

July 16, 2021 04:01 AM GMT

July 16, 2021

## North America Freight Transportation

## Freight Pulse 62 Shipper Survey: Are We Closer to the End of the Demand Cycle Than We Think?

**A surge in economic outlook expectations, near-normalization of inventory and mixed transportation views from shippers raise the first yellow flags for us that the demand side of the cycle may stabilize sooner than it seemed 6 months ago when inventories were at rock bottom. Watch this space.**

**Freight/Macro Highlights:** (1) Shippers' Economic Outlook Shows Sharp Uptick; Now Near Peak Levels; (2) Improvement Across End Markets Except for Retail Which Declined from Prior Highs; (3) Net Ordering Surges to All-Time High While Net Inventories Recover and Shippers Planning to Increase Inventories Declines Seq. for First Time Since 2Q19; (4) Expected Capacity Tightens Sequentially in All Modes Except TL; Ocean Remains Tightest; (5) Service Levels Mostly Stable With Modest Declines / Improvements Everywhere

**Rail Highlights:** (1) Average Rail Volume Growth Expectations Remain in Positive Territory But Decline to Sub 2% Levels Once Again; (2) Rail Rate Change Index Surges to Above LT Avg. Levels (2.70%) For the First Time Since 2018; (3) Difficulty of Rate Negotiations Remain Elevated; % of Shippers That Expect to Increase Rail Spend Stable but Large and Small Shippers' Plans Diverge; (4) Intermodal Discount to TL (Ex. Fuel) Ticks Up; ~In-Line with LT Averages; (5) Rail Service Reliability and Value for Dollar Fall Sequentially

**Truck Highlights:** (1) Volume Growth Expectations Increase Across the Board; TL Expectations at a New High; (2) Base Rate Growth Expectations Up for IM and LTL; TL Ticks Down After Prior Surge; (3) Shippers Expect Capacity to Tighten Everywhere Except TL; IM Now Expected to Be the Tightest Mode; (4) Value for Dollar Falls Everywhere but Barge; High TL Rates Still the Most Influential Factor on IM Usage but Moderated from Recent Highs; (5) Relative Price and Operating Constrains of IM Recover from Recent Lows; (6) A Seq. Uptick in Shippers Shifting From TL to Rail...; (7) ...But Even More Shippers Shifting from Rail to Truck Including 7% Shifting a "Significant" Amount

**Parcel Highlights:** (1) Volume Expectations Mostly Stable in Ground and Air; Intl. Sees a Slight Seq. Decline; (2) Pricing Expectations Slide in Air While Ground Sees a Modest Seq. Decline and Intl. Ticks Up After Last Quarter's Plunge; (3) "Aggressiveness" Now At Parity as FDX Slips Further but UPS Recovers From All-Time Lows; (4) % of Shippers Expecting to Ship a Larger Portion of Volumes as B2C Surges After Last Quarter's Retreat; (5) Rate Discounts Move Lower Across the Board; UPS Ground at Lowest Level Since 2006 and UPS Air at Lowest Level Since 2014; (6) Ground Value for Dollar Falls to Lowest Level in Two Decades; (7) Airfreight Capacity Remains Tight; Shippers See Capacity Loosening in 6 Months; (8) Ocean Capacity is Very Tight; Though Shippers See Capacity Loosening in 6 Months;

MORGAN STANLEY RESEARCH  
Morgan Stanley & Co. LLC

NORTH AMERICA

**Ravi Shanker**

[Ravi.Shanker@morganstanley.com](mailto:Ravi.Shanker@morganstanley.com)  
+1 212 761-6350

**Sawyer Rice**

[Sawyer.Rice@morganstanley.com](mailto:Sawyer.Rice@morganstanley.com)  
+1 212 761-6189

**Christyne McGarvey**

[Christyne.McGarvey@morganstanley.com](mailto:Christyne.McGarvey@morganstanley.com)  
+1 212 296-3875

**Madison Pasterchick**

[Madison.Pasterchick@morganstanley.com](mailto:Madison.Pasterchick@morganstanley.com)  
+1 212 761-3787

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

## Freight Pulse: General Freight and Macro Highlights

---

# General Freight and Macro Highlights

## Freight Pulse: General Freight and Macro Key Takeaways

---

### 1. Economic Outlook

- Shippers' Economic Outlook Shows Sharp Uptick; Now Near Peak Levels

### 2. Economic Outlook by Industry

- Improvement Across End Markets Except for Retail Which Declined from Prior Highs

### 3. Inventory & Restocking

- Net Ordering Surges to All-Time High While Net Inventories Recover and Shippers Planning to Increase Inventories Declines Seq. for First Time Since 2Q19

### 4. Capacity Expectations

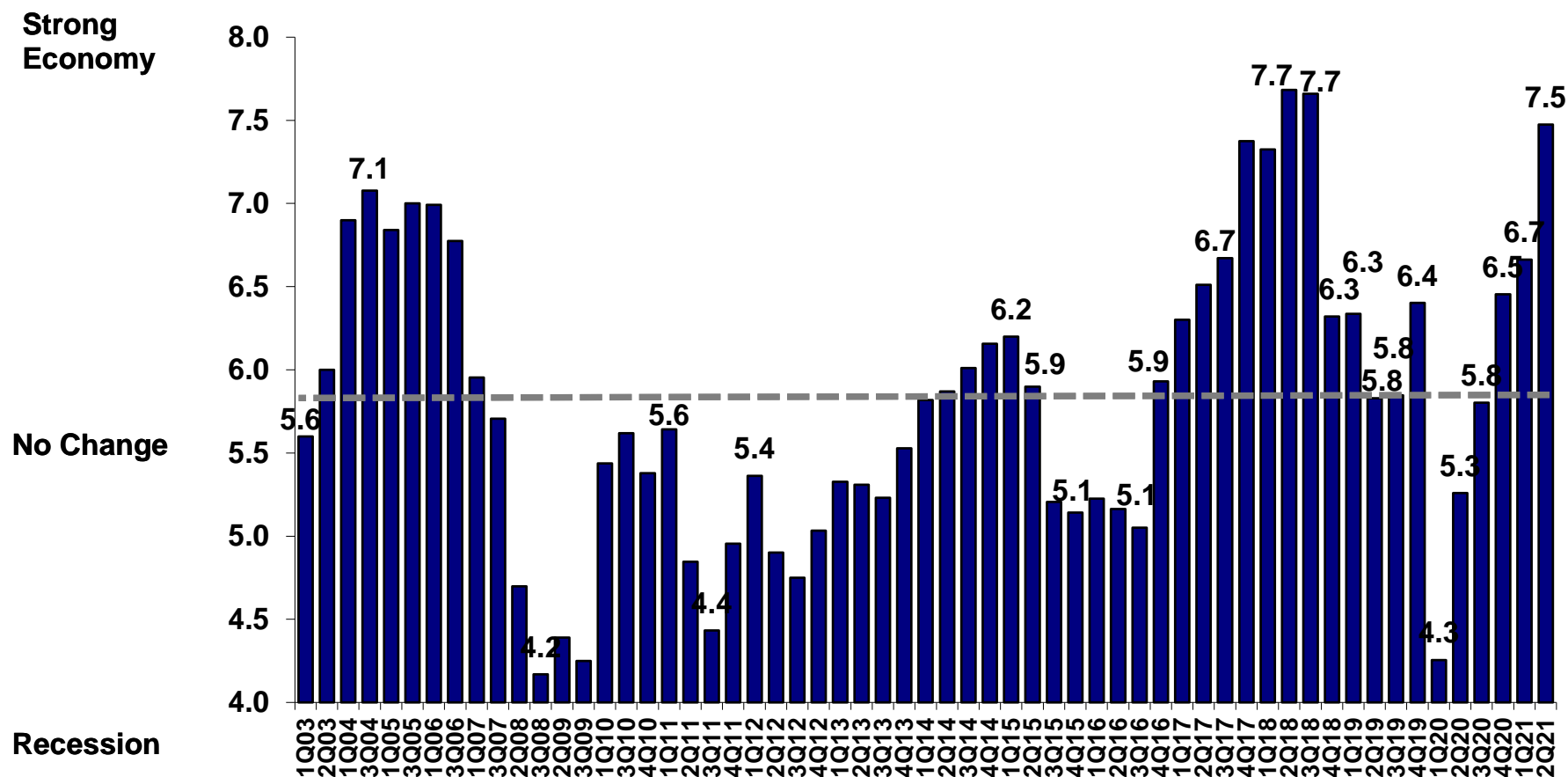
- Expected Capacity Tightens Sequentially in All Modes Except TL; Ocean Remains Tightest

### 5. Service Trends

- Service Levels Mostly Stable With Modest Declines / Improvements Everywhere

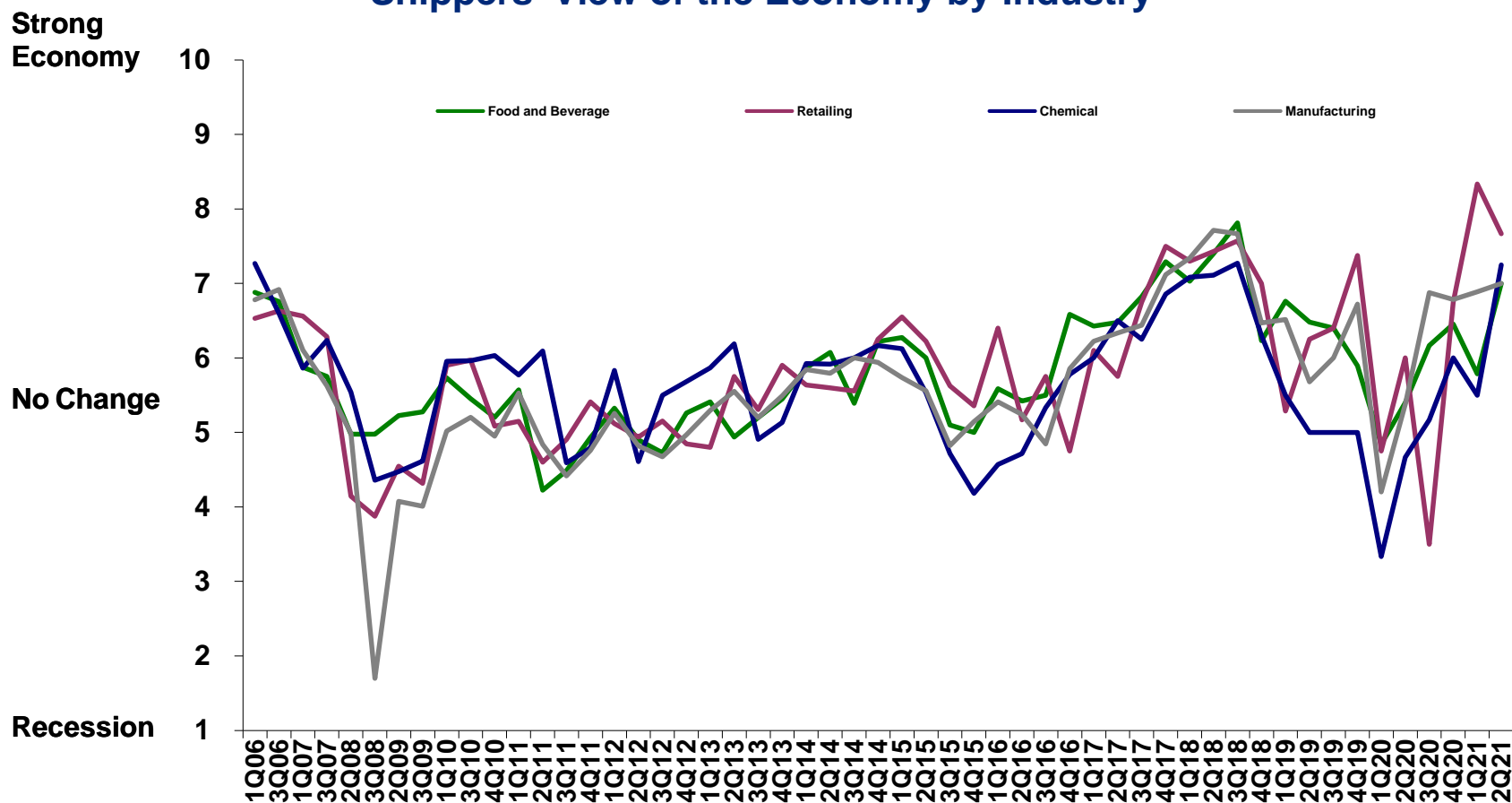
## 1. Shippers' Economic Outlook Shows Sharp Uptick; Now Near Peak Levels

### State of the Economy from Shippers' Perspective



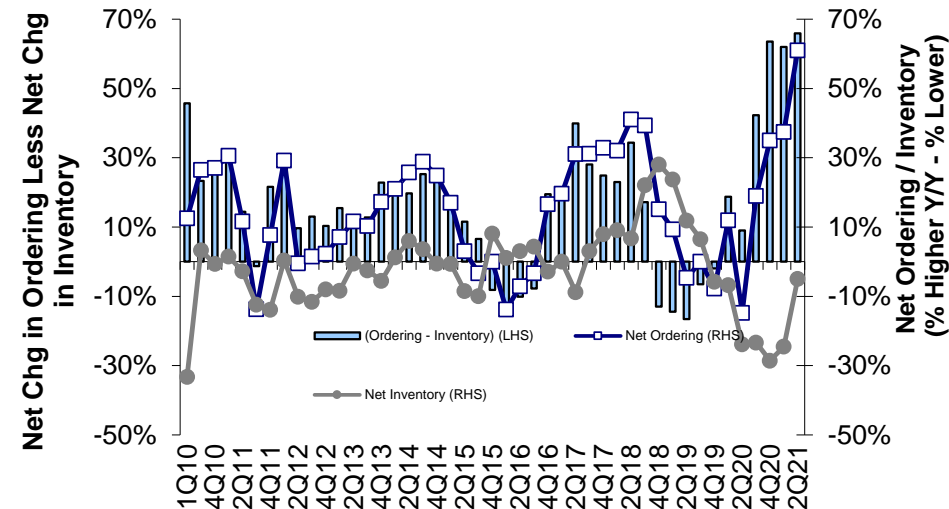
## 2. Improvement Across End Markets Except for Retail Which Declined from Prior Highs

Shippers' View of the Economy by Industry

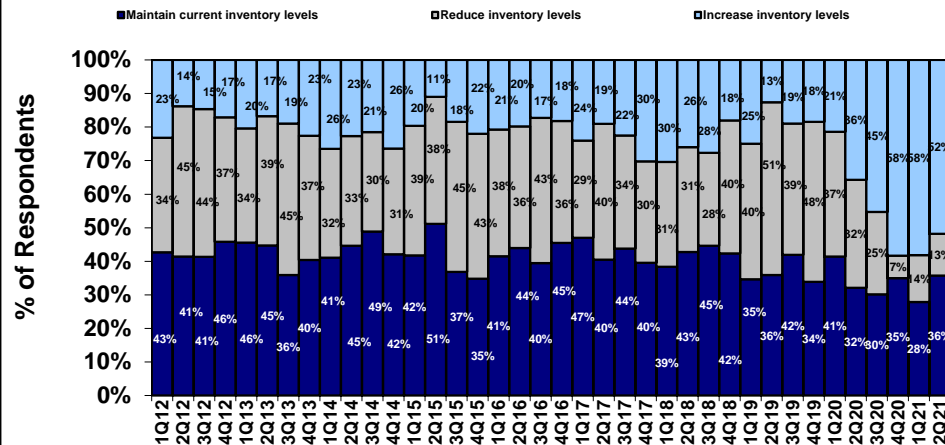


### 3. Net Ordering Surges to All-Time High While Net Inventories Recover and Shippers Planning to Increase Inventories Declines Seq. for First Time Since 2Q19

#### Shippers' Net Y/Y Orders vs. Net Y/Y Inventory

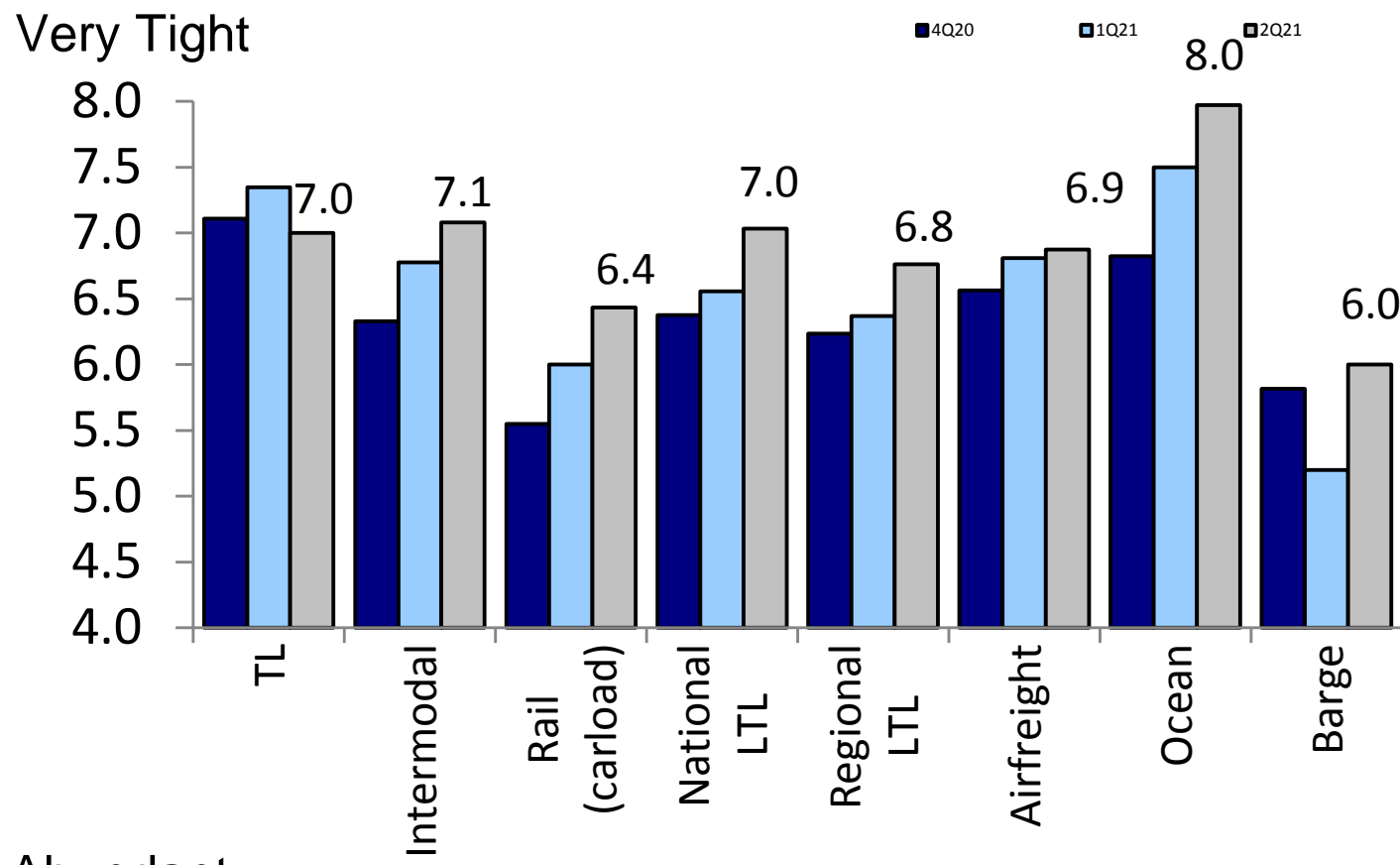


#### Shippers' Inventory Plans



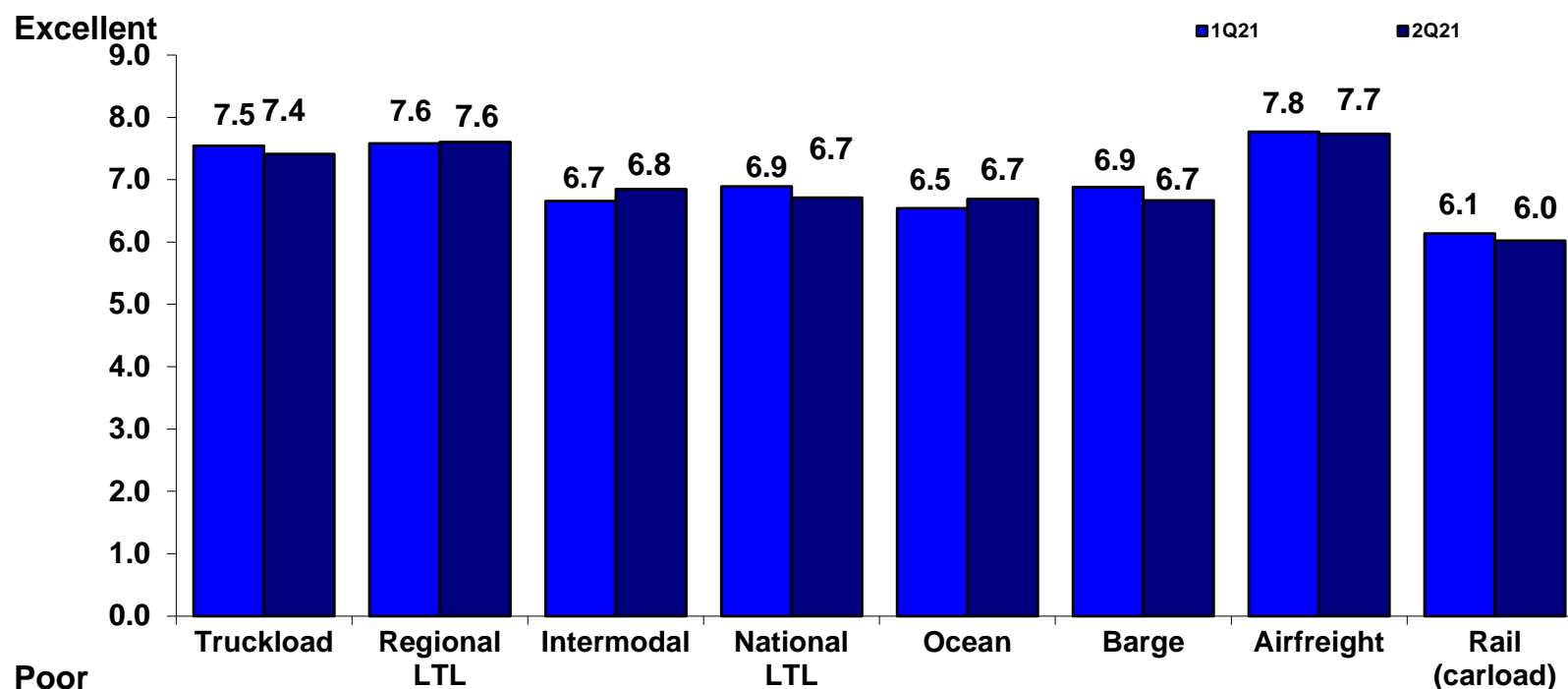
## 4. Expected Capacity Tightens Sequentially in All Modes Except TL; Ocean Remains Tightest

### Projected Capacity in 6 Months



## 5. Service Levels Mostly Stable With Modest Declines / Improvements Everywhere

How would you rate service levels among different modes of transportation for the past 6 months?





