JOC INSIGHTS

JULY 2013

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

THE EASTBOUND TRANSPACIFIC TRADE performed better than expected in the first quarter of the year, as retailers restocked their shelves with great optimism about the near future. Year-over-year growth in value of retail inventories, adjusted for inflation, rose to 6.0 percent in the first quarter from 2.6 percent a year earlier, although inflation-adjusted growth in retail sales slowed to 2.0 percent from 3.8 percent. Maybe a little too much optimism?

Some industry experts are predicting there won't be a peak season. They expect that high levels of inventories relative to weak sales will cause retailers to destock during the next few months. I believe retailers did most of their destocking in the second quarter and that there will be a peak season this year, albeit one that's very modest. U.S. import volumes from Asia grew 4.0 percent YoY in the first quarter of 2013 – several percentage points above forecast. I expect the YoY pace of growth to slow to 0.2 percent in the second quarter. My assumption was that retailers would realize that the level of first-quarter restocking was too optimistic, considering the deep slowdown in economic activity and income growth during the last quarter of 2012, and that they would trim their orders to more manageable levels in the second quarter. Import volumes from Asia edged up 0.4 percent YoY in April, and dipped 0.9 percent YoY in May, in line with my second quarter expectations. For the third quarter of the year I expect U.S. import volumes from Asia will pick up the year-over-year pace and expand by 3.5 percent.

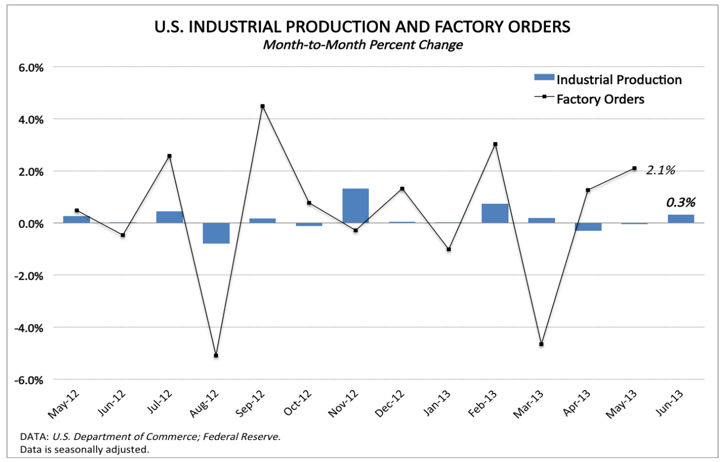
Although downside risks remain for consumer spending during the second half of the year, consumer sentiment is at a six-year high and hiring is still growing at a modest clip. Home sales are still seeing respectable gains despite a recent rebound in mortgage rates. I expect the furniture trade from Asia to maintain positive growth for the rest of the year. The auto parts trade will be strong as well, though this sector's growth is likely to moderate substantially in 2014. Apparel shipments will continue to expand as the U.S. economy releases a fountain of pent-up demand. Footwear traffic, which has suffered steep losses during much of the slowdown of the eastbound transpacific trade, will follow apparel upward for the rest of the year.

This issue of JOC Insights presents my most updated forecasts on the eastbound transpacific container trade, and a special analysis of U.S. scrap exports to China. I have also included a new segment to the report called: Correlations.

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

THE SHIPPING ECONOMY

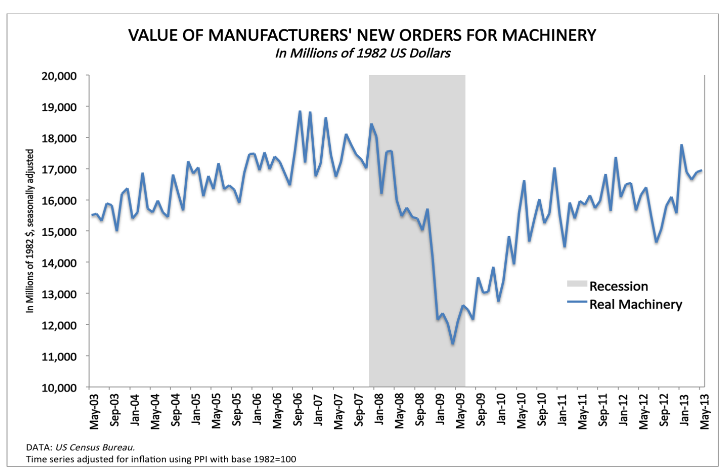
- *U.S. manufacturing sector returns to growth while China's deteriorates*
- *U.S. ocean container trade on slow-growth mode in second quarter*
- *2013 outlook for existing and new homes unchanged*
- *Fears of a sharp destocking period heading into peak season are overblown*
- *Economy's influence over U.S. import volumes grows*



INDUSTRIAL PRODUCTION UP 0.3 PERCENT IN JUNE

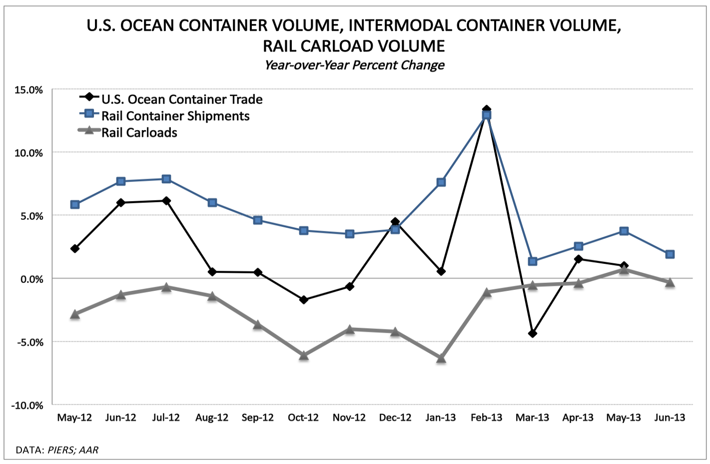
U.S. industrial production rose by the most in 4 months boosted by manufacturing and mining gains. Manufacturing gained 0.3 percent after a 0.2 percent rise in May, and even excluding motor vehicles manufacturing still posted a modest advance of 0.2 percent. The largest gains seen among durables were in machinery, and motor vehicles and parts. Improving auto sales continue to boost motor vehicle production activity while decent demand for mobile-device parts boosts machinery production.

The return of the ISM manufacturing index to a +50 level (page 2) also suggests a moderate pickup in manufacturing momentum.



New orders for machinery have been on the recovery lane since April 2009, but they are still below pre-recession levels. Machinery new orders, adjusted for inflation, totaled $85.2 billion year to date through May, an increase of 5.2 percent over the same period in 2012. New orders peaked in 2007 when real value totaled $210 billion. In 2012, new orders totaled $190 billion, accounting for just 90.5 percent of the 2007 peak.

New orders are good indication of future production activity. Given demand for components of mobile devices is respectable, production of machinery is likely to increase as evidenced by the upward trend in new orders for machinery.



