SONAR

MONTHLY MARKET UPDATE

October
2025

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Economic outlook

The U.S. economy continues to contend against a mix of domestic policy shifts and external pressures in the lead-up to the fourth quarter of 2025. Real GDP increased at an annual rate of 3.8% in Q2, reflecting a pickup from the first quarter's negative growth albeit one primarily driven by declining imports (which weigh on GDP). Economists surveyed by the National Association for Business Economics expect U.S. GDP growth to accelerate to 2.6% in 2025 from last year's 2.4%, though job growth and inflation concerns persist. Similarly, the IMF's World Economic Outlook projects U.S. growth at 2.6% for this year, with inflation expected to pick up in the second half due to tariff impacts.

There is hardly a dull moment concerning U.S. trade policy, and recent weeks have proved to be no exception. On Sept. 25, President Donald Trump announced new tariffs — effective Oct. 1 — which included a 100% tariff on branded pharmaceuticals from certain countries as well as Section 232 investigations into imports like robotics and medical equipment. Trump's trade war continues with upcoming (at the time of writing) tariff deadlines, such as a 25% tariff on all imported medium- and heavy-duty trucks effective later in October, new tariffs on timber, lumber and furniture — including 10% on softwood timber and 25% on certain upholstered wooden furniture — and an additional tariff hike on China's U.S.-bound exports.

In fact, the U.S.-China trade war — once thought to be dormant until Nov. 10, when the 90-day tariff ceasefire extension was to expire — has recently reignited. On Oct. 9, China announced enhanced restrictions on rare-earth exports, citing national security concerns. This chokehold, along with the U.S.' vice grip on technology necessary for advanced AI, has been a major point of contention in the two countries' protracted bargaining. Trump responded to the restriction by calling it "extremely hostile" and retaliating with a threat of a 100% tariff hike against China by Nov. 1 "or sooner."

The impact of these trade policies is already evident: China's exports to the U.S. fell a yearly 27% in September even as global shipments rose. Global trade expanded by roughly $500 billion in the first half of 2025 despite volatility and policy shifts. The Tax Foundation, which is known to have a conservative bias that advocates for lower U.S. corporate tax rates, estimates that the current administration's tariffs amount to an average tax increase of nearly $1,300 per U.S. household in 2025. If accurate, it is likely that this rise will be offset by the estimated $100 billion stimulus during 2026's tax refund season effected by the One Big Beautiful Bill Act.

Speaking of Washington, Treasury Secretary Scott Bessent stated that the ongoing federal government shutdown is beginning to impact the U.S. economy and citizens' lives after two weeks. Analysts estimate the shutdown could shave 10 to 20 basis points (bps) off economic growth for each week it persists, though much of the lost activity might soon be recouped once the impasse is resolved. Over 600,000 federal workers have been furloughed with states' repayment in doubt, potentially costing the national economy $15 billion per week.

Sadly for this report, the shutdown has also delayed key economic data releases, including the September labor market data.

Alternatives for official payroll data are limited, but indicated continued sluggishness in the labor market. ADP's National Employment Report — which has had a dubious correlation to official data in recent years — showed that the private sector shed 32,000 jobs in September, far below the consensus forecast of a 50,000 gain as well as August's revised loss of 3,000. The Federal Reserve Bank of Chicago estimates that the national unemployment rate most likely remained steady at 4.3%. Challenger, Gray and Christmas reported that planned layoffs fell 37% in September, but year-to-date job cuts neared 950,000 — the highest since 2020. In the trade, transportation and utilities sector (which includes transportation and warehousing), ADP data indicated a loss of 7,000 jobs.

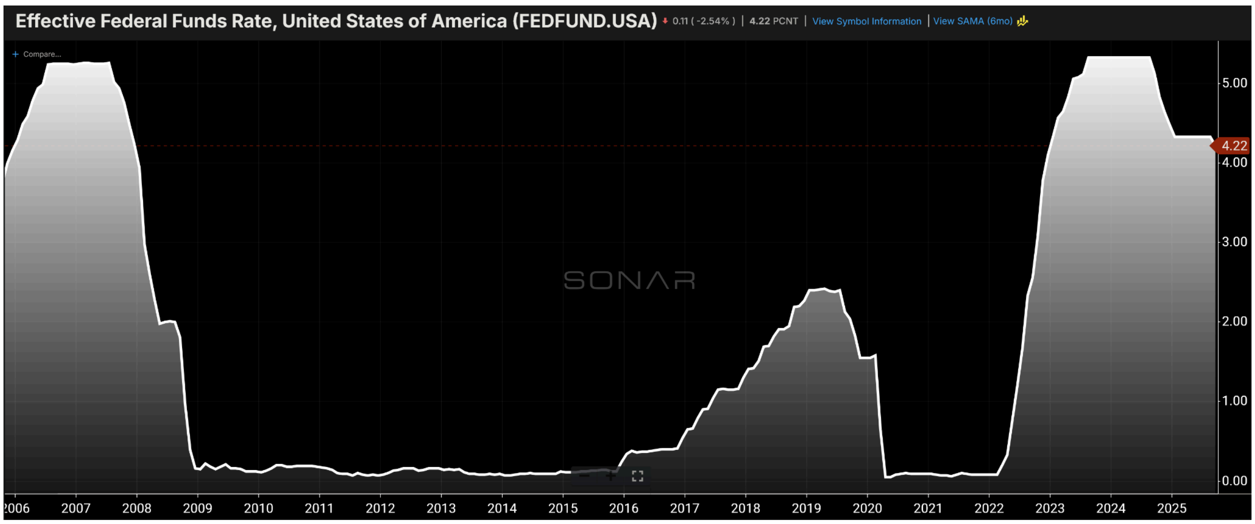

Chart: SONAR. Effective federal funds rate.

On the monetary policy front, the Fed resumed its interest-rate cutting cycle at its meeting in mid-September, bringing down rates by 25 bps. There are further indications that the Fed is making a dovish pivot: Speaking in mid-October, Fed Chair Jerome Powell remarked that "the downside risks to unemployment have risen" — the strongest hint so far that the Fed will feel justified in another 25-bps cut at its late October meeting.

Still, though the Fed is feeling an increased urgency to intervene before the labor market falls into severe contraction, the mood has not totally soured. Philadelphia Fed President Anna Paulson stated in a mid-October speech that she "anticipate[s] that 2026 will see growth near potential, and inflation rising and then subsiding as tariffs — together with current and past monetary policy restrictiveness — work their way through." Although Paulson is not presently a voting member of the Federal Open Market Committee, she will be one in 2026, making her opinion on monetary policy an important bellwether.

As seen in the rapid shifts of the U.S.-China trade war, the FOMC will find that geopolitical risk is in no short supply going forward. The IMF warns that U.S. inflation could rise in the second half of 2025 due to tariffs no longer being absorbed by importers. JPMorgan Chase CEO Jamie Dimon highlighted a heightened degree of uncertainty from tariffs and geopolitical tensions threatening the U.S. economy, despite its apparent health.

One possible canary for a new subprime debt crisis — the last of which, relating to subprime mortgages, crippled the global economy in 2007 — is the mid-September liquidation of auto lender Tricolor Holdings. Tricolor specialized in high-interest car loans to buyers with no credit history or Social Security number, including undocumented migrants in the U.S. Southwest. Its collapse could be a harbinger of many things, not least of which is higher enforcement of immigration policy. But the most concerning sign would be young peoples' inability to make payments on both student and auto loans, should Tricolor prove more than a mere outlier.

Manufacturing

Sentiment in the U.S. industrial sector is divided, at least according to the top two Fed surveys from October. Although New York manufacturers saw a rebound in business conditions, the same could not be said for their counterparts in Philadelphia. This bifurcation also held true in two major sentiment indexes, as one barely remained in expansionary territory and the other lingered just below.

After a moderate amount of doom and gloom among New York manufacturers in September, the Empire State Manufacturing Survey — conducted monthly by the Federal Reserve Bank of New York — brightened in October. The headline General Business Conditions Index leapt 19.4 points month over month (m/m) out of the red to 10.7. This surprising growth was driven by impressive gains in the indices for New Orders (up 23.3 m/m to 3.7) and Shipments (up 31.7 points m/m to 14.4). Still, supply-side inflation once again outpaced its demand-side counterpart: The Prices Paid Index gained 6.3 points m/m to reach 52.4, while the Prices Received Index rose 5.6 points m/m to only 27.2.

Whether this imbalance is worth taking seriously is a matter of debate — manufacturers in these surveys traditionally bemoan their price pressures and downplay the costs they pass on, making these indices an imperfect leading indicator for the Producer Price Index. In fact, as discussed further in the following section, most analysts believe that demand-side disinflation from August was more pronounced in September.

Regardless, surveyed firms are hopeful for future improvements: The forward-looking general business conditions index leapt 15.5 points m/m to 30.3, again driven by massive gains in the New Orders (up 18.3 points m/m to 34.9) and Shipments (up 18.1 points m/m to 31.6) indices. Taken as a whole, this performance implies that manufacturers in the region will keep their local freight markets supplied with demand over the coming six months.

Very few signs of optimism were present in Philadelphia, however. October's Manufacturing Business Outlook Survey — conducted monthly by the Federal Reserve Bank of Philadelphia — saw the headline index for general business activity crater 36.0 points m/m to minus-12.8. Bizarrely, despite this horrific performance, neither the index for new orders (up 5.8 points m/m to 18.2) nor for shipments (down 20.1 points m/m to 6.0) flipped into contraction. These two indices are typically the major drivers behind a radical change in the headline index.