## Freight Pulse: Railroad Highlights

---

# Railroad Highlights

## Freight Pulse: Rail Key Takeaways

---

### 1. Rail Volume

- Average Rail Volume Growth Expectations Remain in Positive Territory But Decline to Sub 2% Levels Once Again

### 2. Pricing

- Rail Rate Change Index Surges to Above LT Avg. Levels (2.70%) For the First Time Since 2018

### 3. Spending

- Difficulty of Rate Negotiations Remain Elevated; % of Shippers That Expect to Increase Rail Spend Stable but Large and Small Shippers' Plans Diverge

### 4. Intermodal

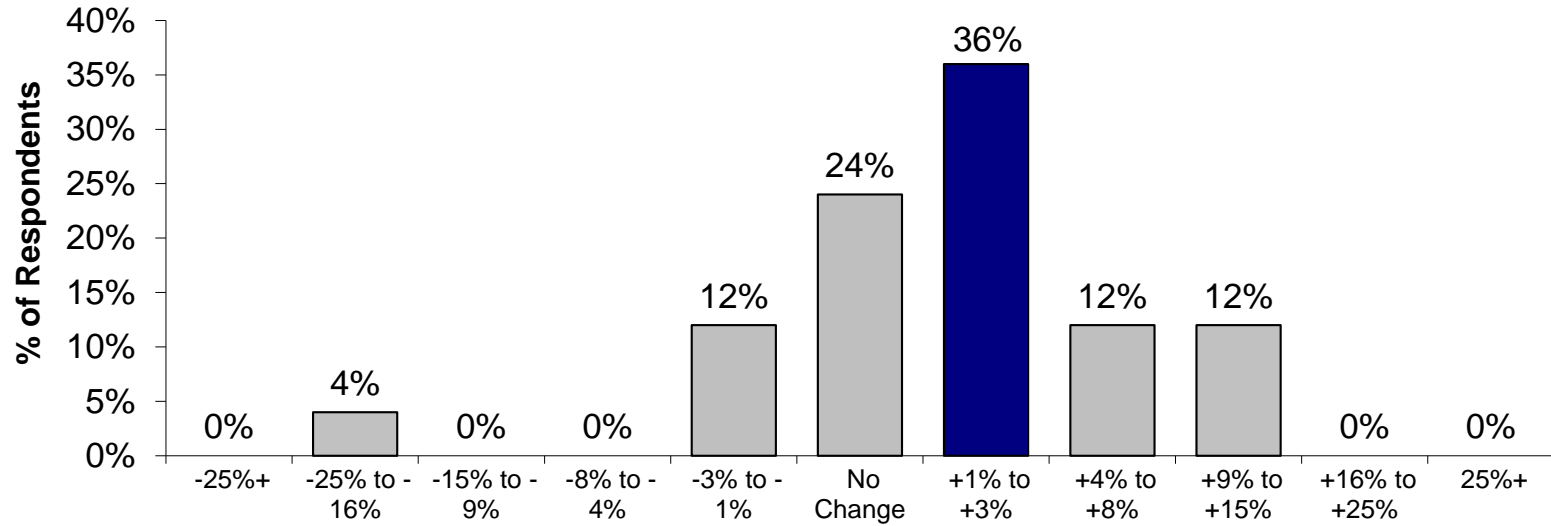
- Intermodal Discount to TL (Ex. Fuel) Ticks Up; ~In-Line with LT Averages

### 5. Service Trends

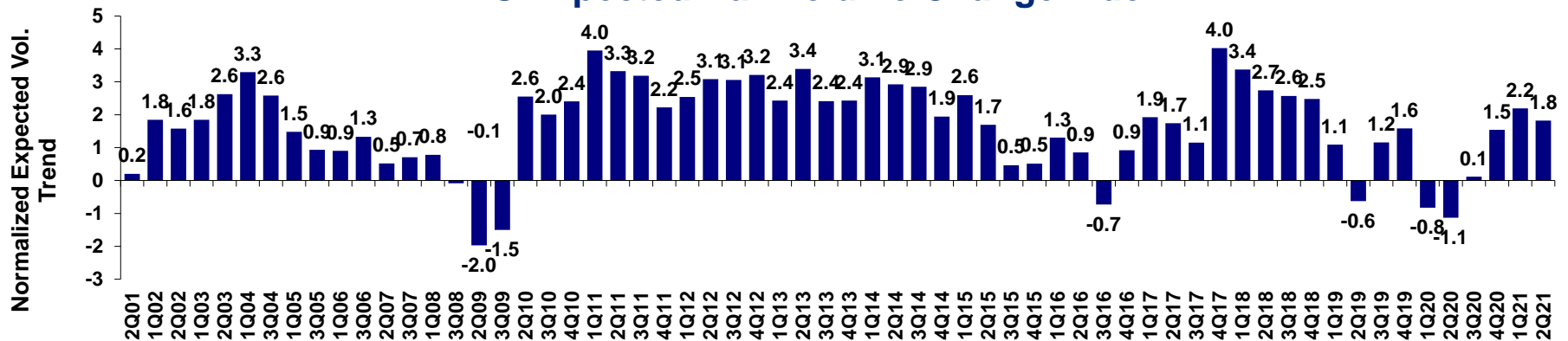
- Rail Service Reliability and Value for Dollar Fall Sequentially

# 1. Average Rail Volume Growth Expectations Remain in Positive Territory But Decline to Sub 2% Levels Once Again

## YoY Volume Growth Expectations for Next 6 Mo. by Range



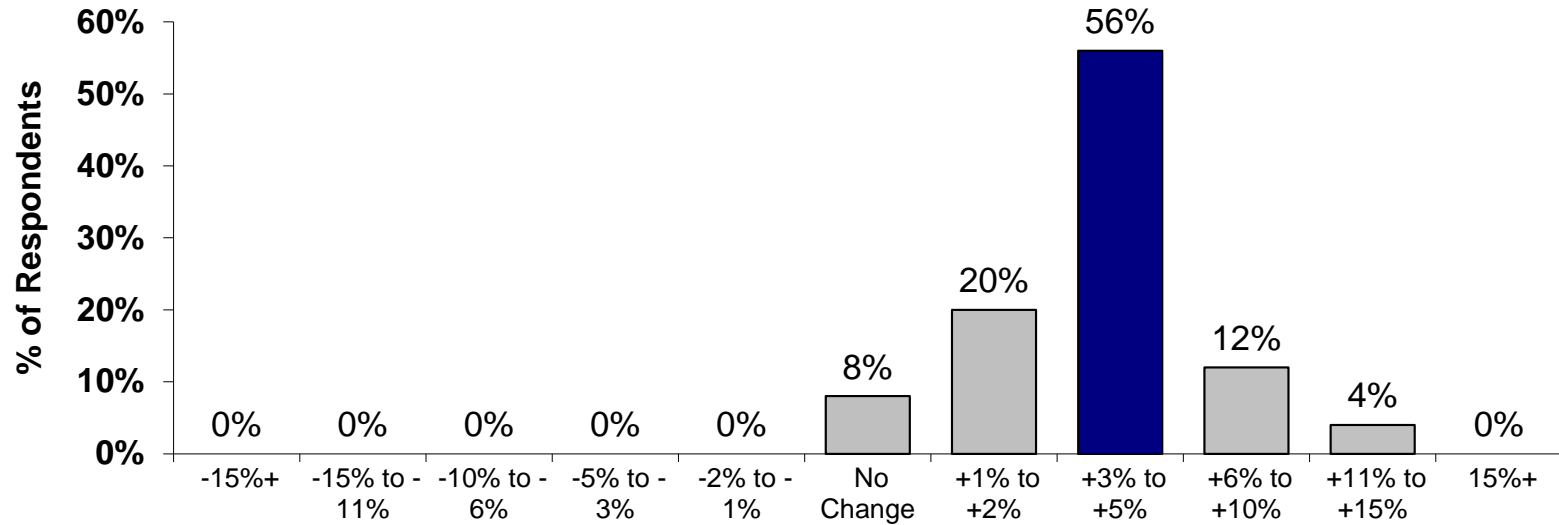
## MS Expected Rail Volume Change Index



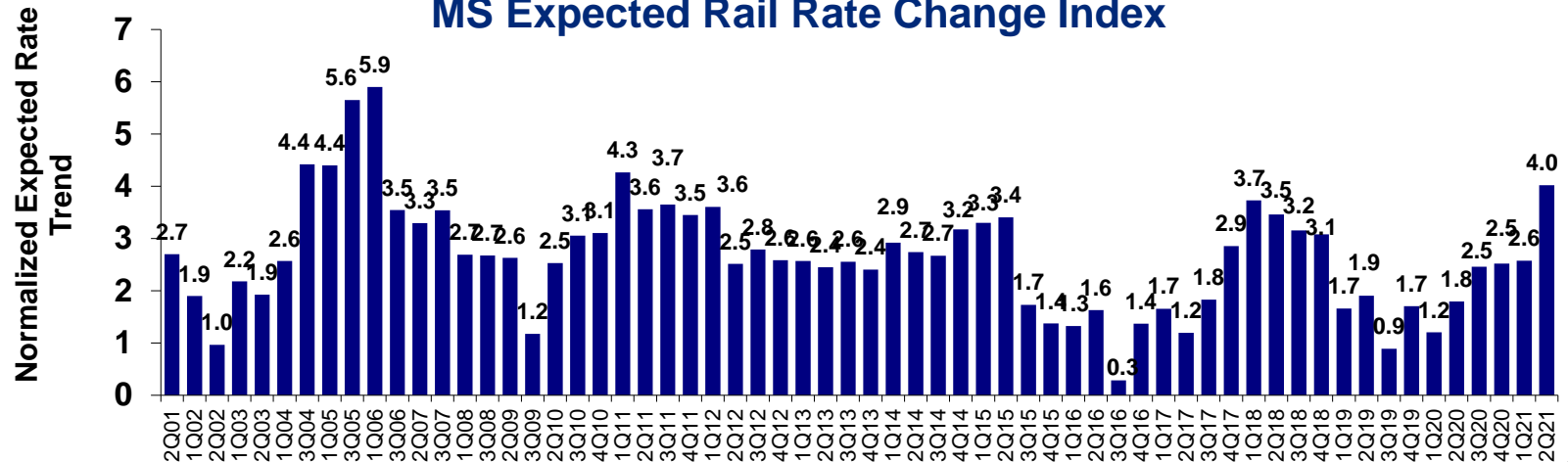
Morgan Stanley

## 2. Rail Rate Change Index Surges to Above LT Avg. Levels (2.70%) For the First Time Since 2018

### YoY Rate Growth Expectations for Next 6 Mo. by Range

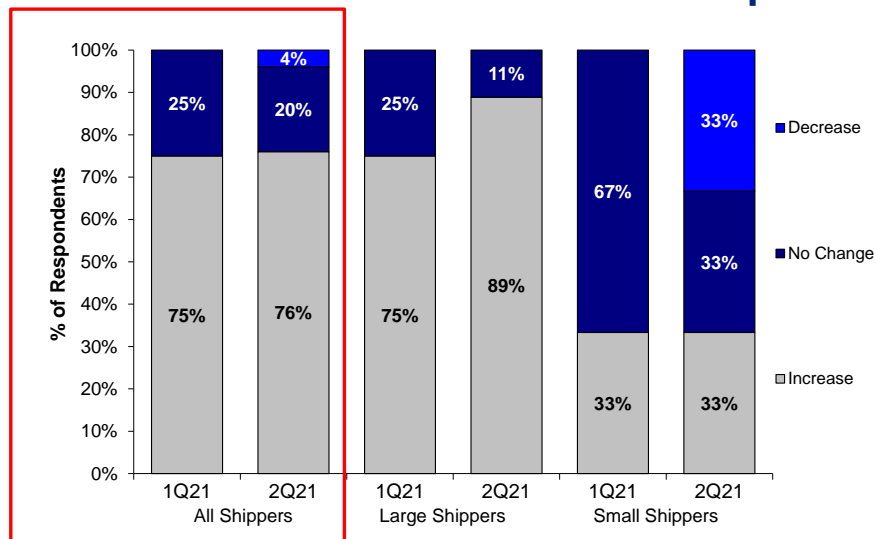


### MS Expected Rail Rate Change Index

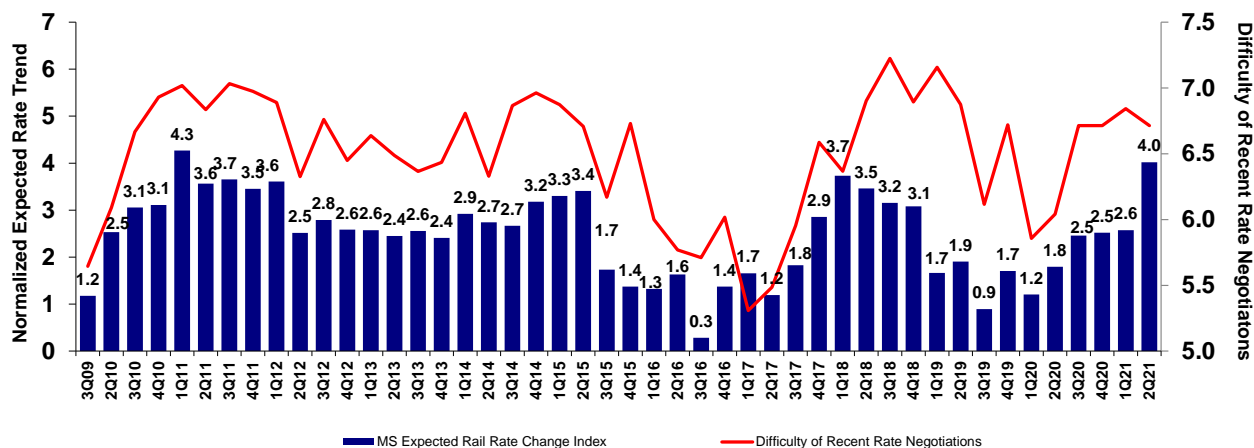


### 3. Difficulty of Rate Negotiations Remain Elevated; % of Shippers That Expect to Increase Rail Spend Stable but Large and Small Shippers' Plans Diverge

#### Rail Spend Forward 6 Month YoY Growth Expectations

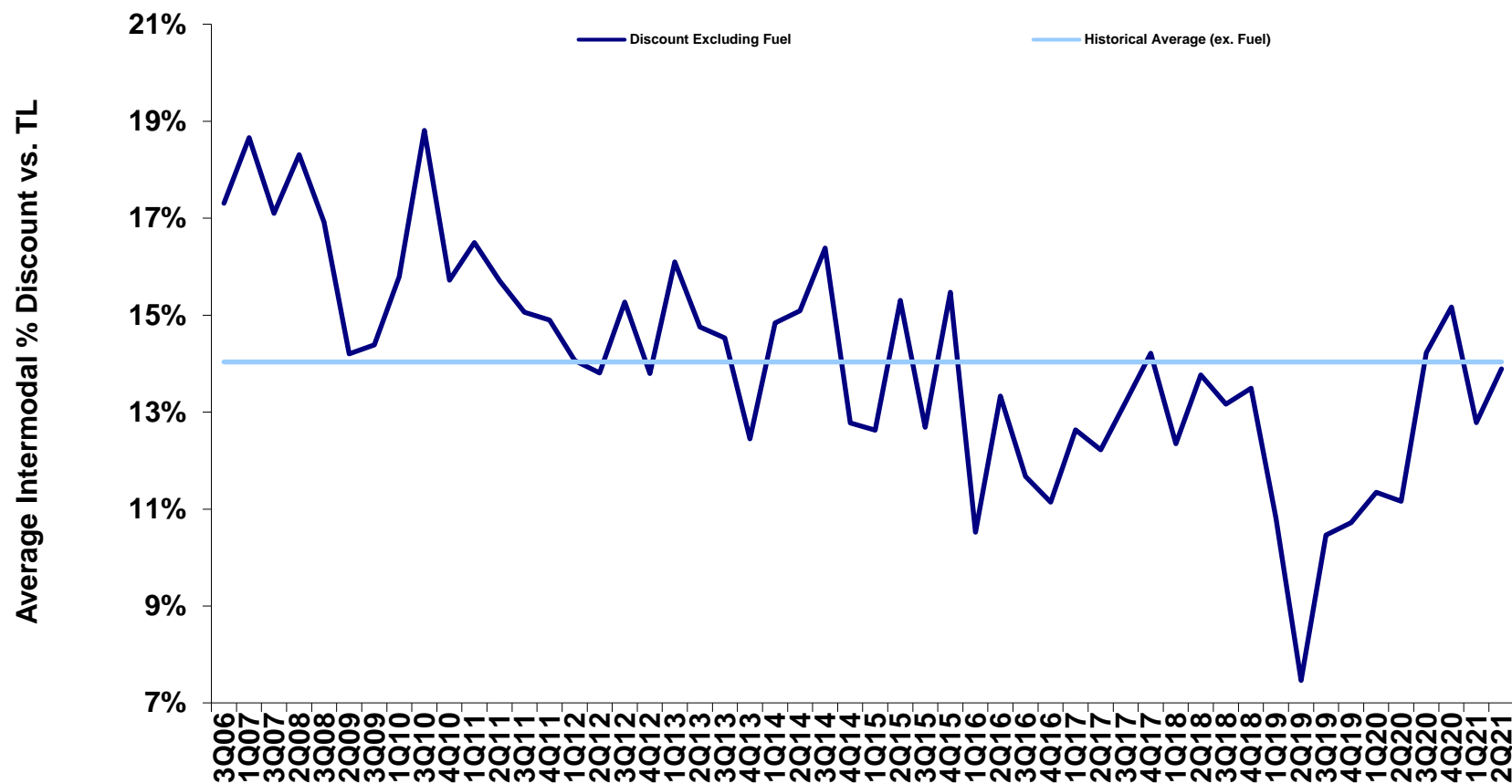


#### Rail Rate Negotiations: Rate the Difficulty of Recent Rate Negotiations



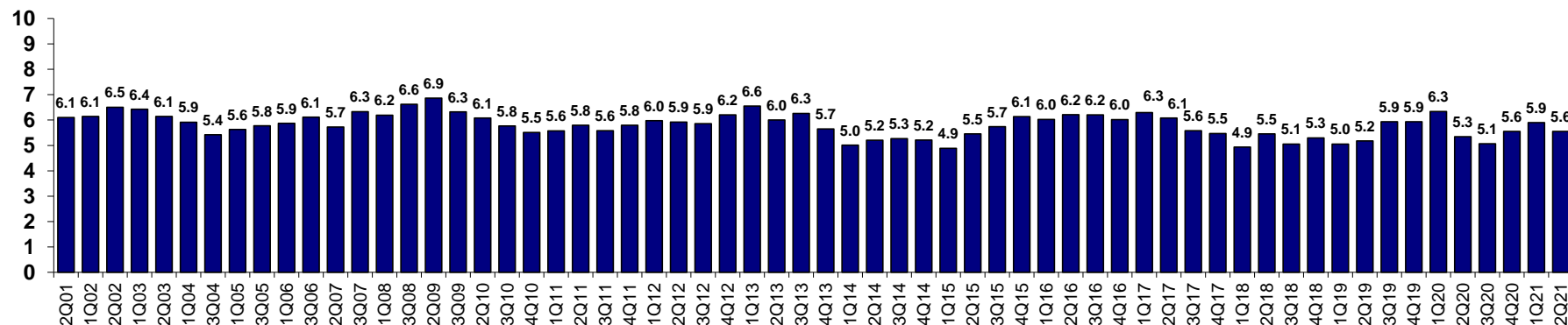
## 4. Intermodal Discount to TL (Ex. Fuel) Ticks Up; ~In-Line with LT Averages

**What discount is being offered in the marketplace for intermodal services when compared to TL services in a similar lane?**

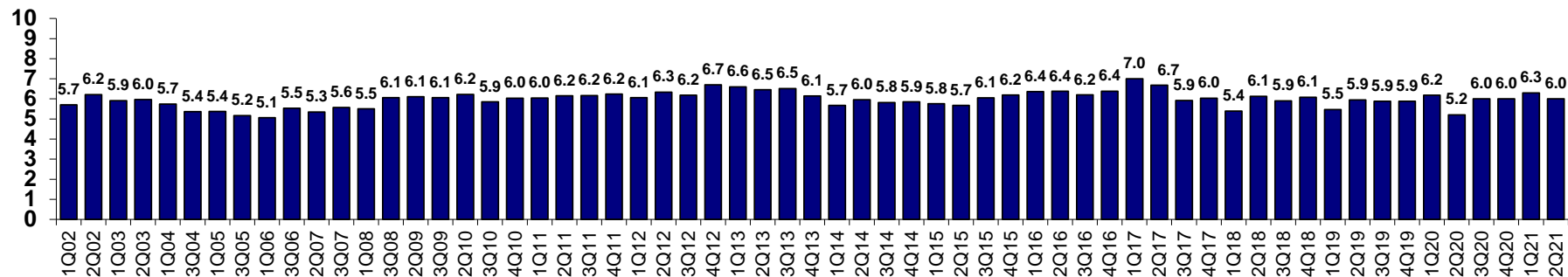


## 5. Rail Service Reliability and Value for Dollar Fall Sequentially

Service Reliability (Scale 1 = Worst to 10 = Best)



Value for Dollar (Scale 1 = Worst to 10 = Best)



## Freight Pulse: Trucking Highlights

---

# Trucking Highlights



## Freight Pulse: Trucking Key Takeaways

### 1. Truck Volume

- Volume Growth Expectations Increase Across the Board; TL Expectations at a New High

### 2. Pricing

- Base Rate Growth Expectations Up for IM and LTL; TL Ticks Down After Prior Surge

### 3. Capacity

- Shippers Expect Capacity to Tighten Everywhere Except TL; IM Now Expected to Be the Tightest Mode

### 4. Intermodal Use

- Value for Dollar Falls Everywhere but Barge; High TL Rates Still the Most Influential Factor on IM Usage but Moderated from Recent Highs

### 5. Intermodal Cost

- Relative Price and Operating Constrains of IM Recover from Recent Lows

### 6. Truck to Rail

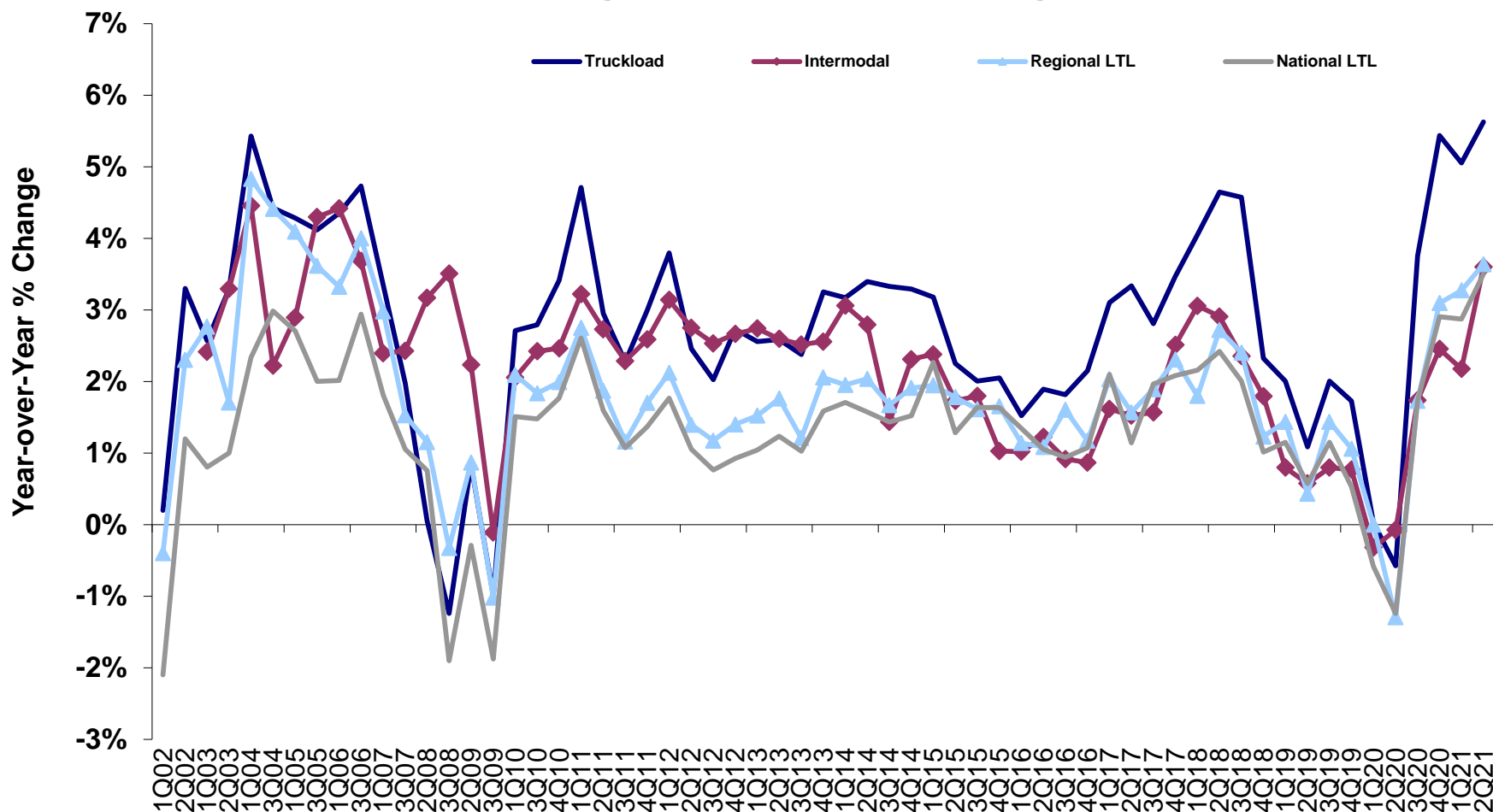
- A Seq. Uptick in Shippers Shifting From TL to Rail...

