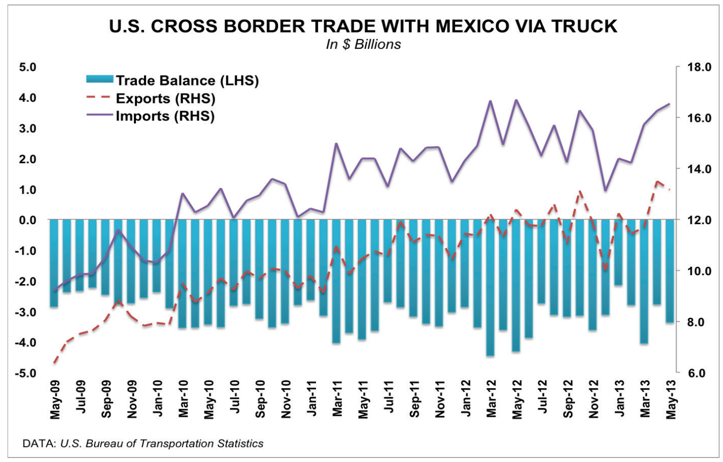
A decline in rates for all three equipment types would be typical for the season. Spot market rates rose 1.2 percent for flatbeds in July, however. Rates declined 0.7 percent for vans and 3.4 percent for reefers, as additional capacity became available to meet seasonal demand. On a year-over-year basis, flatbed rates declined 6.7 percent and van rates slipped 2.1 percent from the record highs of July 2012, but reefer rates rose 1.2 percent.

DAT RateViewTM recorded a 1 cent (0.7 percent) decline in the national average spot market line haul rate for dry vans in the U.S. in July compared to June, not including fuel surcharges. The fuel surcharge for vans remained stable at 47 cents during the period, so the total rate per mile declined from $1.85 to $1.84.

The month-to-month rate decline was accompanied by a 6.2 percent contraction in load availability and an 11 percent increase in truck capacity on the company's DAT Load Boards. This yielded a 15 percent decline in the load-to-truck ratio for dry vans on the spot market, from 3.0 available loads per truck in June to 2.6 in July.

On a year-over-year basis, load volume rose 6.8 percent for vans in July, while capacity rose 12 percent. The resulting load-to-truck ratio declined 4.5 percent compared to July 2012.

Van spot market rates rose 1 cent (0.7 percent) compared to July 2012, not including fuel surcharges, which rose 2 cents (4.4 percent) in that period. The total rate, including the surcharge, increased 3 cents (1.7 percent) from $1.81 to $1.84 per mile.



U.S. TRADE DEFICIT WITH MEXICO VIA TRUCK INCREASED IN MAY

U.S. exports to Mexico via truck advanced 6.3 percent in May year-over-year, and totaled $13.2 billion. Exports to the U.S. southern neighbor decelerated in recent months as Mexico's economy entered contraction in the second quarter for the first time in four years. Year-to-date, from January through May, exports to Mexico via truck were up 5.6 percent. However, this represents a modest expansion compared to the 17 percent boost seen over the same period in 2012.

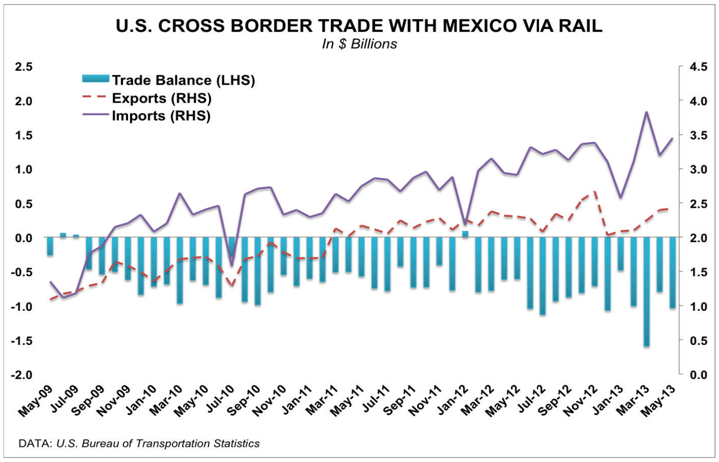
U.S. imports from Mexico via truck declined 1.0 percent in May year-over-year, totaling $16.5 billion. Imports from this nation have declined in three of the last four months. A slowing economy is the major reason behind lower imports. Year-to-date, from January through May, U.S. imports from Mexico via truck were down 0.3 percent. This compares unfavorably with 14.5 percent expansion seen over the same period in 2012.