Stranger yet, it is difficult to tell which of the survey's indices triggered such a plummeting sentiment. The Prices Received Index (up 8.0 points m/m to 26.8) rose at a faster rate than the Prices Paid Index (up 2.4 points m/m to 49.2), even though most surveyed firms agree that the latter's expansion is more concerning. Inventories also shrank, while employment remained stable and unfilled orders ticked down only slightly.

Even in the face of this unexpected dourness, optimism for the next six months was not yet erased. Quite the contrary: The forward-looking headline index ticked up 4.7 points m/m to 36.2, a strong and healthy reading. Judging by their indices, new orders (up 7.4 points m/m to 49.8) and shipments (up 17.4 points m/m to 48.4) are both expected to skyrocket — a rare spot of good news for a much-beleaguered trucking industry.

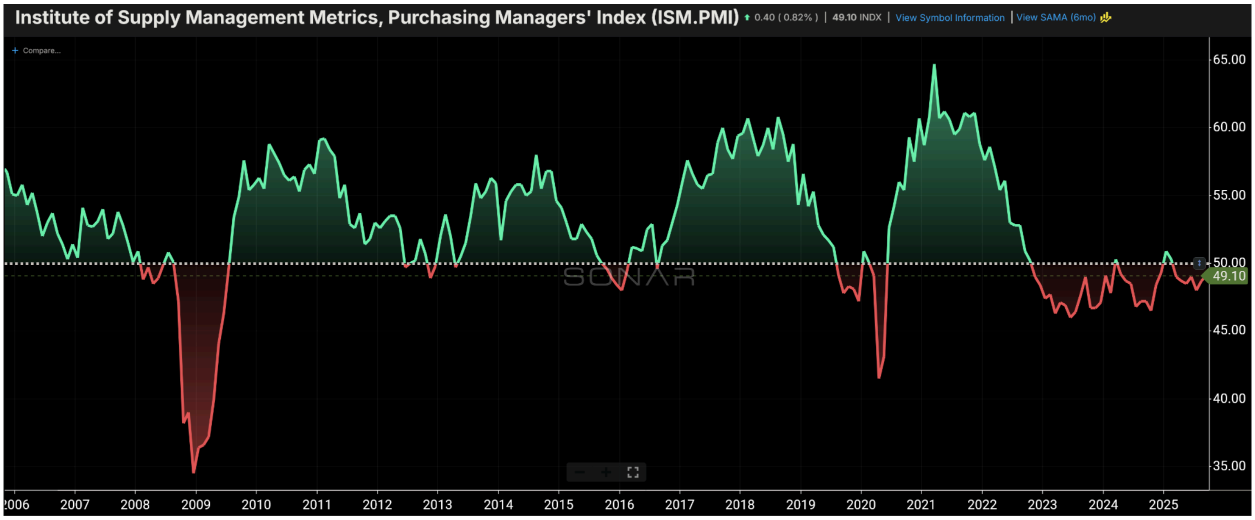

Chart: SONAR. Institute for Supply Management's Manufacturing PMI.

National sentiment indices were similarly confusing. The Institute for Supply Management's Manufacturing PMI registered 49.1% in September, marking a slight improvement of 40 bps from August but remaining in contraction for the seventh consecutive month. The subindices were also mixed: the New Orders Index fell 2.5 points m/m to 48.9%, falling back into the red after one month of growth; the Production Index rose 3.2 points m/m to 51%; and the Supplier

Deliveries Index climbed 1.3 points m/m to 52.6% which, contrary to the other subindices, is actually indicative of slower deliveries.

Among the six largest manufacturing industries, only Petroleum and Coal Products expanded as two-thirds of the overall industrial sector's GDP contracted in September. Worse still, 28% of manufacturing GDP is not only contracting but is strongly contracting. Even so, other smaller industries did report growth in the month, namely primary metals, textile mills, fabricated metal products and miscellaneous manufacturing. One thing that all of these expansionary industries have in common is that they mostly produce inputs upstream to the rest of the sector; this news is welcome, since the U.S. economy seeks to decouple itself from China and other overseas suppliers.

Maintaining its optimistic bent relative to the ISM, the S&P Global US Manufacturing PMI fell 1.0 point m/m but remained in growth at 52.0. September thus marked the ninth consecutive month of expansion for the index, albeit at a pace below the historical average. Weaker gains in production and new orders were to blame for the month's slower rate of growth, but these ills were offset by expectations of reshoring manufacturing production.

Chris Williamson, chief business economist at S&P Global Market Intelligence, summarized the report's findings: "Despite a slowing in demand growth, many factories produced more goods, using up raw materials that had been stockpiled ahead of tariff implementation. This poses a downside risk to future production in the absence of a pickup in demand, though also hints at some alleviation of price pressures: there is already evidence of companies offering excess stock to customers at reduced rates."

This latter insight aligns more with recent trends in the Producer Price Index (discussed further below) than the performance of price indices in New York's manufacturing survey. "A growing uncertainty," Williamson continued, "relates to supply chains, with September seeing an increase in tariff-related vendor delays, which threaten to curb production and push up prices if these difficulties persist or intensify." Unfortunately, this observation correlates with findings from the ISM's PMI, which also saw supplier deliveries slow in the month.

Consumer conditions and retail

Given the federal government shutdown that began on Oct. 1, no official data on retail sales as well as on consumer or producer inflation has yet been released. That said, Bank of America forecasted that headline retail sales in September was likely flat on a monthly basis, with sales minus automobiles and gasoline down 0.4%. This prediction runs counter to the consensus forecast for a 0.4% m/m rise in both categories, but Bank of America has a stellar track record whenever its prediction diverges from the norm.

	Sep-25	Aug-25	Jul-25	Jun-25	May-25	Apr-25
Gas	2.8%	0.6%	-1.1%	1.1%	-2.3%	-0.3%
Furniture	-1.3%	0.3%	1.0%	-0.2%	-0.6%	-0.4%
Home improvement	-0.2%	-0.3%	0.9%	1.8%	-3.8%	-1.5%
Clothing	-1.1%	0.4%	0.9%	1.2%	-0.3%	-1.7%
Grocery	0.2%	0.0%	0.3%	1.0%	-1.3%	0.0%
General Merchandise	0.2%	0.3%	0.7%	1.2%	-0.7%	0.2%
Department Store	-1.4%	-0.8%	0.4%	0.8%	-0.5%	-2.2%
Restaurants	-0.1%	0.4%	-0.1%	0.6%	0.1%	0.1%
Lodging	0.2%	-0.3%	0.9%	-1.1%	0.0%	0.1%
Airlines	-1.0%	2.5%	8.5%	-1.9%	0.4%	-1.9%
Total online retail (card not present)	-1.1%	2.1%	1.1%	0.7%	0.4%	0.4%

Source: BAC internal data. Card not present is largely online but could include purchases made over the phone. Gas includes convenience store purchases as well. The Home improvement, General Merchandise and Department store categories have been adjusted and restated. This has no impact on total retail spending.

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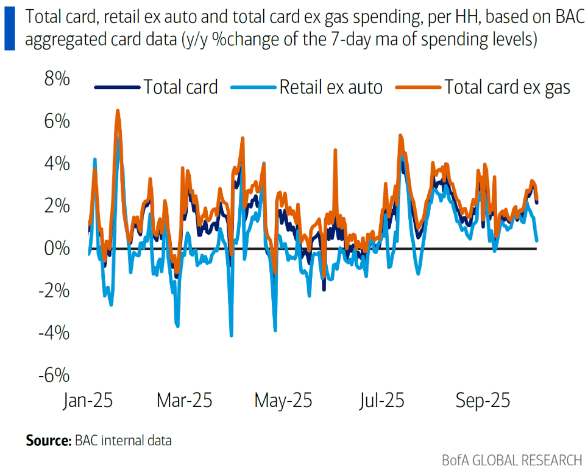
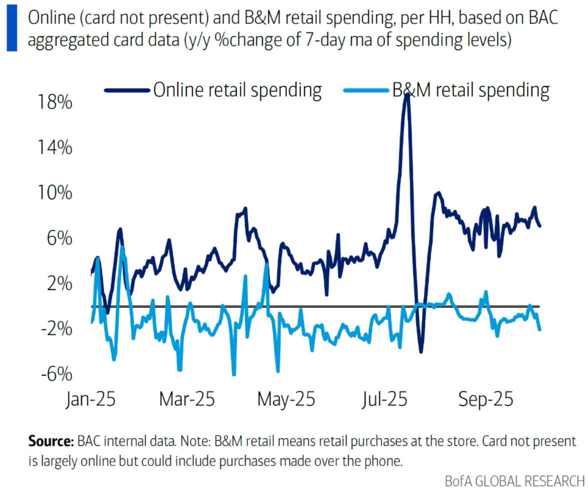
Source: Bank of America

This track record is, in no small part, due to its direct access to card spending data. Total card spending per U.S. household, as measured by Bank of America's aggregated credit and debit cards, was up 2% y/y in September and only a modest 0.2% m/m. Aside from spending on gas (up 2.8% m/m, likely owing to increased demand from the back-to-school season), spending was weak in several key categories, including online retail and clothing (both down 1.1% m/m), furniture (down 1.3% m/m), and department stores (down 1.4% m/m).





Source: Bank of America

In breaking with consensus, Bank of America's analysts noted that August's retail sales figures were buoyed (as expected) by a favorable seasonal adjustment — namely, Labor Day's being on Sept. 1, which pulled much of the spending for Labor Day weekend forward into August. Yet August's gain must necessarily be September's loss, with the bank forecasting a 0.4% m/m loss in retail sales excluding autos, gas, building materials and restaurants.

Bank of America is quick to caution that undue weight should not be placed on a September slowdown, given the three-month surge in consumer spending from June to August. Were a weak month for retail sales the only alarm bell ringing, it might be easier to follow this advice. But there is a growing wave of unease as cracks begin to form in the portrait of U.S. consumer health.