U.S. OCEAN CONTAINER TRADE UP 1.0 PERCENT IN MAY

U.S. ocean container trade rose modestly in May on flagging global demand. Total container trade rose 1.0 percent YoY and totaled 2.6 million TEUs in the month.

Rail container shipments decelerated to 1.9 percent year over year in June, following a 3.7 percent gain in the prior month, while rail carloads dipped by one third of a percent after modestly rebounding by 0.7 percent in May.

GLOBAL MANUFACTURING

	JUN-13	MAY-13	MOM	DIRECTION, RATE OF CHANGE
US PMI	**50.9**	**49.0**	**1.9**	**Growing, from contracting**
NEW ORDERS	51.9	48.8	3.1	Growing, from contracting
INVENTORIES	50.5	49.0	1.5	Growing, from contracting
CHINA PMI	**48.2**	**49.2**	**-1.0**	**Contracting, faster rate**
GLOBAL PMI	**50.6**	**50.6**	**0.0**	**Growing, from contracting**

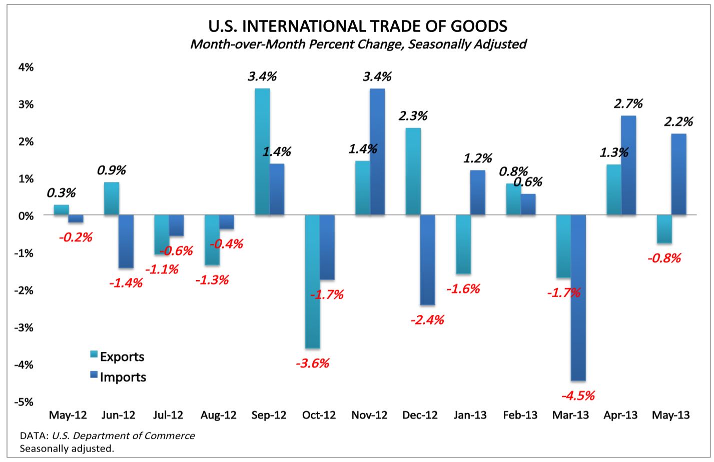
Source: Institute for Supply Management; Markit; HSBC; JPMorgan

JUNE 2013: U.S. MANUFACTURING RETURNS TO GROWTH

The US manufacturing sector returned to expansion in June boosted by strong gains in new orders. The ISM manufacturing index gave a reading of 50.9, up by nearly 2 points from May, indicating growth from contraction. New orders recovered 3.1 points partly owed to rising export orders. Hiring, however, is still weak.

While US manufacturing grows from contracting, manufacturing activity in China signaled a modest deterioration. New orders for Chinese manufactures fell for the second successive month, mostly owed to weak external markets. The recent liquidity crunch in the interbank market will likely have an adverse impact on Chinese small and medium enterprises in the near future, resulting in persisting weak manufacturing activity.

Globally, the manufacturing sector expanded for the 6th straight month, albeit at modest pace.

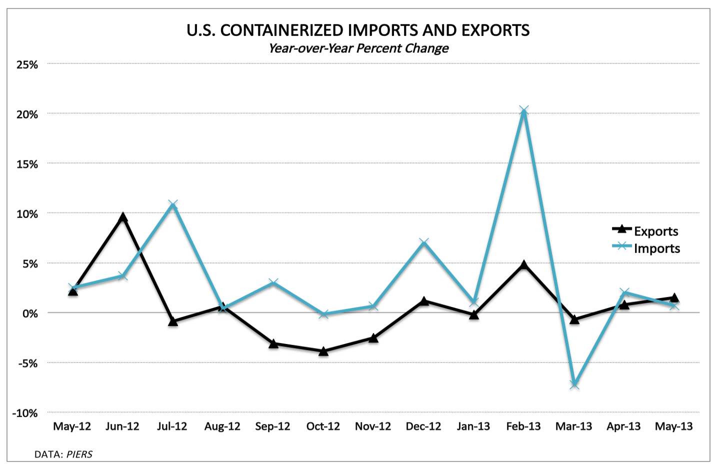


MAY 2013: U.S. GOODS EXPORTS DOWN 0.8%; GOODS IMPORTS UP 2.2%

U.S. exports of goods declined 0.8 percent in May over April, amounting to $129.1 billion in the month. Losses were seen in consumer goods ($1.2 billion); industrial supplies ($0.9 billion); and foods, feeds, and beverages ($0.1 billion). Gains were seen in capital goods ($0.8 billion).

U.S. imports of goods advanced 2.2 percent in May over the prior month, totaling $191.4 billion. Gains were seen in industrial supplies ($1.0 billion); consumer goods ($1.0 billion); and motor vehicles ($0.8 billion).

The deficit of goods increased 8.8 percent to $62.3 billion (census basis).



U.S. CONTAINER TRADE, MAY 2013

	TEUS	MOM	YOY	YTD	2013(F)	2014(F)
IMPORTS	**1,537**	**3.9%**	**0.7%**	**2.8%**	**4.2%**	**4.7%**
EXPORTS	**1,045**	**3.2%**	**1.5%**	**1.2%**	**2.6%**	**3.4%**

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

MAY 2013: U.S. CONTAINERIZED IMPORTS UP 0.7%; EXPORTS UP 1.5%

U.S. containerized imports via ocean slowed the pace in May on deflating economic expectations. Overall U.S. containerized imports edged up 0.7 percent in May 2013 over May 2012 to a total of 1,537,417 TEUs. Month-to-month, overall imports advanced 3.9 percent.

Leading the volume gains among the top 25 imported goods were miscellaneous fruits, up 39 percent year over year; kitchenware, up 17 percent; and footwear, up 15 percent. The largest declines were seen in toys, electronic products, and computers, all down 9 percent year over year.

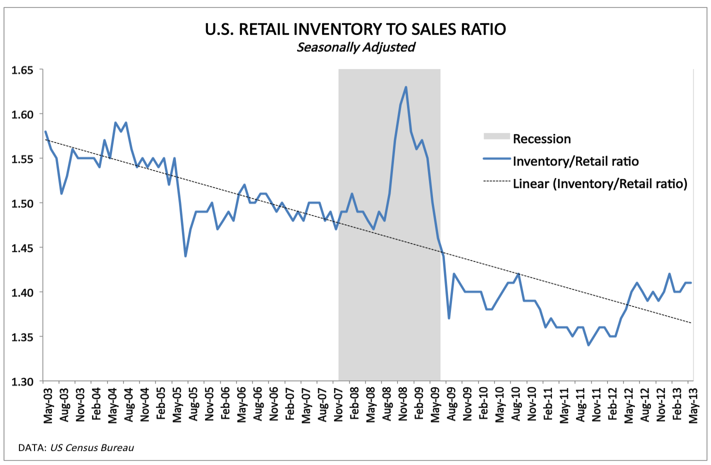
Among top 25 source countries Chile gained the most, up 29.7 percent year over year or 4,287 TEUs. Brazil followed with a gain of 25.7 percent, while Ecuador gained 24.2 percent. On the downside, imports from Japan declined 14 percent, or 7,543 TEUs.

