

HEDGEYE



# Transportation Primer

EXPD, FDX, UPS, CP, CNI, UNP,  
NSC, CSX, ODFL, SAIA, KNX, SNDR

May 2, 2024



## Industrials

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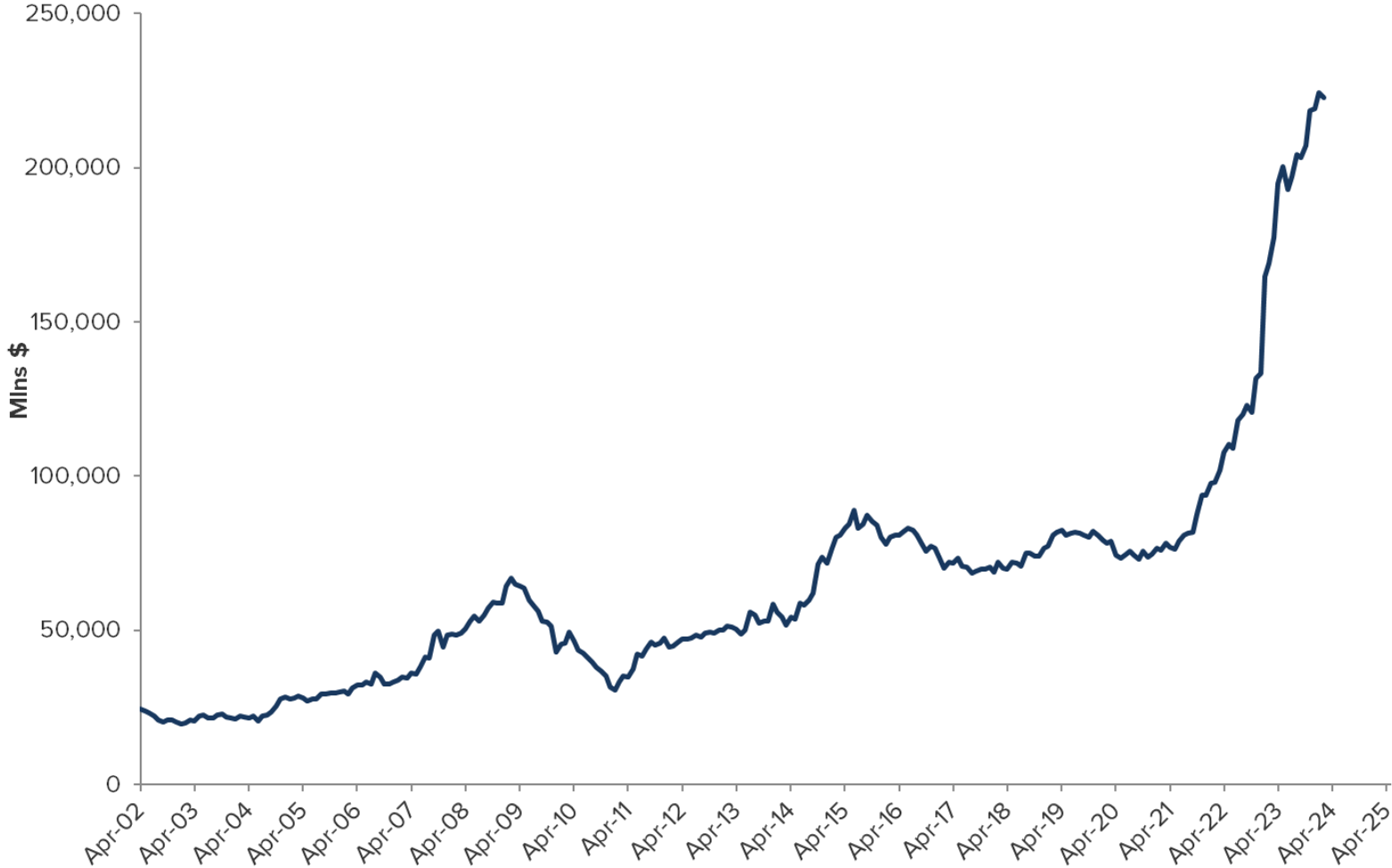
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# When Thinking About Reshoring...This Might Be Helpful

### U.S. CONSTRUCTION SPENDING MANUFACTURING, SAAR



DATA SOURCE: CENSUS BUREAU, HRM ESTIMATES

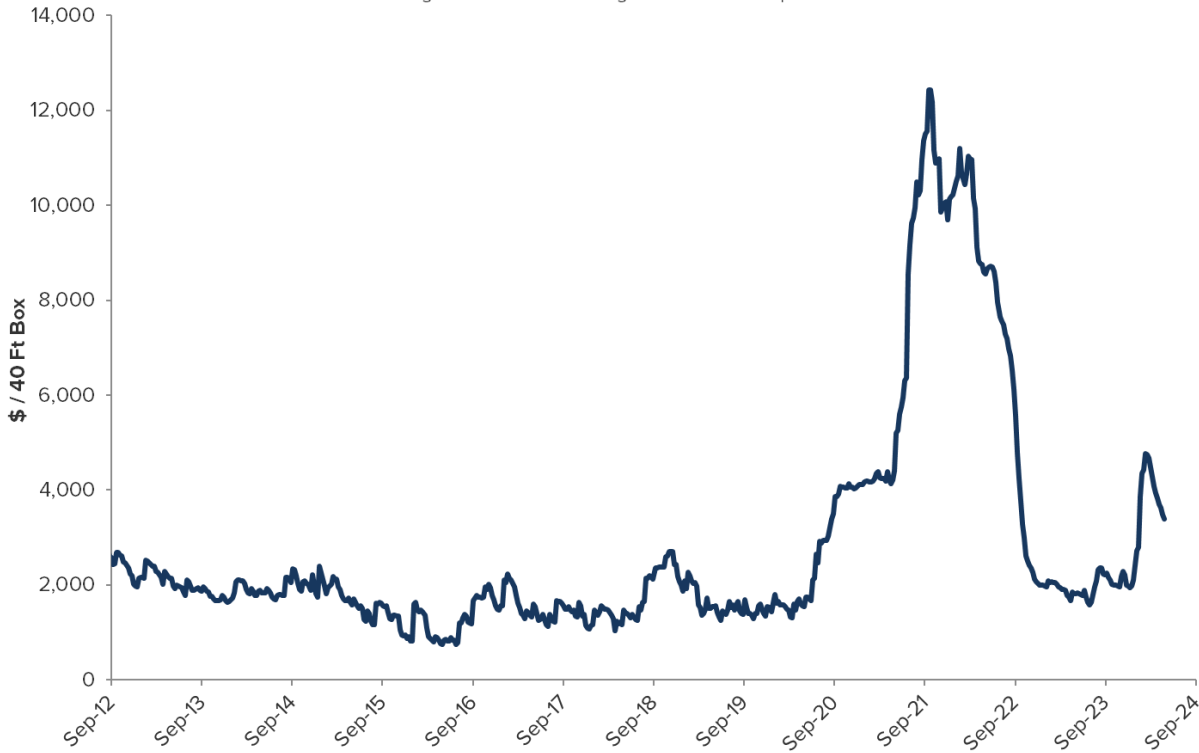
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# International Shipping Interesting

More than rates, the Red Sea issues act like slow steaming, sucking up capacity with longer routes