Restaurants, for instance, are historically a useful leading indicator of discretionary spending trends when the U.S. consumer suffers economic hardship. A team of analysts at UBS, led by Dennis Geiger, have warned that "lower-income consumer weakness [is] spreading to at least middle-income consumers," judging by restaurant traffic data and conversations with public and private restaurant chains. It goes without saying that, since consumer spending accounts for roughly three-quarters of GDP, early signals of a slowdown should not be taken lightly.

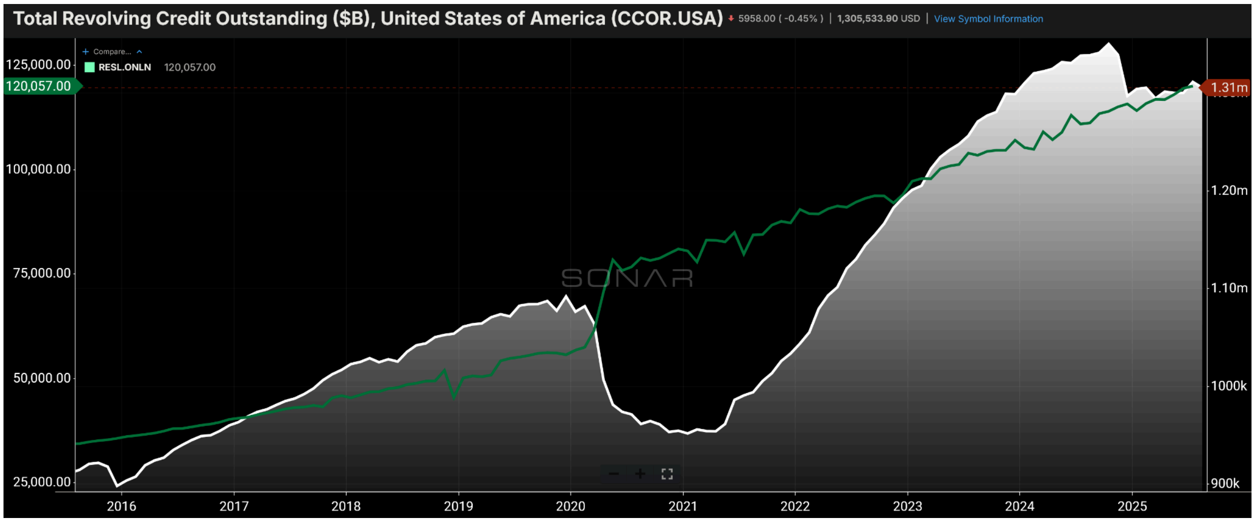


Chart: SONAR. Total revolving credit outstanding, in billion USD.

U.S. households are indeed growing more wary of relying on credit as inflation continues its upward march. The latest Fed data showed that total credit rose in August at an annualized rate of only 0.1%, a sharp correction from July's 4.3% gain and the slowest pace in six months. While the consensus forecast was for a $14 billion rise, the actual increase of $363 million was less than 3% of that prediction.

Most concerning for trucking markets, however, was the fact that August's tepid performance was driven by a major slowdown in revolving credit (a category that includes credit card debt). Revolving credit fell 5.5% or $6 billion in August, in line with Bank of America's analysis above. In times of economic uncertainty, it is always difficult to interpret trends in revolving credit — if demand for credit slows, it could mean that consumers are simply unable to afford taking on more debt. On the other hand, if revolving credit accelerates, it might instead imply that consumers are running out of cash on hand, and instead papering over the gaps with credit.

To avoid getting caught in such a double-bind, consumer sentiment data can serve as the tiebreaker. The University of Michigan's preliminary Index of Consumer Sentiment for October favors the bearish interpretation, as it edged down to 55.0 — marking a five-month low and a 22% y/y loss as households expressed pessimism about their finances. "Pocketbook issues like high prices and weakening job prospects remain at the forefront of consumers' minds," wrote Joanne Hsu, director of consumer surveys at the Institute for Social Research. "At this time, consumers do not expect meaningful improvements in these factors." On the bright side, the survey also revealed that consumers have largely shrugged off the government shutdown.

A separate sentiment survey, the Conference Board's Consumer Confidence Index, affirmed this pessimism. The headline index declined 3.6 points to 94.2 in September — its lowest level since April — largely caused by a 7-point drop in the Present Situation Index. The Expectations Index also fell 1.3 points m/m to 73.4. September thus marks the eighth consecutive month in which this latter index was below the threshold of 80 that has historically signaled a looming recession. The silver lining here (if any) is that while such indicators might have been reliable prior to the pandemic, many of them have since been exhausted of their predictive powers.

Indeed, recent comments from banking executives suggest the opposite trend: In an October earnings call, Wells Fargo's chief financial officer Mike Santomassimo stated, "You see strong consumer spend and stable deposits. Those things kind of paint a picture of a consistently strong consumer. Even though what you read about … would lead you to believe that they're being more cautious, our results just say that there's a high degree of consistency without any real pockets of slowing."

Similarly, JPMorgan CFO Jeremy Barnum noted that the "current facts on the consumer side" show that spending is robust, delinquency rates are below expectations, and the consumer is healthy overall. Even so, Barnum cautioned: "There are risks, and the fact that things are fine now doesn't mean they're guaranteed to be great forever." One such risk would obviously be a resurgence of inflation that stifles consumer spending.

Official releases of supply- and demand-side inflation data have been delayed by the federal government shutdown, though the Federal Reserve Bank of Cleveland posted its "nowcast" of the Consumer Price Index. The Cleveland Fed predicts that the CPI rose 0.4% m/m and 3% y/y in September, in line with Wall Street's consensus.

If true, this performance would mark an unwelcome continuation of August's 0.4% m/m rise, which was slightly higher than the 0.4% m/m gain forecasted. If September's inflationary pressures match those of August, such a gain would largely be driven by rising prices in the services sector. On the one hand, service-driven inflation is not greatly connected to U.S. trade policy but, on the other, it threatens to be indicative of a far stickier trend than if goods prices were to rise.

Similarly, September's print of the Producer Price Index has been delayed indefinitely, but the median forecast put the headline PPI at 3.3% y/y growth. This forecast translates to a 0.5% m/m drop, keeping up August's disinflationary 0.1% m/m decline. The lack of positive growth in the PPI makes the survey data from manufacturers — which claims inflationary pressures that are greater upstream than downstream — somewhat difficult to take at face value.

Housing and construction

Since falling from this cycle's peak at 7.79% in October 2023, the average rate on a 30-year fixed mortgage has remained solidly rangebound between 6% and 7%. In 2022-23, rising mortgage rates did not — as they normally do — deter prospective buyers from purchasing homes, given a rare combination of low inventory levels and a nationwide shift to remote work that made rural housing more attractive.

But this dynamic has not held over the past year, as intractably high mortgage rates are weighing on housing market activity. Per Freddie Mac, the current average rate on a 30-year fixed mortgage stands at 6.27%, 1 bp lower m/m and 17 bps lower y/y.

Existing-home sales, which comprise the vast majority of home sales in the U.S., stalled out in August. According to the National Association of Realtors, sales of existing homes edged 0.2% down from July at an annualized rate of 4 million. August's performance barely made a dent compared to July's upwardly revised 2% m/m rise, however. Yearly comparisons varied by region, with sales rising in the Midwest and West but falling in the Northeast and South. The median sales price of an existing home thankfully retreated 0.8% m/m yet remained 2% above year-ago levels at $422,600.

As with most official datasets typically covered in this report, details on September's housing starts and building permits have been delayed by the government shutdown. At the time of writing, the consensus forecast is for housing starts to remain unchanged from August's 1.31 million but for building permits to see a healthy 3% m/m bump.

This forecast is made more credible with the October release of the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index, which gauges national sentiment around single-family construction. The headline index rose 5 points from September to 37 — its highest reading since April and the largest m/m jump since the beginning of 2024. Also, for the first time since last January, future sales expectations broke above the no-change mark of 50 into expansion, with a 9-point m/m rise bringing the index to 54. The other components, current sales conditions and traffic of prospective buyers, also saw growth but remained stuck in deep contraction.

"While recent declines in mortgage rates are an encouraging sign for affordability conditions," wrote NAHB Chairman Buddy Hughes, "the market remains challenging. The housing market has some areas with firm demand, including smaller builders shifting to remodeling and ongoing solid conditions for the luxury market. However, most home buyers are still on the sidelines, waiting for mortgage rates to move lower."

The future nevertheless seems bright, with NAHB Chief Economist Robert Dietz adding, "The HMI gain in October is a positive signal for 2026 as our forecast is for single-family housing starts to gain ground next year." Dietz continued, "Combined with anticipated further easing by the Fed, builders expect a slightly improving sales environment, albeit one in which persistent supply-side cost factors remain a challenge."