RAIL

◆ *U.S. imports from Mexico via rail perform remarkably despite economic sluggishness*

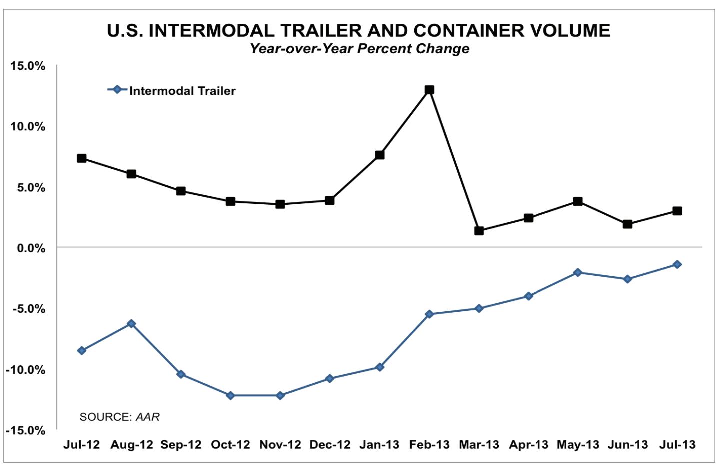
◆ *U.S. rail transportation of lumber and wood products decelerate sharply as homebuilders remain cautious*

U.S. exports to Mexico via rail advanced 5.0 percent in May year-over-year, totaling $2.4 billion. Mexico's economic contraction has adversely impacted imports of U.S. goods via rail as well. Year-to-date, from January through May, exports to Mexico via rail were down 1.5 percent. This compares unfavorably to the 17.7 percent expansion seen in the same period in 2012.



U.S. TRADE DEFICIT WITH MEXICO VIA RAIL INCREASED IN MAY

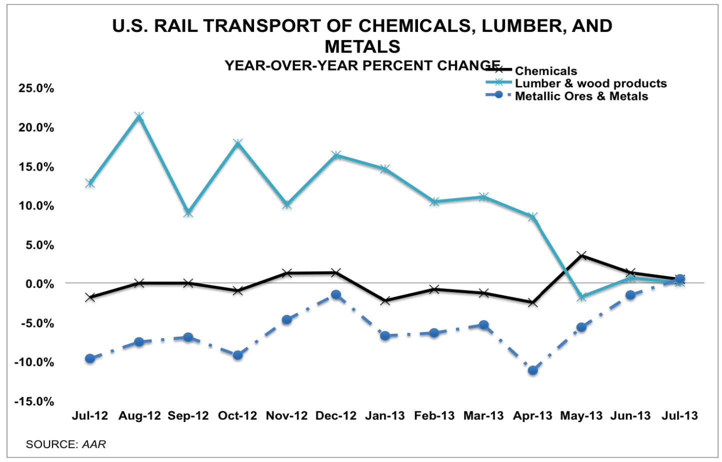
U.S. imports from Mexico via rail jumped 18.5 percent in June year-over-year, totaling $3.5 billion. U.S. imports from Mexico have expanded year-over-year for 16 straight months, underscoring the growing preference of U.S. shippers for rail over truck transportation. Year-to-date, from January through May, U.S. imports from Mexico via rail were up 14.2 percent, which compares favorably with the 12.8 percent expansion seen during the same period in 2012.



JULY 2013: INTERMODAL TRAILERS DOWN 1.4 PERCENT; INTERMODAL CONTAINERS UP 3.0 PERCENT

U.S. railroads originated 140,061 trailers and 1,078,564 containers in July. Intermodal containers expanded 3 percent year-over-year, following a boost of 1.9 percent in the prior month. Intermodal trailers declined 1.4 percent year-over-year after falling 2.6 percent in June. Intermodal trailers have now declined for 18 consecutive months to June on a year-over-year basis.