### WCI SHANGHAI TO LA CONTAINER RATE

— WCI Shanghai to LA Container Freight Benchmark Rate per 40 Foot Box

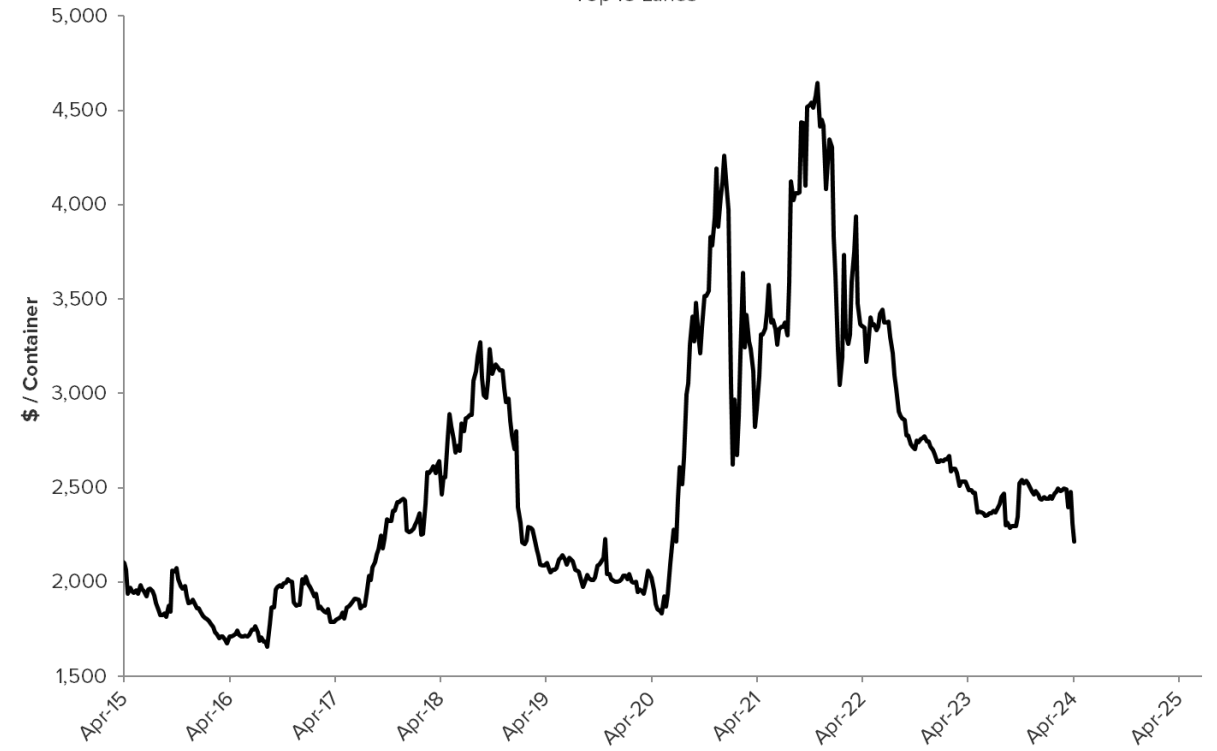


DATA SOURCE: DREWRY, HRM ESTIMATES

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### INTEK INTERMODAL SPOT RATES, 53 FT CONTAINER

— Top 18 Lanes



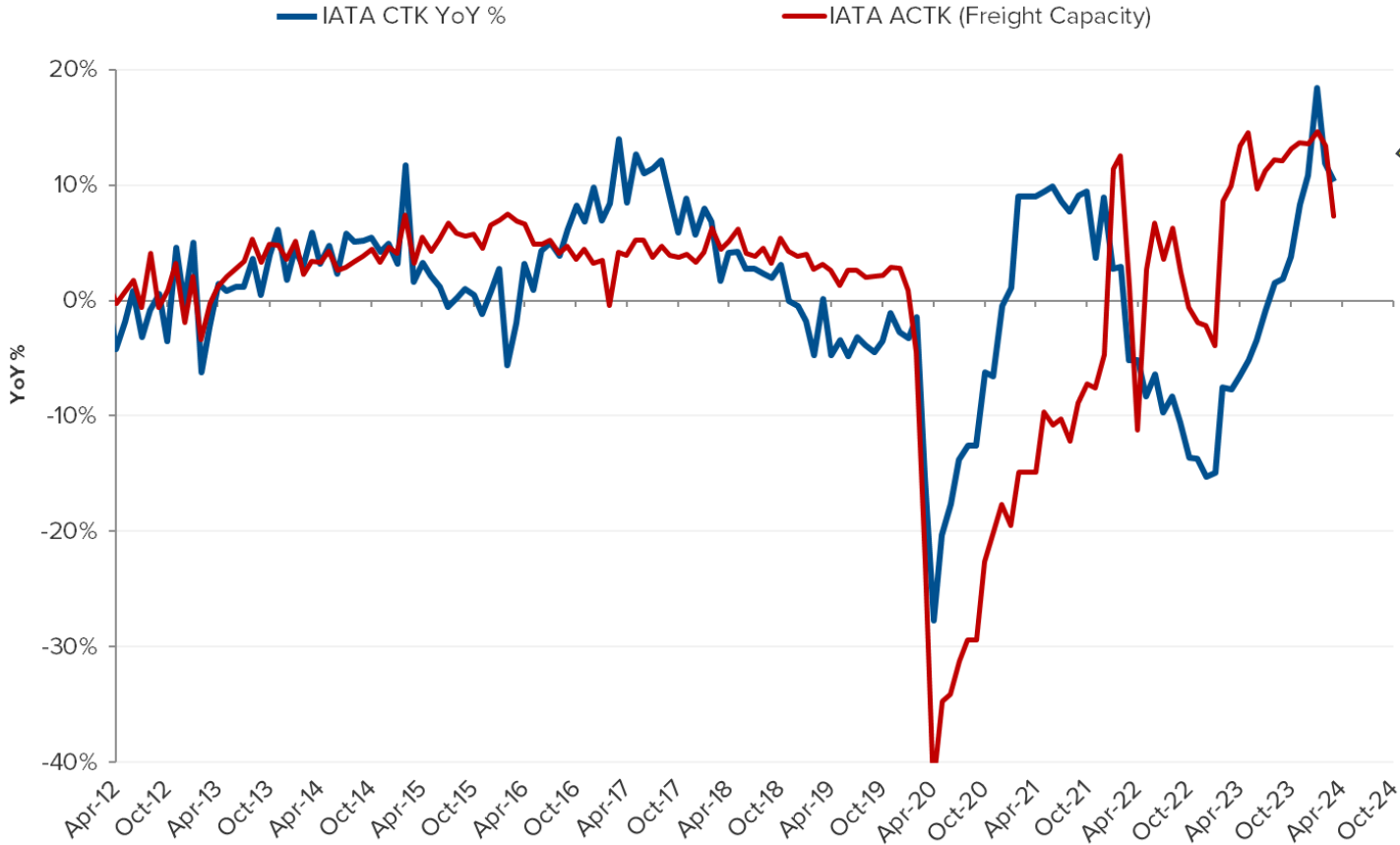
DATA SOURCE: INTEK, HRM ESTIMATES

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# Air Cargo Demand Outstripping Capacity (Finally!)

Belly space additions have kept the red line over the blue line since early 2022 – only a couple of months into normalization.