Freight Market Overview

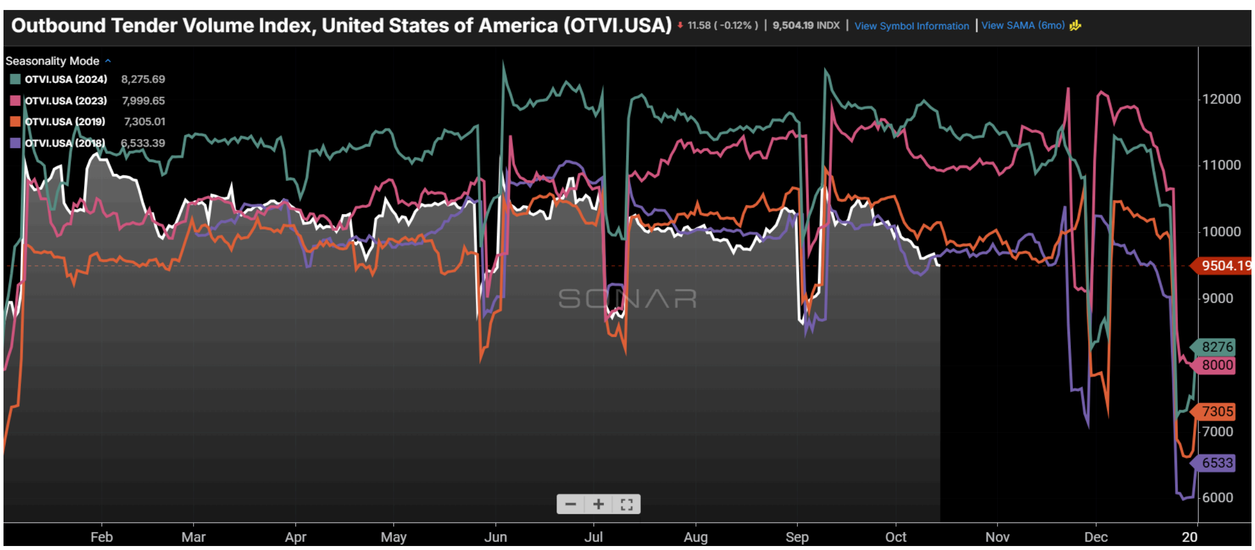
National Summary

After adjusting for Labor Day effects, September showed slightly stronger freight demand compared to prior months. However, that momentum faded as the calendar turned to October. The narrative then shifted to the supply side, as capacity came into question following ICE raids targeting immigrant and non-domiciled drivers. These actions caused a brief spike in spot rates. Although unexpected and disruptive, the impact resembled that of a smaller Roadcheck week—felt primarily in the spot market.

Intermodal demand held firm through September but weakened sharply in early October as international container volumes declined. Import demand underperformed compared to last year throughout September, as much of the peak shipping activity had been pulled forward into the summer. China's Golden Week holiday further dampened volumes in early October, though demand rebounded above 2023 levels shortly after, following Trump's threat of an additional 100% tariff on Chinese goods.

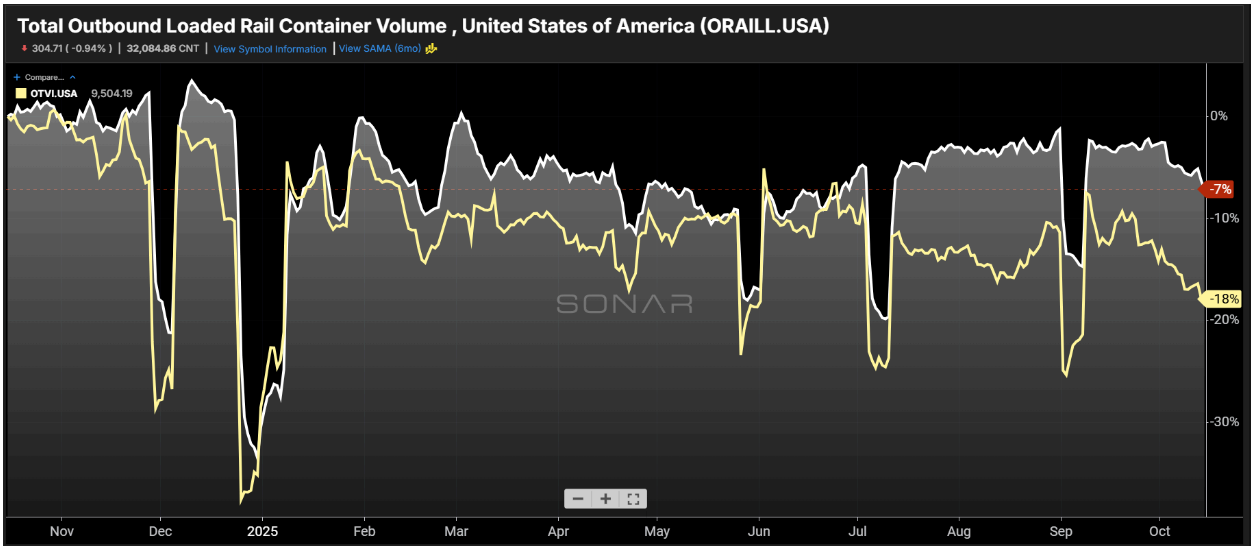
Trucking

The supply (capacity) and demand curves in trucking are moving in the same direction, creating a challenging environment to predict and navigate. Tender volumes are down sharply year over year, yet rejection and spot rates have remained relatively flat since early in the year. This counterintuitive relationship reflects a prolonged period of oversupply and depressed rates.

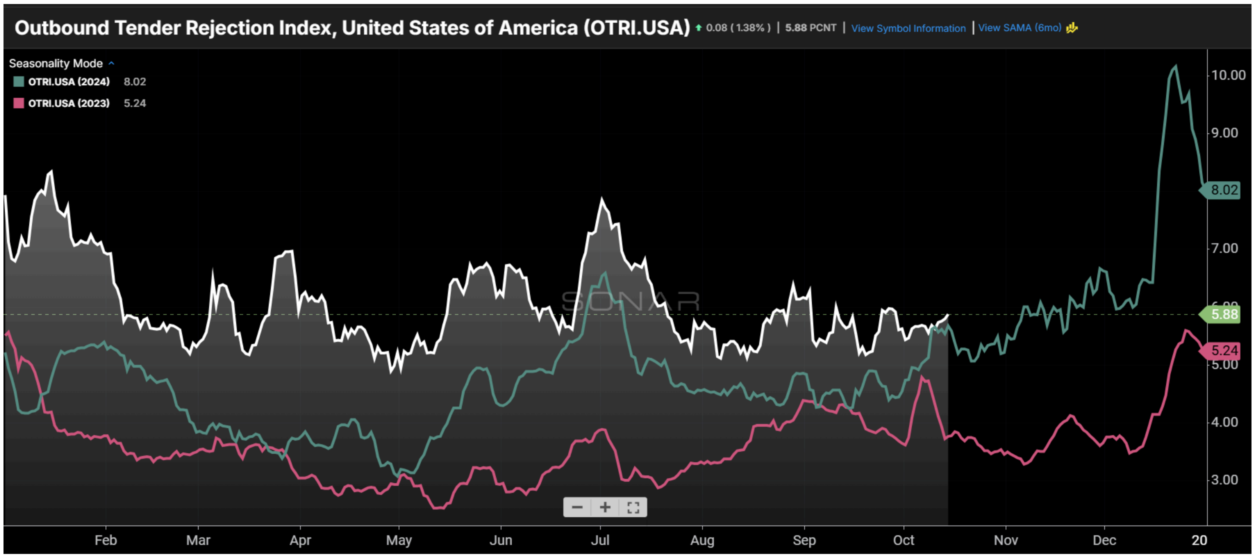


National tender volumes saw a seasonal bump in September before falling rapidly in early October, also in line with seasonal trends. The more concerning issue is not the recent decline but the continued underperformance compared to 2024, with volumes now aligning with 2018 and 2019 levels. Truckload demand remains weak but appears to have found a floor and is following more traditional seasonal patterns.

It's important to note that 2024's OTVI may have been inflated by pull-forward or atypical shipping activity, as it failed to follow normal seasonal trends after September. This suggests we should discount 2024's OTVI values somewhat. Still, the current demand deterioration is significant.

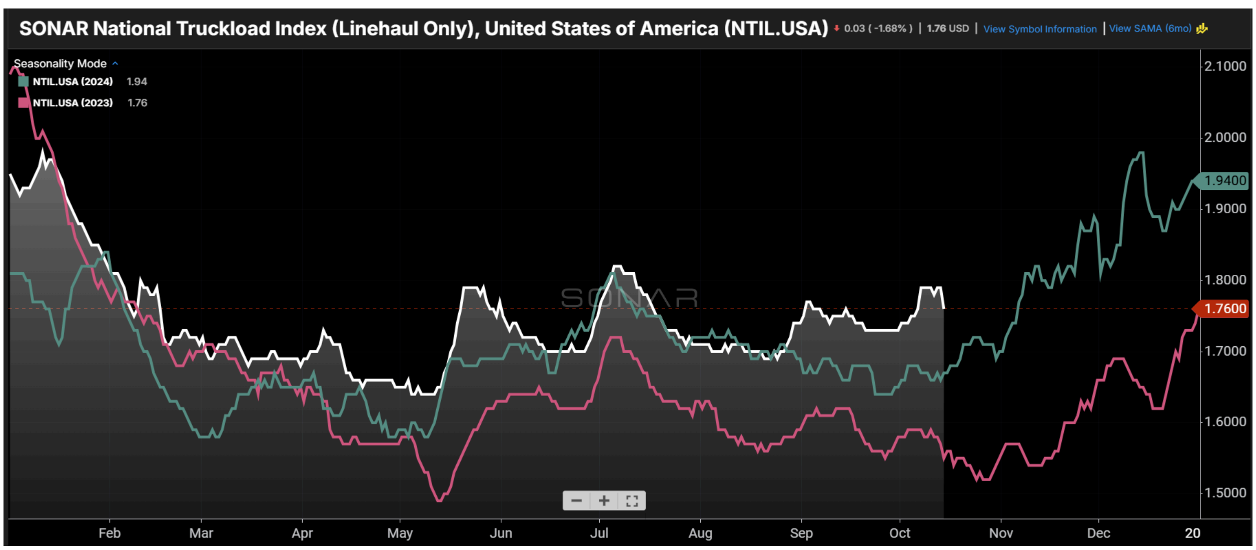


Intermodal competition continues to contribute to lower truckload tender volumes, but economic weakness in the goods sector is also playing a growing role. As of mid-October, the OTVI was down 18% year over year, while loaded container volumes fell 7%—the steepest annual declines of 2025 for both modes. However, tougher year-over-year comparisons make this look more severe than it may be.