### 7. Rail to Truck

- ...But Even More Shippers Shifting from Rail to Truck Including 7% Shifting a "Significant" Amount More Shippers Shifting from Rail to Truck Than Vice Versa

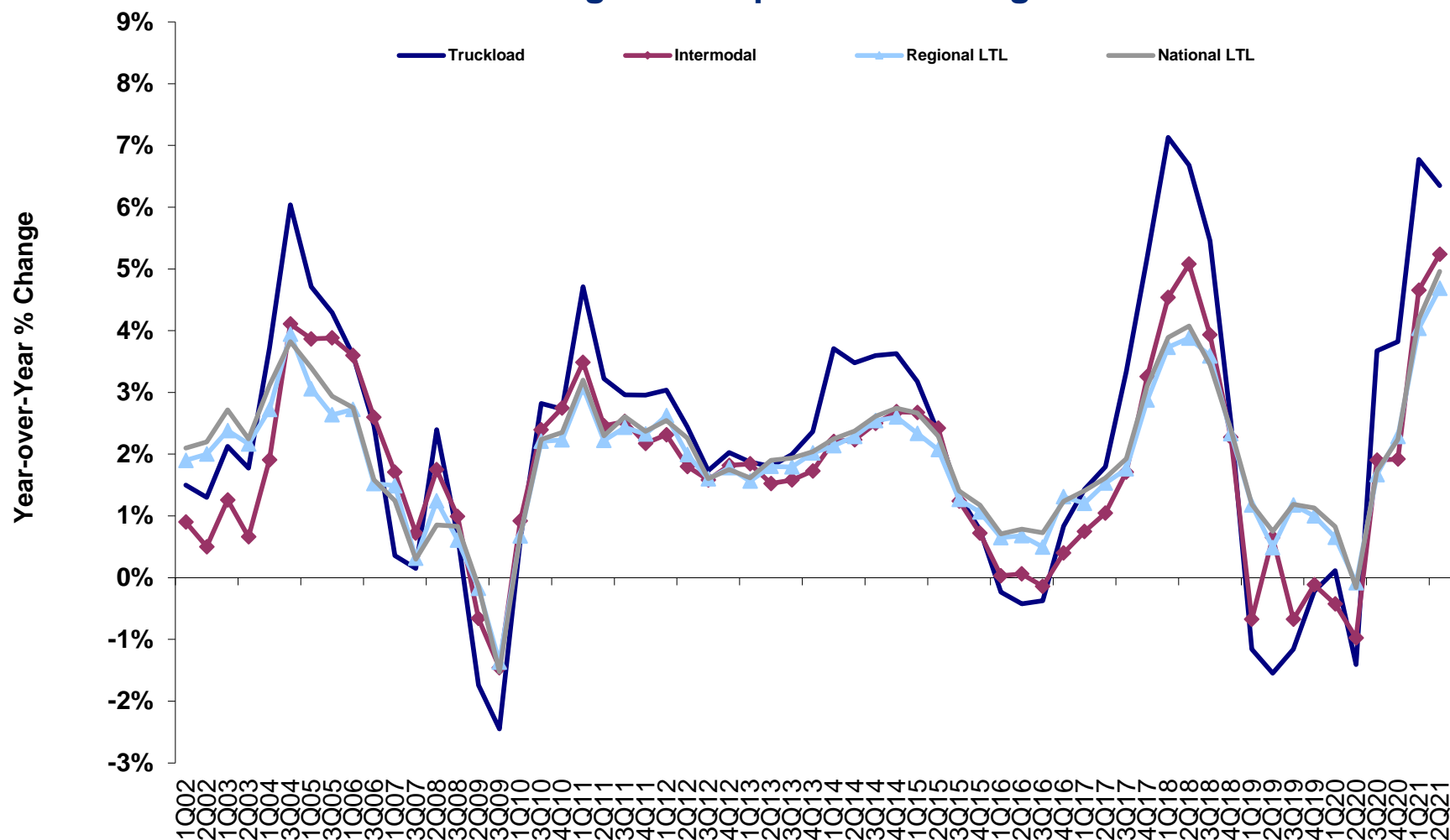
## 1. Volume Growth Expectations Increase Across the Board; TL Expectations at a New High

Indicate the YoY % Change You Expect in Your Organization's Volume



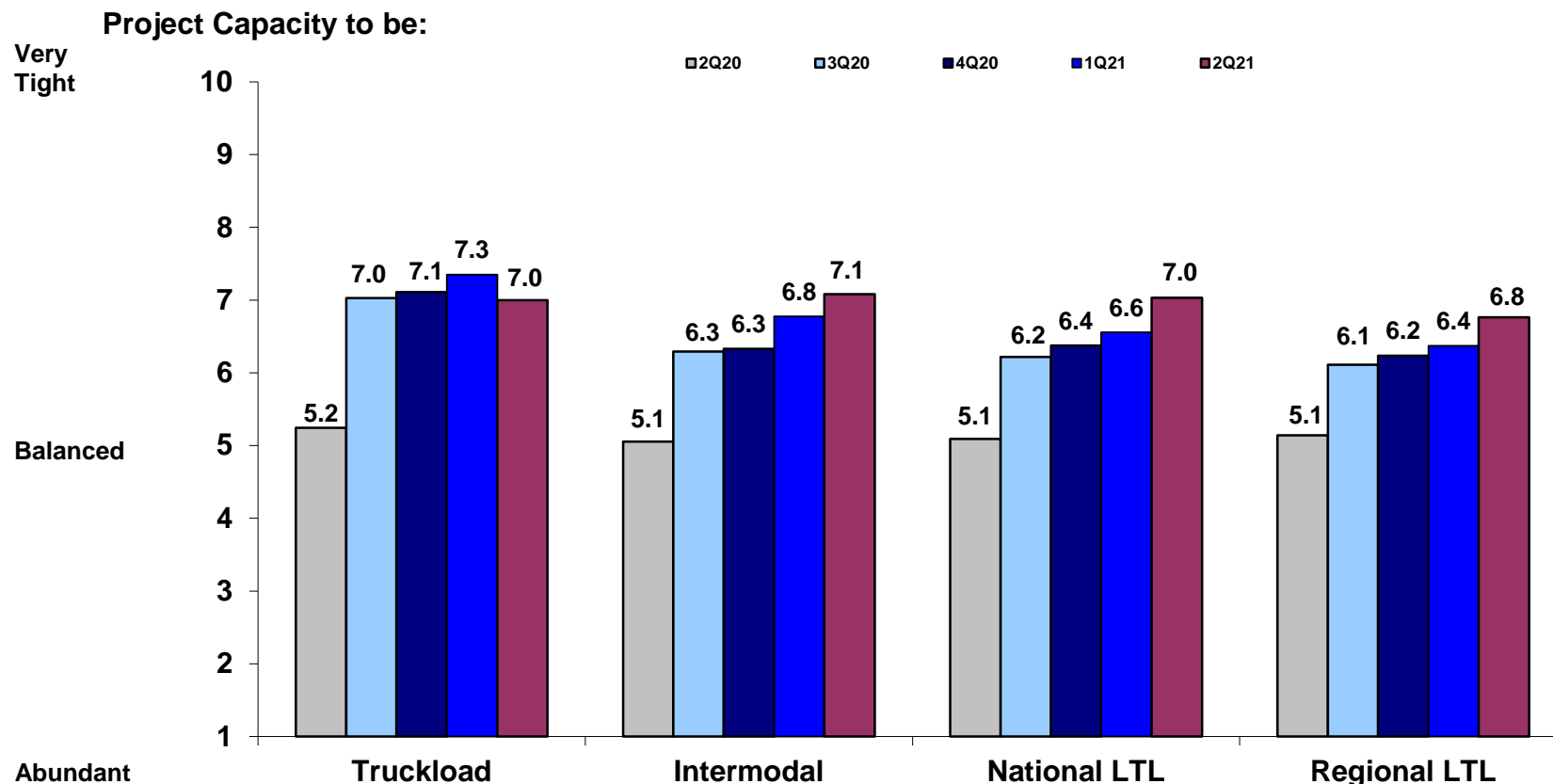
## 2. Base Rate Growth Expectations Up for IM and LTL; TL Ticks Down After Prior Surge

Indicate the YoY % Change You Expect in Your Organization's Base Rates



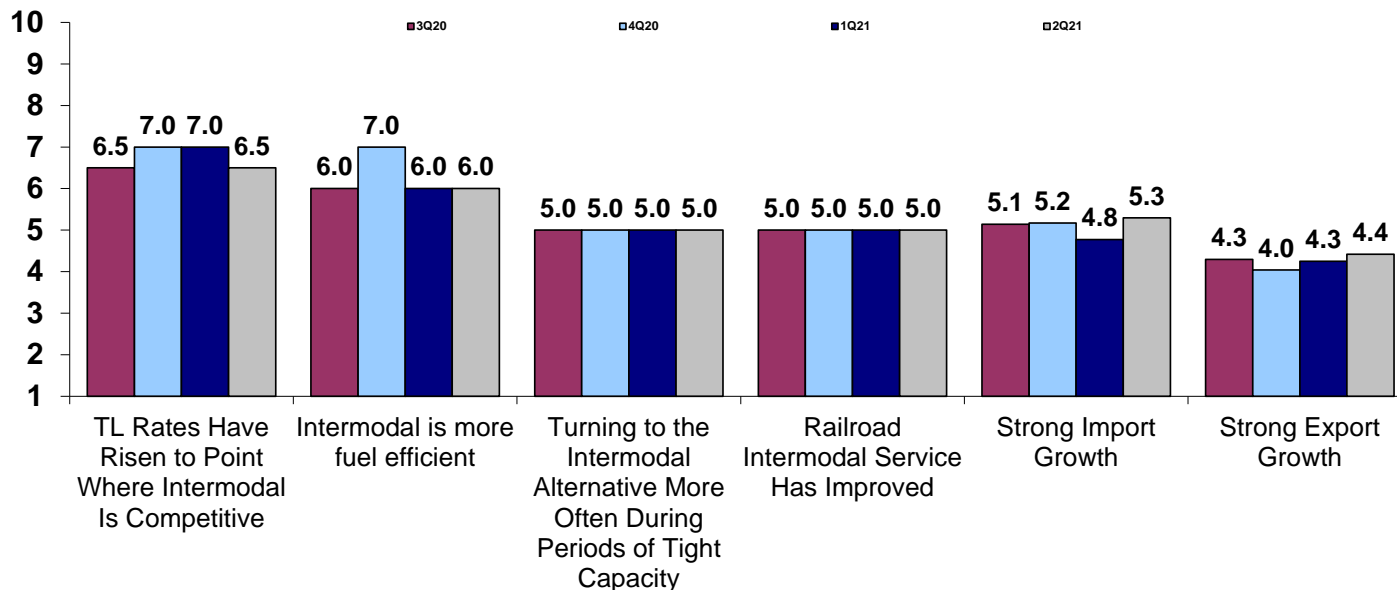
# 3. Shippers Expect Capacity to Tighten Everywhere Except TL; IM Now Expected to Be the Tightest Mode

## What are your Expectations for Capacity in 6 Months?

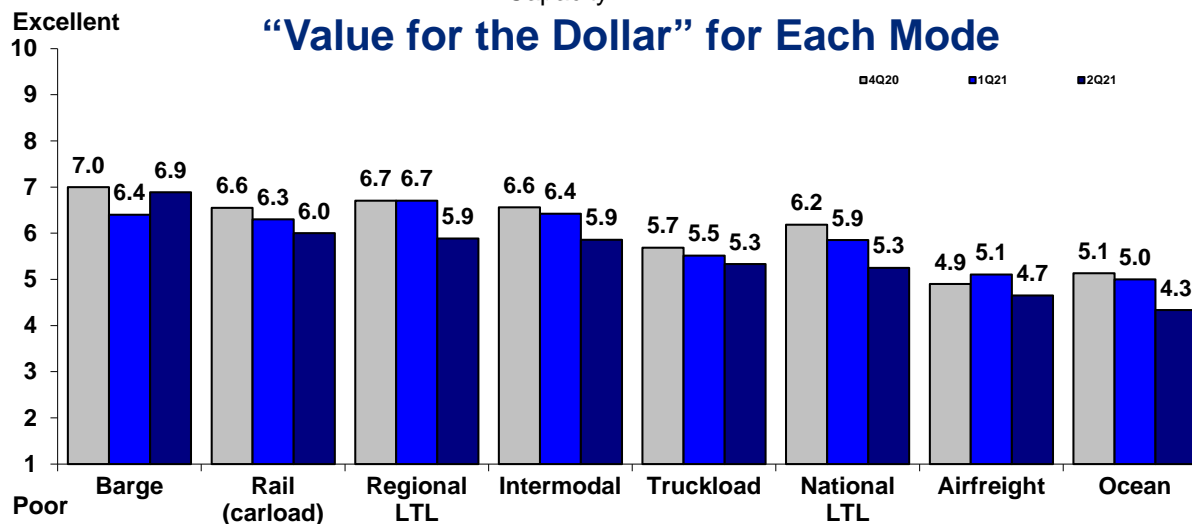


## 4. Value for Dollar Falls Everywhere but Barge; High TL Rates Still the Most Influential Factor on IM Usage but Moderated from Recent Highs

### What Factors are Impacting Your Use of Intermodal Most?

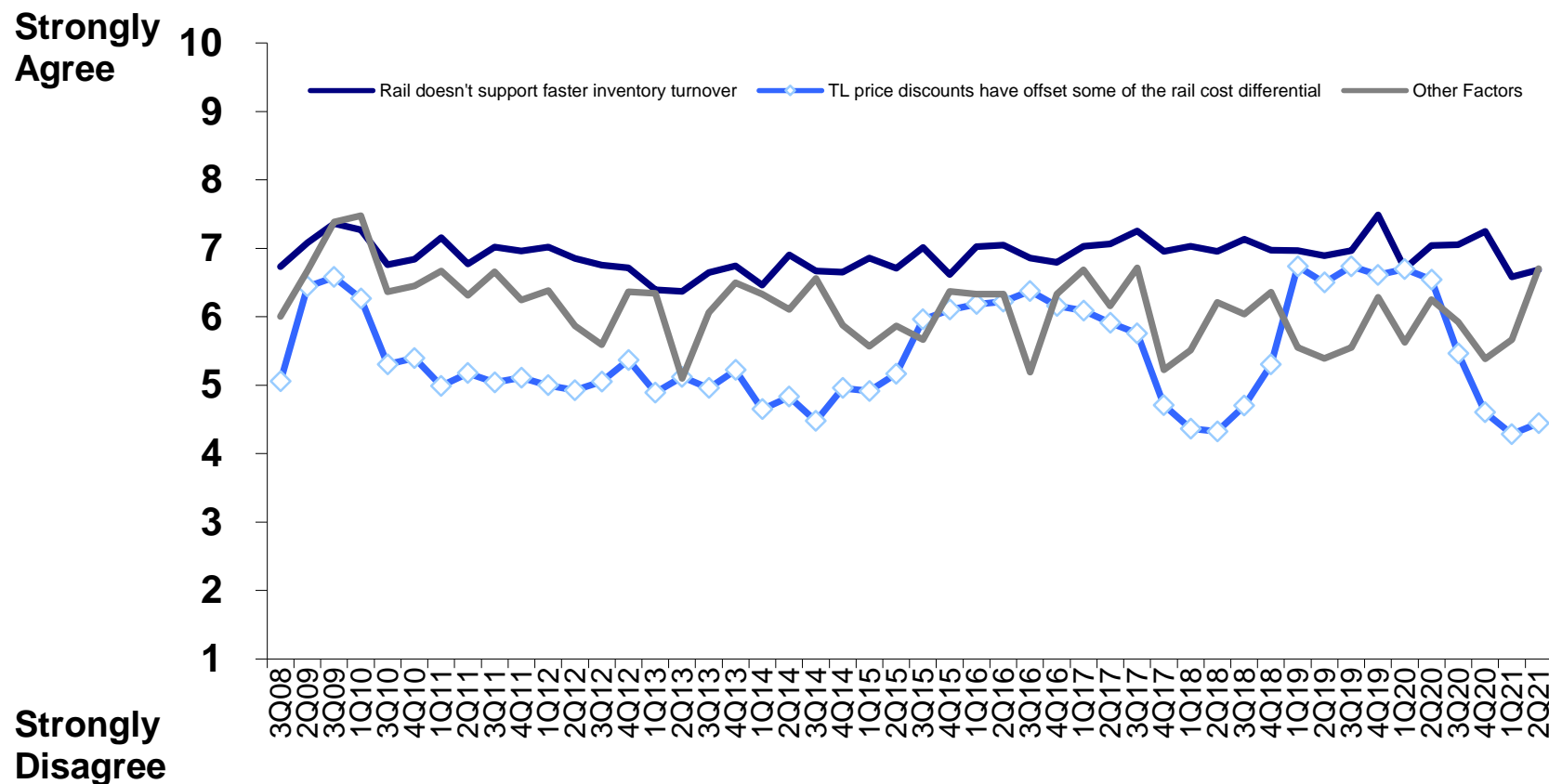


### “Value for the Dollar” for Each Mode

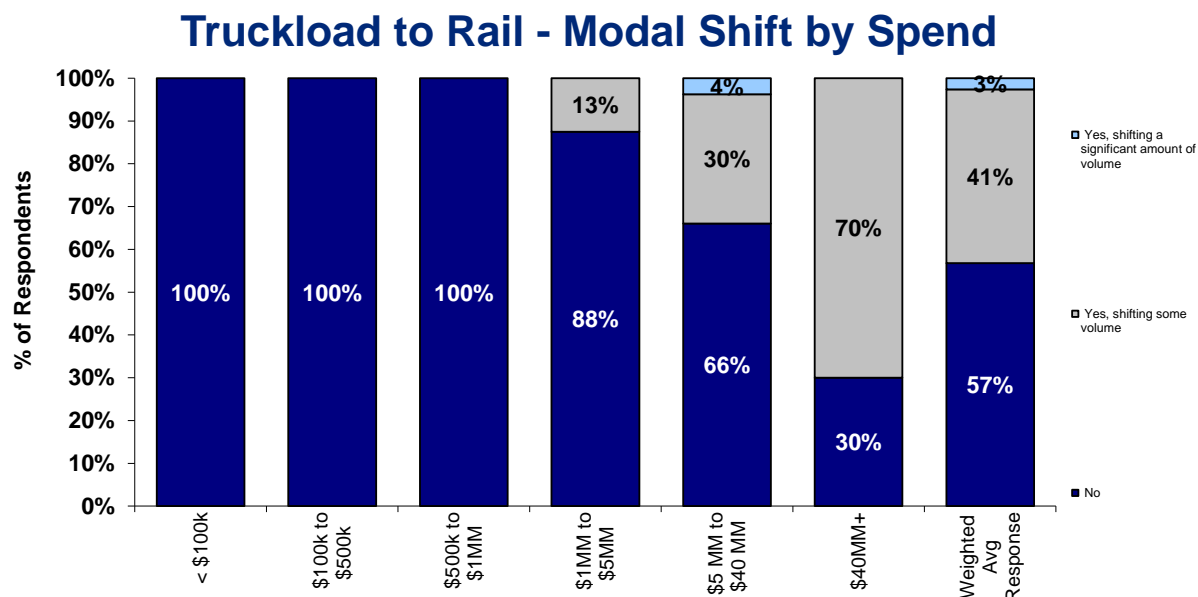
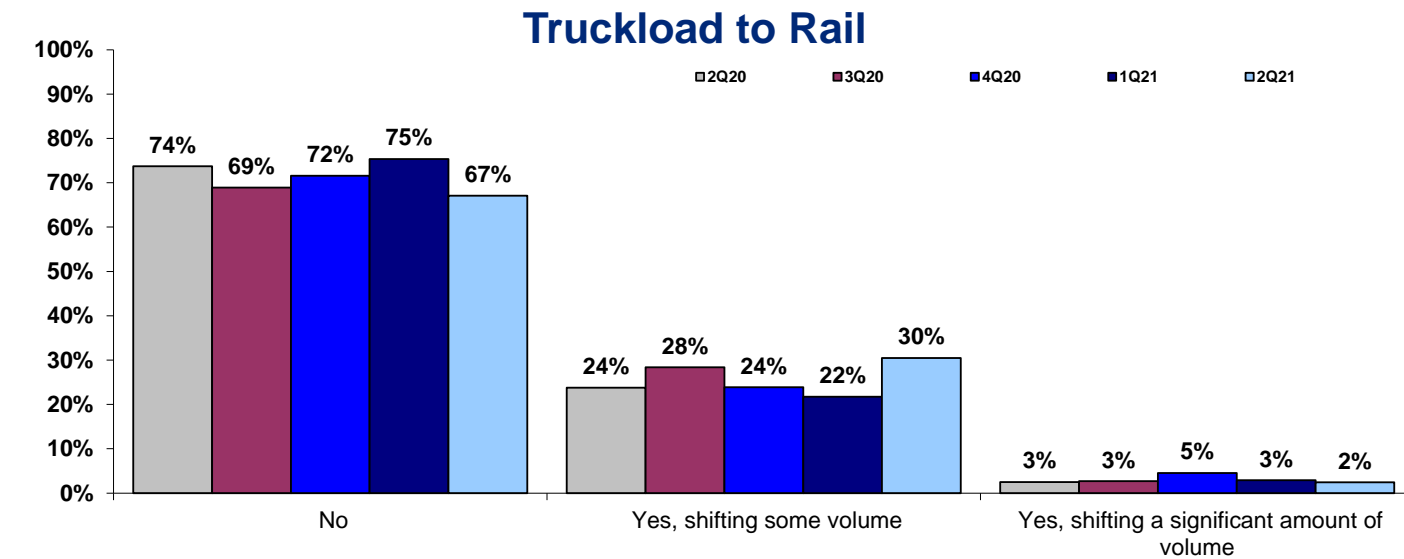