Retailers have come to realize that their expectations in the beginning of the year for a resilient, improving consumer sector were a bit too optimistic, resulting in slowing demand for foreign goods starting the second quarter. Second quarter imports will likely grow by no more than 2 percent year over year, which is in line with my expectations.

Overall U.S. containerized exports via ocean increased by 1.5 percent year-over-year in May to 1.04 million TEUs, according to preliminary data from PIERS. Gains were seen in logs & lumber, up 18 percent; fabrics including raw cotton, up 13 percent; and pet & animal feeds, up 12 percent. On the downside, losses were seen in mixed metal scrap, down 17 percent, and miscellaneous plastic products, down 14 percent, all compared to May 2012.

Among 25 top export markets, Turkey gained the most in May, up 23 percent year over year, or 2,941 TEUs. Brazil and Colombia followed with a gain of 22 percent each. On the downside, exports to Germany declined 13 percent or 3,294 TEUs.

From April to May, exports were up by 1.1 percent over the same period in 2012, in line with the forecast of 1.0 percent growth for second quarter as reported in the June report of Container Shipping Outlook. The global economy continues to face significant risks, which recently led the IMF to downgrade its 2013 forecast for global GDP from 3.3 percent to 3.1 percent.



JUNE 2013: U.S. RETAIL SALES UP 0.4 PERCENT

Retail sales growth stood below market expectations in June despite a decent boost from autos and gasoline. Sales rose 0.4 percent following a downwardly revised increase of 0.5 percent in May. Excluding autos, sales were flat following a 0.3 percent boost in May. Excluding both autos and gasoline, sales actually declined 0.1 percent after gaining 0.3 percent in the prior month. Weakness is mostly owed to losses in miscellaneous store retailers, and building materials & garden supplies. The U.S. consumer has pulled back a bit in June.

Seasonally adjusted retail inventory to sales ratio gave a reading of 1.41 in May, unchanged from the prior month. The ratio has stood above its long-term trend line for 12 straight months due to a combination of rising inventory levels and poor sales. The concern in the maritime transportation industry is that the ratio has stood above its trend line for so many months that a brief destocking period is bound to happen in the second half of the year. I partly disagree. I believe the bulk of this 'brief destocking period' already occurred in the second quarter, and a more watered down version will likely occur in the third. This is evidenced by the low eastbound transpacific trade volumes accounted for during the first two months of the second quarter.

U.S. HOUSING MARKET

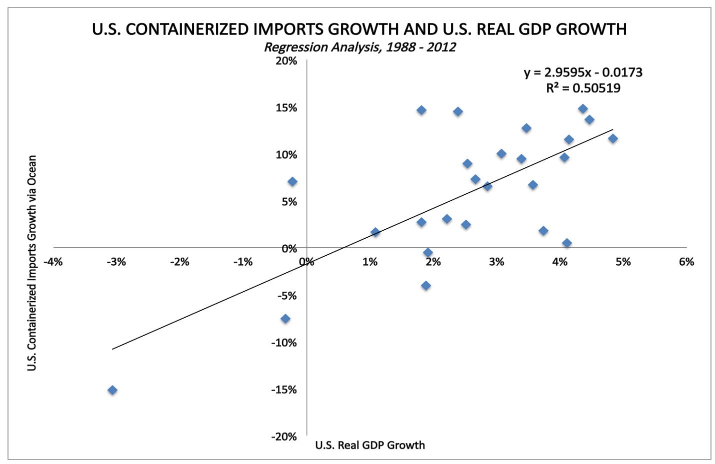
	JUN-13	MOM	YOY	2013(F)	2014(F)
EXISTING HOME SALES	**5,080**	**-1.2%**	**15.2%**	**8%**	**0%**
NEW HOME SALES	**497**	**8.3%**	**38.1%**	**34%**	**27%**
HOUSING STARTS	**836**	**-9.9%**	**10.4%**	**12%**	**-6%**

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

JUNE 2013: EXSITING HOME SALES DOWN 1.2 PERCENT; NEW HOME SALES UP 8.3 PERCENT; HOUSING STARTS DOWN 9.9 PERCENT

Existing home sales fell in June possibly due to higher mortgage rates. Sales declined 1.2 percent to a seasonally adjusted annual rate of 5.1 million units. Year over year, however, sales are up by 15.2 percent. Prices are still firming while supply is increasing a bit and stood at 5.2 months at the current sales rate vs. 5.0 months in the prior month.

It is early to judge the actual impact of rebounding mortgage rates over home sales, but rates are to be watched closely. Home sales are subject to changes in the level of mortgage rates, more so today than in pre-recession years given the slow growth in disposable income. The 2013 outlook for existing and new home sales is unchanged but the outlook for housing starts was downgraded from 21 percent to 12 percent on recent weak data. Recent gains in mortgage rates prompt builders to stay alert.



ECONOMY'S INFLUENCE OVER IMPORT VOLUMES INCREASED IN RECENT YEARS

The overall economy exerts a major influence over maritime containerized imports, no doubt about that. But how so? Has this influence waned over the years or increased?

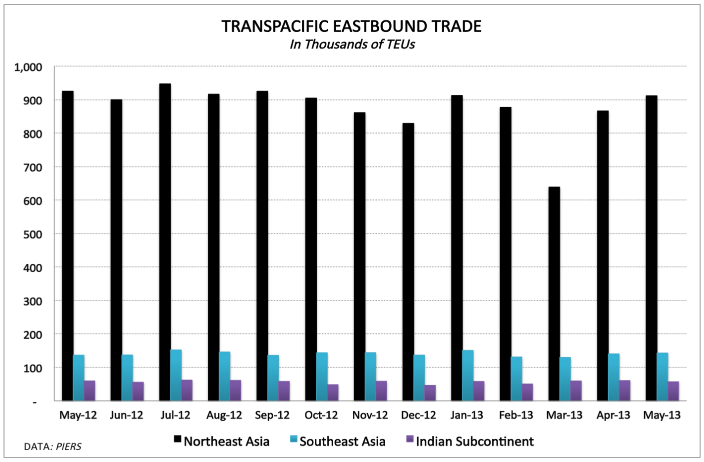
By doing a quick regression analysis using annual growth data from 1988 through 2012, I noticed that for every 1% change in real gross domestic product (RGDP) there's a 3% change in containerized imports. You may have heard before similar ratios with global GDP and global trade. But, what's interesting here is that a regression analysis using data from 1988 only through 2007 tells us that for every 1% change in RGDP there's only a 1.7% change in imports. This means that during the downturn years of 2008 and 2009 and the subsequent recovery only made the economy's influence over imports increase markedly. But, why?