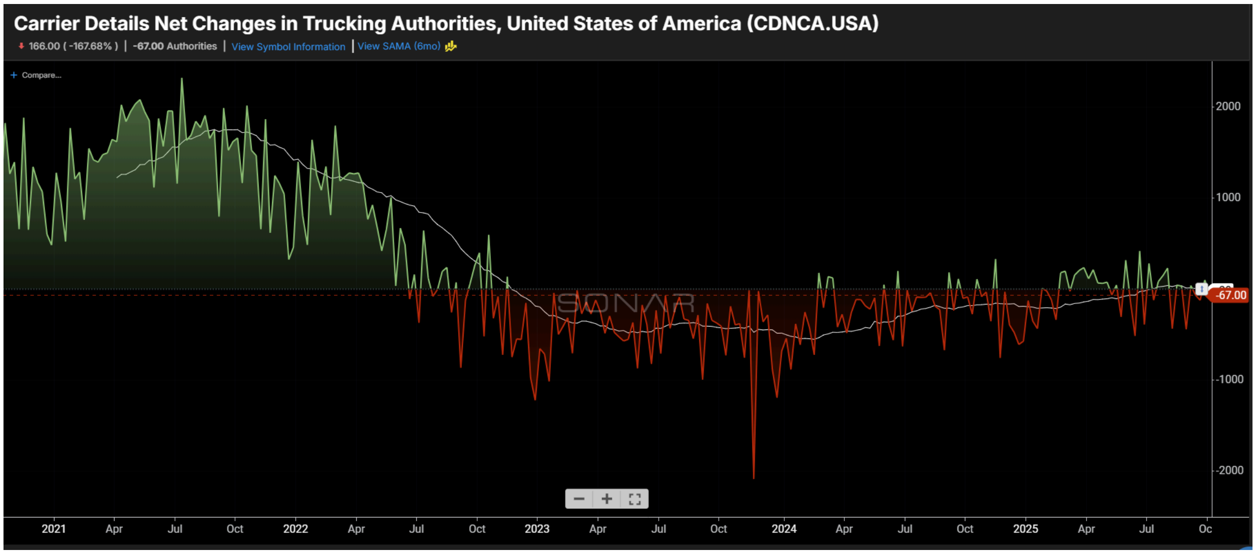
Despite falling demand, the national Outbound Tender Rejection Index (OTRI) has remained relatively resilient. While OTRI briefly touched 2024 levels in early October, it has not fallen below them. Last year's spike was tied to a port labor strike and Hurricane Milton's landfall. Upcoming year-over-year comparisons for November and December are made more difficult due to stronger-than-normal 2024 holiday pressure.

From mid-September to mid-October, OTRI averaged 5.6%—not indicative of a tight market or rising rates, but still an improvement from 4.8% in the same 2024 period. It also represents a slightly faster annual increase than seen from 2023 to 2024.

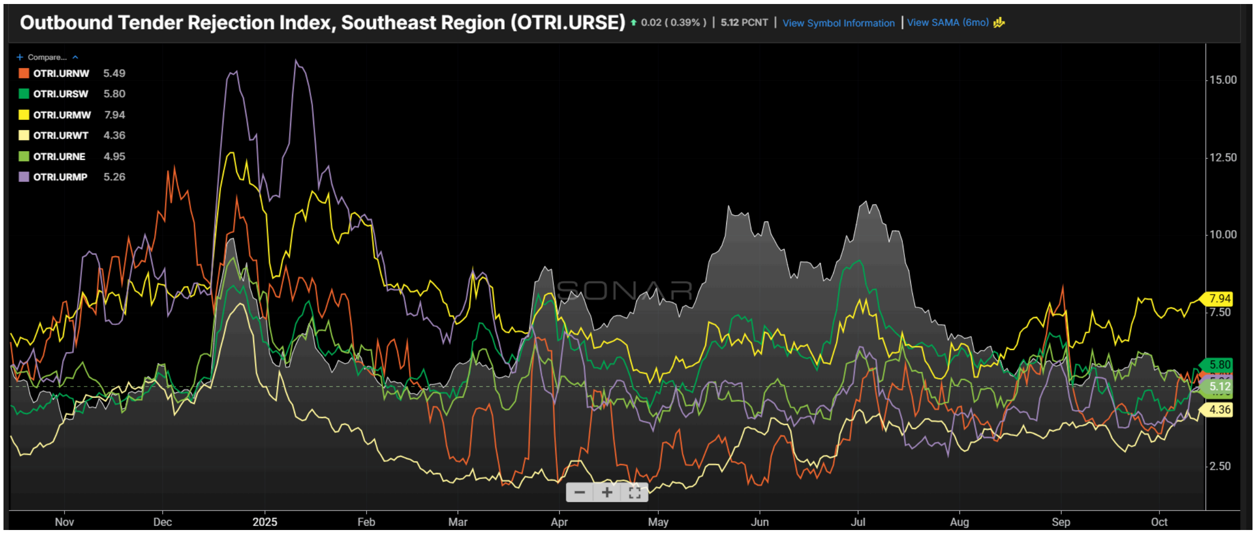


Spot rates excluding fuel (NTIL) diverged from 2024 levels in September and rose sharply in early October, largely due to reports of ICE raids targeting immigrant drivers. A Serbian news article advised Eastern European drivers to stay off the roads, fearing detainment of both legal and undocumented operators. This primarily affected the spot market, where many of these drivers operate, rather than the contract market. No indicators from spot or tender data suggest a demand-driven reason for the increase in rates.

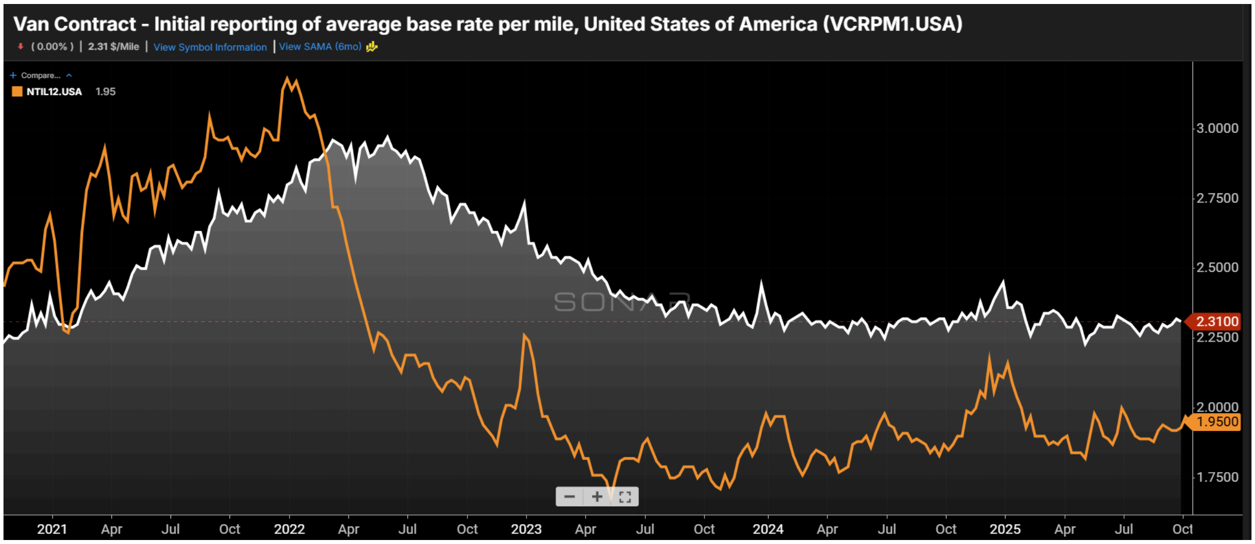
Tender rejections remained stable through the period, reflecting their bias toward larger fleets, which are more insulated from this driver population. However, larger carriers could still face gradual impacts if enforcement continues to limit non-domiciled drivers' participation.



The primary driver of capacity reduction remains the extended stretch of difficult market conditions—now over three years long—for transportation service providers. Net changes in active operating authorities continue to trend negative. Heightened regulatory enforcement acts more as a "topping on the cake" than a primary cause, though it may prolong future tightening cycles by raising barriers to entry.



Regionally, rejection rates are becoming more uniform across the U.S., reversing the widening spread seen last year. The Northwest was an outlier in October, though it remains the smallest and most volatile region. In June, rejection rates ranged from 2.14% in the Northwest to 9.15% in the Southeast (a 701 bps spread). By mid-October, the spread had narrowed to 358 bps, with rates of 4.36% in the West and 7.94% in the Northwest. National averages were nearly identical in both periods—5.6% and 5.9%, respectively.