## 5. Relative Price and Operating Constrains of IM Recover from Recent Lows

### What Factors are Limiting your Organization from Shipping More Volume on the Railroads?

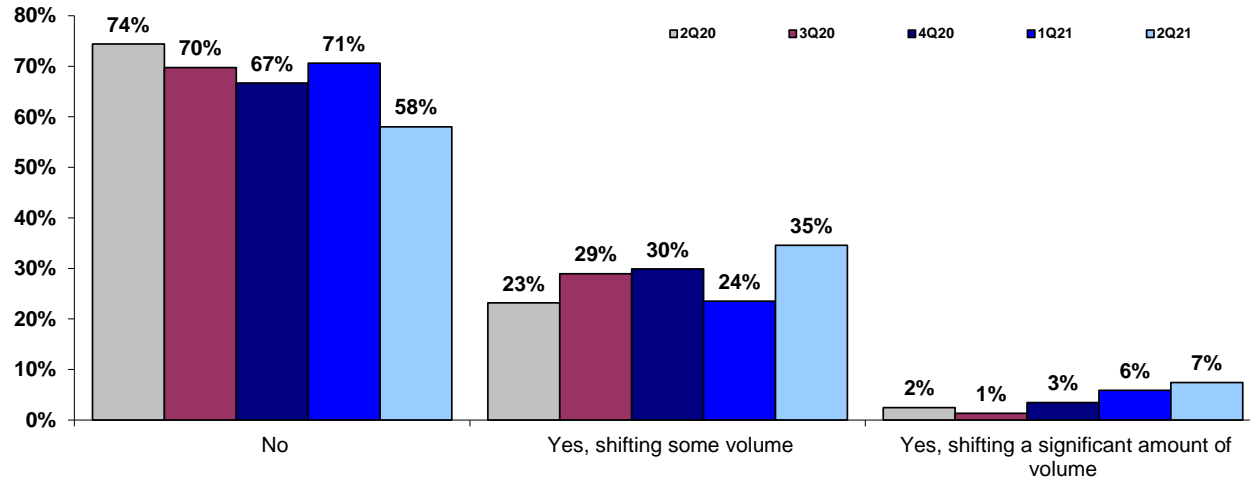


## 6. A Seq. Uptick in Shippers Shifting From TL to Rail...

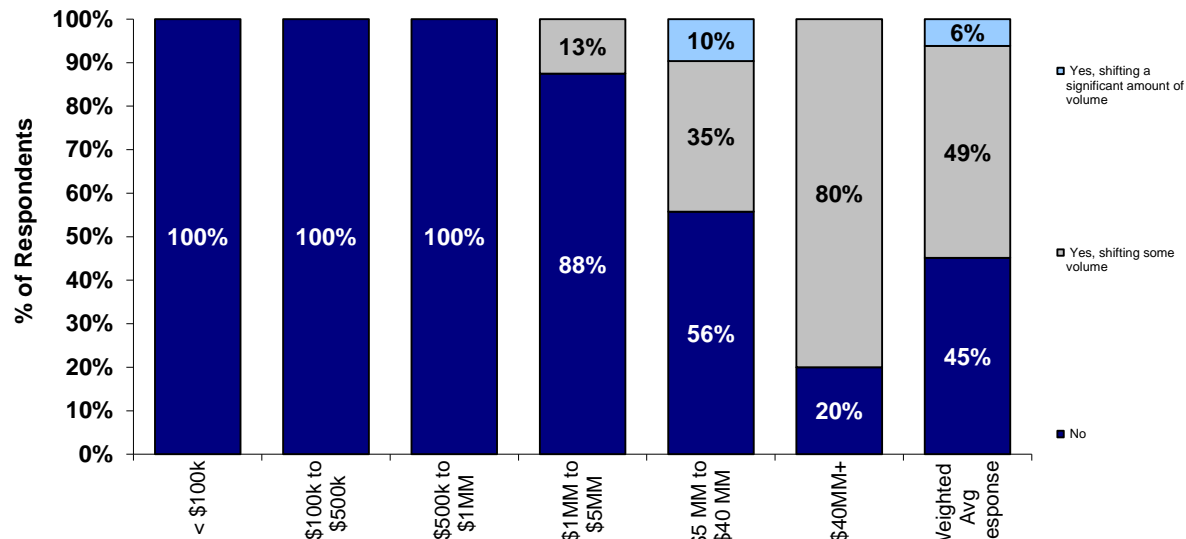


## 7. ...But Even More Shippers Shifting from Rail to Truck Including 7% Shifting a “Significant” Amount

### Rail to Truckload



### Rail to Truckload - Modal Shift by Spend





## Freight Pulse: Parcel Highlights

---

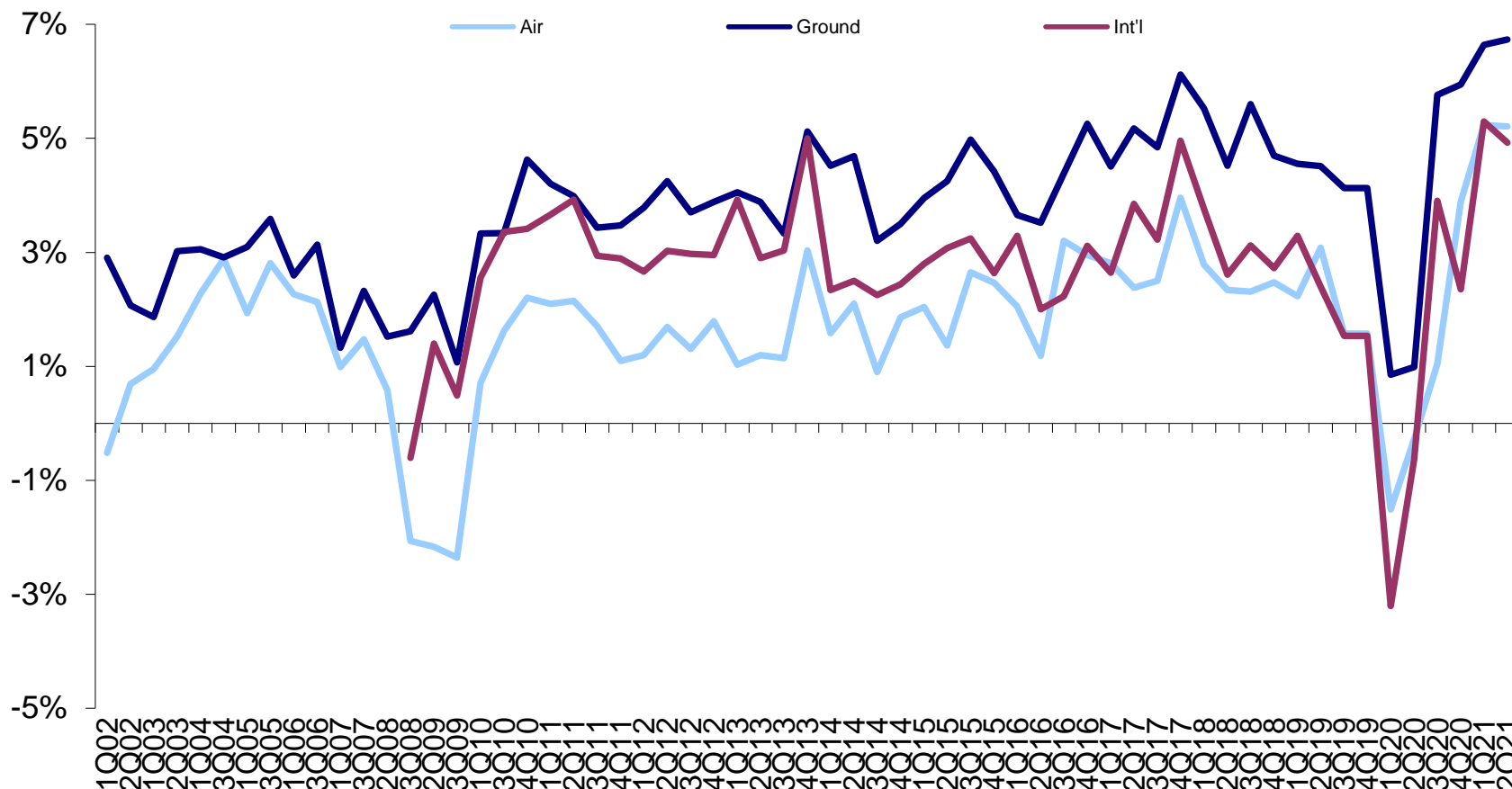
# Parcel Highlights

## Freight Pulse: Parcel Key Takeaways

<b>1. Parcel Volumes</b>	<ul style="list-style-type: none"> <li>■ Volume Expectations Mostly Stable in Ground and Air; Intl. Sees a Slight Seq. Decline</li> </ul>
<b>2. Pricing</b>	<ul style="list-style-type: none"> <li>■ Pricing Expectations Slide in Air While Ground Sees a Modest Seq. Decline and Intl. Ticks Up After Last Quarter's Plunge</li> </ul>
<b>3. Competition</b>	<ul style="list-style-type: none"> <li>■ "Aggressiveness" Now At Parity as FDX Slips Further but UPS Recovers From All-Time Lows</li> </ul>
<b>4. B2C</b>	<ul style="list-style-type: none"> <li>■ % of Shippers Expecting to Ship a Larger Portion of Volumes as B2C Surges After Last Quarter's Retreat</li> </ul>
<b>5. Rate Discounts</b>	<ul style="list-style-type: none"> <li>■ Rate Discounts Move Lower Across the Board; UPS Ground at Lowest Level Since 2006 and UPS Air at Lowest Level Since 2014</li> </ul>
<b>6. Value for Dollar</b>	<ul style="list-style-type: none"> <li>■ Ground Value for Dollar Falls to Lowest Level in Two Decades</li> </ul>
<b>7. Airfreight</b>	<ul style="list-style-type: none"> <li>■ Airfreight Capacity Remains Tight; Shippers See Capacity Loosening in 6 Months</li> </ul>
<b>8. Ocean</b>	<ul style="list-style-type: none"> <li>■ Ocean Capacity is Also Very Tight; Though Shippers See Capacity Loosening in 6 Months</li> </ul>

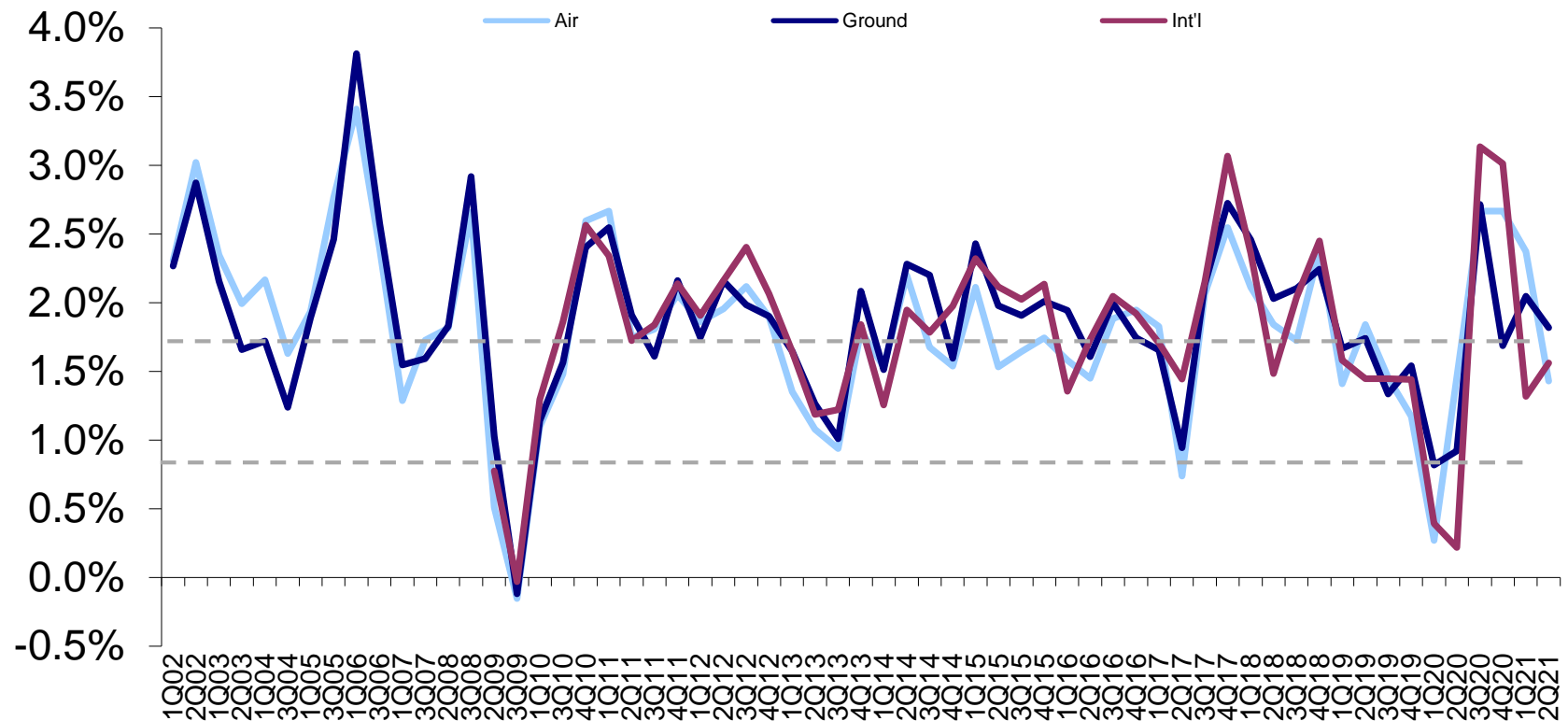
## 1. Volume Expectations Mostly Stable in Ground and Air; Intl. Sees a Slight Seq. Decline

### Volume Growth Expectations “Over the Next 6 Months” vs. Last Year



## 2. Pricing Expectations Slide in Air While Ground Sees a Modest Seq. Decline and Intl. Ticks Up After Last Quarter's Plunge

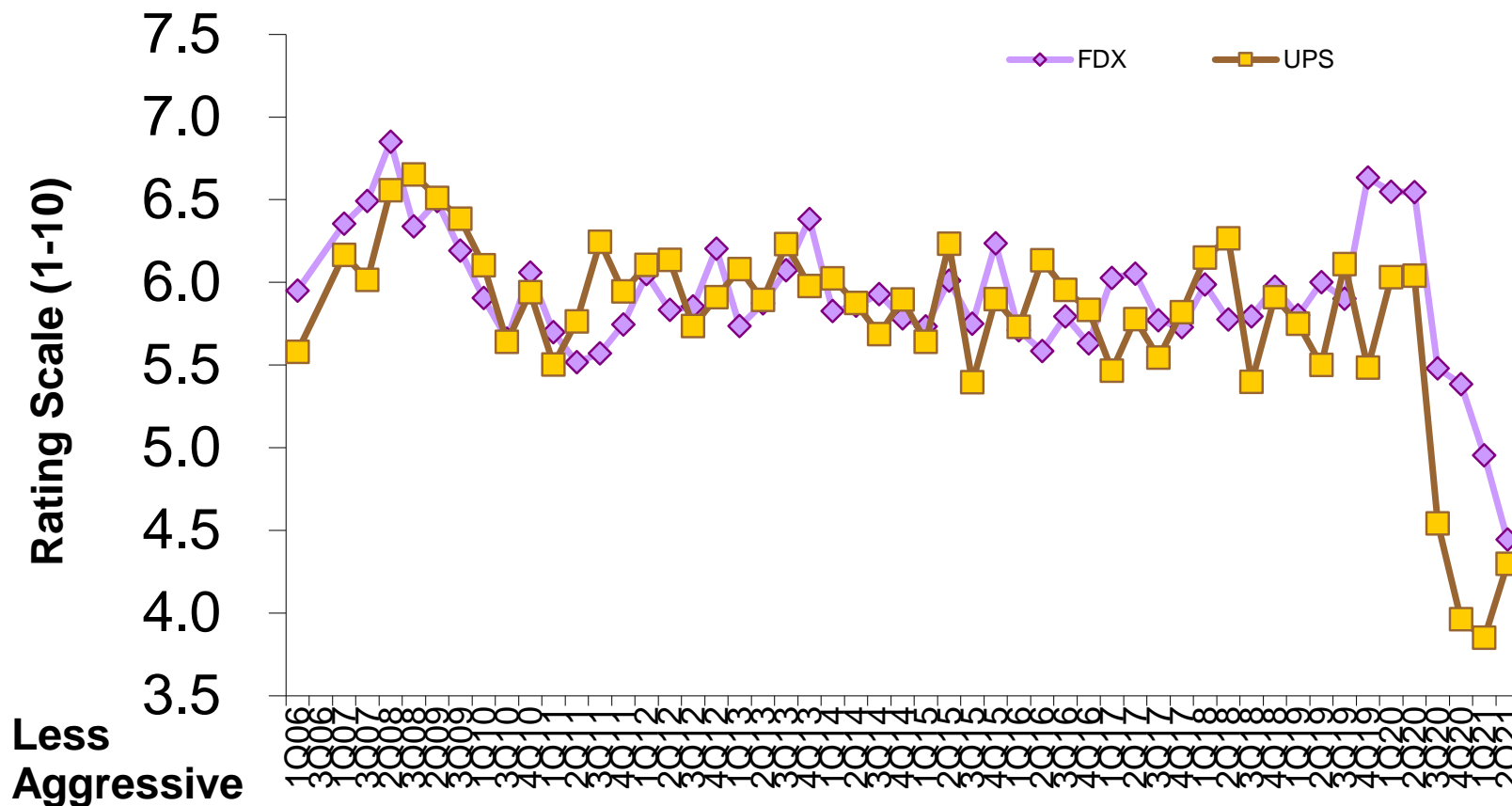
Average Base Rate Expectations “Over the Next 6 Months” vs. Last Year



### 3. “Aggressiveness” Now At Parity as FDX Slips Further but UPS Recovers From All-Time Lows

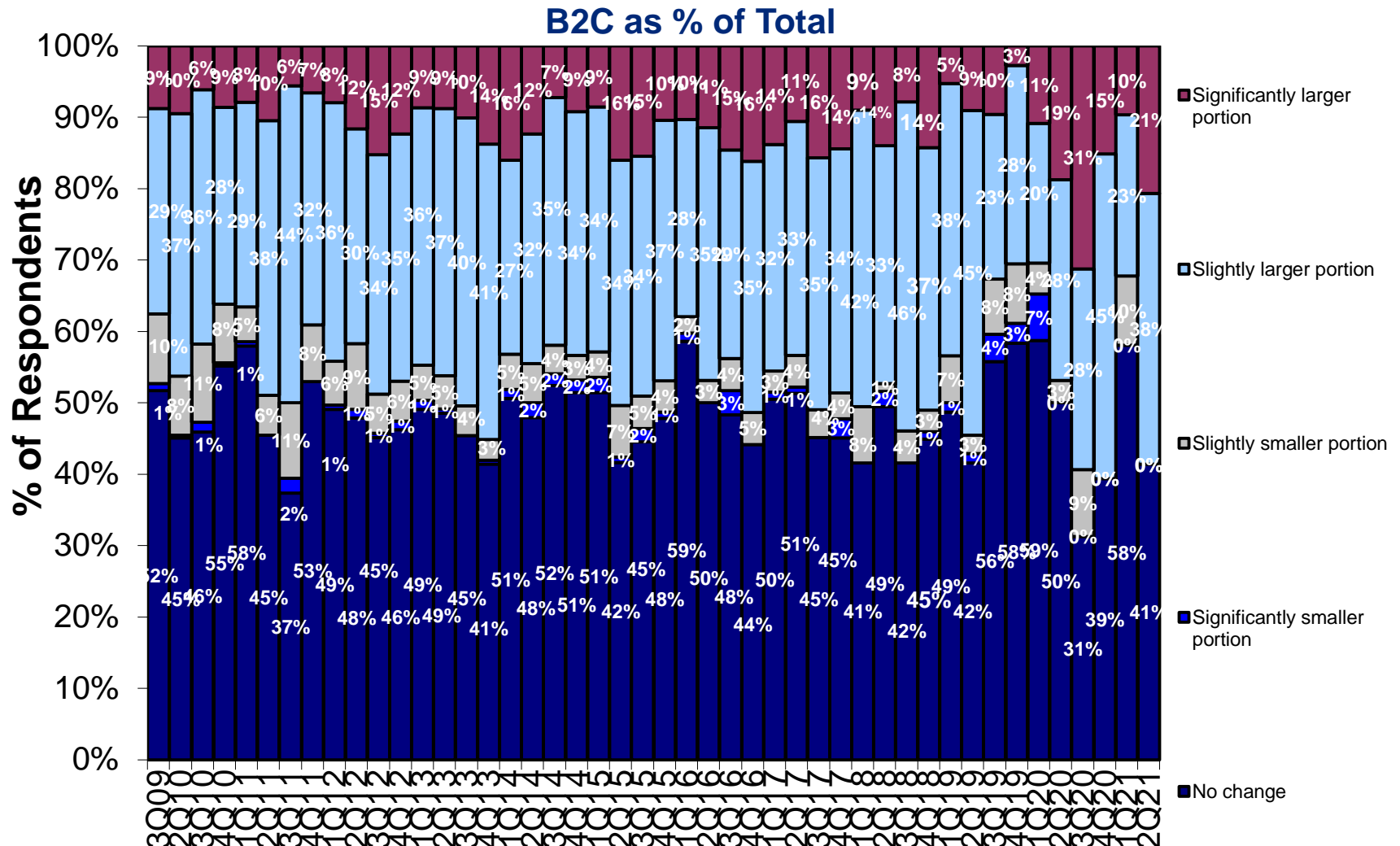
#### Parcel Shippers’ Rankings of Carriers’ “Aggressiveness” in Trying to Win Business Over Past Six Months

More Aggressive

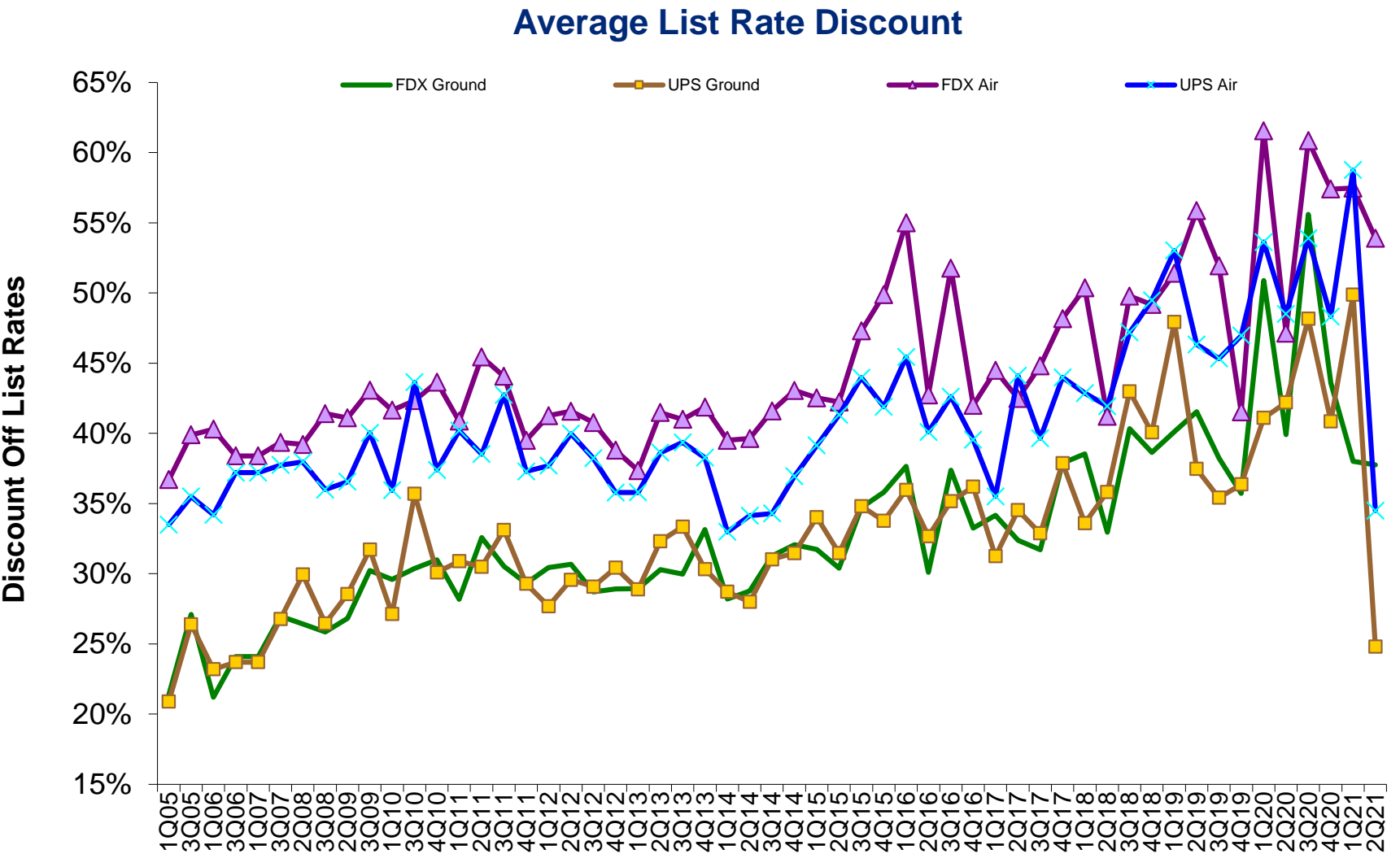


Source: Morgan Stanley Parcel Survey

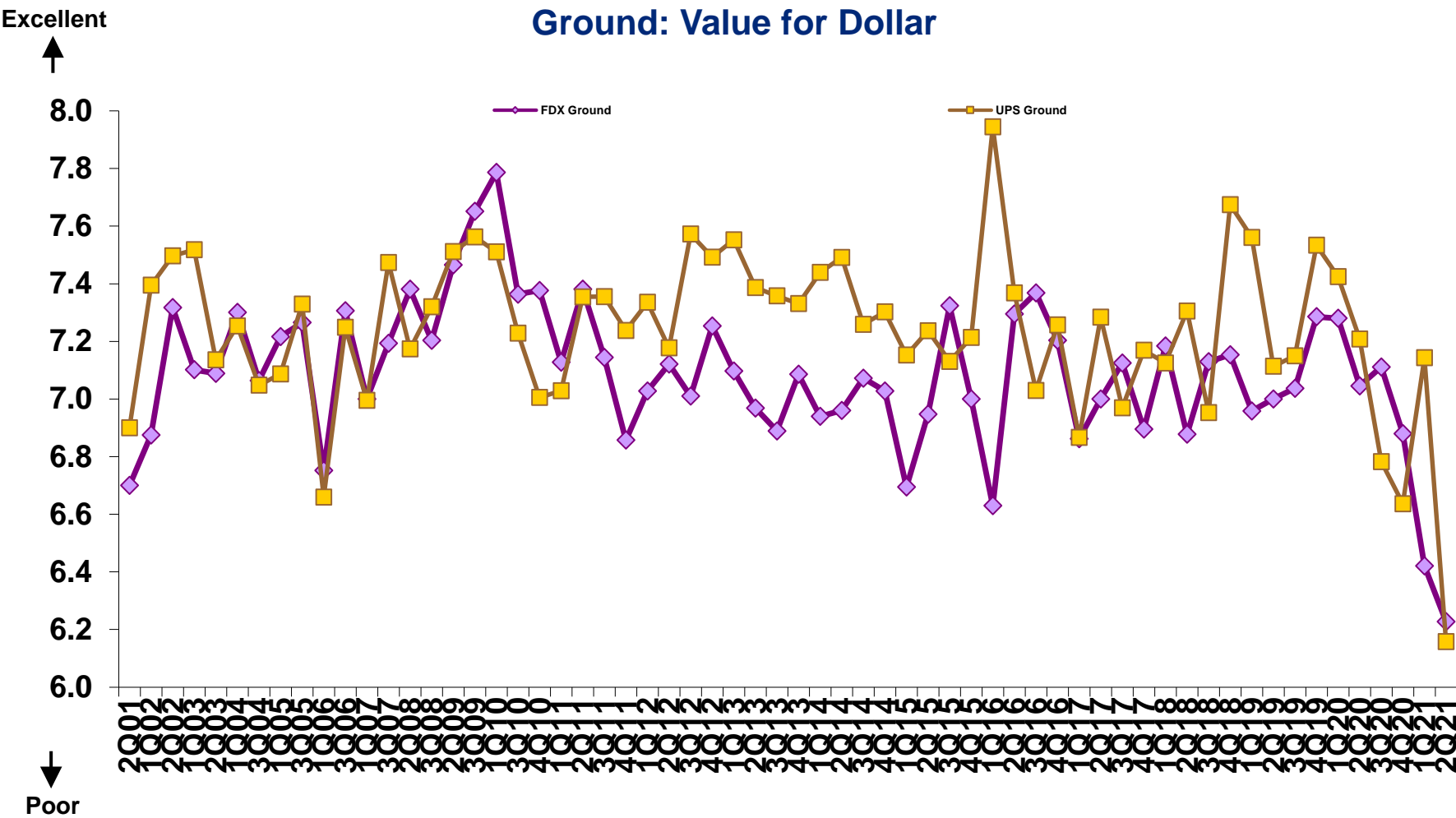
## 4. % of Shippers Expecting to Ship a Larger Portion of Volumes as B2C Surges After Last Quarter's Retreat



# 5. Rate Discounts Move Lower Across the Board; UPS Ground at Lowest Level Since 2006 and UPS Air at Lowest Level Since 2014



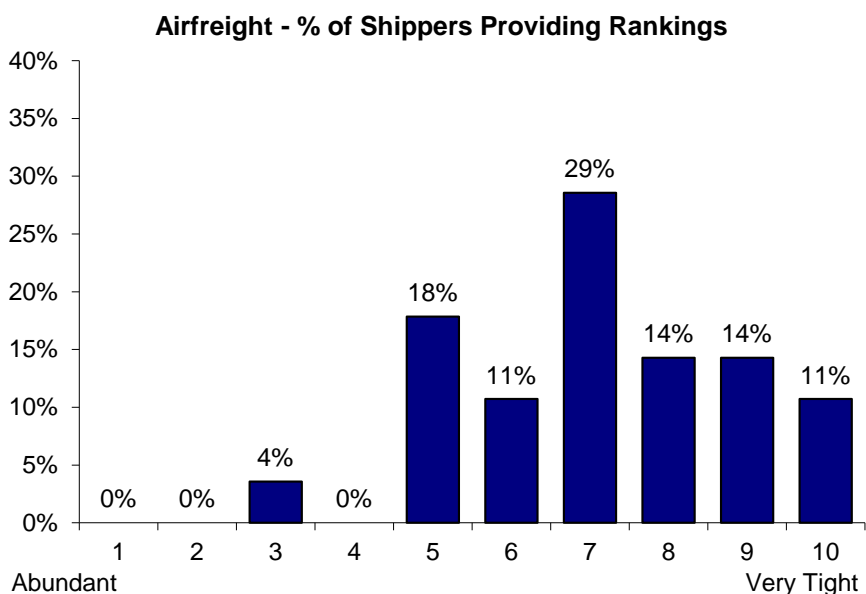
6. Ground Value for Dollar Falls to Lowest Level in Two Decades