Year-to-date through July, intermodal traffic was up 3.5 percent over the same period in 2012, and totaled 7,489,063 units.



JULY 2013: CHEMICALS UP 0.4 PERCENT; LUMBER UP 0.1 PERCENT; METALS UP 0.5 PERCENT

U.S. chemical carloads rose for the third straight month, up 0.4 percent year-over-year in July to total 145,647.

U.S. lumber and wood products carloads edged up 0.1 percent in July year-over-year, totaling 15,515. Homebuilders remain cautious as they see mortgage rates coming off all-time lows.

Growth in metallic ores and metals carloads rebounded by half a percent in the month, after contracting year-over-year for 12 consecutive months. The low numbers highlight the sluggishness in U.S. manufacturing activity.

COMMODITY SNAPSHOT

FAST-GROWING COMMODITIES BY VOLUME

FASTEST GROWING CONTAINERIZED IMPORTS VIA OCEAN, 1ST HALF 2013

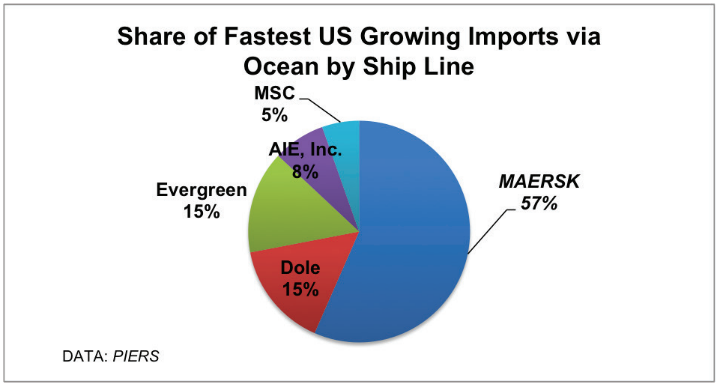
RANK	COMMODITIES	GROWTH	TOTAL TEUS	US PORT	SHIP LINE
1	FRUITS,MISC	16.2%	109,490	LOS ANGELES	AIE, INC
2	FOOTWEAR	16.2%	225,092	LOS ANGELES	MAERSK
3	KITCHENWARE	12.1%	80,383	LOS ANGELES	MAERSK
4	WOODENWARE,MISC.	11.7%	77,973	LONG BEACH	MSC
5	SHEETS,TOWELS,BLANKETS	9.3%	135,732	LOS ANGELES	MAERSK
6	APPARELS,MISC.	8.0%	144,548	LOS ANGELES	MAERSK
7	BANANAS	7.7%	222,008	WILMINGTON,DE	DOLE
8	MEDICAL EQUIP&SUPPLIES	7.4%	80,616	OAKLAND	MAERSK
9	PLASTIC PRODS, MISC	7.4%	216,198	LOS ANGELES	EVERGREEN
10	PAPER&PAPERBOARD,W/WASTE	7.2%	148,772	NEW YORK	MAERSK

Source: PIERS

FASTEST-GROWING IMPORTS: FOOTWEAR; MISCELLANEOUS FRUITS

Among the top 25 U.S. import commodities, miscellaneous fruits and footwear are the two fastest-growing imports via ocean in the first half of 2013, each up 16.2 percent. After two bad years, 2013 appears to be the year of recovery for footwear as jobs continue to grow and there's better sentiment about future economic growth. Port of Los Angeles appears to be benefitting from this rebound as it handled the most inbound volume of footwear than any other U.S. port in the first half of the year. Maersk Line carried more of these inbound volume than any other carrier during the first half of 2013.

The recovery in the U.S. housing market is also boosting imports of kitchenware and sheets, towels and blankets.



MAERSK CARRIED MOST VOLUME OF FASTEST-GROWING IMPORTS

Ship line Maersk carried 57 percent of the fastest-growing imports by volume in the first half of 2013. Dole and Evergreen follow, each with 15 percent share. While Maersk's strength squared around consumer goods, Dole's strength is linked to bananas.