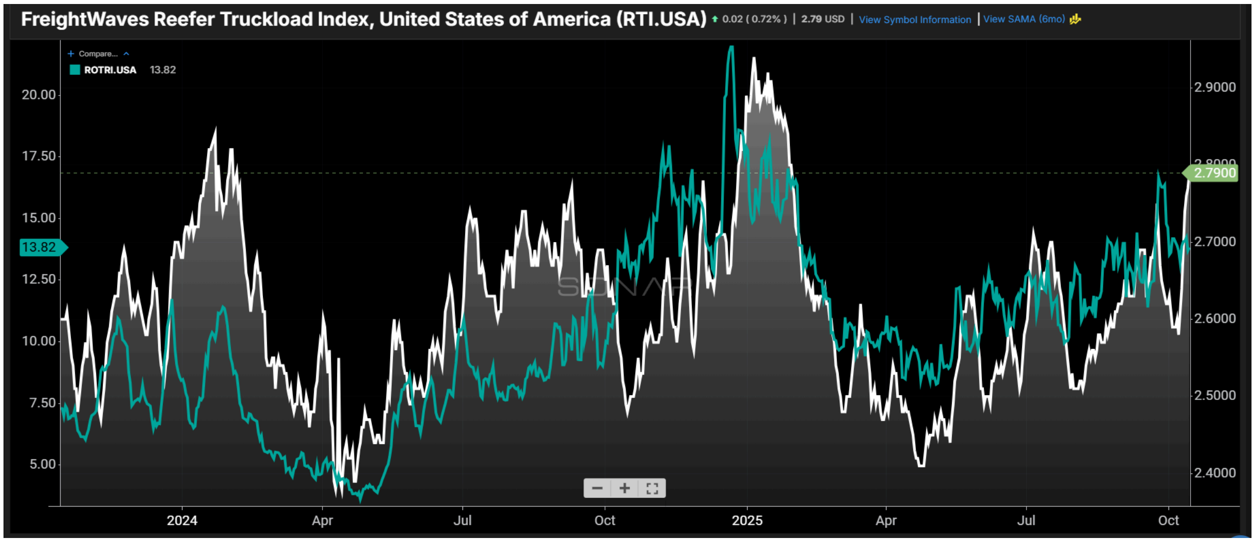


Contract rates remain in a holding pattern. Dry van contract rates (VCRPM1) are essentially flat year over year (+0.4%) with minimal volatility, though still elevated relative to spot rates—indicating room for further declines. Shippers appear to have eased their cost-reduction initiatives, while carriers have shown greater pricing discipline, with several publicly traded carriers walking away from unprofitable freight.

It's clear that carriers are struggling, and further downward pressure on rates would likely accelerate an eventual market correction. The timing and severity of that shift remain uncertain, especially with weak demand delaying a rebound.

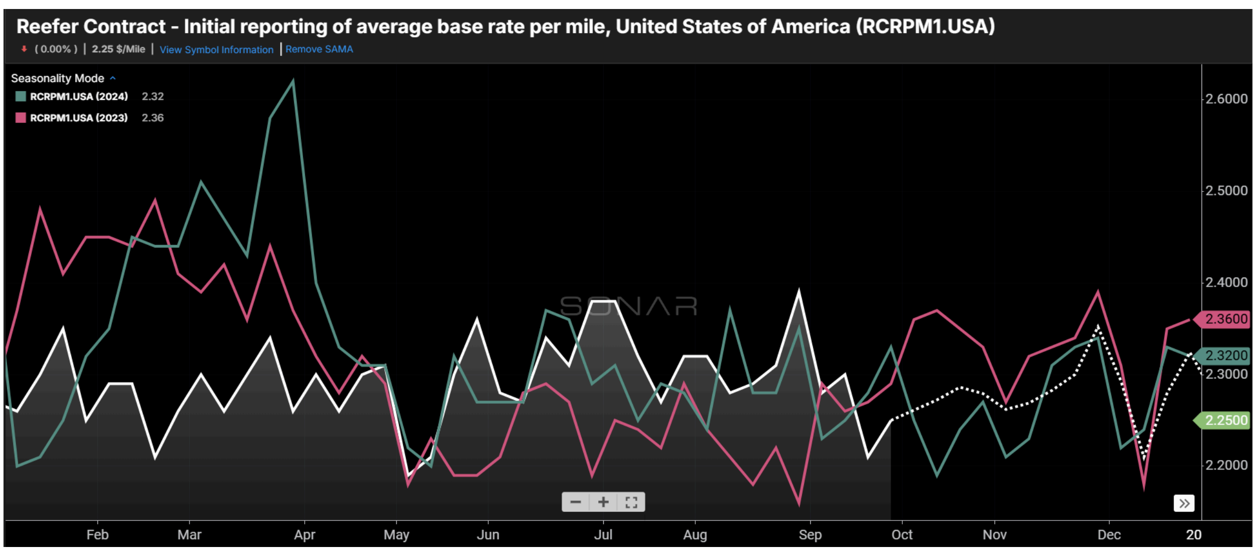
In the LTL sector, pricing remains inflationary in higher freight classes, while denser classes face downward pressure. Carriers still hold some pricing power, though it is gradually waning. The 2023 exit of Yellow, the nation's third-largest LTL provider, temporarily boosted rates, but that effect continues to fade. While the LTL market remains more resilient than truckload due to fewer competitors and Yellow's absence, some carriers are now feeling the effects of weaker demand. Cost controls have helped them weather the downturn.

Reefer

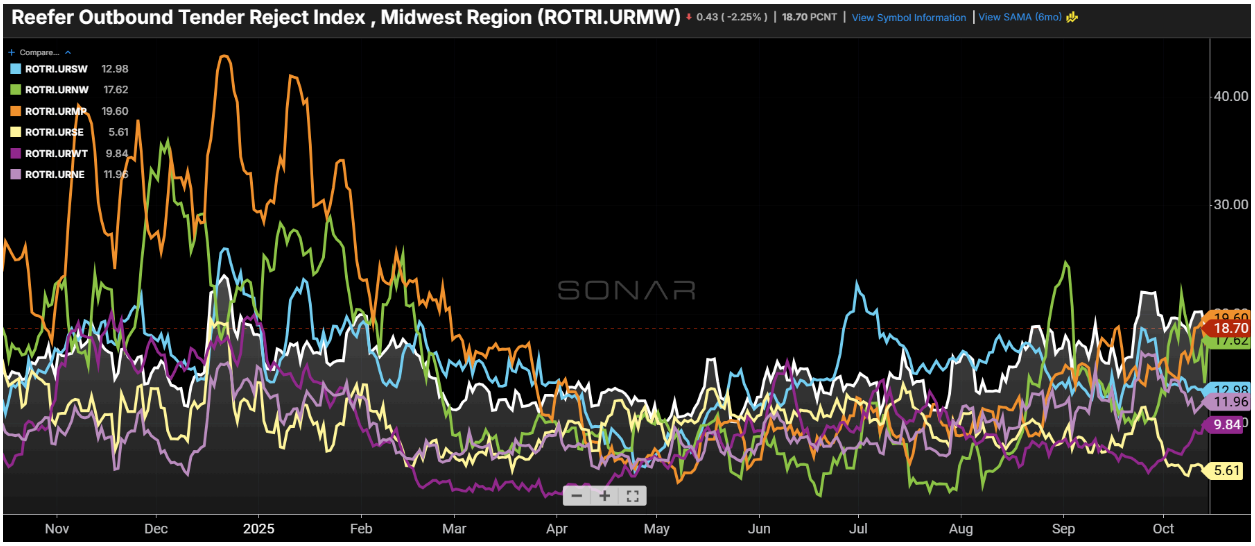


Refrigerated capacity appears to be tightening slightly faster than the dry van market, which has remained mostly flat in 2025. Both refrigerated spot rates (RTI) and rejection rates (ROTRI) have trended higher since April, though not significantly above 2024 levels.

A new seasonal pattern has emerged since the pandemic, with rates rising in the fall and peaking in January—an inversion of pre-COVID seasonality, when spring and summer were stronger.



Shippers and carriers seem to have adapted to this shift. Contract rates didn't surge last spring as they had in the two prior years, indicating more caution from carriers after several false starts in raising long-term prices. The reefer market, roughly one-third the size of dry van, remains more volatile but has shown unusual contract rate stability this year.

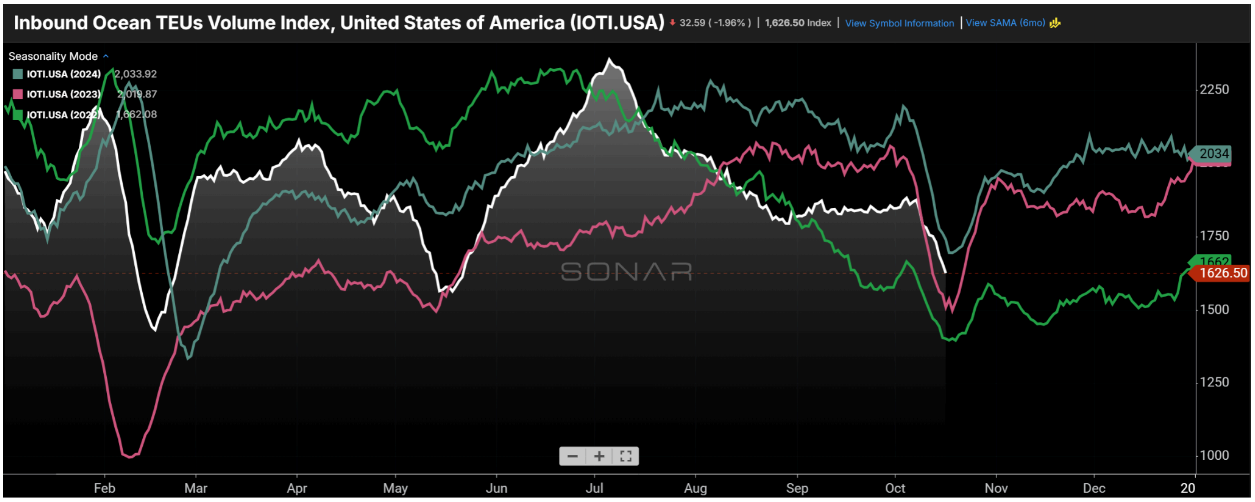


Regionally, reefer rejection rates are following seasonal norms: the Midwest leads with the highest rejections, while the Northwest and Mountain regions are tightening due to harvest pressure. Western harvest activity has been less intense than in the past two years, while the Southeast—after an active summer—now has the lowest rejection rates in the nation.