### GLOBAL IATA FREIGHT GROWTH VS. CAPACITY GROWTH



DATA SOURCE: IATA, HRM ESTIMATES

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# Cargo Load Factor Coming Out Of A Long Winter

### GLOBAL IATA YOY CHANGE IN LOAD FACTOR



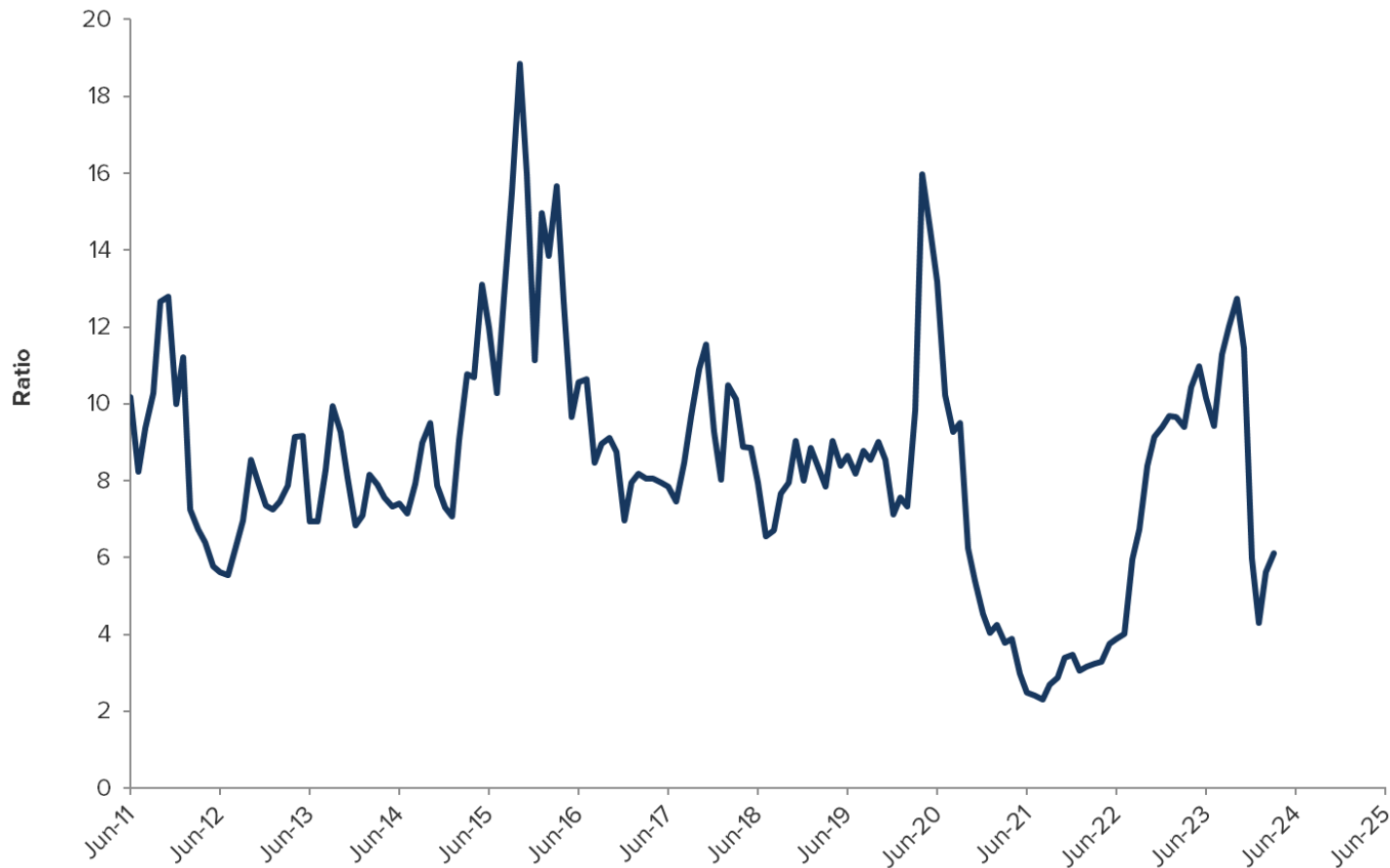
DATA SOURCE: IATA, HRM ESTIMATES

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# This Shows Air Cargo Is A Bargain! Sort Of

Air cargo likely benefited from soaring shipping rates in 2021, 2022. That said, we think a lack of belly space dominated.

## AIR CARGO PRICING RELATIVE TO OCEAN CONTAINER PRICING



DATA SOURCE: DREWRY, HRM ESTIMATES

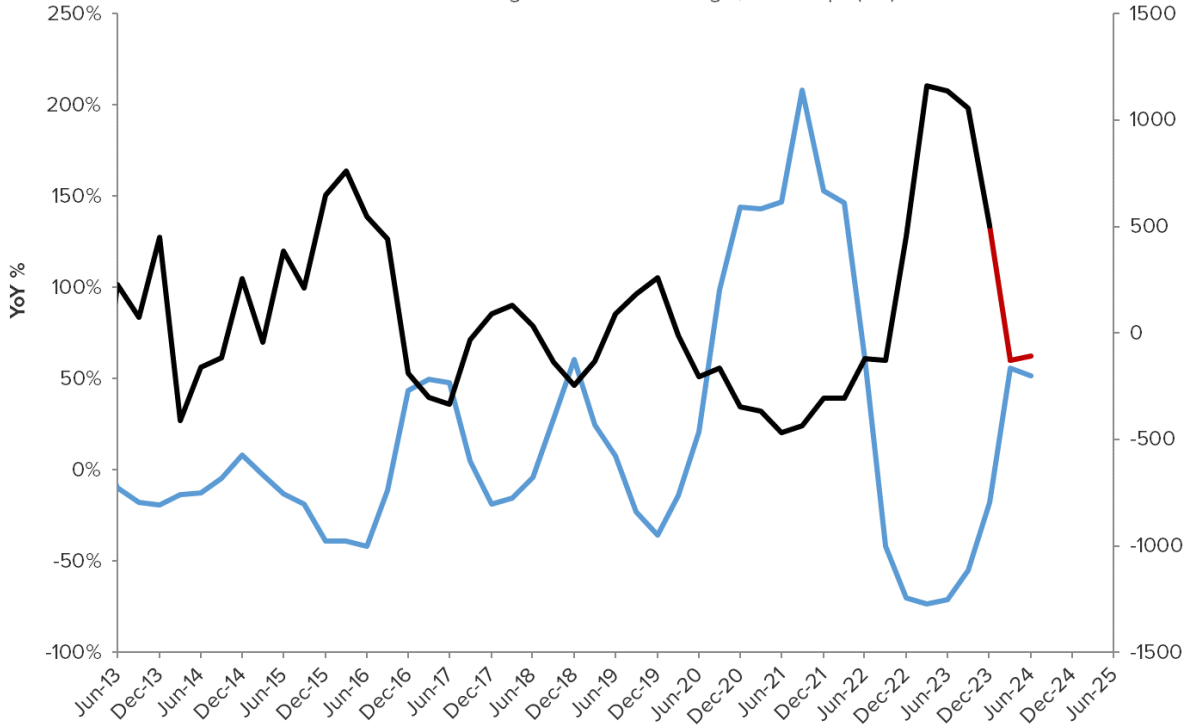
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# Tracker Indicates Ocean Margin Up Starting ~2Q