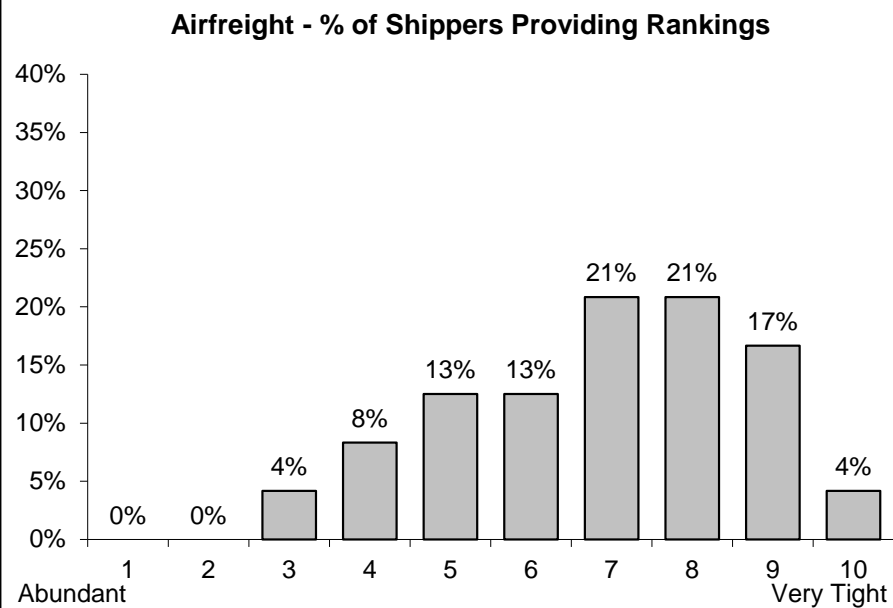


7. Airfreight Capacity Remains Tight; Shippers See Capacity Loosening in 6 Months

Current Capacity



Projected Capacity in 6 Months

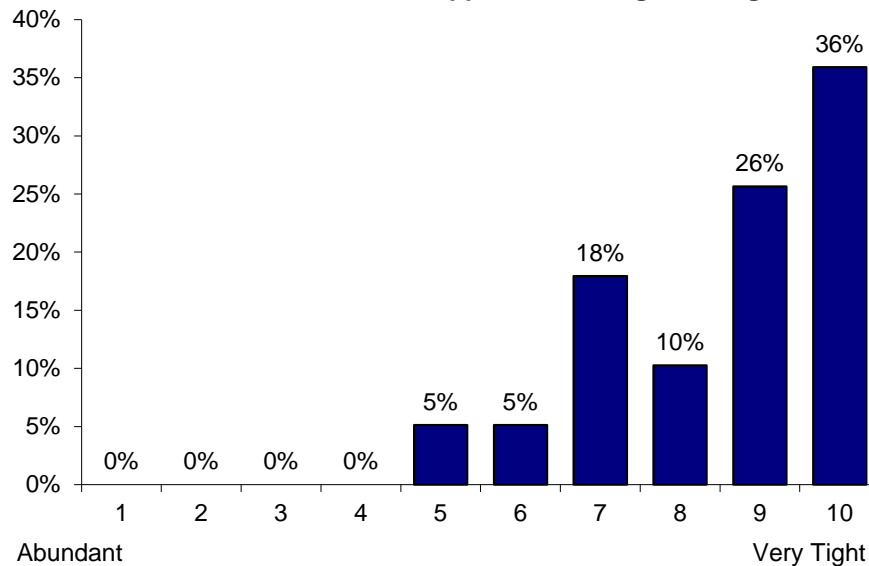


Morgan Stanley

## 8. Ocean Capacity is Also Very Tight; Though Shippers See Capacity Loosening in 6 Months

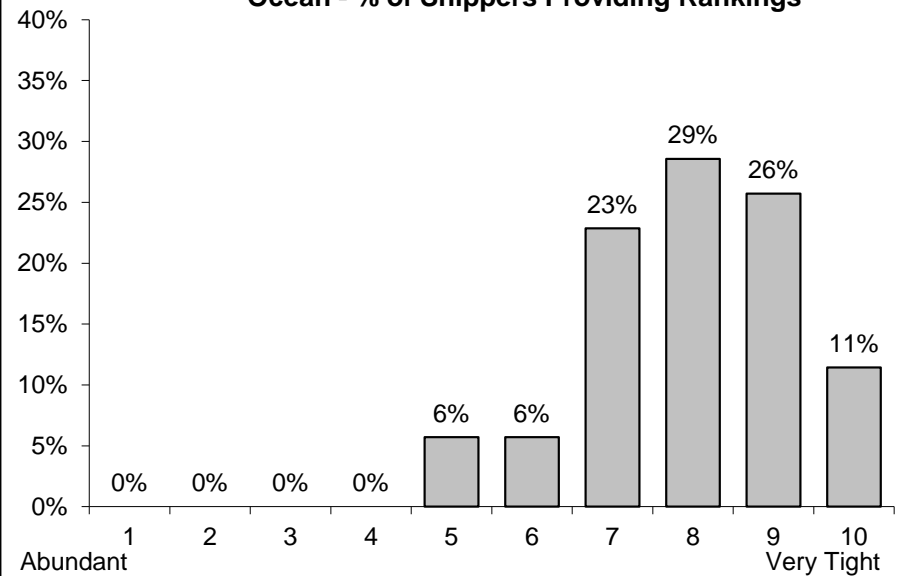
### Current Capacity

Ocean - % of Shippers Providing Rankings



### Projected Capacity in 6 Months

Ocean - % of Shippers Providing Rankings



## Appendix

---

# Appendix

## Summary of Contents

---

### About the Surveys

### General Freight Trends

### Rail Trends

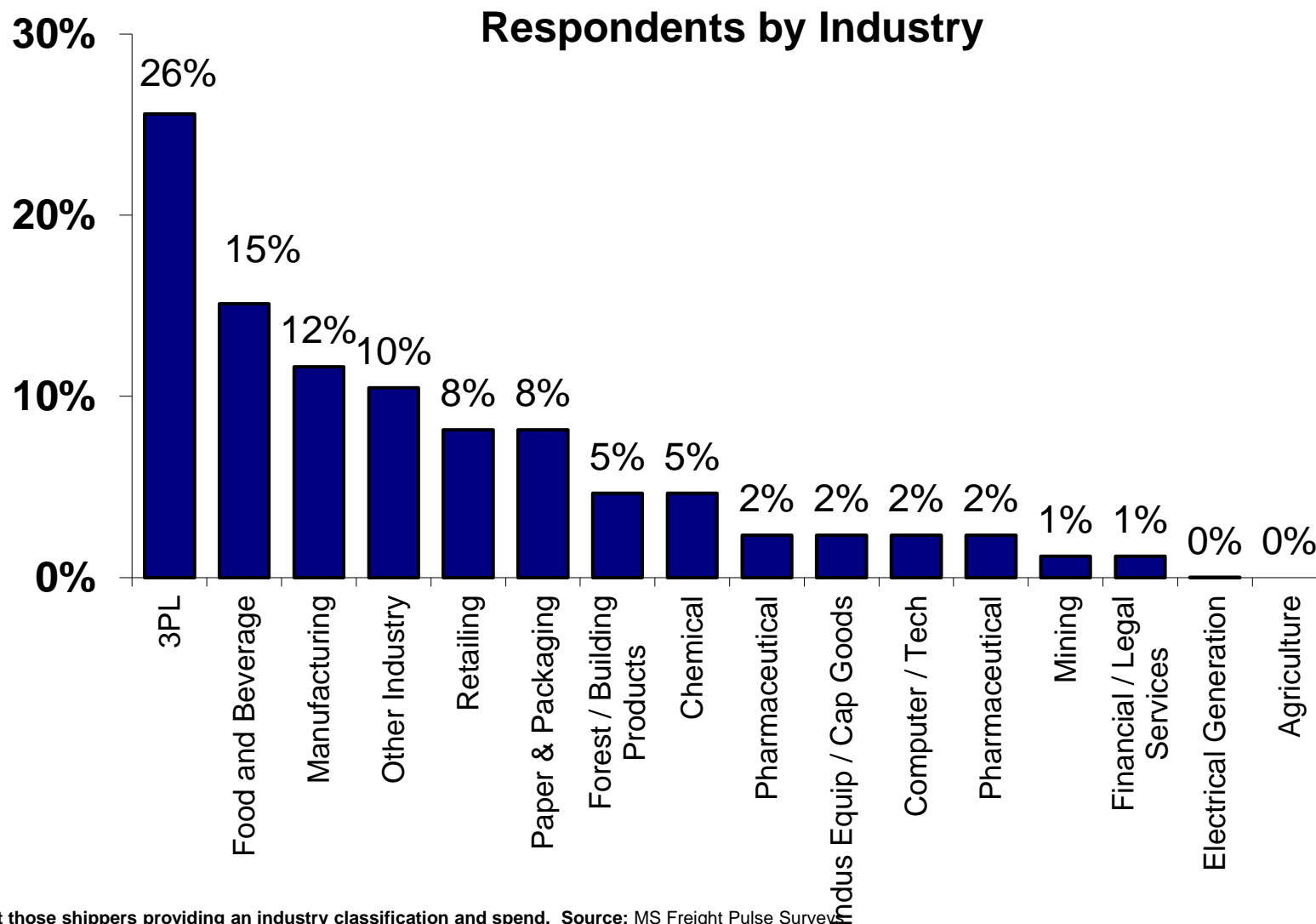
### Truck Trends

### Parcel Trends

## Part 1: About the Surveys

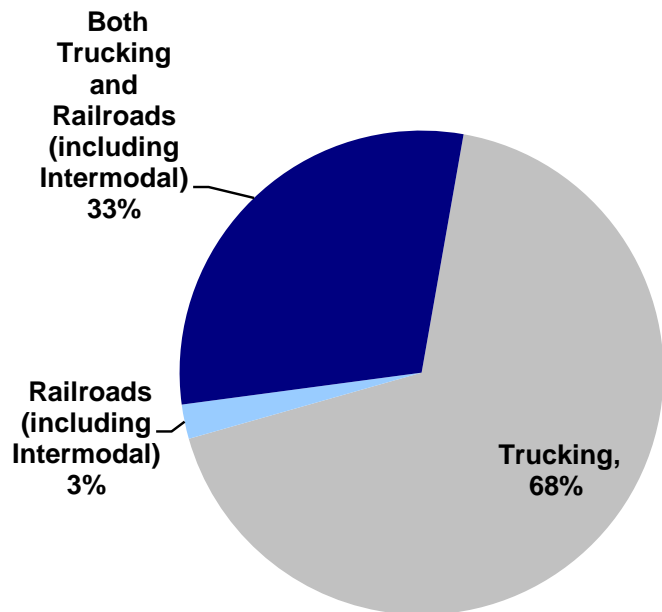
1. General Freight
2. Rail Industry
3. Truck Industry
4. Parcel Industry

## General Freight: About the Freight Pulse Survey

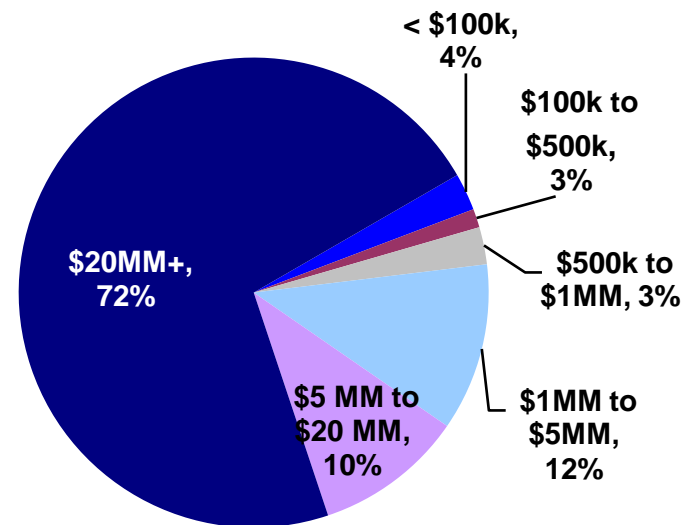


## General Freight: Segmented by Shipper Profile

### Modes Used



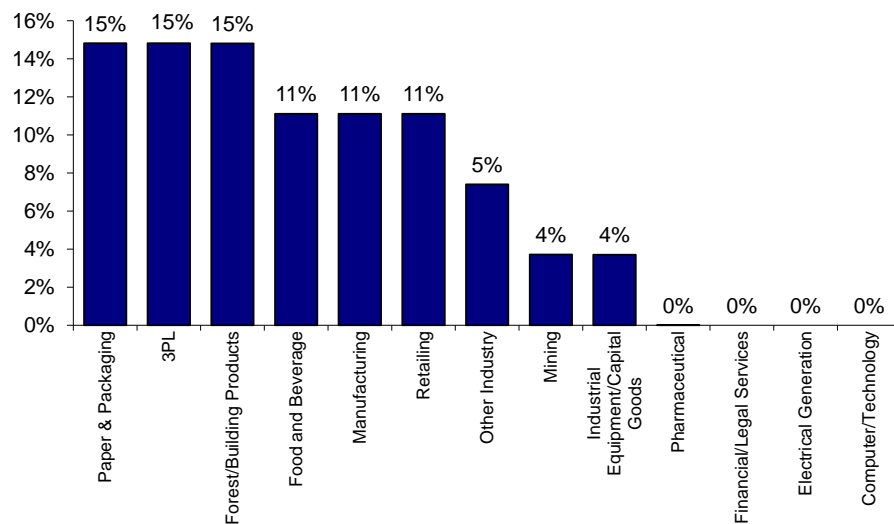
### Respondents' Total Spend



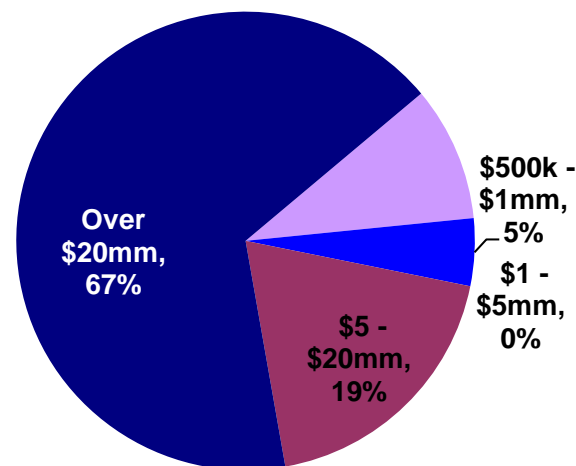
Note: just those shippers providing an industry classification and spend. Source: MS Freight Pulse Surveys

## Rails: Segmented by Industry and Shipper Profile

### Rail Respondents by Industry

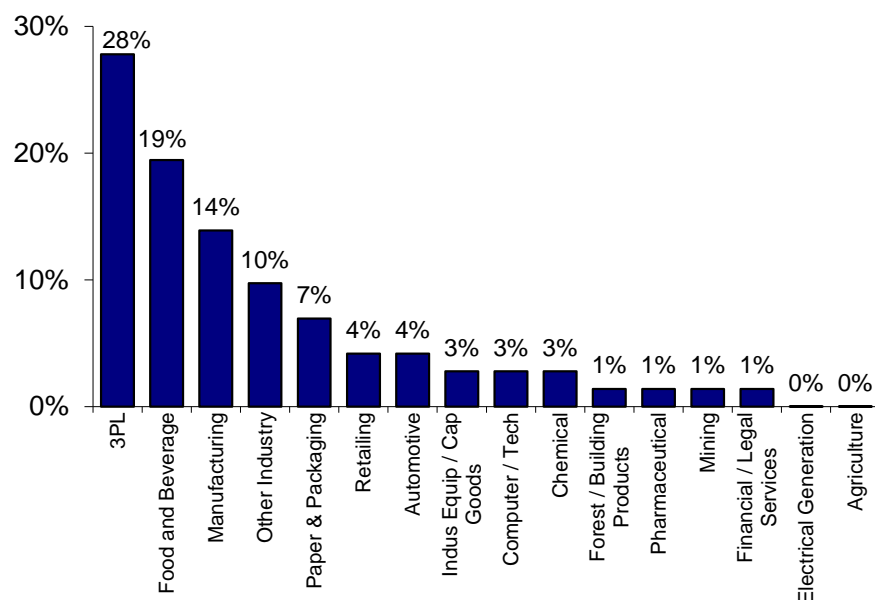


### Respondents' Rail Spend

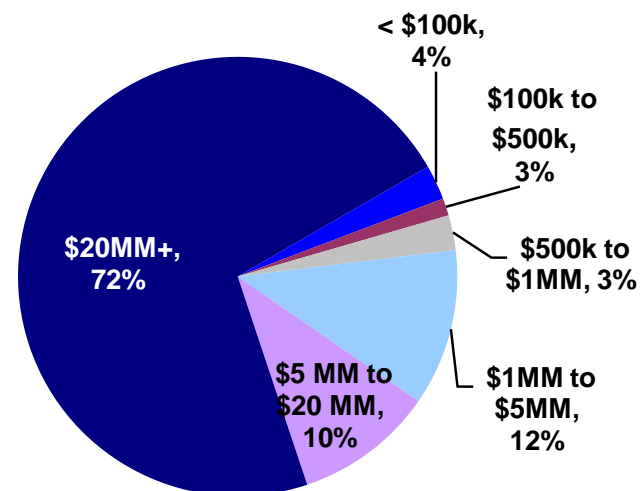


## Trucks: Segmented by Industry and Shipper Profile

### Truck Respondents by Industry



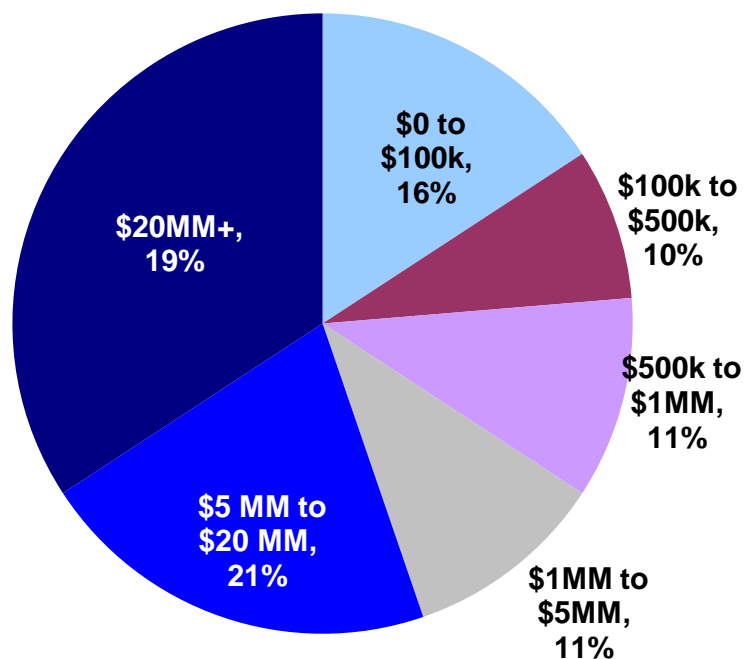
### Respondents' Truck Spend



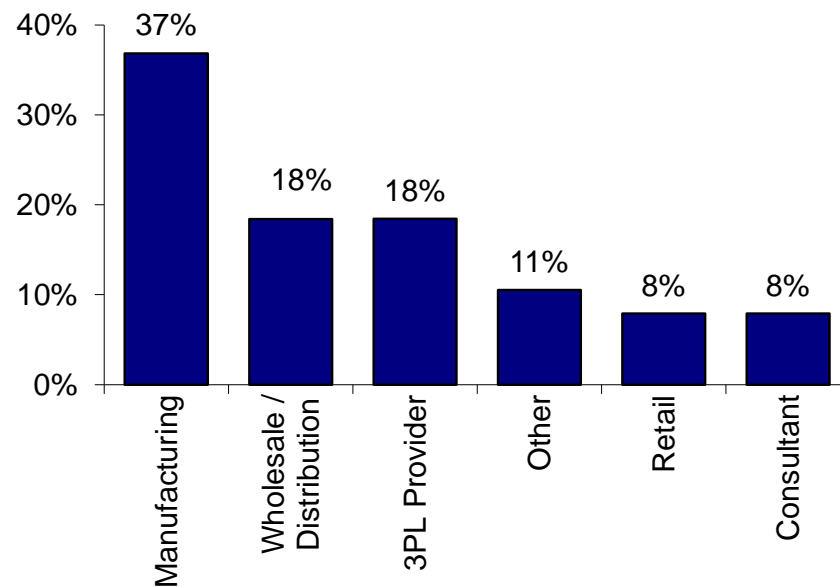


## Parcel: About Our Parcel Survey

### Respondents' Parcel Spend



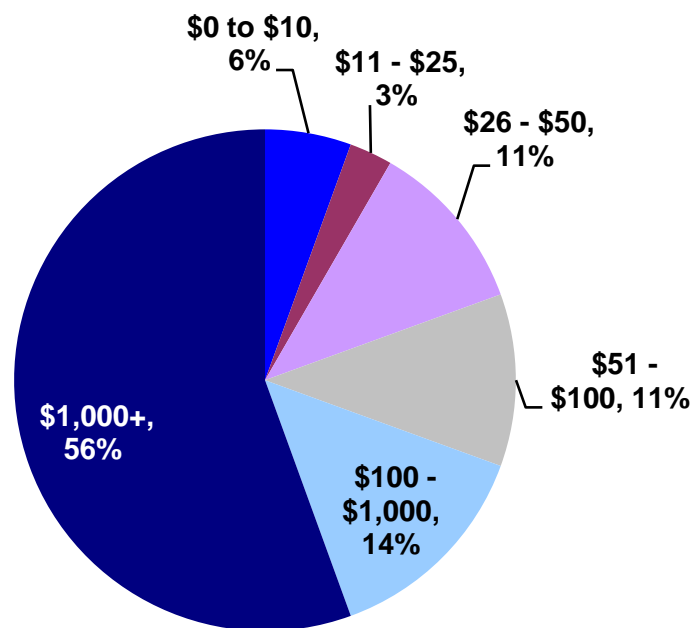
### Respondents' Primary Business



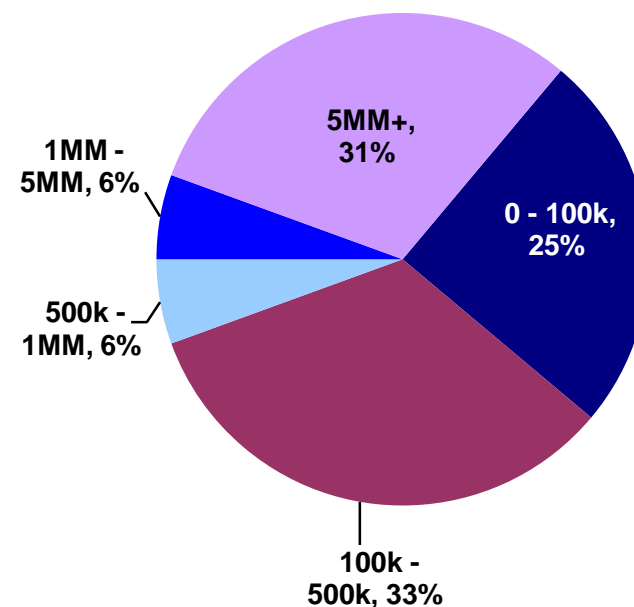
Source: Morgan Stanley Parcel Survey

## Parcel: Respondent Profile

### Company Sales (\$MM)

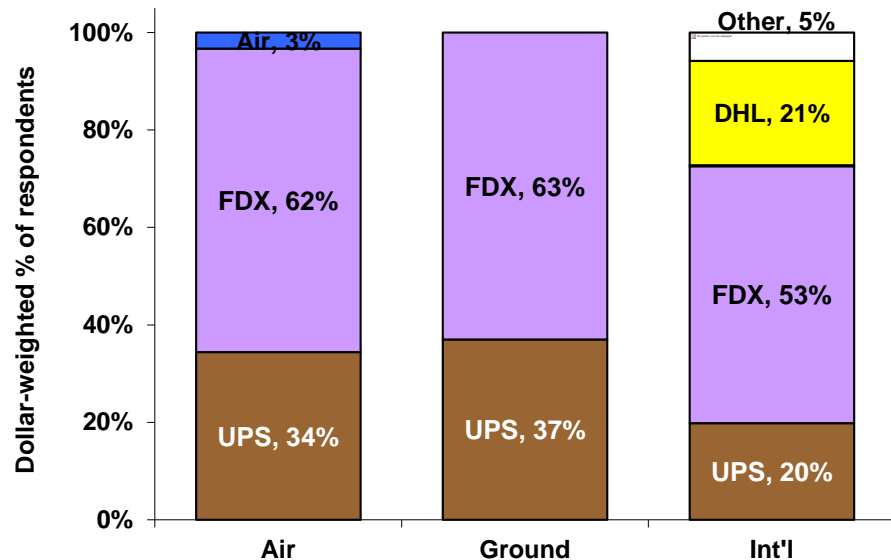


### Parcels Shipped

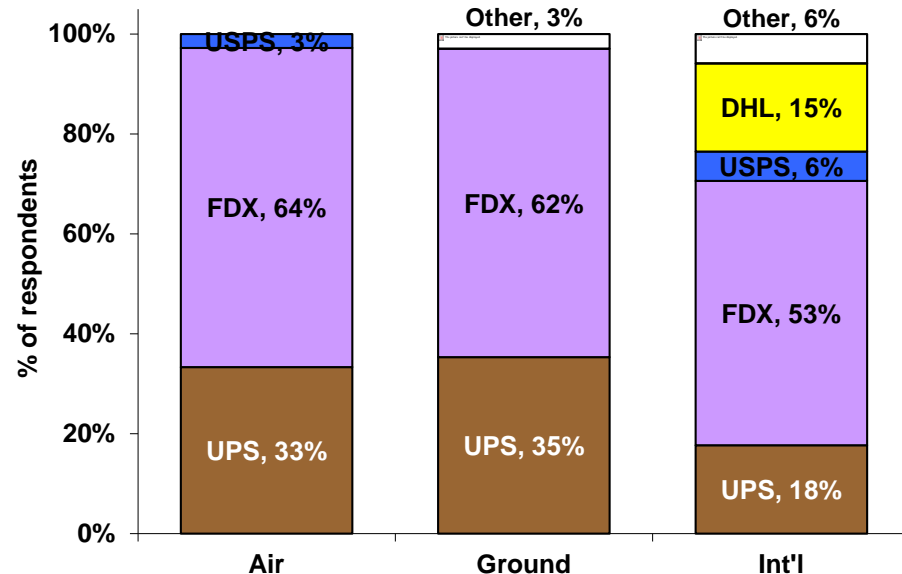


## Parcel: Market Share of Respondents Roughly Consistent with Market

### Primary Parcel Carrier – Weighted by Spend



### Parcel Carrier – Average of All Responses



## Summary of Contents

---

### About the Surveys

### General Freight Trends

### Rail Trends

### Truck Trends

### Parcel Trends

## Part 1: General Freight Industry Trends

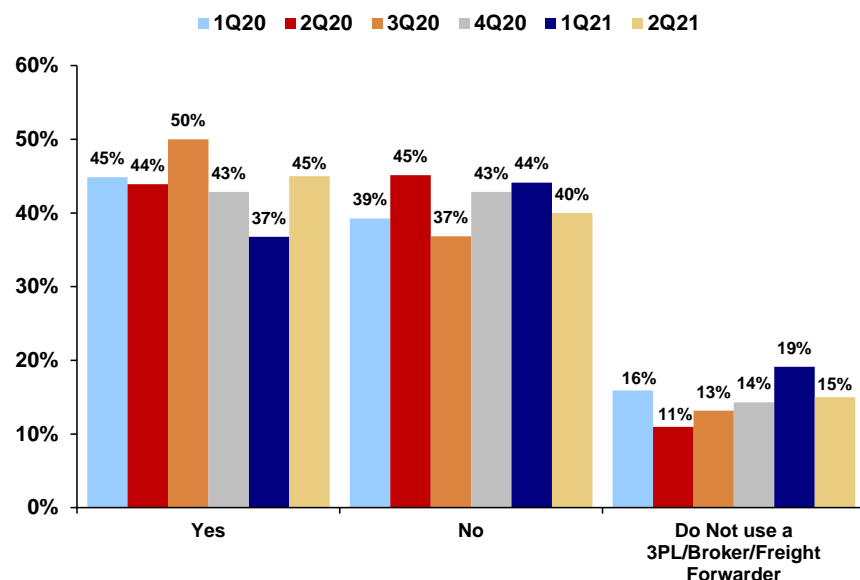
1. Digital Freight Brokers
2. Service Trends
3. Capacity Trends
4. Modal Shift
5. Intermodal vs. Truck