Rejection spreads have narrowed across regions but risen overall from last year. While no immediate signs of disruption exist, capacity exits across all truckload sectors continue, leaving the reefer market vulnerable to volatility in the months ahead. However, there are still no indications of sustained inflationary pressures at this time.

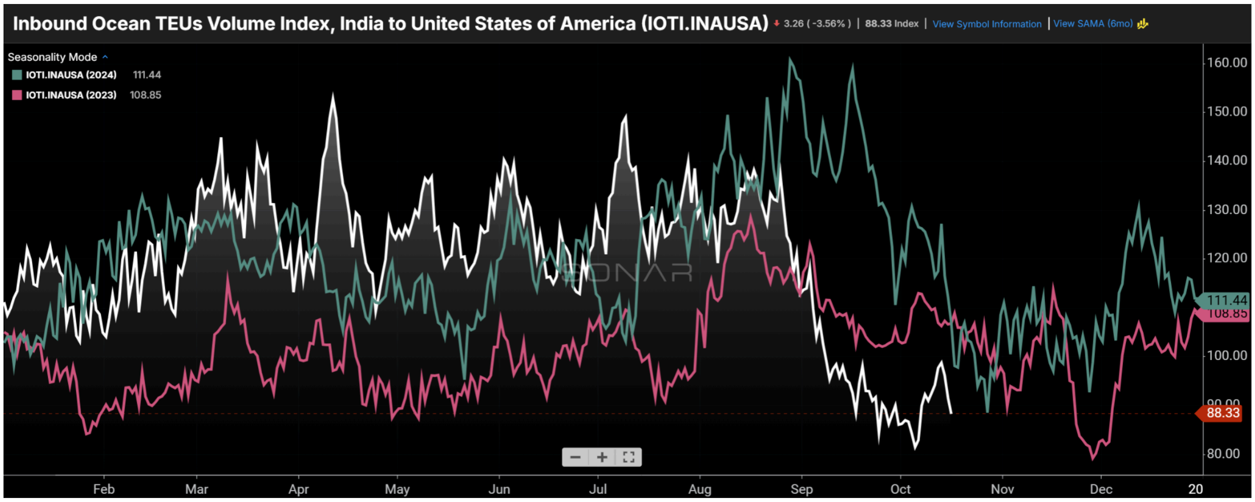
Maritime

U.S. imports appear set to drop at double-digit percentages in the fourth quarter, ending about a 15-month run where port authorities set many records. This, of course, was due to a pull-forward of imports to avoid tariffs and, before that, last year's pull-forward of imports to avoid a possible ILA strike. Executives at the Port of Los Angeles and the National Retail Federation are among those expecting fourth-quarter imports to be down double-digits. That assertion is supported by SONAR data on overseas bookings volume of containerized imports, which were down 13% in September. Importantly, bookings had no noticeable uptick ahead of China's Golden Week, a major holiday that runs from October 1-8. That is another weak signal that U.S. import demand will be weak in the fourth quarter.



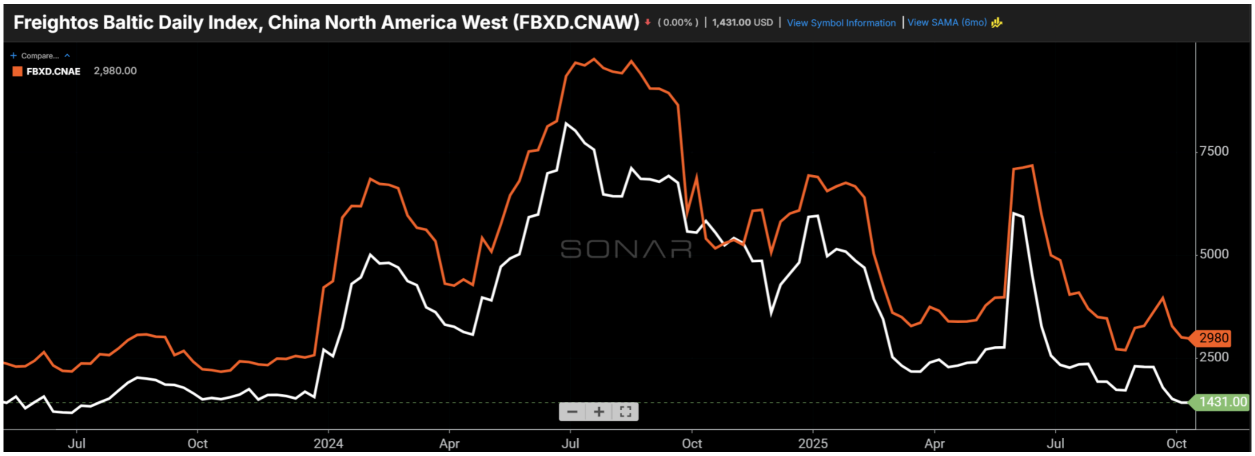
Booking volume for containerized U.S. imports from India fell off most significantly after the imposition of a new tariff, which brings the combined tariff on India to 50%. According to Flexport, low-value goods from India are not economical at current tariff levels. Much of what is imported from India fits that description, as textiles and clothing are two of the largest categories. The SONAR Maritime Trade Console shows that the U.S. East Coast ports are the ones that will lose volume as a result of a decline in imports from India. As a result of the tariffs and drop in volume, it appears that there will be an oversupply of maritime capacity in India in the near term, barring a major redeployment of vessels.

On the topic of another targeted set of tariffs, Flexport said that it has not seen a surge in orders to move furniture ahead of potential tariffs on furniture, but it has seen shippers cancel or delay some U.S. furniture imports.

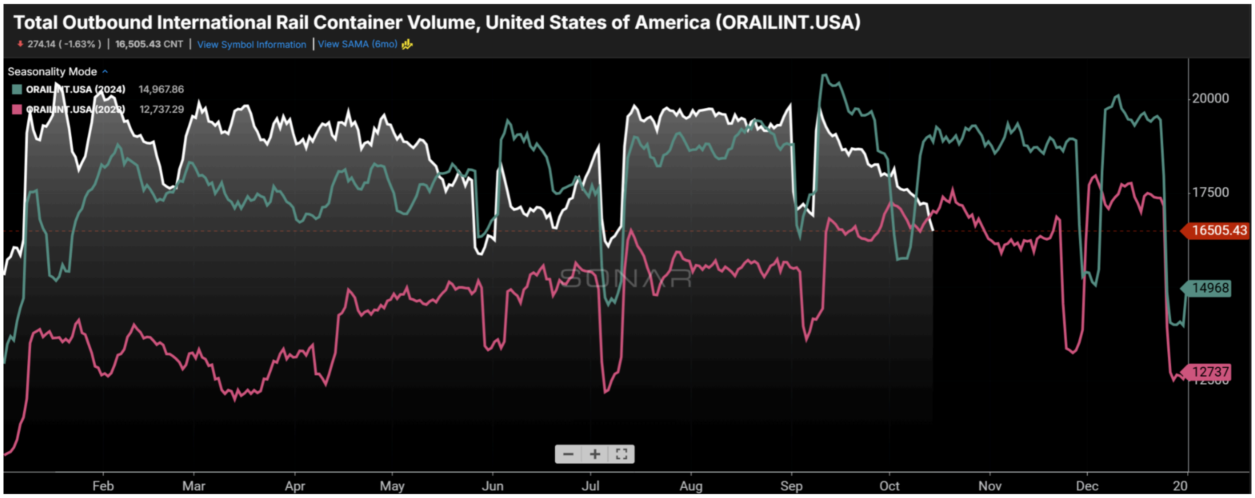


Maritime spot rates to move 40' containers from China to the U.S. are now at their lowest levels since before the start of the Red Sea attacks. They are particularly low in routings from China to the U.S. West Coast. The East Coast ports look to be regaining some market share as freight shipments become less time-sensitive seasonally and there are no major delays at the Panama Canal. The spread between spot rates from China to the U.S. East Coast and the U.S. West Coast is about $1,500/container, about $500 more than the average, which suggests that shippers currently have a preference for all-water routes to the East Coast.

To stave off further rate declines, carriers are redeploying equipment from China-to-U.S. routings to China-to-Europe routings and blanking additional sailings. Shippers that have had their containers rejected should know that it does not reflect a true shortage of capacity, but rather, carriers are managing capacity down by blanking sailings. In the near-term, most ocean carriers are not expecting to return to the Red Sea and will likely do so only after it's clearer that returning to the Red Sea reflects a longer-term change in plan.