The data should trend a bit better into 2H24

**SHANGHAI / LA OCEAN FREIGHT PRICES VS. EXPD OCEAN FREIGHT NET REVENUE MARGIN**

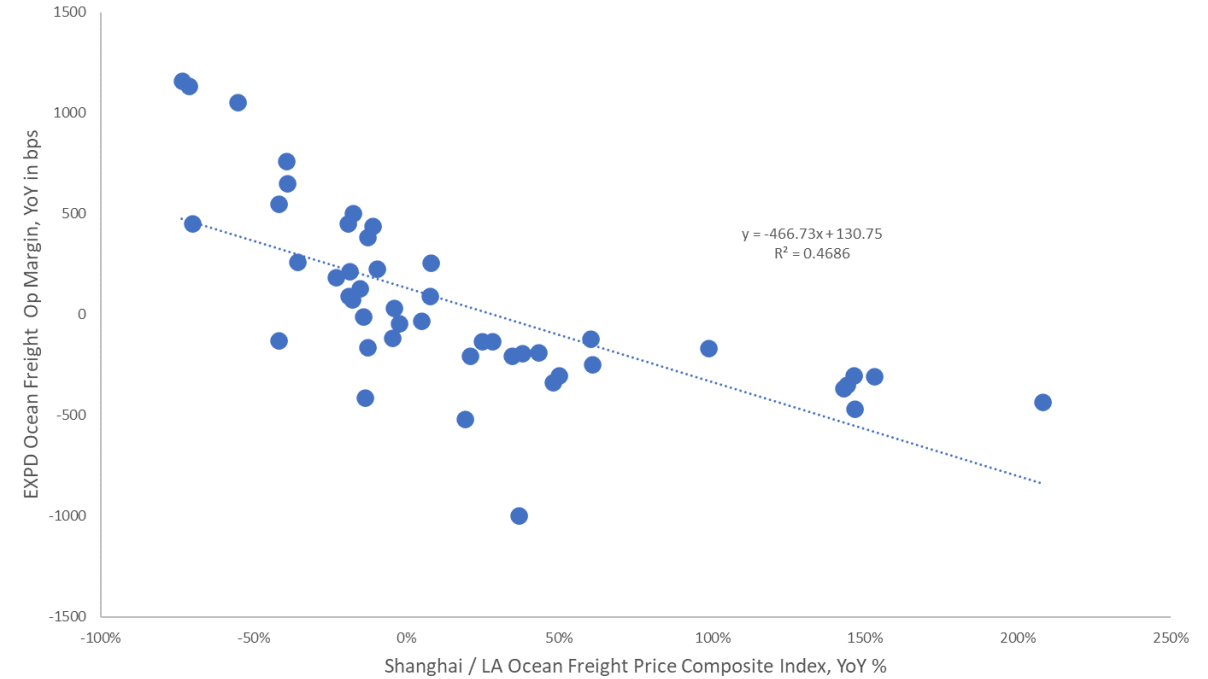
— Shanghai / LA Outbound & Inbound Price Composite  
 — EXPD Ocean Freight Net Revenue Margin, YoY in bps (rhs)



DATA SOURCE: COMPANY FILINGS, BLOOMBERG, HRM ESTIMATES

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**Shanghai / LA Ocean Freight Price Composite vs. EXPD Ocean Freight Net Revenue Margin YoY (Since 1Q12, Coincident)**



DATA SOURCE: COMPANY FILINGS, BLS, HRM ESTIMATES

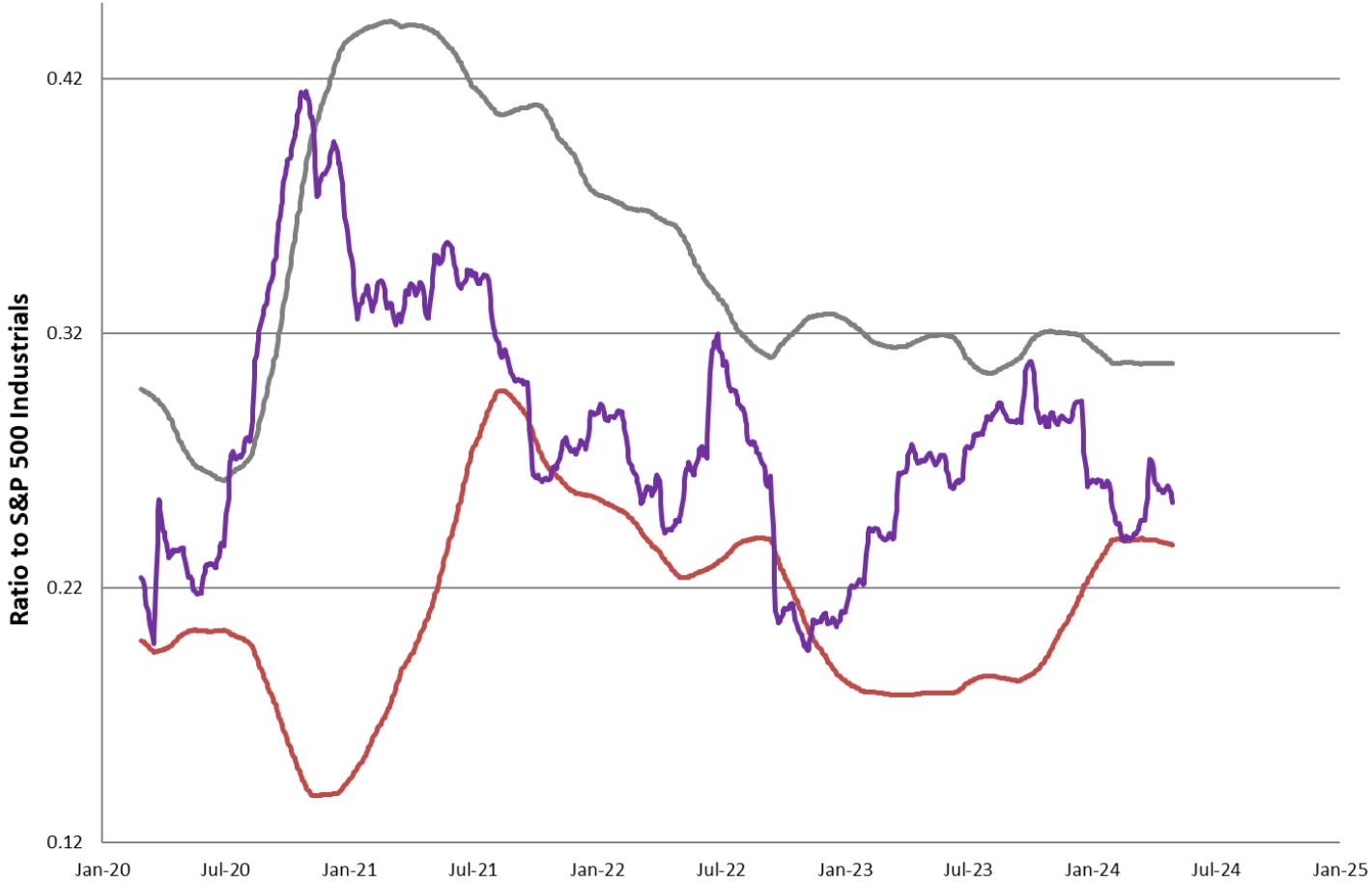
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# FDX Shares Already Down, Relative; Positioned Better

Issues like reshoring and relative cost position should mean FDX has higher sustained profitability.