## Part 2: Macro Trends

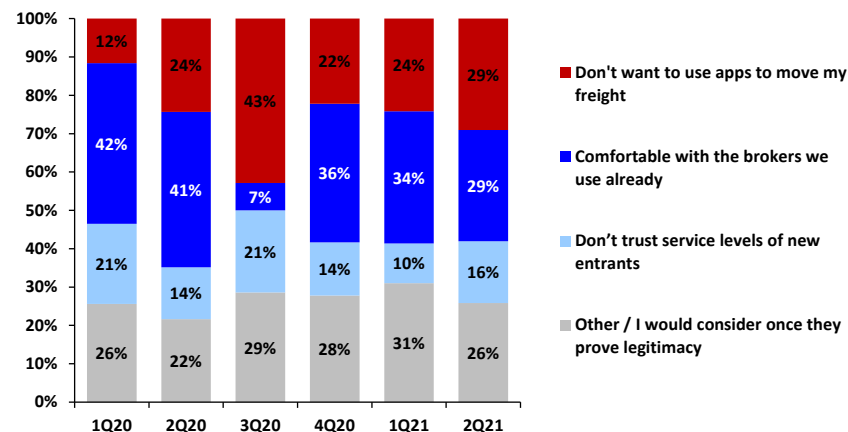
1. Inventories and Orders
2. Economic Outlook

## Shippers' Willingness to Use App-based Brokers Slightly Decreases

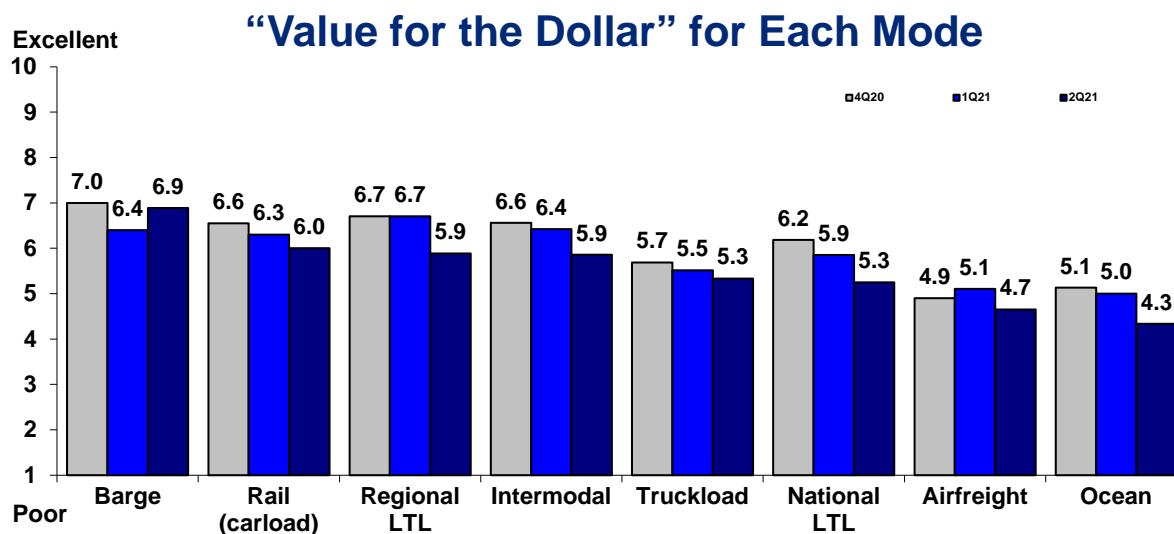
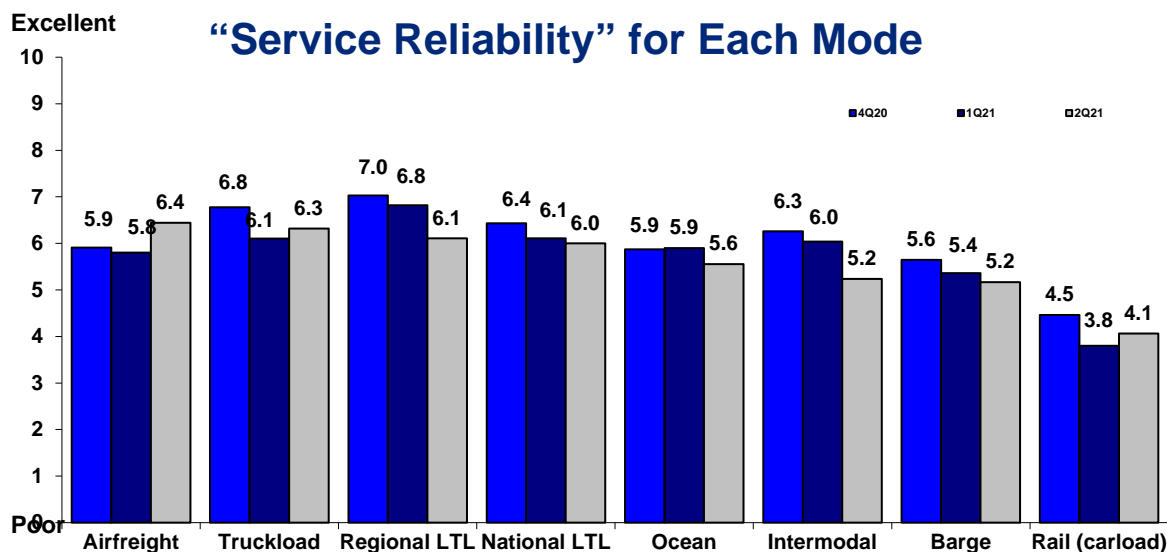
**If a phone/TMS app-based broker offers a 10-15% cheaper price for similar service and data analytics, would you use it instead of a traditional third-party broker?**



**Why would you not use a phone/app-based broker to move your shipment?**



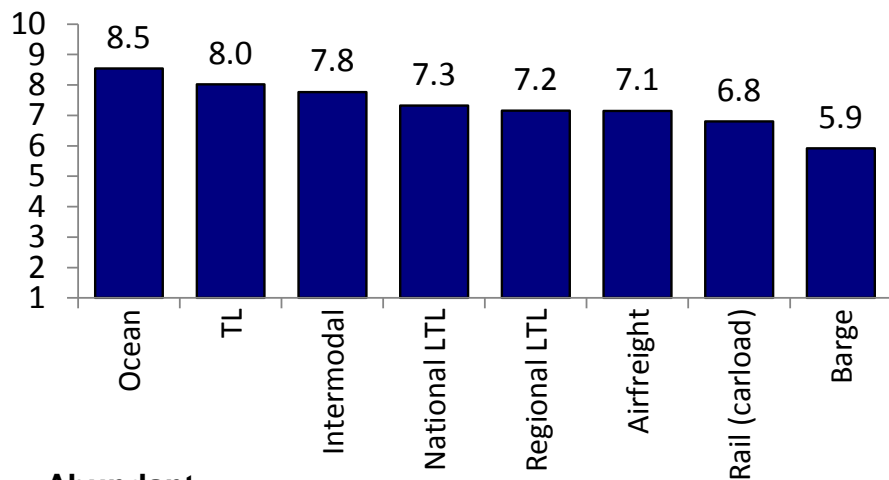
## Service Reliability & Value by Mode: Average Across All Shippers