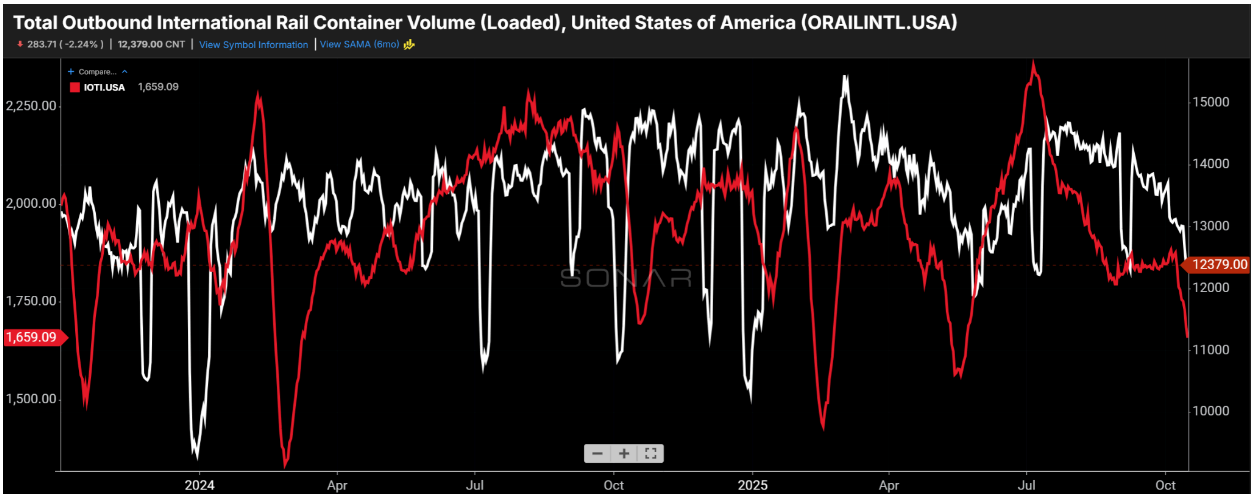


Intermodal/Rail



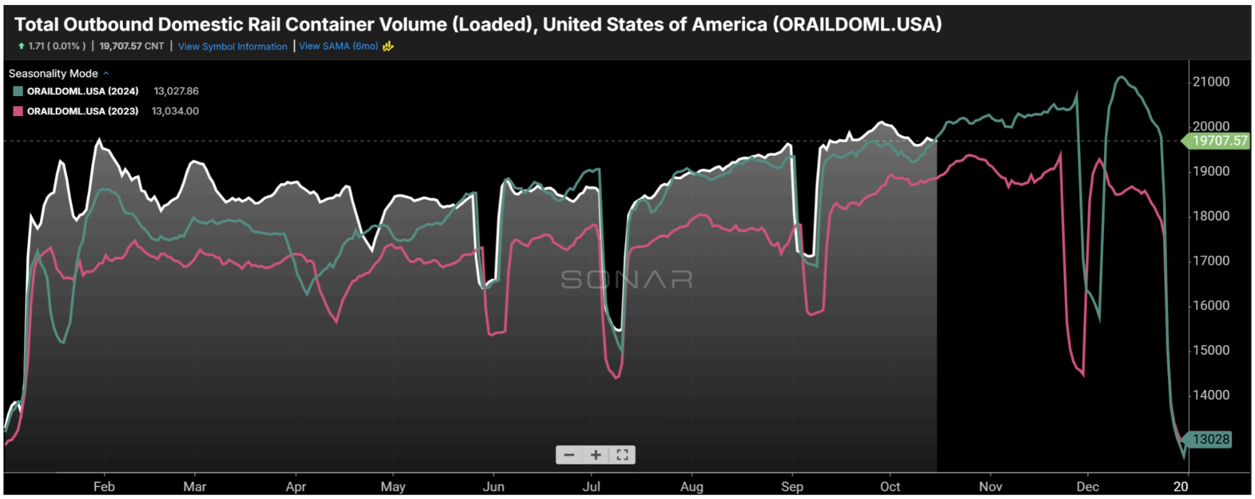
Intermodal volume should be segmented between international and domestic – a truism that is more relevant this year than most. The international intermodal segment has been far more volatile in response to changes in trade policy than the domestic segment. Import volumes at the U.S. ports have just finished up an extended period of strength that lasted about 15 months, which was driven, first, by avoiding ILA labor issues, and then related to avoiding tariffs.

Going forward, the outlook for the fourth quarter is that import volumes and international intermodal volume may decline by double-digit percentages year over year, against a difficult comp with the year-ago period. In addition to a decline in import volume, port market share is expected to shift in the direction of the East Coast ports, which is another factor detrimental to international intermodal volume.



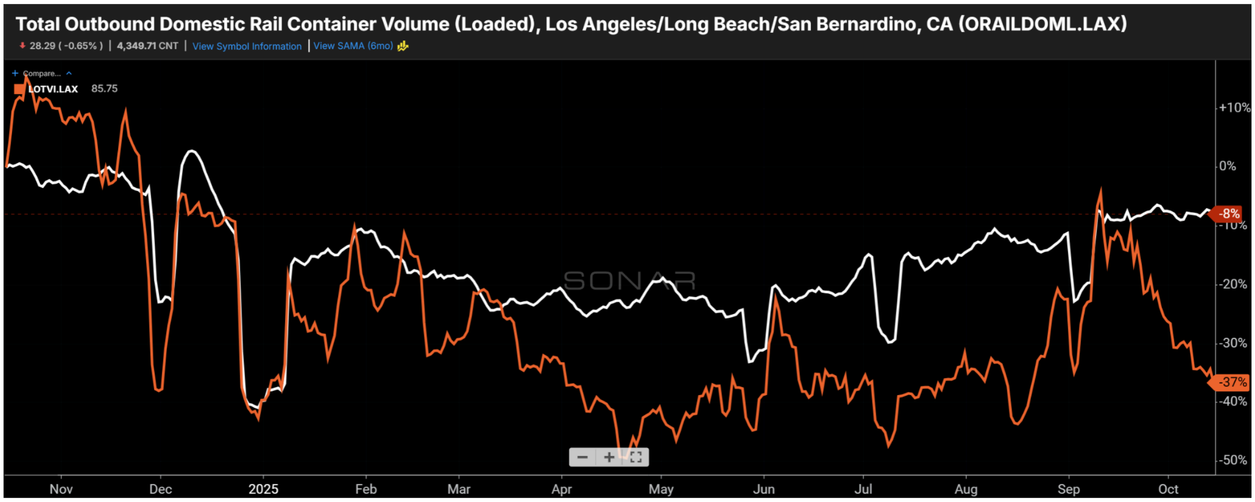
Meanwhile, domestic intermodal volume has been more consistent all year and has also performed much better in September and the first half of October. J.B. Hunt, the largest domestic intermodal provider, said on its third-quarter analyst call that its customers are expecting a peak season this fall despite the pull-forward of imports and this year's unusually early "peak season surcharges." The rationale is that there is still considerable intermodal demand forthcoming associated with positioning inventories from upstream locations near ports, such as the California Inland Empire, to downstream locations closer to consumption centers.

In addition to putting idle containers to work, in the absence of real freight growth in the economy, intermodal carriers have been focused on network balance and improving efficiencies. One way they are doing that is by raising rates on headhaul lanes while lowering rates on backhaul lanes.



Domestic intermodal volume has greatly outperformed truckload tender volume this year. That's been driven by the availability of domestic intermodal containers, acceptable rail service levels, and the import pull-forward, which reduced the time-sensitivity of a large portion of imports.

Domestic intermodal volume has outperformed truckload tenders across the board, but that has been especially evident when limiting the data sets to heavy intermodal outbound locations and comparing containerized intermodal volume only to long-haul (> 800-mile) truckload tenders. The SONAR chart below compares domestic intermodal volume outbound from the L.A. region (which includes San Bernardino and the Inland Empire) to long-haul truckload tenders outbound from the same region – they are down 8% and 37% year over year, respectively.



Solid domestic intermodal volume levels are also being supported by meaningful spreads in rates versus truckload. The SONAR Intermodal Dashboard shows savings rates between intermodal contract rates and dry van contract rates, including fuel surcharges for both modes in 67 lanes that contain substantial intermodal traffic. The savings rates in most of those lanes exceed the historical 10%-15%, and in some cases, are much higher, such as L.A. to Chicago, where the savings rate is currently 35%. The early stages of a freight market recovery will likely see those spreads widen initially because truckload contract rates are often priced at more frequent intervals than intermodal contracts.

MODE OPTIMIZATION

Lane	Intermodal					Truckload				Conversion Insights
	% Change MoM	% Change YoY	Spot Rate	% Change MoM	% Change YoY	Contract Rate	% Change MoM	Spot Rate	% Change MoM	Contract Savings
Los Angeles to Chicago	-0.71%	-4.14%	$1.65/mi	-5.54%	21.35%	$2.10/mi	5%	$2.12/mi	2.91%	35.4%
Ontario to Joliet	0%	-5.56%	$1.65/mi	-5.54%	21.35%	$2.07/mi	5.61%	$2.07/mi	7.81%	35.18%
Chicago to Los Angeles	-5.6%	-1.67%	$0.72/mi	0%	-10.25%	$1.49/mi	2.05%	$1.41/mi	8.46%	21.89%
Chicago to Ontario	-4.5%	2.91%	$0.72/mi	0%	-10.25%	$1.59/mi	1.92%	$1.45/mi	5.07%	34.23%
Joliet to Ontario	-11.81%	-11.81%	$0.72/mi	0%	-10.25%	$1.58/mi	1.28%	$1.46/mi	8.96%	30.51%
Los Angeles to Dallas	1.47%	1.47%	$2.20/mi	-8.12%	21.69%	$2.22/mi	0.91%	$2.40/mi	-2.44%	12.7%
Ontario to Dallas	0.48%	0.48%	$2.20/mi	-8.12%	21.69%	$2.16/mi	0%	$2.40/mi	1.27%	7.59%
Chicago to Dallas	4.17%	-5.66%	$2.20/mi	0.25%	5.7%	$2.24/mi	2.28%	$2.18/mi	5.83%	11.22%

Outlook

The freight market is entering the early stages of the holiday shipping season without a clear signal on whether demand will be muted. Economic conditions suggest that spot rate volatility will be elevated but unlikely to last long enough to drive a meaningful increase in contract rates.

While this season may be slower from a demand perspective, shippers still have plenty of reasons to prepare for potential service disruptions and to limit reliance on the spot market.

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Rates have already spiked several times this year, even outside of holiday periods. Drivers may also require higher pay to be persuaded to stay on the road through the holidays, as standard rates may no longer be enough to justify missing home time or risking extended delays.