FASTEST GROWING CONTAINERIZED EXPORTS VIA OCEAN, 1ST HALF 2013

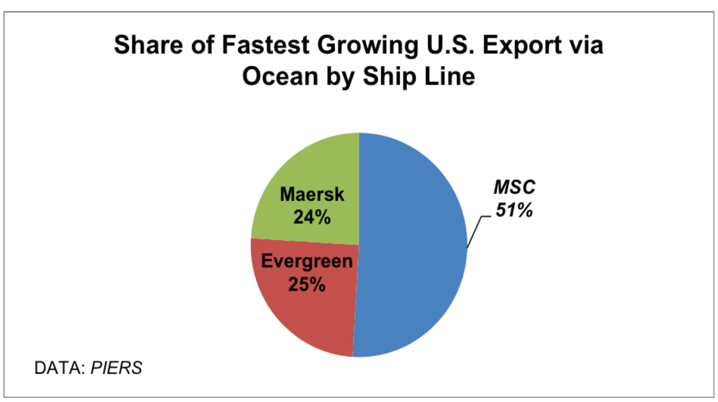
RANK	COMMODITIES	GROWTH	TOTAL TEUS	US PORT	SHIP LINE
1	GROCERY PRODS,MISC.	36.6%	189,899	LOS ANGELES	MAERSK
2	EDIBLE NUTS	30.4%	57,033	OAKLAND	MSC
3	SOYBEANS&PRODS	19.2%	114,821	LOS ANGELES	MSC
4	FABRICS,INCL.RAW COTTON	13.9%	230,809	SAVANNAH	MSC
5	LOGS&LUMBER	6.3%	197,760	TACOMA	EVERGREEN

Source: PIERS

FASTEST-GROWING EXPORT: GROCERY PRODUCTS

Overall U.S. containerized exports via ocean have been sluggish this year on weak foreign demand, but there are a few commodities that have shown solid growth. Among the top 25 U.S. export commodities, grocery products was the fastest-growing U.S. export via ocean in the first half of 2013, up a remarkable 36.6 percent. Demand from Europe for this product has strengthened in recent months. Port of Los Angeles appears to be benefitting from this increasing demand as it handled the most export volume of grocery products compared to other U.S. ports in the first half of the year. Maersk Line carried more export volume of grocery products than any other ship line during the first half of 2013.

Soybeans was the third-fastest-growing commodity in the first half thanks to Asian demand.