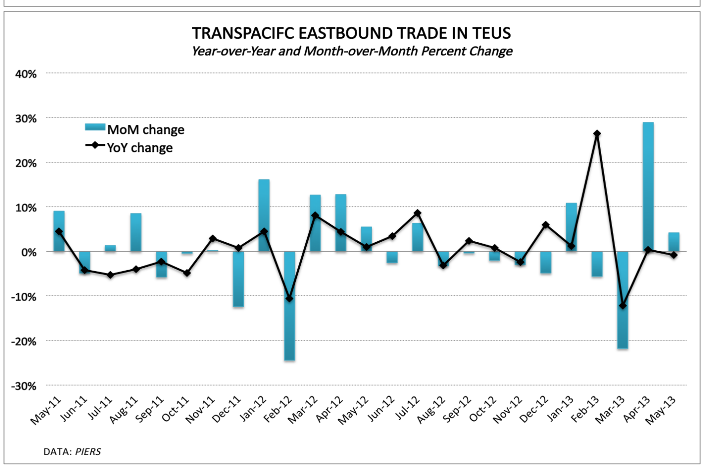
Because consumer spending accounts for the largest share of economic activity, the U.S. economy is subject to changes in personal income levels and consumer optimism. When the Great Recession of 2008 and 2009 hit the U.S. economy, consumers' optimism about the near future deteriorated drastically and consumers were prompted to save more and spend less, which had a severe negative impact over demand for foreign goods. The recovery that ensued was very modest, with an economy still growing under potential and import volumes still underperforming.

REGIONAL CONTAINER TRADE

- *2013 outlook for eastbound trade modestly upgraded on better-than-expected first-quarter data*
- *2013 outlook for westbound trade merely unchanged with China risks latent*

TRANSPACIFIC EASTBOUND TRADE





IMPORTS, MAY 2013

	TEUS	MOM	YOY	YTD	2013(F)	2014(F)
ASIA	**1,111,776**	**4.1%**	**-0.9%**	**2.2%**	**3.0%**	**4.0%**
NE ASIA	911,660	5.2%	-1.5%	1.7%	2.3%	3.0%
SE ASIA	143,046	1.8%	4.7%	2.3%	7.0%	6.5%

Source: JOC-PIERS Container Shipping Outlook June 2013 issue

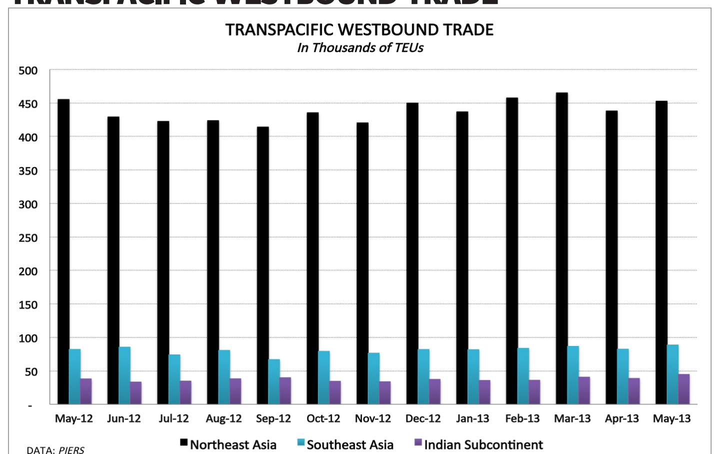
MAY 2013: TRANSPACIFIC EASTBOUND TRADE DOWN 0.9 PERCENT

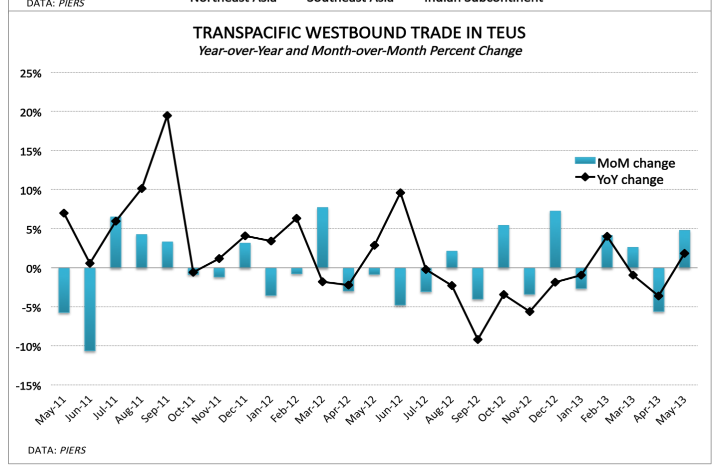
U.S. containerized imports via ocean from Northeast Asia declined in May for the third straight month on weak demand. Volumes from Northeast Asia totaled 911,660 TEUs in the month, down 1.5 percent over May 2012. Most losses were seen in toys, and travel goods. Imports from China edged up 0.5 percent YoY and totaled 727,944 TEUs.

Imports from Southeast Asia advanced 4.7 percent YoY in May to a total of 57,071 TEUs mostly driven by footwear, miscellaneous apparels, and menswear. Imports from this region have increased for 9 straight months on a YoY basis. Imports from the Indian Subcontinent declined 4.4 percent YoY and totaled 143,046 TEUs on account of falling shipments of bed & kitchen linen, new tires, and auto parts.

I have modestly upgraded my 2013 forecast for the transpacific eastbound trade, from 2 percent to 3 percent growth, mainly due to better than expected numbers during first quarter. My assumptions from early this year remain intact. The US housing market, supported by affordable mortgage rates, will remain in recovery mode boosting demand for imported home goods. Meanwhile, auto sales continue their recovery, resulting in strong demand for imported auto parts. Near-shoring activity continues, adversely impacting demand for Asian goods. Seven years will have passed when eastbound transpacific trade stands above its previous 2007 peak volume.

TRANSPACIFIC WESTBOUND TRADE





EXPORTS, MAY 2013

	TEUS	MOM	YOY	YTD	2013(F)	2014(F)
ASIA	**573,570**	**4.8%**	**1.9%**	**0.1%**	**3.9%**	**3.8%**
NE ASIA	452,759	3.3%	-0.6%	-1.6%	3.0%	3.0%
SE ASIA	88,700	7.6%	8.0%	7.4%	8.4%	5.2%

Source: JOC-PIERS Container Shipping Outlook June 2013 issue

MAY 2013: TRANSPACIFIC WESTBOUND TRADE UP 1.9 PERCENT

U.S. containerized exports via ocean to Northeast Asia declined in May for the third successive month year over year on flagging demand. Losses were led by mixed metal scrap, ferrous & pig iron, foam waste & scrap, and fabrics. Exports to China rose by a modest 3.0 percent YoY and totaled 241,048 TEUs in the month.

Exports to Southeast Asia, on the contrary, advanced for the fifth straight month year over year, up 8.0 percent in May. Solid demand was mostly driven by pet & animal feed, ferrous & pig iron, fabrics, and mixed metal scrap. Exports to the Indian Subcontinent rebounded strongly in May, up

17.4 percent YoY, following a contraction of 1.2 percent in May. The rebound was supported by strong gains in outbound shipments of soybeans, ferrous & pig iron, foam waste & scrap, and logs & lumber.