## Capacity by Mode

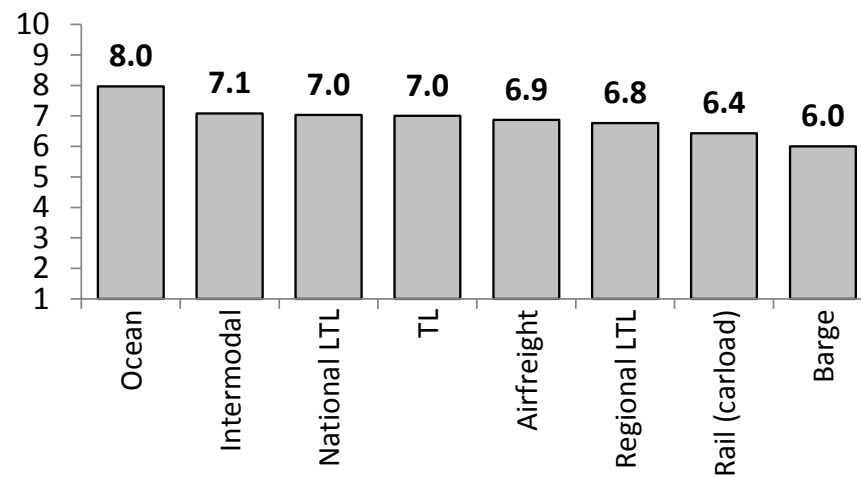
### Current Capacity

Very Tight



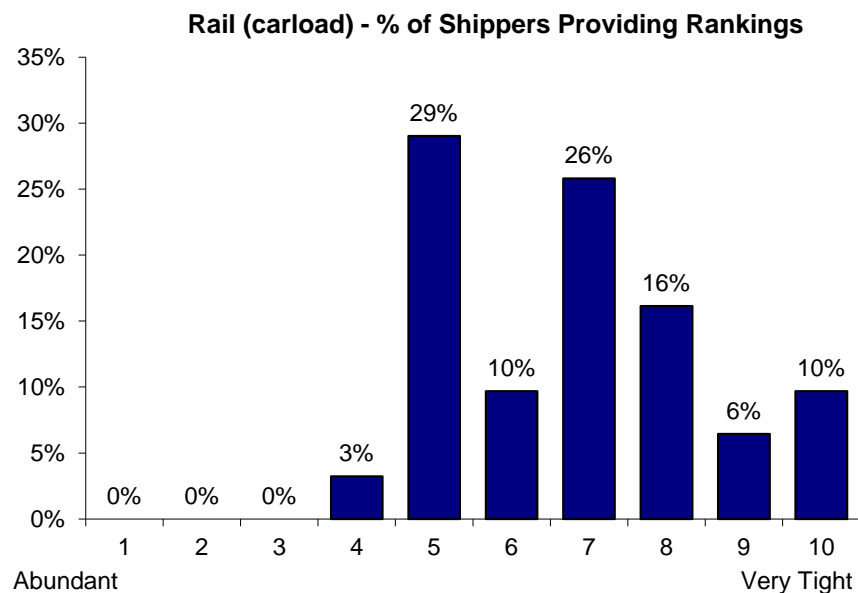
Abundant

### Projected Capacity in 6 Months

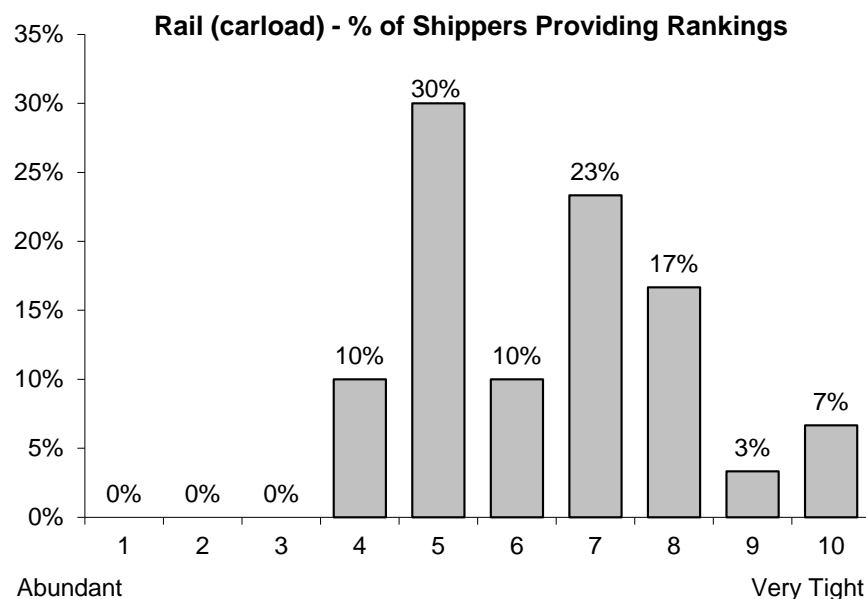


## Capacity Ranking Skew: Rail (Carload)

### Current Capacity



### Projected Capacity in 6 Months

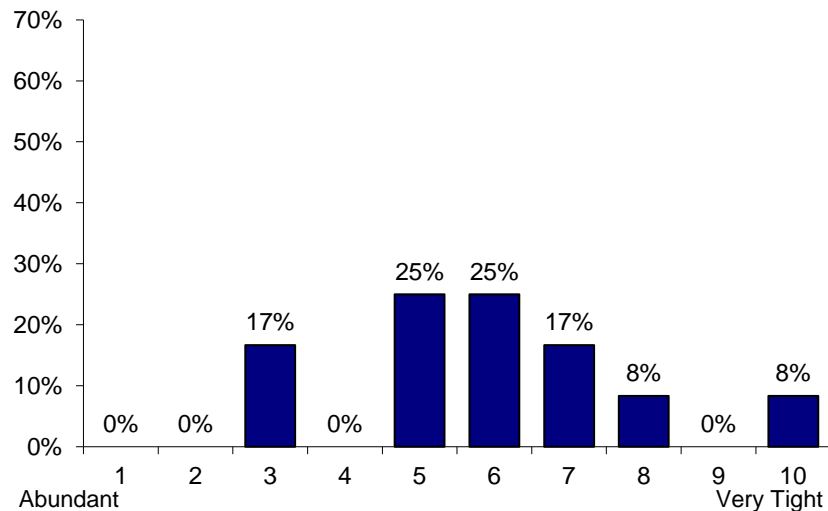




## Capacity Ranking Skew: Barge

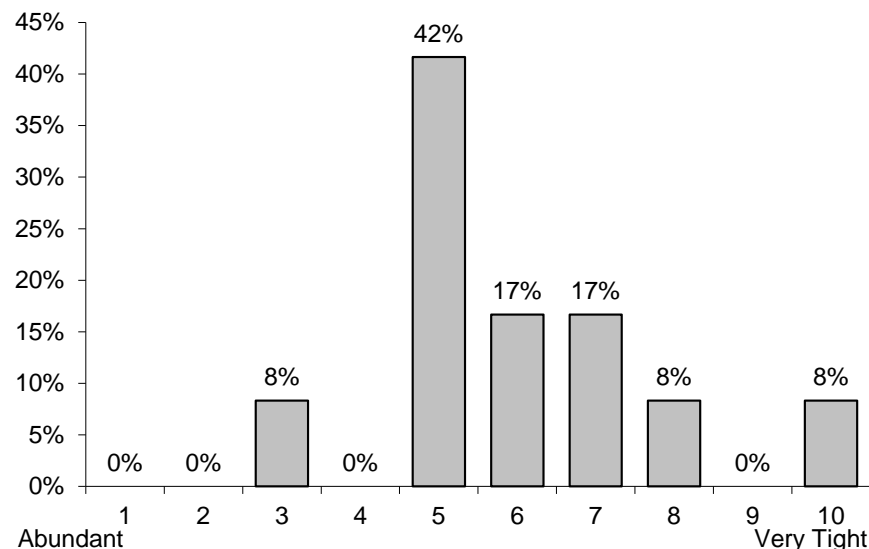
### Current Capacity

Barge - % of Shippers Providing Rankings



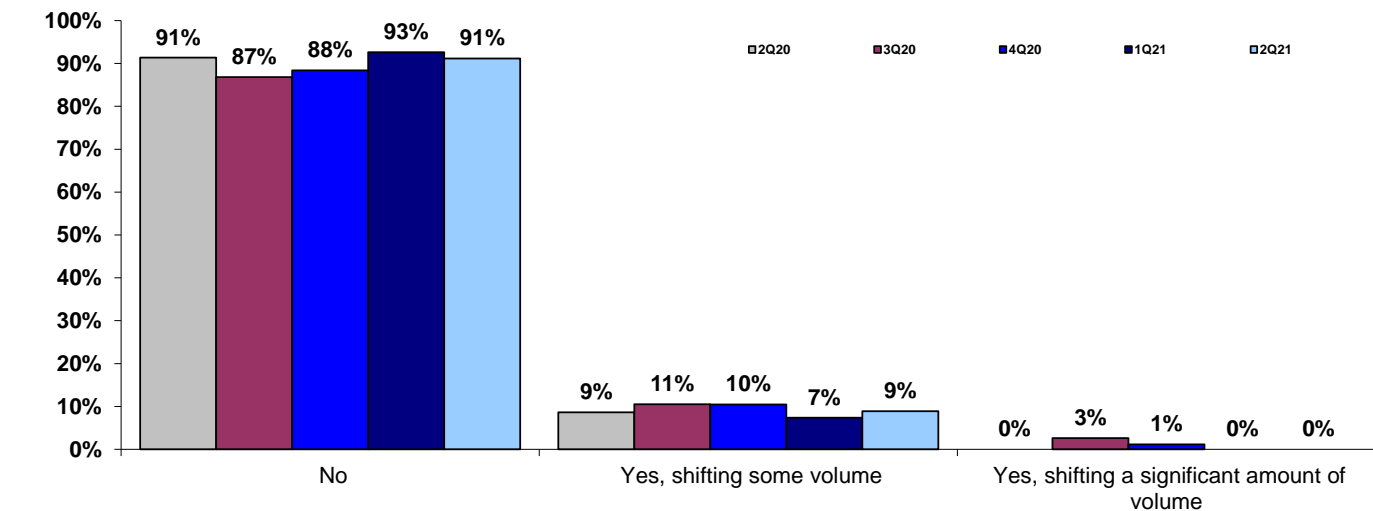
### Projected Capacity in 6 Months

Barge - % of Shippers Providing Rankings

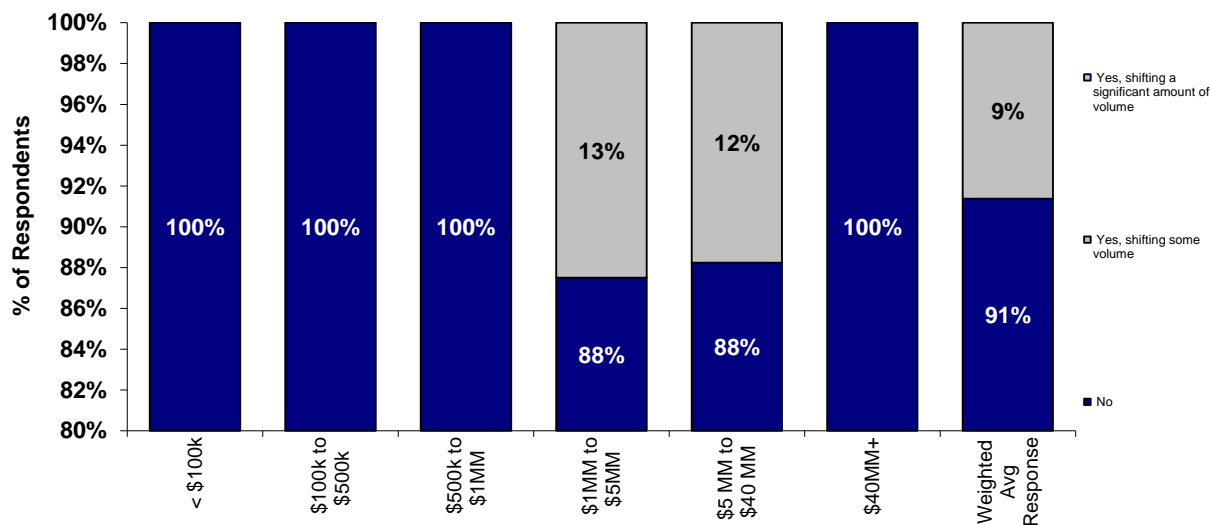


## Shipper Modal Shift Statistics – Airfreight to LTL

### Airfreight to LTL

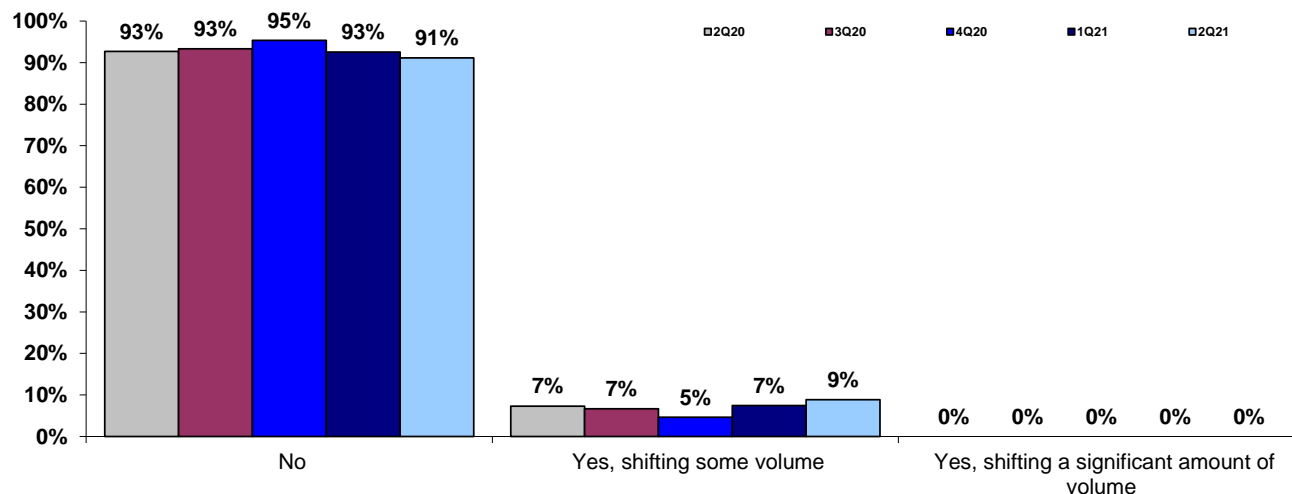


### Airfreight to LTL - Modal Shift by Spend

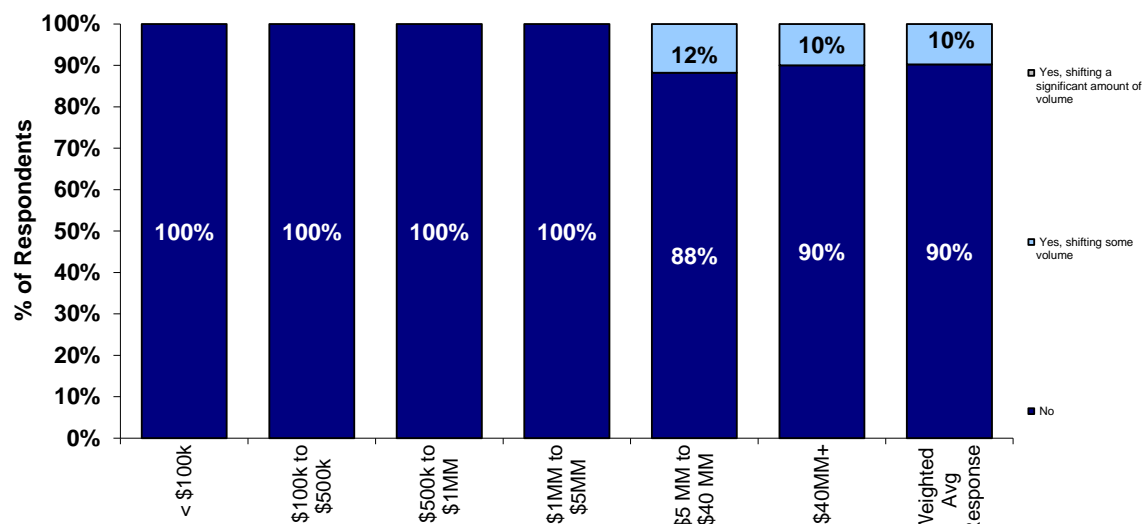


## Shipper Modal Shift Statistics – LTL to Airfreight

### LTL to Airfreight

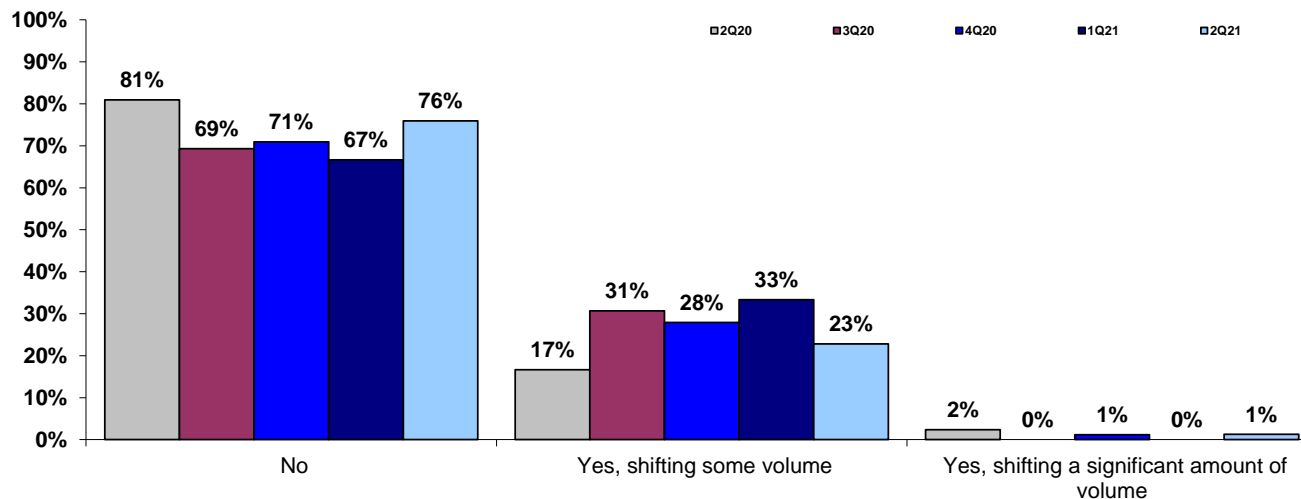


### LTL to Airfreight - Modal Shift by Spend

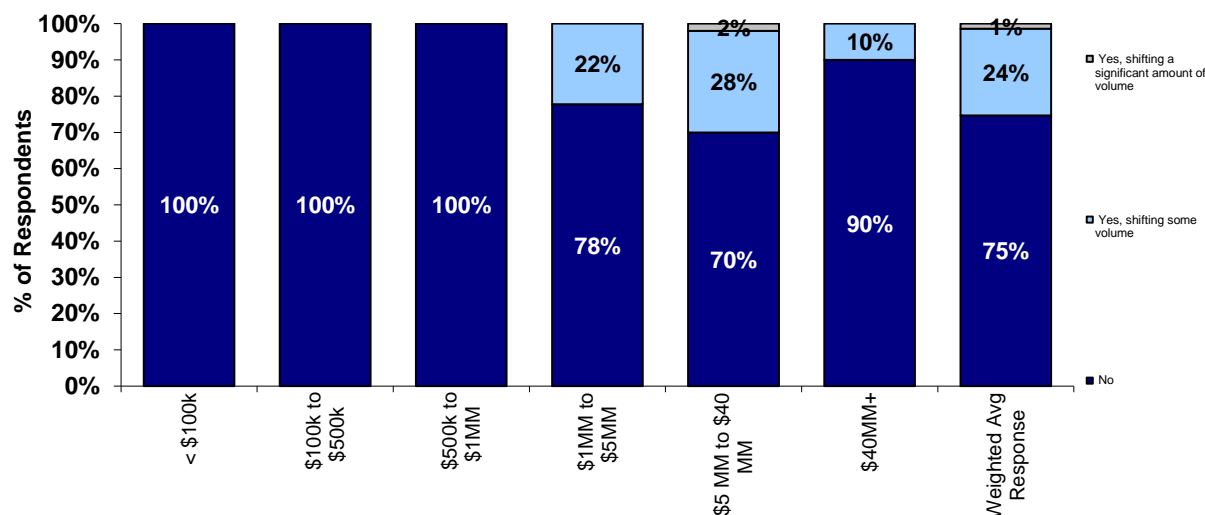


## Shipper Modal Shift Statistics – Truckload to LTL

### Truckload to LTL

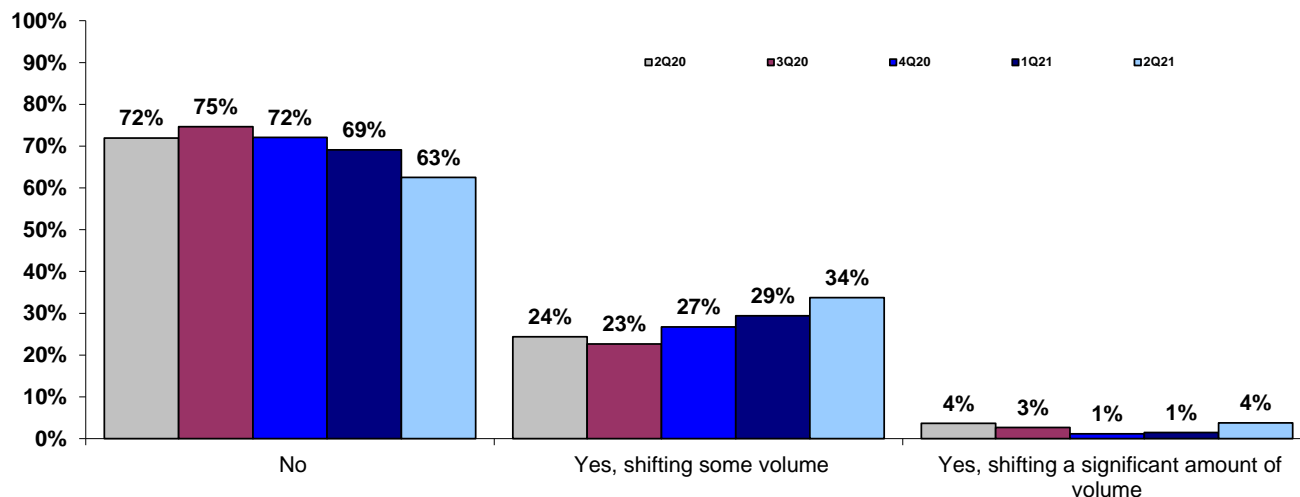


### Truckload to LTL - Modal Shift by Spend

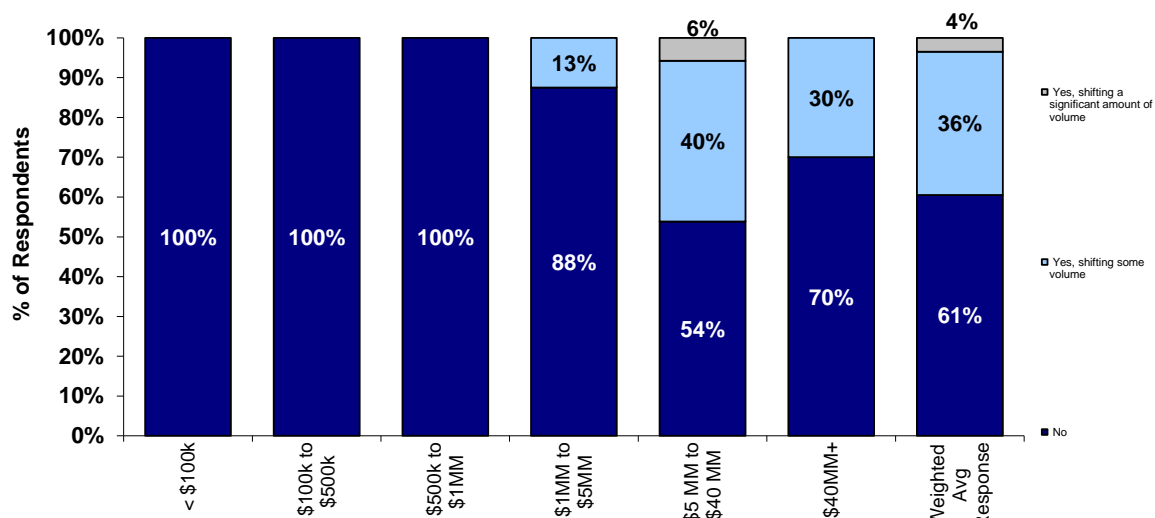


## Shipper Modal Shift Statistics – LTL to Truckload

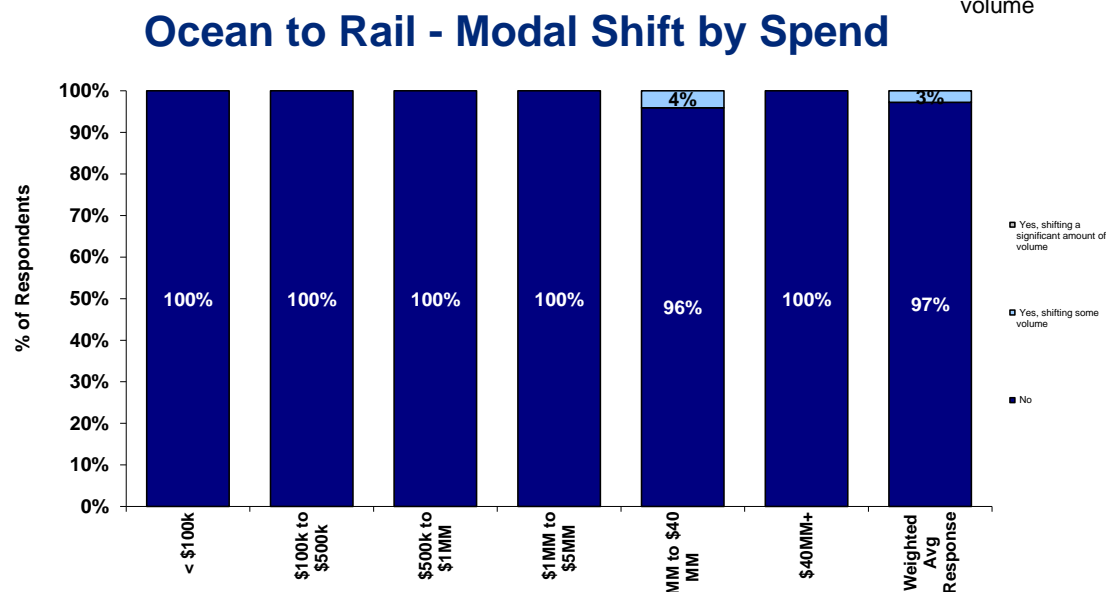
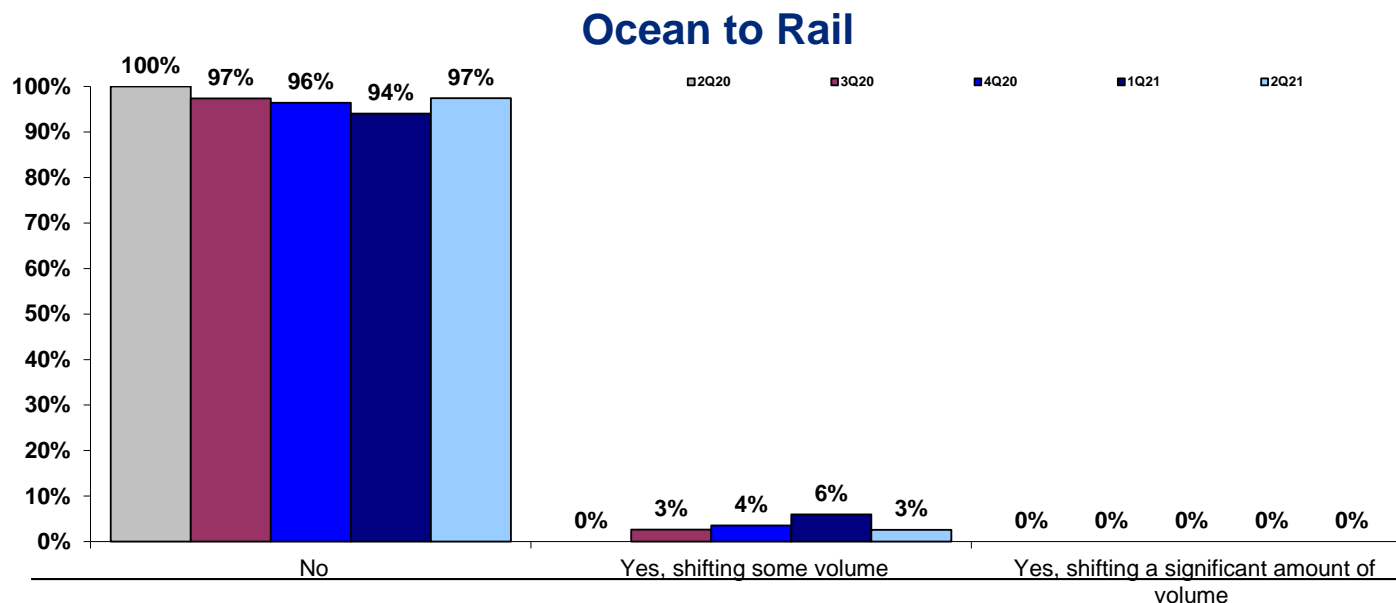
### LTL to Truckload



### LTL to Truckload - Modal Shift by Spend

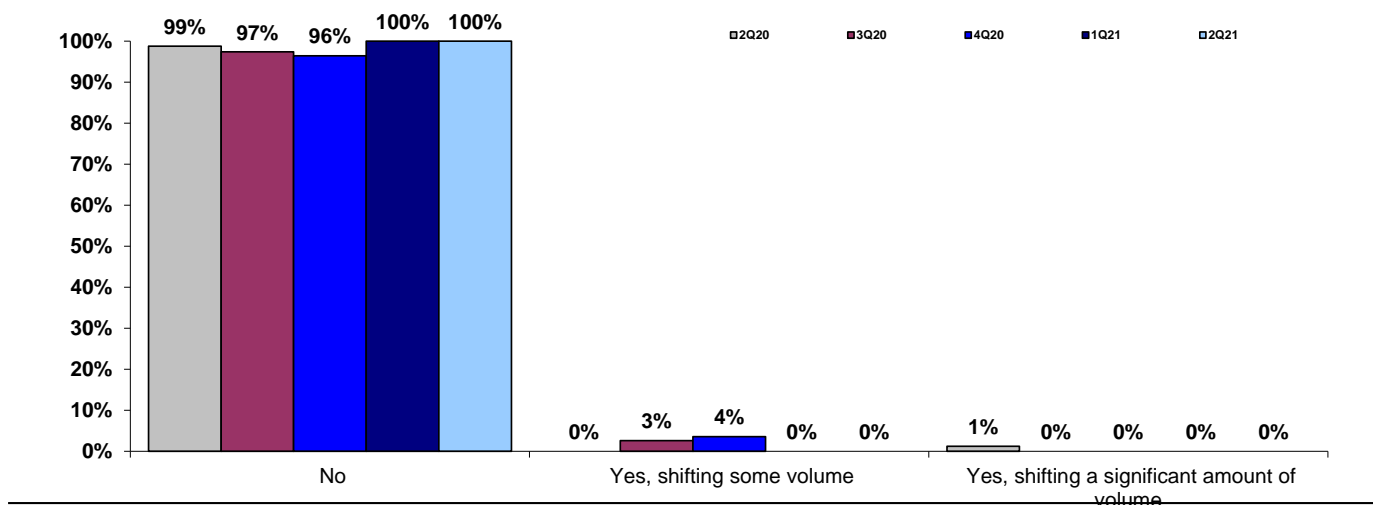


## Shipper Modal Shift Statistics – Ocean to Rail

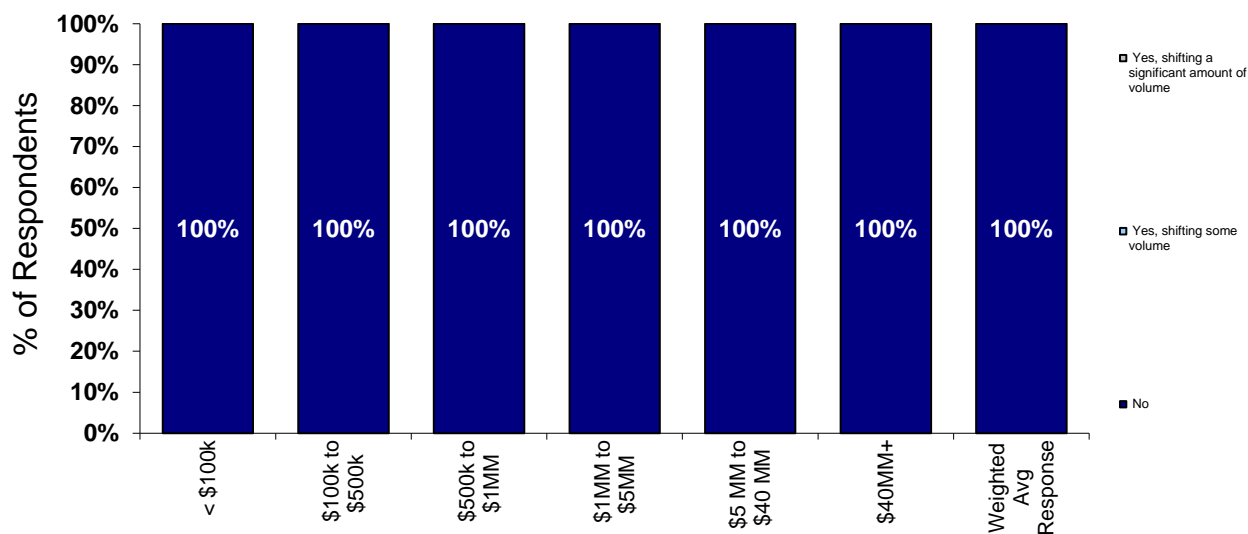


## Shipper Modal Shift Statistics – Rail to Ocean

### Rail to Ocean

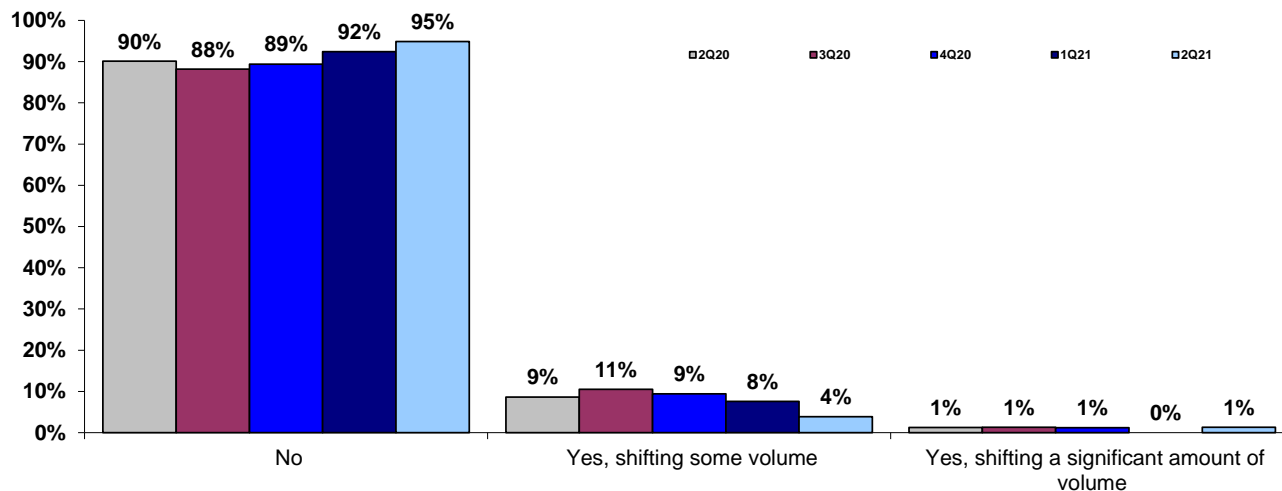


### Rail to Ocean - Modal Shift by Spend

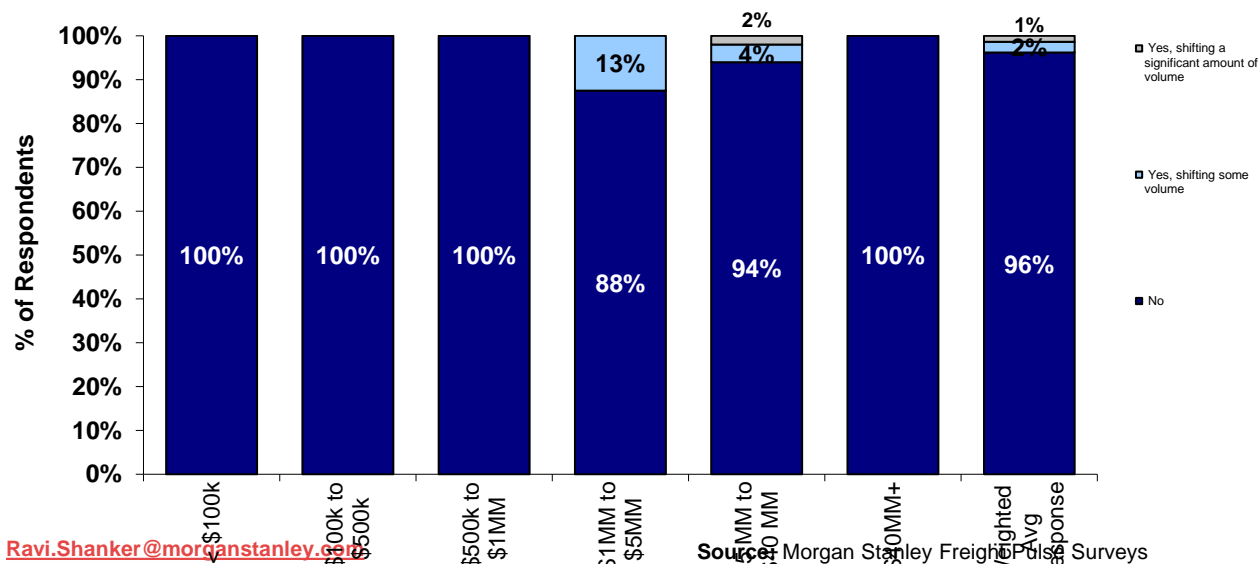


## Shipper Modal Shift Statistics – Airfreight to Ocean

### Airfreight to Ocean



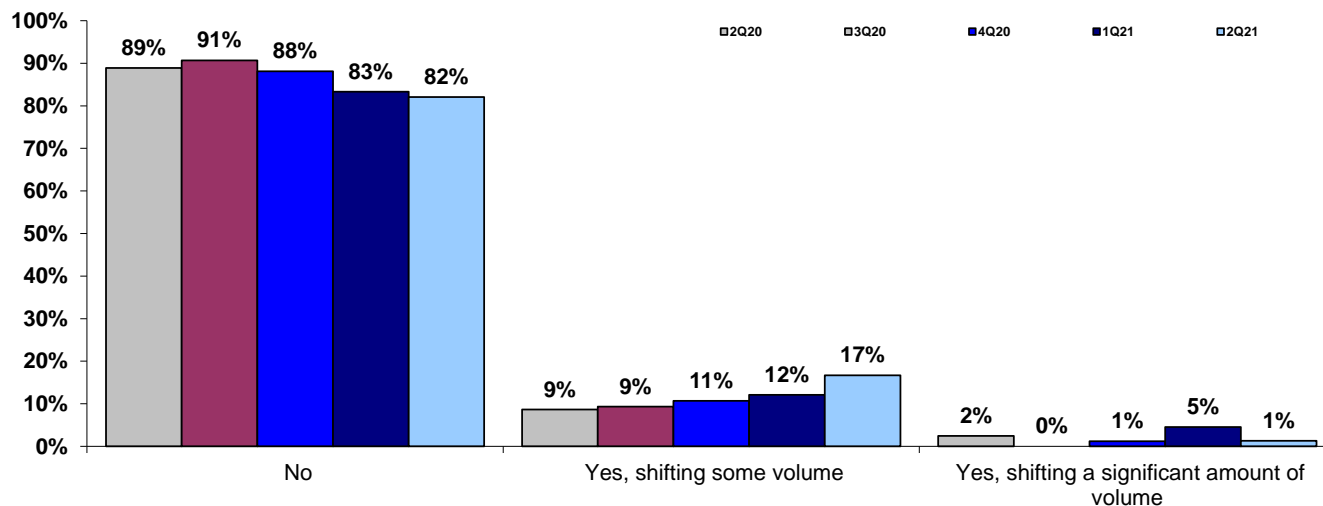
### Airfreight to Ocean - Modal Shift by Spend