### FDX Relative to S&P 500 Industrials +/- 2 Sigma Bands

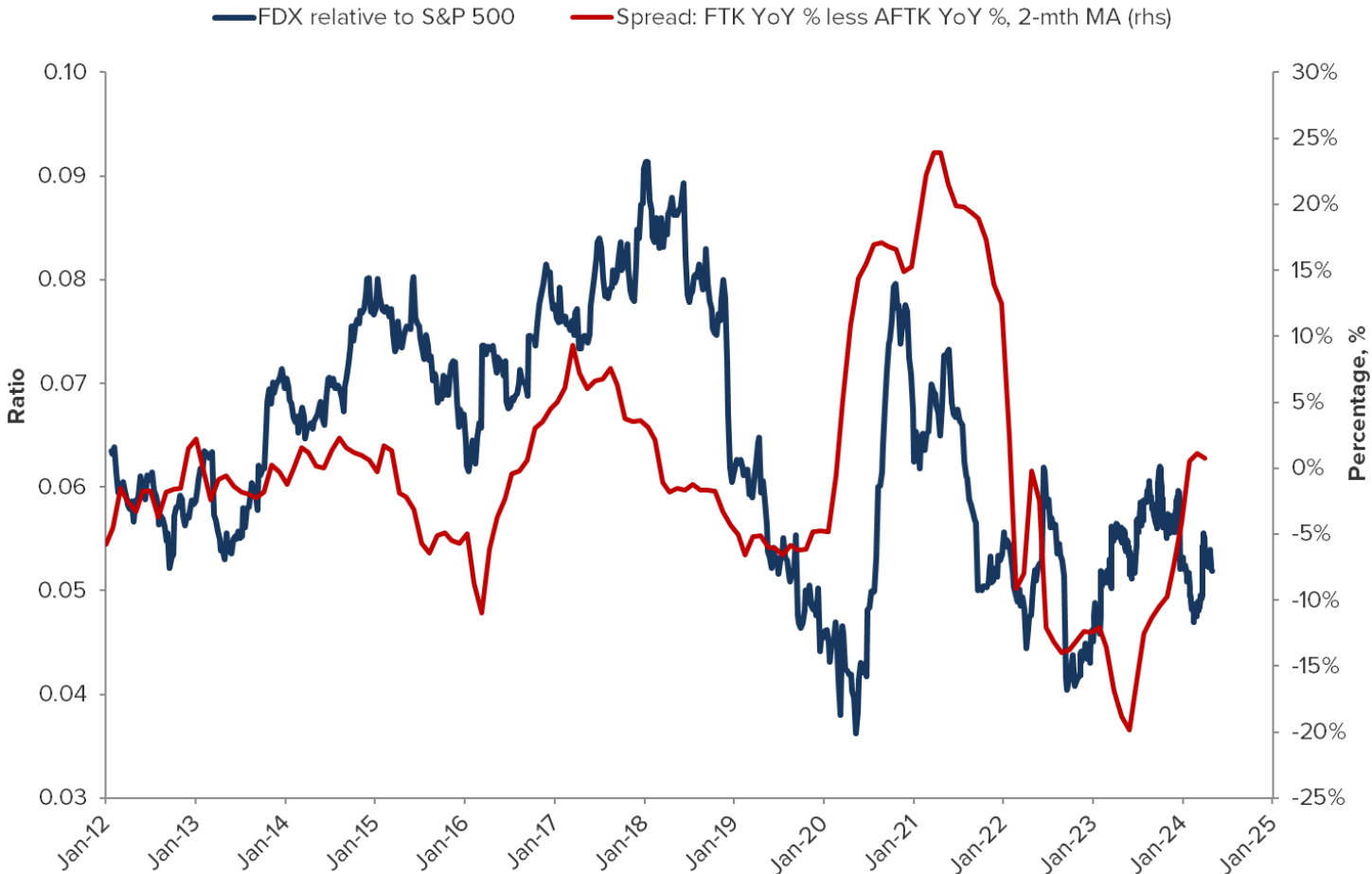


DATA SOURCE: FACTSET, HRM ESTIMATES

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# Even FDX's Stock Usually Correlates To Air Cargo

### FDX RELATIVE TO S&P 500 VS. IATA FTK GROWTH MINUS CAPACITY



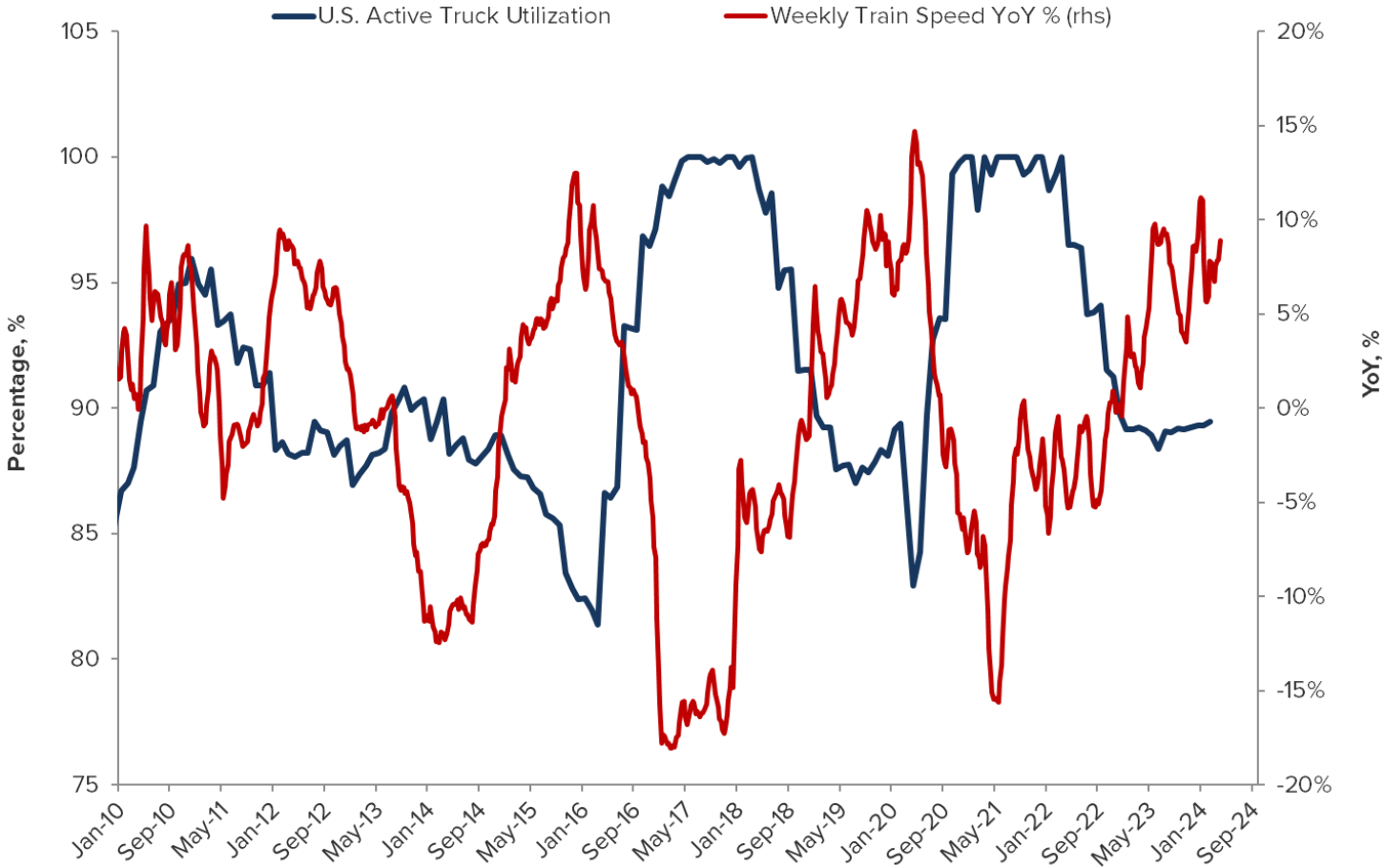
DATA SOURCE: IATA, FACTSET, HRM ESTIMATES

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# Network Velocity, Or Fluidity, A Driver With Inventories...

Faster networks increases asset turns & capacity. Years of snarled networks decongest