The 2013 forecast for the westbound trade has remained virtually unchanged. However, the projected deceleration in trade to China will be the most impactful in terms of overall volumes. Despite fiscal stimulus and monetary easing, the Chinese economy is slowing more than anticipated, which will detract from future demand for US goods throughout the region. Also, China's 'Green Fence' policy adversely impacted U.S. scrap exports heading into the second quarter (see page 7) as expected. U.S. containerized exports via ocean to China are forecast to decelerate from 7.7 percent last year to 3.0 percent in 2013.

PORT TRAFFIC

- *Port of Los Angeles was U.S. top port by volume through May, with a total traffic of 2.2 million fully loaded TEUs.*
- *Port of Shanghai is China's top port by volume with a total traffic of 13.6 million fully loaded and empty TEUs through May.*

TOP 10 CONTAINER THROUGHPUTS OF U.S. MAJOR PORTS

In May 2013 Unit: 1000 TEU

RANK NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2012
1 LOS ANGELES	467	-13.1%	2,242
2 LONG BEACH	441	20.1%	2,036
3 NEW YORK	368	-1.3%	1,698
4 SAVANNAH	201	0.1%	958
5 VIRGINIA PRTS	155	9.6%	719
6 OAKLAND	141	3.9%	661
7 HOUSTON	136	3.1%	651
8 CHARLESTON	113	3.1%	541
9 TACOMA	103	29.4%	517
10 SEATTLE	84	-27.7%	438

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 in May.
• Container traffic at top-ranked Port of Los Angeles declined 13.1 percent year over year in May and totaled 467,000 fully loaded TEUs.

TOP 10 CONTAINER THROUGHPUTS OF CHINA'S MAJOR PORTS

In May 2013 Unit: 1000 TEU

RANK NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2013
1 SHANGHAI (上海)	2,936	3.4%	13,565
2 SHENZHEN (深圳)	1,961	0.4%	9,097
3 NINGPO ZHOUSHAN (宁波－舟山)	1,486	0.3%	7,009
4 QINGDAO (青岛)	1,349	10.1%	6,656
5 GUANGZHOU (广州)	1,295	-1.7%	5,857
6 TIANJIN (天津)	1,172	15.4%	5,326
7 DALIAN (大连)	841	26.1%	3,641
8 XIAMEN (厦门)	668	16.4%	3,088
9 SUZHOU (苏州)	515	16.5%	2,359
10 LIANYUNGANG (连云港)	456	13.2%	2,249

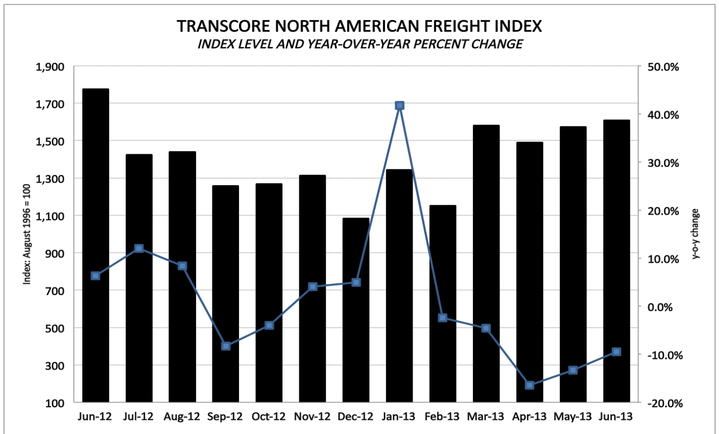
Source: Shanghai Shipping Exchange. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

• Container traffic at top-ranked Port of Shanghai increased 3.4 percent YoY in May, totaling 2.9 million TEUs, including empties.

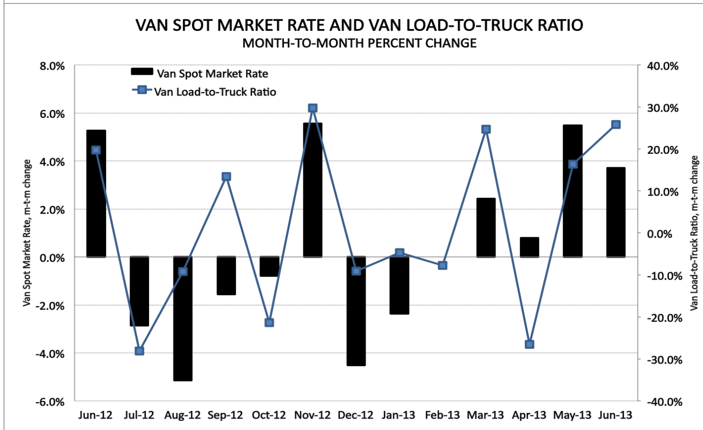
TRUCKING

- *Peak freight season likely to extend into July*

Domestic Trucking Pricing



Source: *TransCore*



Source: *TransCore*

JUNE 2013: FREIGHT INDEX DOWN 9.5 PERCENT YEAR OVER YEAR

Spot market freight volumes reported by the DAT North American Freight Index rose 2.2 percent in June, compared to May. The month-over-month increase fell slightly short of seasonal expectations; while freight volume increased from May to June in eight of the past ten years, the average increase was 10 percent.

There are indications that the peak freight season will extend into July. Freight volume typically peaks in June on the spot market. The extended season is due to combination of weather-related delays in housing starts, particularly in the upper Midwest, that postponed flatbed activity, as well as a robust produce season that is adding strength in central California and other agricultural areas in the West and Midwest.

Freight availability rose 1.8 percent in June for both vans and flatbeds compared to May, but only 0.6 percent for refrigerated ("reefer") trailers. Compared to the record volume of June 2012, however, freight availability declined 9.5 percent. Volume dropped 9.5 percent for vans and 6.8 percent for flatbeds, but reefer load availability rose 3.9 percent, year over year.

Spot market rates rose 4.5 percent for vans in June, flatbed rates edged up 0.6 percent and reefer rates rose 6.0 percent, compared to May. On a year-over-year basis, van rates declined 2.1 percent and flatbeds dropped 8.3 percent from the extremely high pricing levels of June 2012 in that segment. Reefer rates rose only 0.6 percent in June compared to June 2012.

DAT RateViewTM recorded a $0.05 (3.7 percent) increase in the national average spot market line haul rate for dry vans in the U.S. in June compared to May, not including fuel surcharges. The fuel surcharge for vans remained stable at $0.47 during the same period, so the total rate per mile increased $0.05 (2.7 percent), from $1.82 to $1.87.