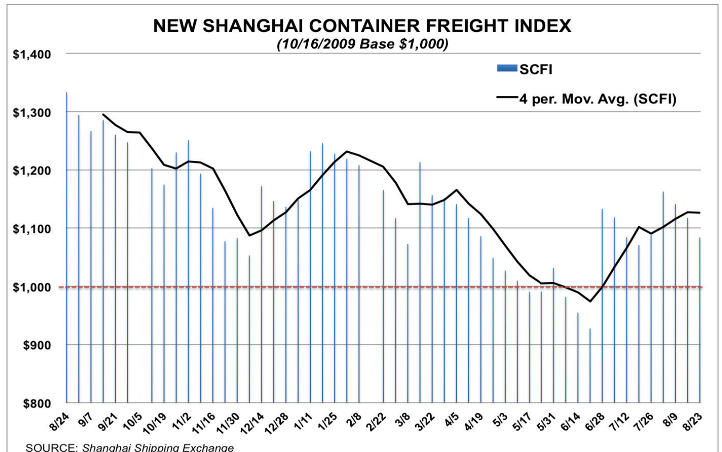


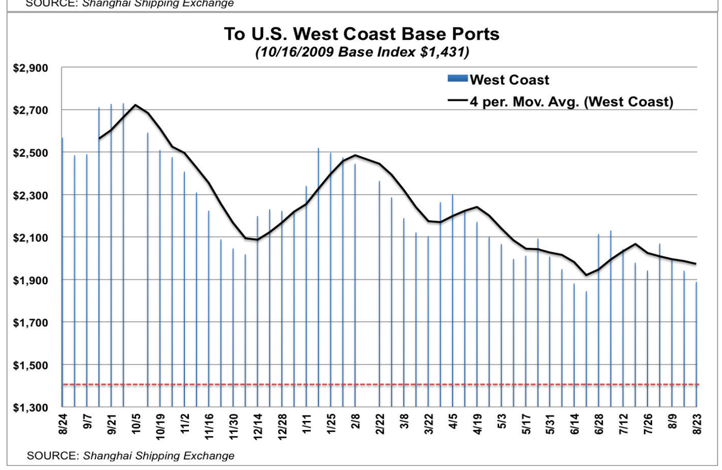
MEDITERRANEAN SHIPPING CARRIED MOST VOLUME OF FASTEST GROWING EXPORTS

Mediterranean Shipping carried 51 percent of the fastest-growing exports by volume in the first half of 2013. Evergreen and Maersk follow with a 25 percent and 24 percent share, respectively. Mediterranean's strength squared around agricultural products.

INTERNATIONAL SHIPPING PRICES

◆ *General rate increase of $400 per FEU announced for Sept. 1*





THE SHANGHAI CONTAINERIZED FREIGHT INDEX DOWN FOR THREE STRAIGHT WEEKS

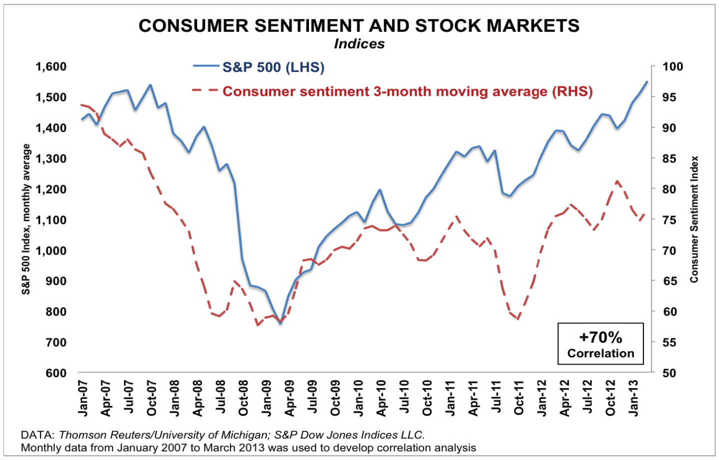
The Shanghai Containerized Freight Index, which measures export average spot rates, fell 3 percent on Aug. 23 over the prior week to $1,083.99. The index stood below its four-week moving average for two consecutive weeks, underscoring persisting weakness in trade.

On Aug. 23, the freight rate for the voyages from Shanghai to base ports on U.S. West Coast was $1,889 per 40-foot-equivalent unit, down $52 from the preceding week. The freight rate has declined in six of the last seven weeks, underscoring the erosion of the Aug. 1 ocean carrier general rate increase of $400 per 40-foot container. U.S. containerized imports from China slid 0.2 percent year-over-year in June.

The next round of rate increases has been announced for Sept. 1 in the amount of $400 per FEU to the U.S. West Coast and $600 per FEU to the U.S. East Coast.

Rates from Shanghai to Europe and the Mediterranean continue to fall.

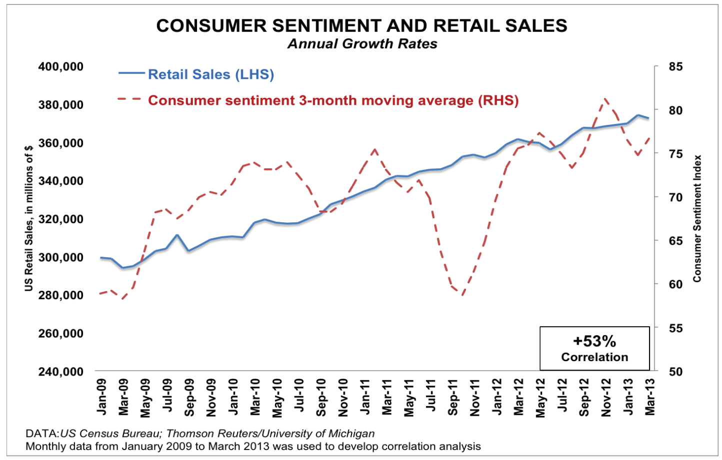
CORRELATIONS



RISING CONSUMER SENTIMENT: WEALTH EFFECT FROM SURGE IN EQUITIES?