### TRUCK UTILIZATION VS. TRAIN SPEED



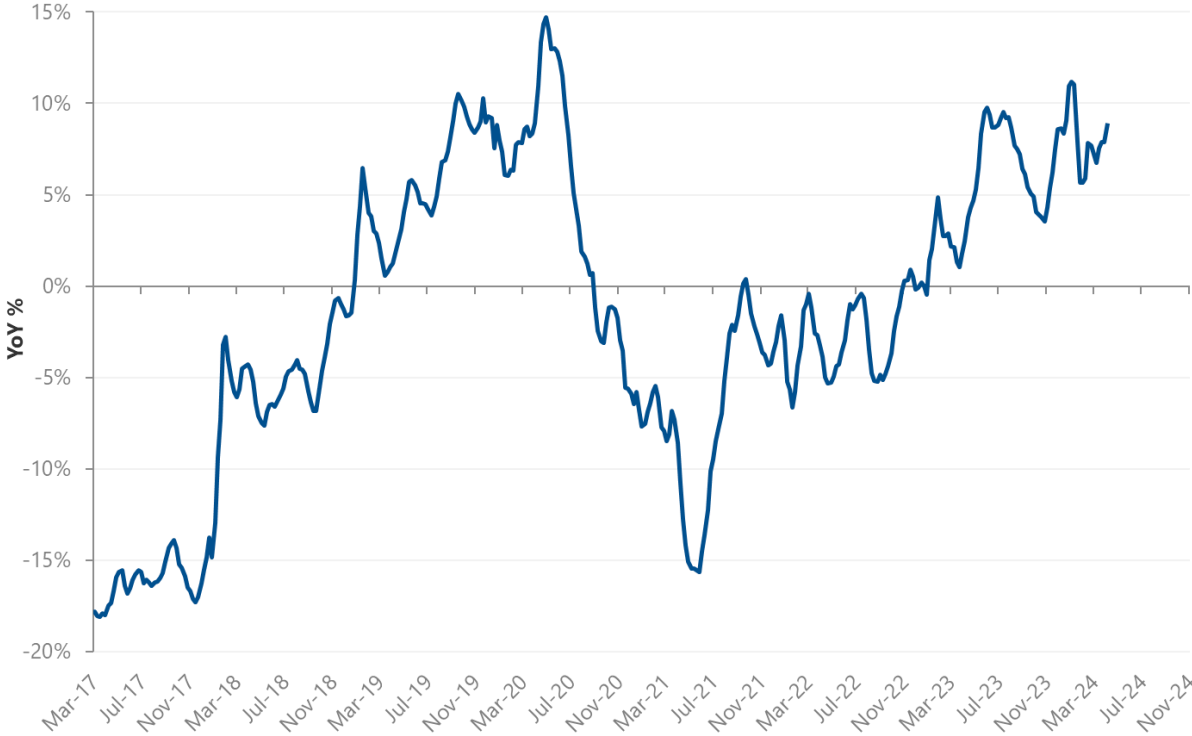
DATA SOURCE: FTR, AAR, HRM ESTIMATES

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# Rail Velocity Improving

Network velocity is an underappreciated dynamic for rails and trucking

WEEKLY TRAIN SPEED YOY %, 4-WEEK MA



DATA SOURCE: AAR, HRM ESTIMATES

RAILROAD WEEKLY TERMINAL DWELL - 4WK MA, YOY %

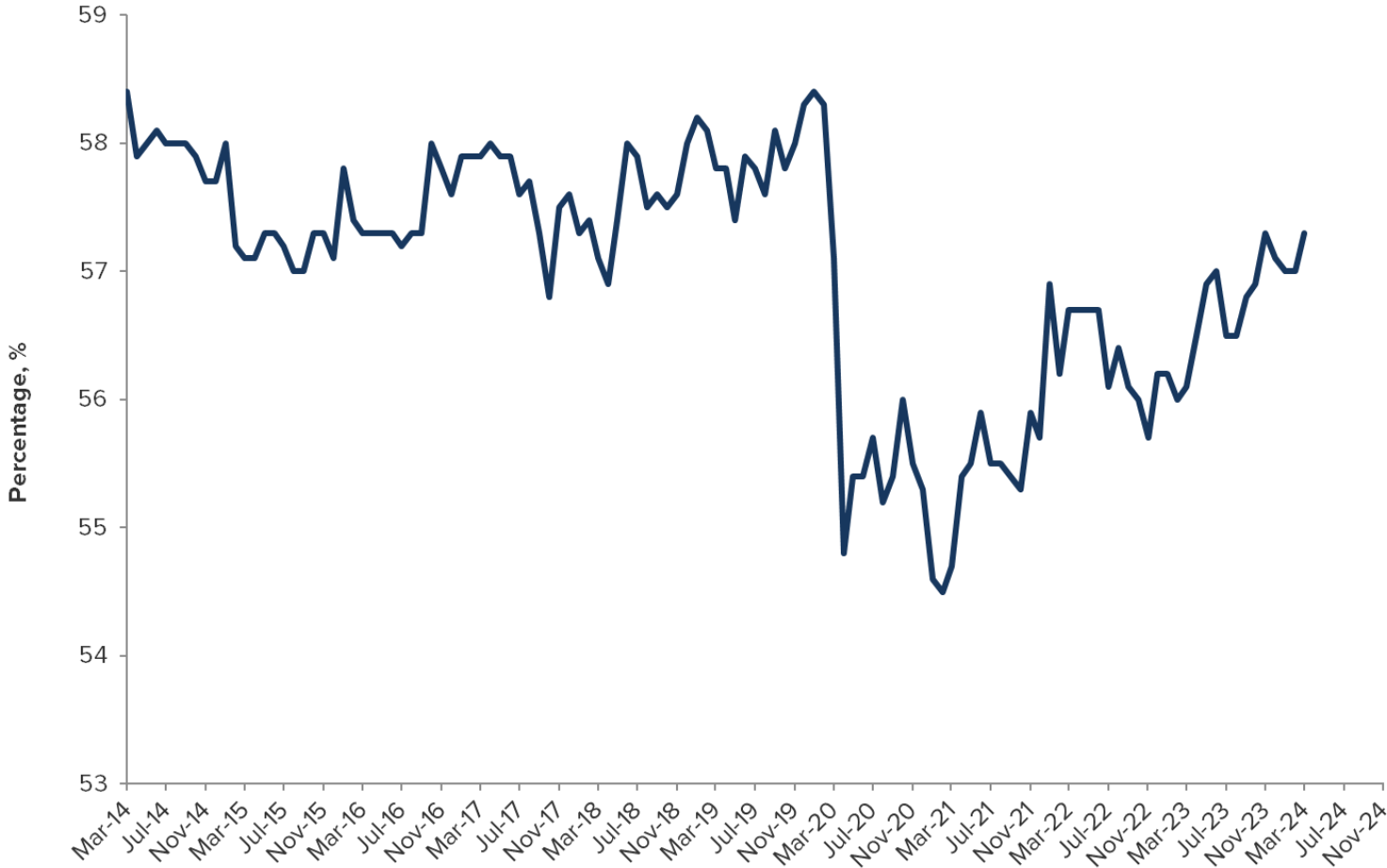


DATA SOURCE: AAR, HRM ESTIMATES

# Workers Returning, Ex-Stimulus, Easing One Constraint

Higher pay and lower risks associated with the virus no doubt help, too. There is more room to increase...