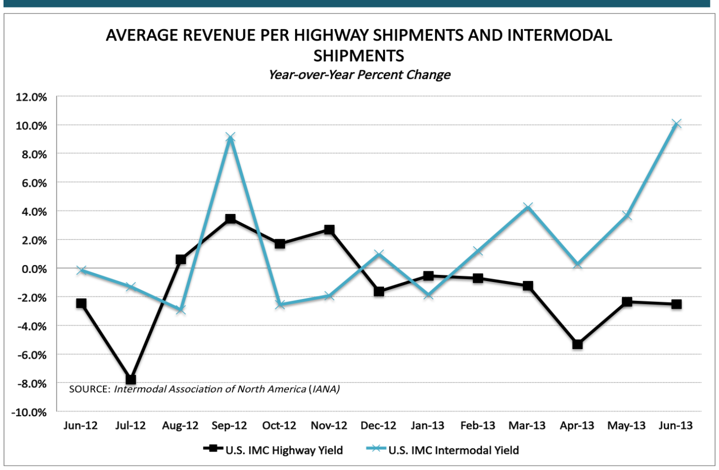
The month-over-month rate increase was accompanied by a 1.8 percent expansion of load availability and a 19 percent decline in truck capacity on the company's DAT Load Boards. This yielded a 26 percent increase in the load-to-truck ratio for dry vans on the spot market, from 2.4 available loads per truck in May to 3.0 in June.

On a year-over-year basis, load volume was down 9.5 percent for vans in June, while capacity rose 12 percent. The resulting load-to-truck ratio declined 19 percent compared to June 2012.

Van spot market rates were unchanged compared to June 2012, not including fuel surcharges which declined $0.05 (9.6 percent) in that period. The total rate, including the surcharge, declined $0.05 (2.7 percent) from $1.92 to $1.87.

RAIL

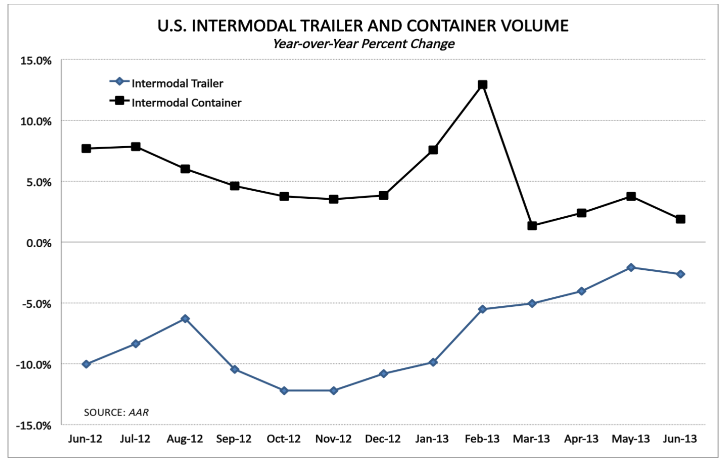
- ***Average revenue per highway load down for 7 straight months***
- ***U.S. rail transportation of lumber and wood products rebounded slightly in June***



JUNE 2013: AVERAGE REVENUE PER HIGHWAY SHIPMENTS DOWN 2.5 PERCENT; AVERAGE REVENUE PER INTERMODAL SHIPMENTS UP 10.1 PERCENT

The average revenue per highway load declined in June for the 7th straight month, down 2.5 percent year-over-year to $1,434, and followed a 2.4 percent contraction in the prior month. From May to June, the average revenue rose 2.1 percent (or $29).

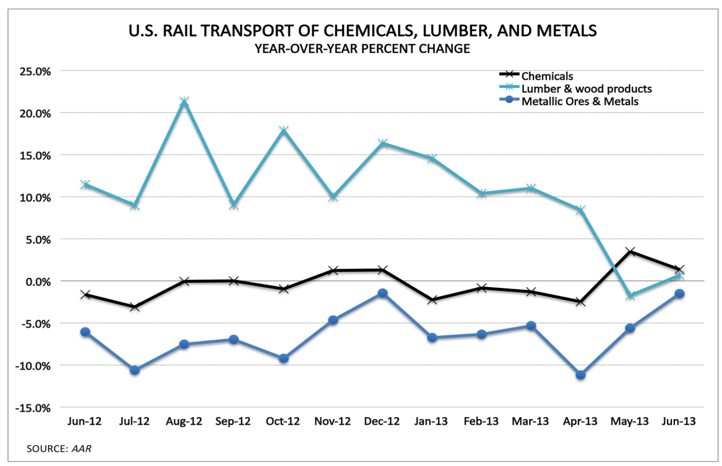
The average revenue per intermodal load jumped 10.1 percent after rising 3.7 percent in the prior month. The average revenue amounted to $2,816. From May to June, the average revenue rose 4.7 percent (or $127).



JUNE 2013: INTERMODAL TRAILERS DOWN 2.6 PERCENT; INTERMODAL CONTAINERS UP 1.9 PERCENT

U.S. railroads originated 116,663 trailers and 892,724 containers in June. Intermodal containers expanded 1.9 percent year-over-year, following a boost of 3.7 percent in the prior month. Intermodal trailers declined 2.6 percent year-over-year after falling by 2.1 percent the prior month. Intermodal trailers have now declined for 17 consecutive months to June.

Year to date, through June, intermodal traffic was up 3.6 percent over the same period in 2012, and totaled 6,270,438 units.



JUNE 2013: LUMBER UP 0.6 PERCENT; CHEMICALS UP 1.3 PERCENT; METALS DOWN 1.5 PERCENT

U.S. chemical carloads rose for the 2nd straight month, up 1.3 percent year-over-year in June to a total of 118,784.

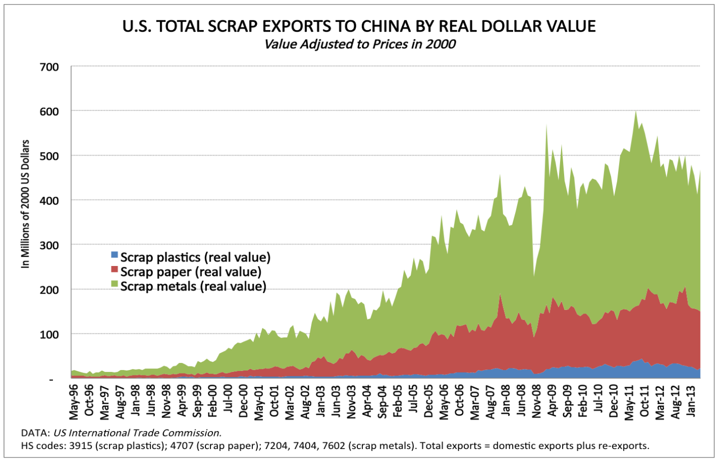
U.S. lumber and wood products carloads slightly rebounded in June, up 0.6 percent year-over-year and totaled 13,108. The rebound came after a contraction of 1.8 percent in May.

Growth in metallic ores and metals carloads contracted for the 12th straight month, down 1.5 percent year-over-year in June after a drop of 5.6 percent prior.