There exists a strong, positive correlation between the consumer sentiment index and the S&P 500. The correlation coefficient gave a reading of plus-70 percent from January 2007 to March 2013.

As equities began to recover in the second half of 2009, consumer sentiment came off all-time lows. While the S&P 500 reached all-time levels this year, consumer sentiment reached a six-year high. The exposure of middle- and upper-income families to equities is so large that stock market gains inevitably change short-term expectations of the economy.



SPENDING MOOD CHANGES AS EXPECATIONS CHANGE

There exists a moderate, positive correlation between the consumer sentiment index and retail sales. Between January 2009 and March 2013, the correlation coefficient stood at plus-53 percent.

As consumers' expectations of the economy turn brighter, spending mood changes in a positive way. The health of retail sales depend on several factors, among them wage growth, credit accessibility, home ownership, and also consumer sentiment (expectations).

REGION CATEGORIES

NORTHEAST ASIA HONG KONG, JAPAN, MACAU, MONGOLIA, NORTH KOREA, PEOPLES REP OF CHINA, REPUBLIC OF KOREA, TAIWAN **SOUTHEAST ASIA** BRUNEI, CAMBODIA, INDONESIA, LAOS, MALAYSIA, MYANMAR, PHILIPPINES, SINGAPORE, THAILAND, VIETNAM **NORTHERN EUROPE** AUSTRIA, BELGIUM, CZECHOSLOVAKIA, DENMARK, ESTONIA, FINLAND, GEORGIA, GERMANY, HUNGARY, ICELAND, IRELAND, LATVIA, LITHUANIA, N FRANCE, NETHERLANDS, NORWAY, POLAND, RUSSIA, SWEDEN, SWITZERLAND, UNITED KINGDOM **MEDITERRANEAN** ALBANIA, AZORES, BULGARIA, CYPRUS, EGYPT, GIBRALTAR, GREECE, ISRAEL, ITALY, MALTA, MOROCCO MED, PORTUGAL, ROMANIA, S FRANCE, SPAIN, TURKEY, UKRAINE, YUGOSLAVIA **CENTRAL AMERICA** BELIZE, COSTA RICA, GUATEMALA, EL SALVADOR, HONDURAS, MEXICO, NICARAGUA, PANAMA **CARIBBEAN** BAHAMAS, BARBADOS, BERMUDA, CAYMAN IS, CUBA, DOMINICAN REPUBLIC, FRENCH WEST INDIES, HAITI, JAMAICA, LEEWARD & WINDWARD, NETHERLANDS ANTILLES, TRINIDAD & TOBAGO, TURKS CAN CAICOS **WEST COAST SOUTH AMERICA** CHILE, COLOMBIA, ECUADOR, PERU **EAST COAST SOUTH AMERICA** ARGENTINA, BOLIVIA, BRAZIL, FRENCH GUIANA, GUYANA, PARAGUAY, SURINAM, URUGUAY, VENEZUELA **MIDDLE EAST** AFGHANISTAN, BAHRAIN, IRAN, IRAQ, JORDAN, KUWAIT, LEBANON, OMAN, QATAR, SAUDI ARABIA, SYRIA, UNITED ARAB EMIRATES, YEMEN **OCEANIA** AUSTRALIA, FRENCH PACIFIC IS, NEW ZEALAND, OTHER PACIFIC IS, PAPUA NEW GUINEA, WESTERN SAMOA **INDIAN SUBCONTINENT** BANGLADESH, INDIA, NEPAL, PAKISTAN, SRI LANKA **AFRICA** ALGERIA, ANGOLA, BENIN, CAMEROON, CANARY IS, CONGO, DJIBOUTI, EQUATORIAL GUINEA, ETHIOPIA, GABON, GAMBIA, GHANA, GUINEA, IVORY COAST, KENYA, LESOTHO, LIBERIA, LIBYA, MADAGASCAR, MALAWI, MAURITIUS, MOROCCO (ATLANTIC COAST), MOZAMBIQUE, NAMIBIA, NIGERIA, REP OF SOUTH AFRICA, SENEGAL, SIERRA LEONE, ST. HELENA, SUDAN, SWAZILAND, TANZANIA, TOGO, TUNISIA, UGANDA, WESTERN SAHARA, ZAMBIA

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