## U.S. NO COLLEGE 25+ YRS LABOR FORCE PARTICIPATION RATE, NSA



DATA SOURCE: BLS, HRM ESTIMATES

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## Steal His Look



Loro Piana  
Andrew-Pique Shirt  
\$1,150



AURALEE brown  
pleated shorts  
\$365.00



Audemars Piguet  
Day-Date Moonphas 25657BA  
\$19,950

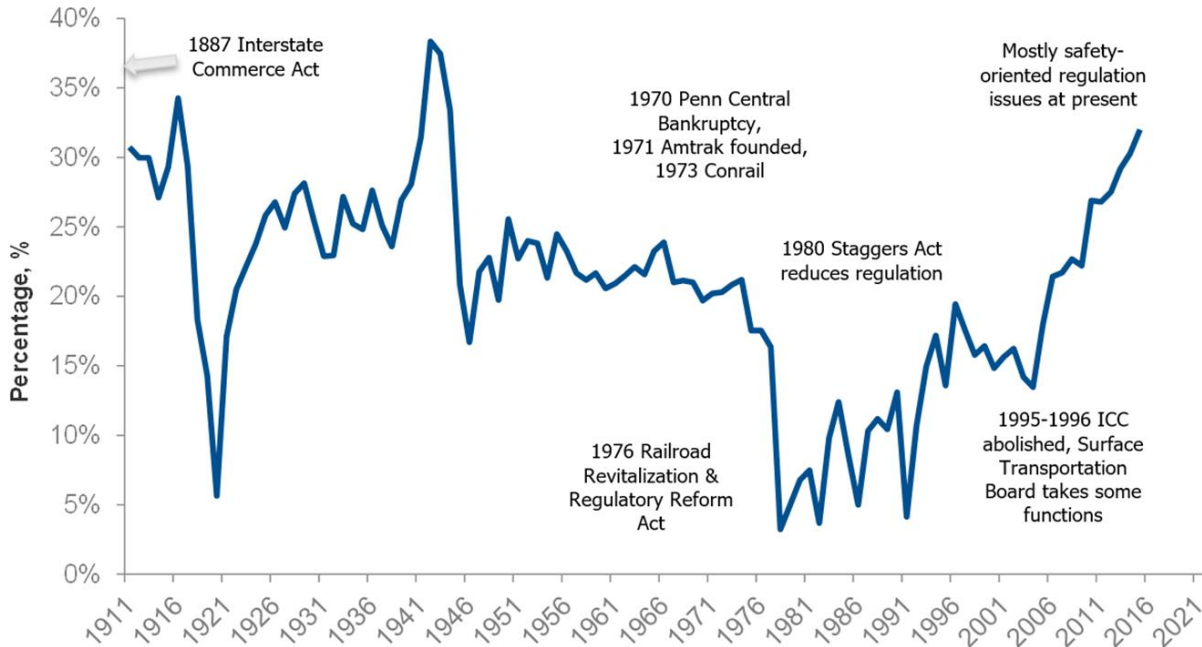


Brunello Cucinelli  
men's lace-up hiking boots  
\$1,650

# Cycle In Rails Is Driven By Pricing Regulation

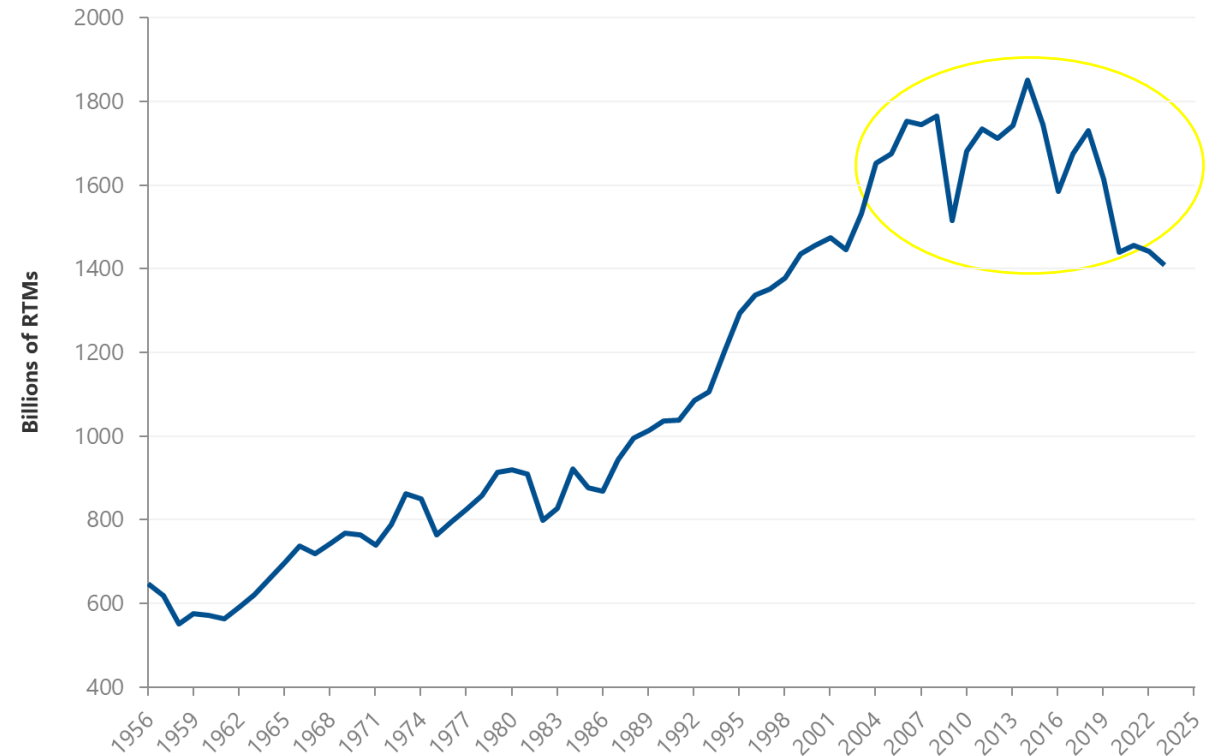
Rails are about pricing, not capacity growth. Rails donate and have employees in basically every congressional jurisdiction. Historically, KSU (and now CPKC) was one of the few rails that invested in new capacity as opposed to cost reductions.

### U.S. CLASS I RAILROADS OPERATING MARGIN



\*FOR 1991 CSX PRODUCTIVITY CHARGE & UNP RESTRUCTURING CHARGES BACKED OUT.  
OP MARGIN INCLUDING THOSE TWO => -0.5%

### U.S. CLASS I RAILROAD REVENUE TON MILES

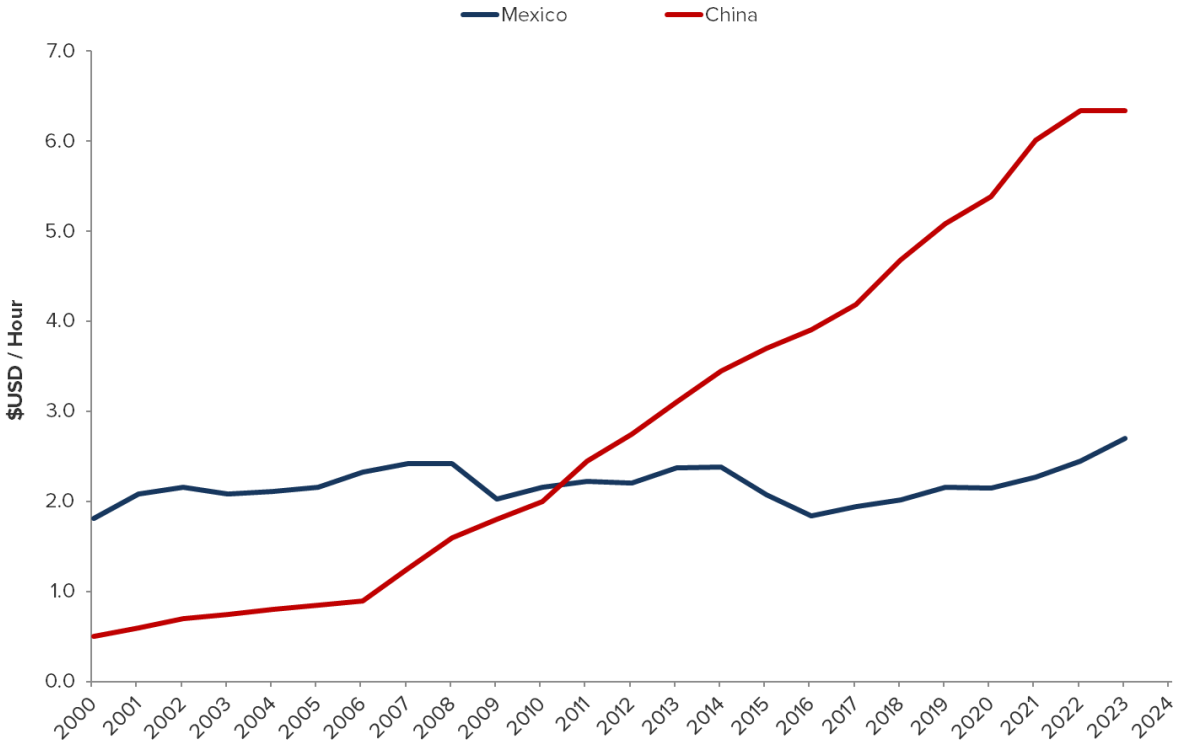


DATA SOURCE: AAR, CENSUS BUREAU, DOT, HRM ESTIMATES

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# Manufacturing In China Isn't The Same Value Proposition