COMMODITY SNAPSHOT

- ***Value of U.S. scrap exports to top market China adversely impacted by Green Fence***
- ***Most severe impact seen in U.S. exports of scrap plastics and metals***

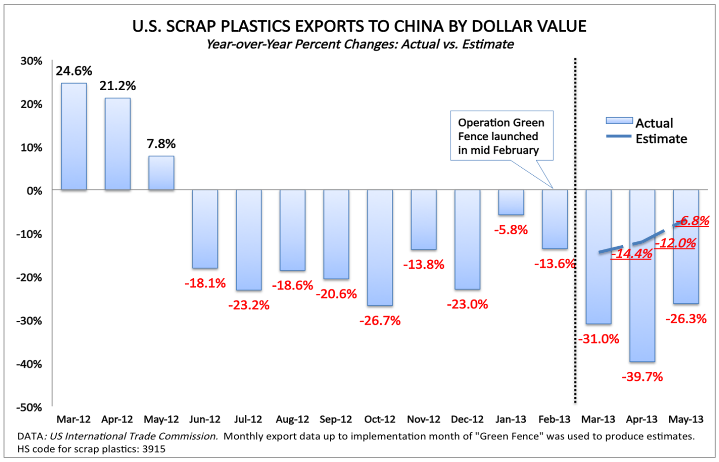
SELECTED COMMODITY: SCRAP PLASTICS, PAPER, AND METALS



REAL VALUE OF U.S. SCRAP EXPORTS TO CHINA IN DOWNWARD TREND

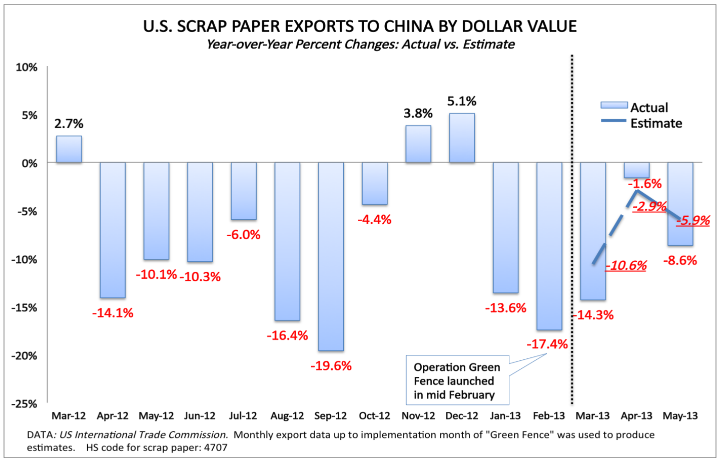
U.S. exports of scrap paper, plastics, and metals to China have increased at a remarkable pace over the last 16 years. Between 1996 and 2012, the dollar value of U.S. scrap exports to China in real terms increased at a compound annual growth rate of 24 percent, allowing China to take 47 percent of the market in 2012, up from 6 percent in 1996. Over that same period, U.S. scrap exports to all other markets increased by just 5 percent a year.

Given weak global economic conditions, China's demand for raw materials declined last year resulting in lower imports of U.S. scrap. In mid February, the "Green Fence" policy was launched with the objective to drastically increase the inspections of containers carrying scrap products to screen off adulterated products and improve China's environment. Shipping executives began to notice the policy's impact over trade volumes soon after its implementation. But, what was the monetary impact of the policy over the U.S. – to – China scrap export trade in the months following the policy's launch?



SEVERE IMPACT ON U.S. SCRAP PLASTIC EXPORTS TO CHINA

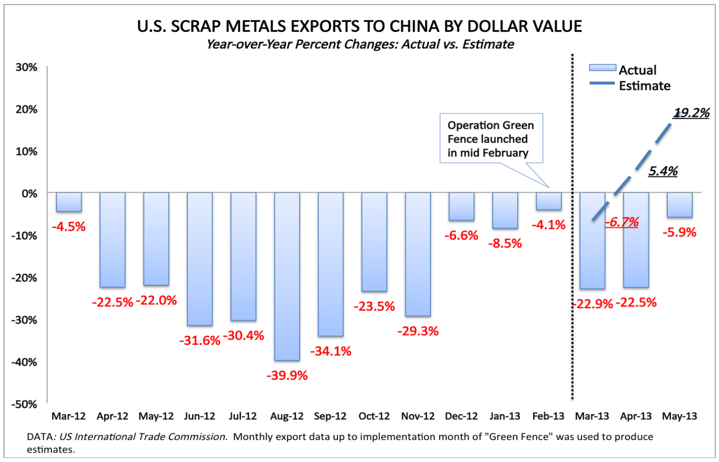
U.S. exports of scrap materials to China have been struggling for over a year on weak global demand. But, it appears the Green Fence policy exacerbated the export problems. Before the policy's implementation in mid February, U.S. exports of scrap plastics to China in nominal value were expected to decline in March by 14.4 percent YoY and amount to $40.4 million, but the value of exports actually declined 31 percent YoY and totaled $32.6 million. April was no better. The expectation for April was a drop of 12 percent YoY but the value of exports actually tumbled 39.7 percent. The expectation for May was a drop of 6.8 percent YoY but the contraction was more severe, down 26.3 percent.



MODEST IMPACT ON U.S. SCRAP PAPER EXPORTS TO CHINA

The policy's impact over U.S. scrap paper exports appears to be less severe. Before the policy's implementation in mid February, U.S. exports of scrap paper to China in nominal value were expected to decline in March by 10.6 percent YoY and amount to $175.5 million, but the value of exports actually declined 14.3 percent YoY and totaled $168.2 million. The expectation for April was a drop of 2.9 percent YoY but the value of exports actually declined by only 1.6 percent. The expectation for May was a drop of 5.9 percent YoY but the value of exports actually declined by 8.6 percent.

JOCINSIGHTS



SEVERE IMPACT ON U.S. SCRAP METALS EXPORTS TO CHINA

Before the policy's implementation in mid February, U.S. exports of scrap metals to China in nominal value were expected to decline in March by 6.7 percent YoY and amount to $635.7 million, but the value of exports actually tumbled 22.9 percent YoY and totaled $525.3 million. The expectation for April was an increase of 5.4 percent YoY but the value of exports actually tumbled by 22.5 percent. The expectation for May was an increase of 19.2 percent YoY but the value of exports actually declined by 5.9 percent.

TOP COMMODITIES: ASIA

TOP US IMPORTS FROM ASIA IN TEUS, MAY 2013

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	FURNITURE	153,363	7%	3%	5%
2	AUTO PARTS	46,224	-9%	0%	7%
3	PLASTIC PRODUCTS, MISC	35,687	8%	6%	8%
4	FOOTWEAR	32,556	-2%	16%	15%
5	AUTO & TRUCK TIRES/TUBES	31,271	-1%	5%	4%
6	TOYS	30,958	5%	-8%	-4%
7	WOMEN'S & INFANTWEAR	25,757	-4%	-2%	8%
8	EDP/NMBR/ADDRESS MCHNRY	24,082	0%	-10%	-7%
9	SHEETS/TOWELS/BLANKETS	22,957	8%	1%	10%
10	HARDWARE. MISC	21,482	0%	0%	4%