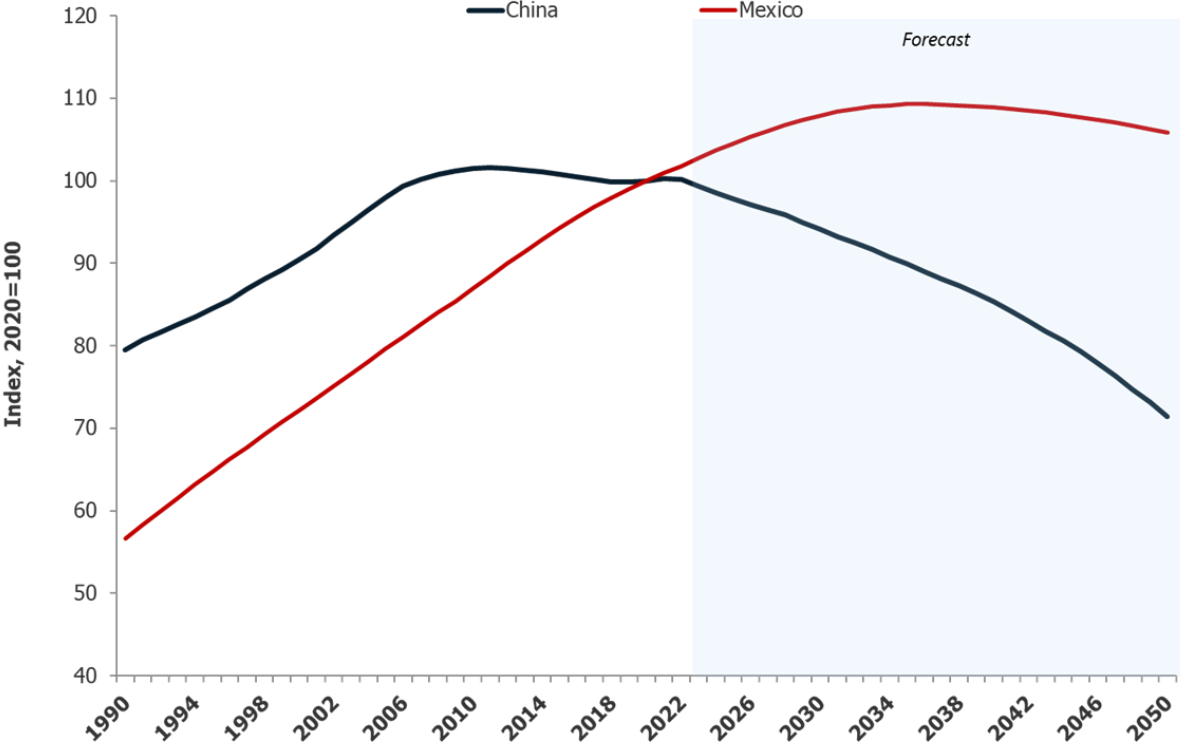
**MANUFACTURING WORKERS AVERAGE HOURLY WAGE**



DATA SOURCE: BLS, BOSTON CONSULTING GROUP, CONFERENCE BOARD, OECD, HRM ESTIMATES

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**CHINA & MEXICO 15-59 YEARS OLD POPULATION**



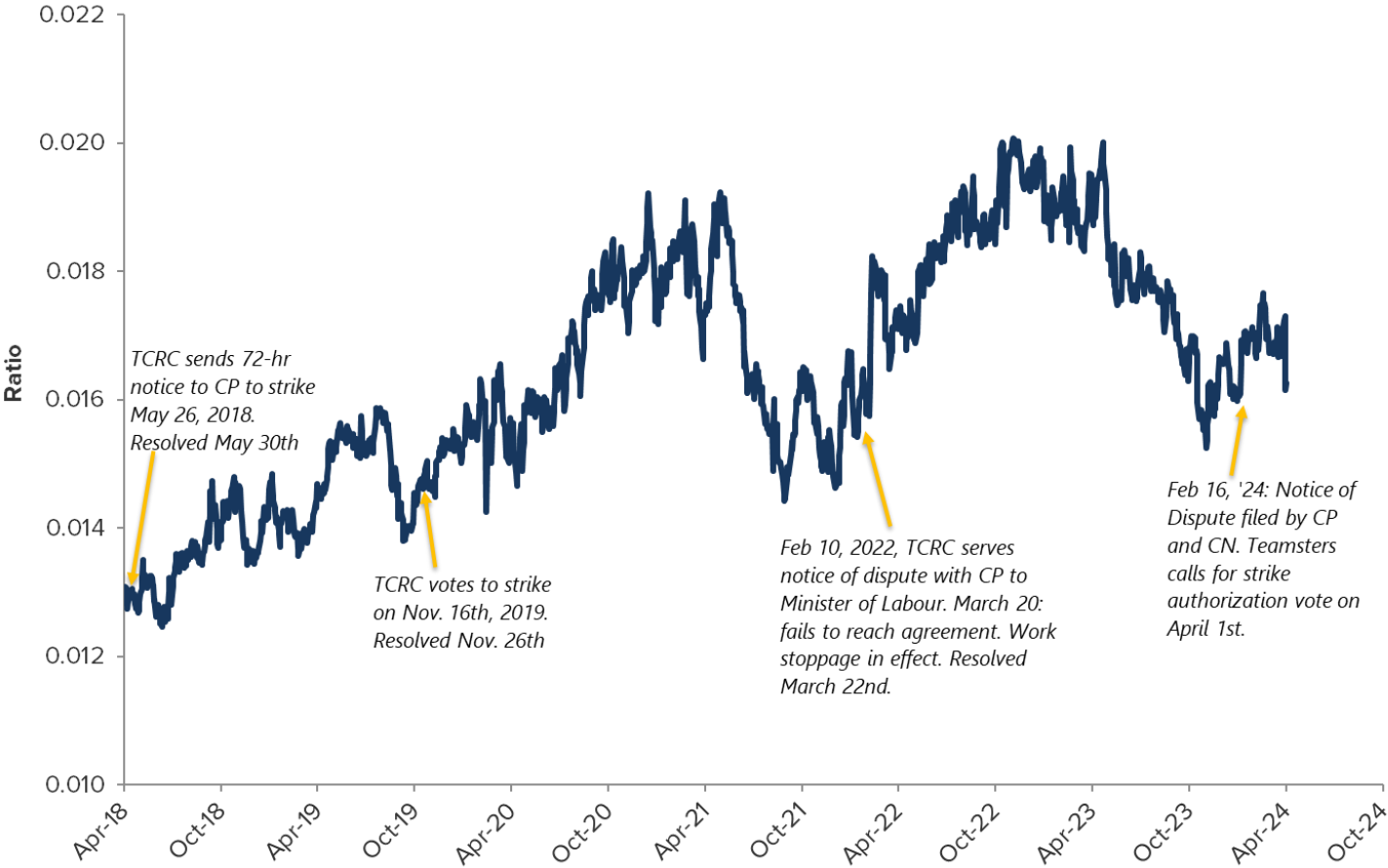
DATA SOURCE: UN, HRM ESTIMATES

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# Strikes Are Historically A Decent Entry Opportunity

TCRC strike threat a typical bi-annual event

### CP RELATIVE TO S&P 500



DATA SOURCE: FACTSET, HRM ESTIMATES

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# EXPD Is Down, Trading Like A Cyclical...

If the data inflect, this should come off the lows...about 30% upside to start of year

EXPD RELATIVE TO S&P 500



DATA SOURCE: FACTSET, HRM ESTIMATES

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