Source: PIERS

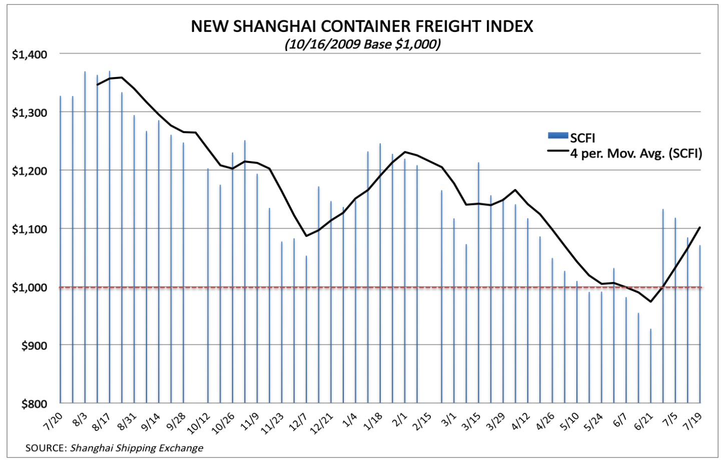
TOP US EXPORTS TO ASIA IN TEUS, MAY 2013

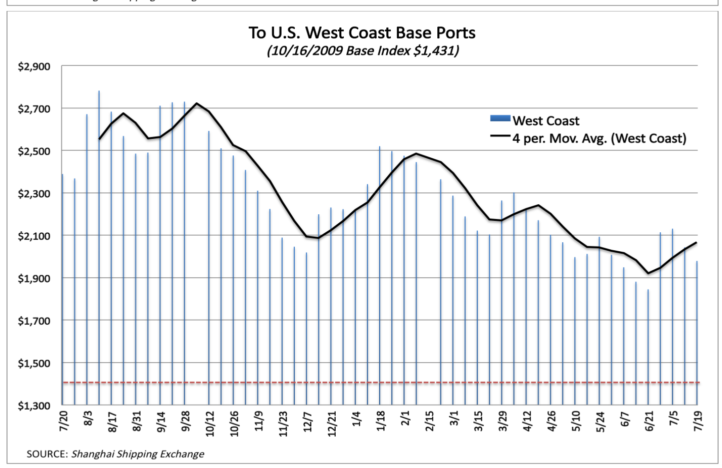
RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	PAPER&PAPERBOARD/WASTE	124,759	2%	3%	3%
2	PET & ANIMAL FEEDS	52,699	17%	11%	2%
3	LOG & LUMBER	31,678	7%	28%	6%
4	MIXED METAL SCRAP	25,077	6%	-17%	-13%
5	FABRICS, INCL. RAW COTTON	22,963	-5%	-3%	18%
6	WOOD PULP	21,339	6%	5%	0%
7	METALSCRAP/FERROUS/PIGIRON	15,235	30%	-12%	-9%
8	FOAM WASTE & SCRAP	14,377	8%	-11%	-4%
9	MEAT, CHIEFLY FRESH/FROZEN	14,188	12%	22%	-1%
10	SOYBEANS & PRODS	14,127	-16%	6%	35%

Source: PIERS

INTERNATIONAL SHIPPING PRICES

◆ ***Peak season surcharge of $400/FEU announced for August 1***





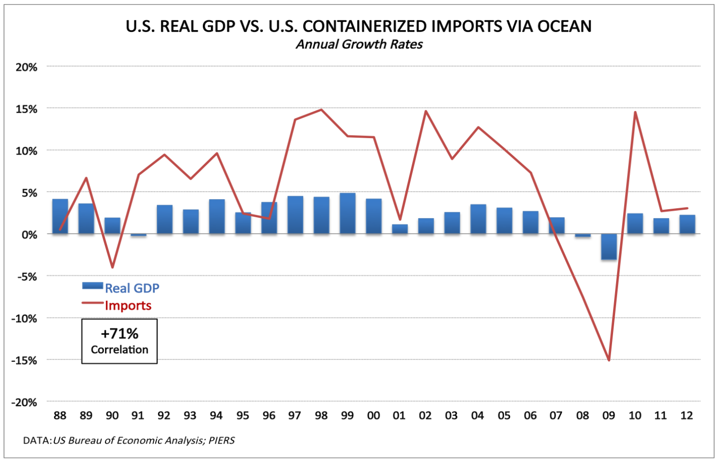
THE SHANGHAI CONTAINERIZED FREIGHT INDEX DOWN FOR 3 STRAIGHT WEEKS

The Shanghai containerized freight index, which measures export average spot rates, fell 1.2 percent on July 19 over the prior week to $1,071.10 points. The index stood below its four-week moving average for the first time in 3 weeks.

On July 19, the freight rate for the voyages from Shanghai to base ports in U.S. West Coast came out at $1,979 per FEU, down $64 from the preceding week. The freight rate has declined in 6 of the last 8 weeks. U.S. containerized imports from Asia slid 0.9 percent year over year in May.

The Transpacific Stabilization Agreement, a discussion group of 15 ocean carriers in the eastbound transpacific containerized trade, called for a peak season surcharge of $400 per FEU on August 1.

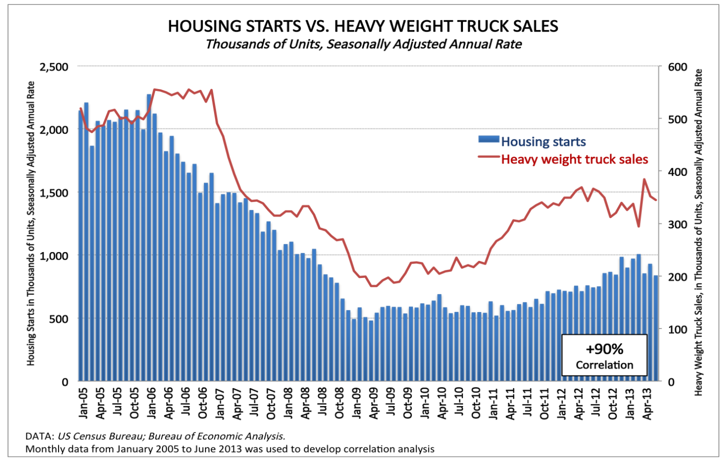
CORRELATIONS



FASTER ECONOMIC GROWTH NEEDED TO BOOST IMPORT VOLUMES

There exists a strong, positive correlation between U.S. real GDP and U.S. containerized imports via ocean in annual growth rates. The strength of the linear association between the two measured +71 percent from 1988 and 2012.

As the U.S. economy struggles to accelerate its growth pace, ocean carriers had to comfort with modest import volumes in the last 2 years. In fact, the strength of the linear association increased in recent years between the two variables. From 1998 to 2008, the correlation analysis gave a reading of only +56 percent.



NEW RESIDENTIAL CONSTRUCTION SPURRING DEMAND FOR FULL-SIZE PICK UP TRUCKS

There exists a very strong, positive correlation between housing starts and heavy weight truck sales in monthly units. Between January 2005 and June 2013, the correlation coefficient stood at +90 percent.

A housing start is counted on the date that foundations are begun, which implies a given level of demand for construction materials, labor, and even transportation. As housing starts rise, sales of full-size trucks tend to increase as well given the need to transport construction materials.

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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