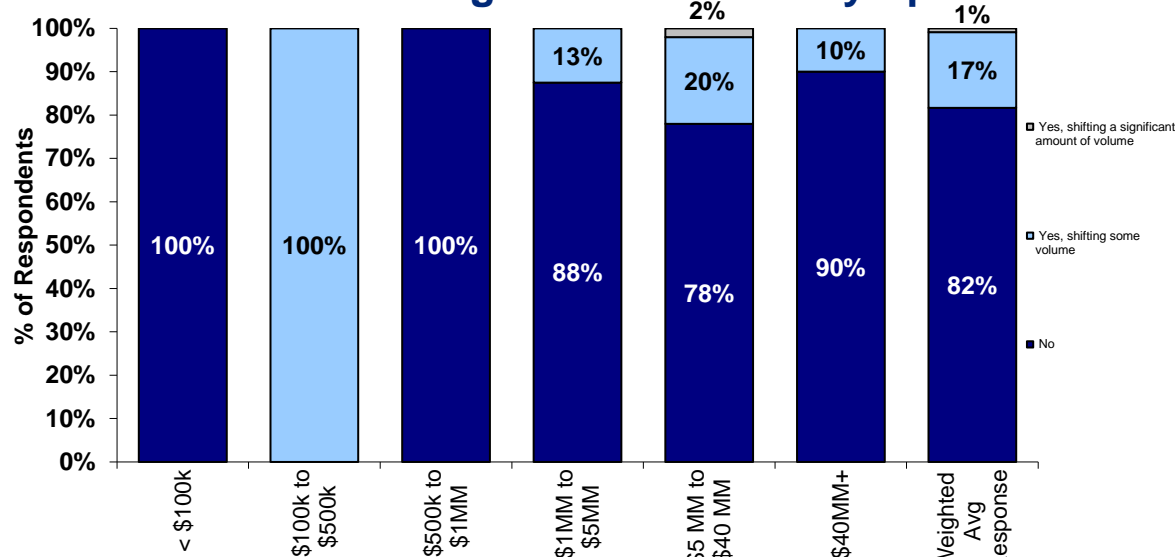


## Shipper Modal Shift Statistics – Ocean to Airfreight

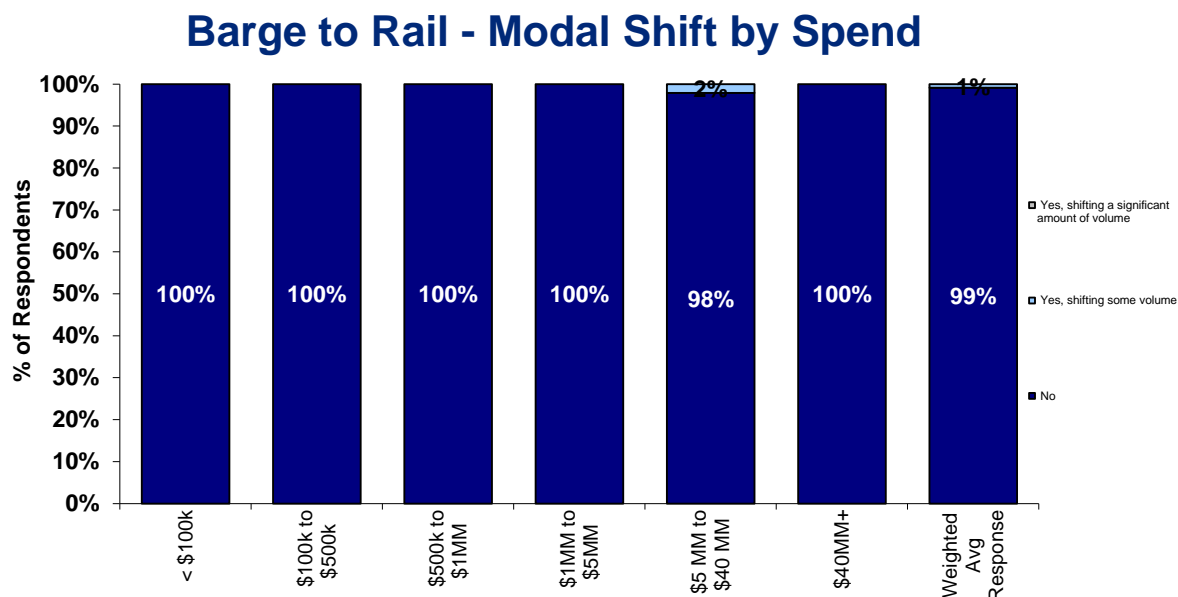
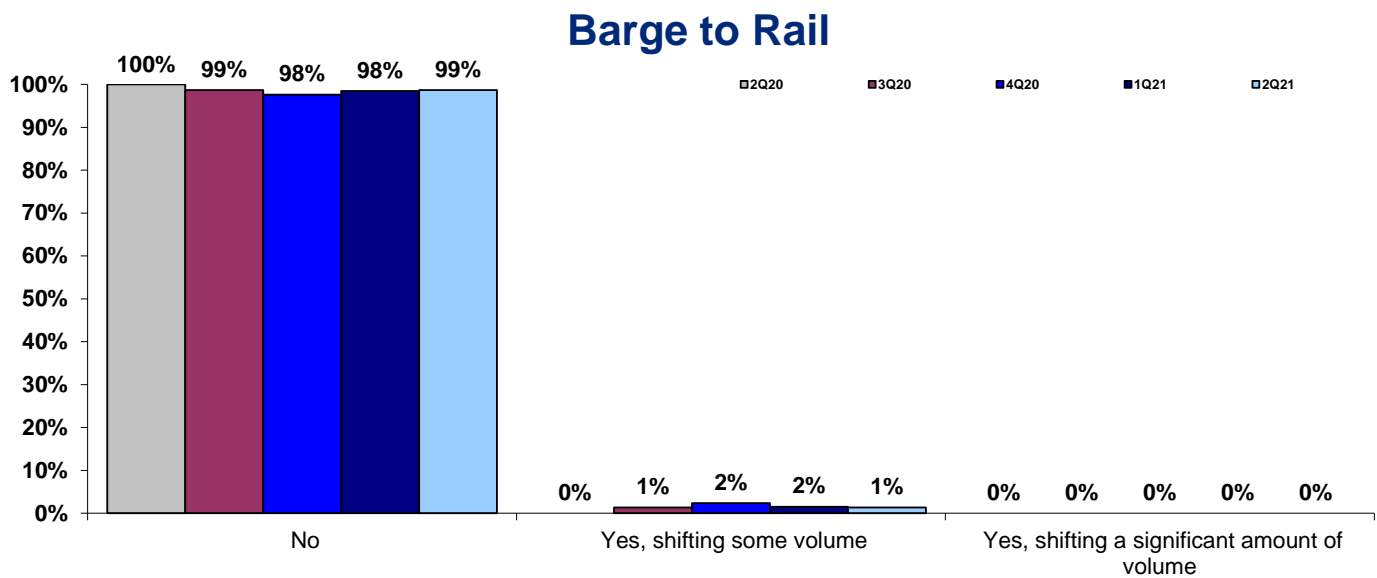
### Ocean to Airfreight



### Ocean to Airfreight - Modal Shift by Spend

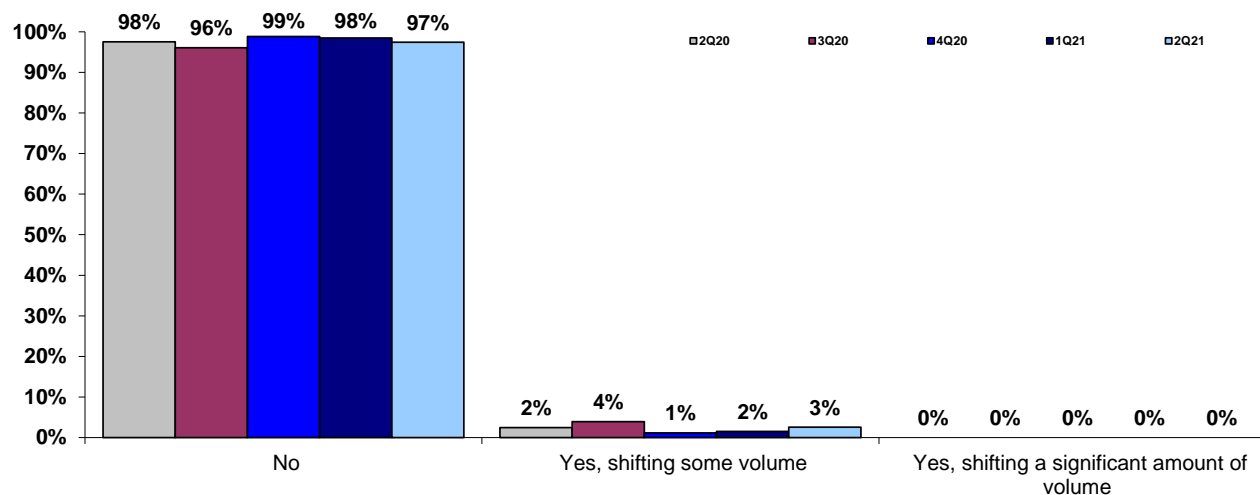


## Shipper Modal Shift Statistics – Barge to Rail

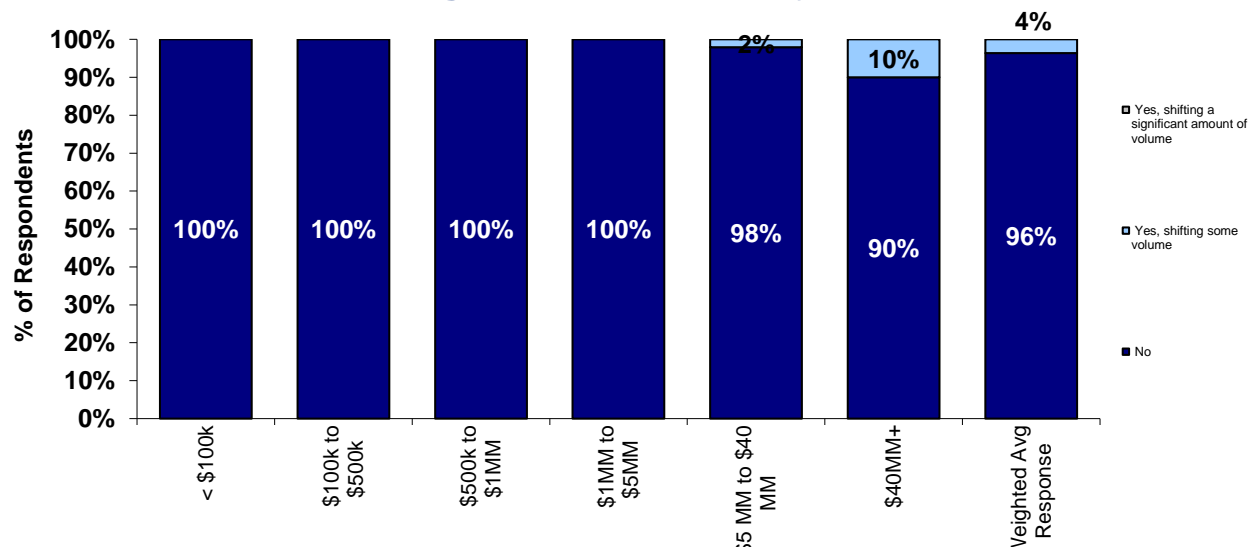


## Shipper Modal Shift Statistics – Rail to Barge

### Rail to Barge

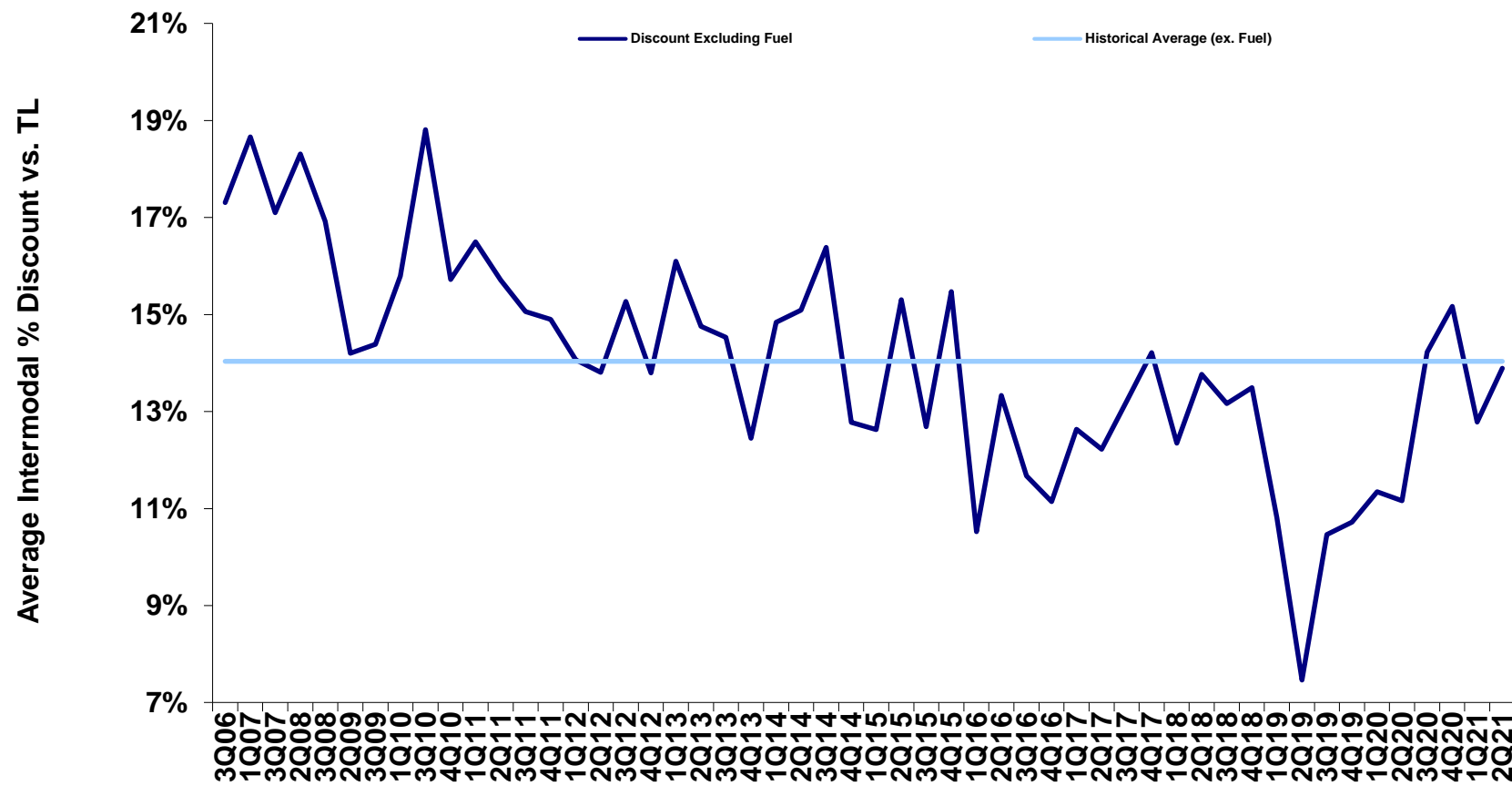


### Rail to Barge - Modal Shift by Spend



## Intermodal vs. Truck: Intermodal Discount Over Time

**What discount is being offered in the marketplace for intermodal services when compared to TL services in a similar lane?**



## Summary of Contents

---

### About the Surveys

### General Freight Trends

### Rail Trends

### Truck Trends

### Parcel Trends

## Part 1: General Freight Industry Trends

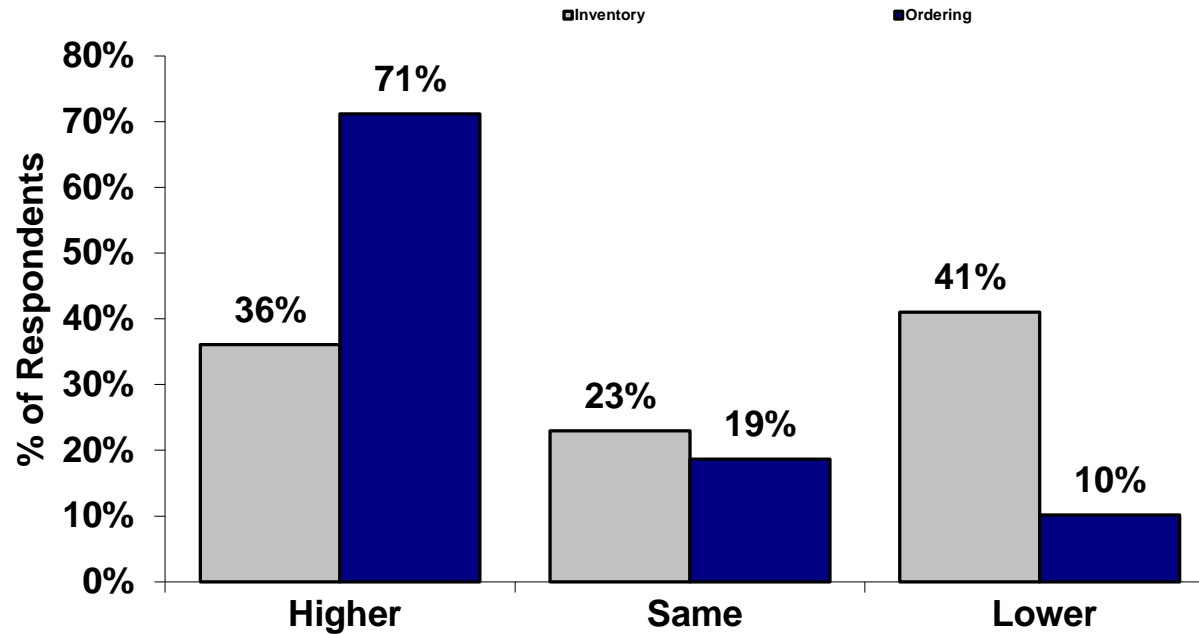
1. Digital Freight Brokers
2. Service Trends
3. Capacity Trends
4. Modal Shift
5. Intermodal vs. Truck

## Part 2: Macro Trends

1. Inventories and Orders
2. Economic Outlook

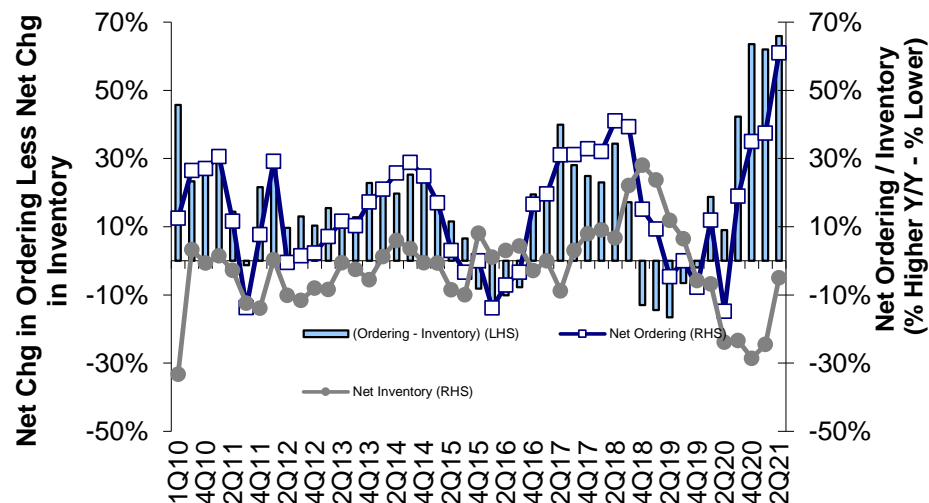
## Shipper Inventory and Stocking Trends

### Shipper Inventories and Orders Relative to Last Year

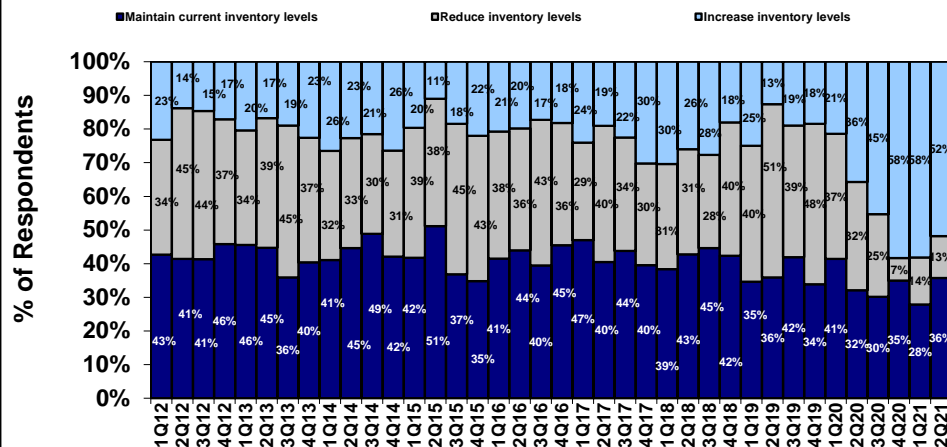


## Assessing Restocking Potential: Net Inventory Trends and Inventory Plans

### Shippers' Net Y/Y Orders vs. Net Y/Y Inventory

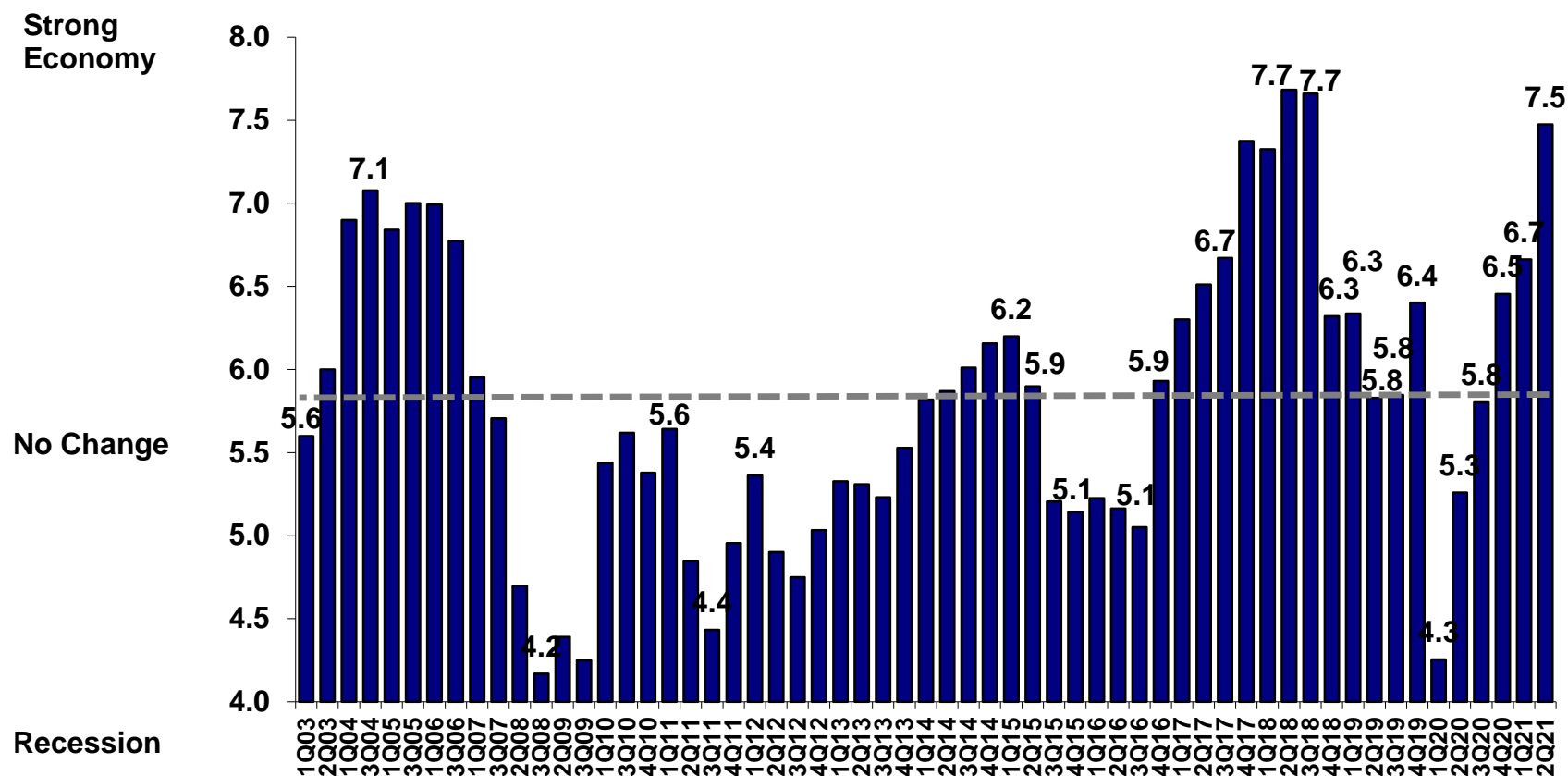


### Shippers' Inventory Plans



## Economic Outlook: Average Across All Shippers

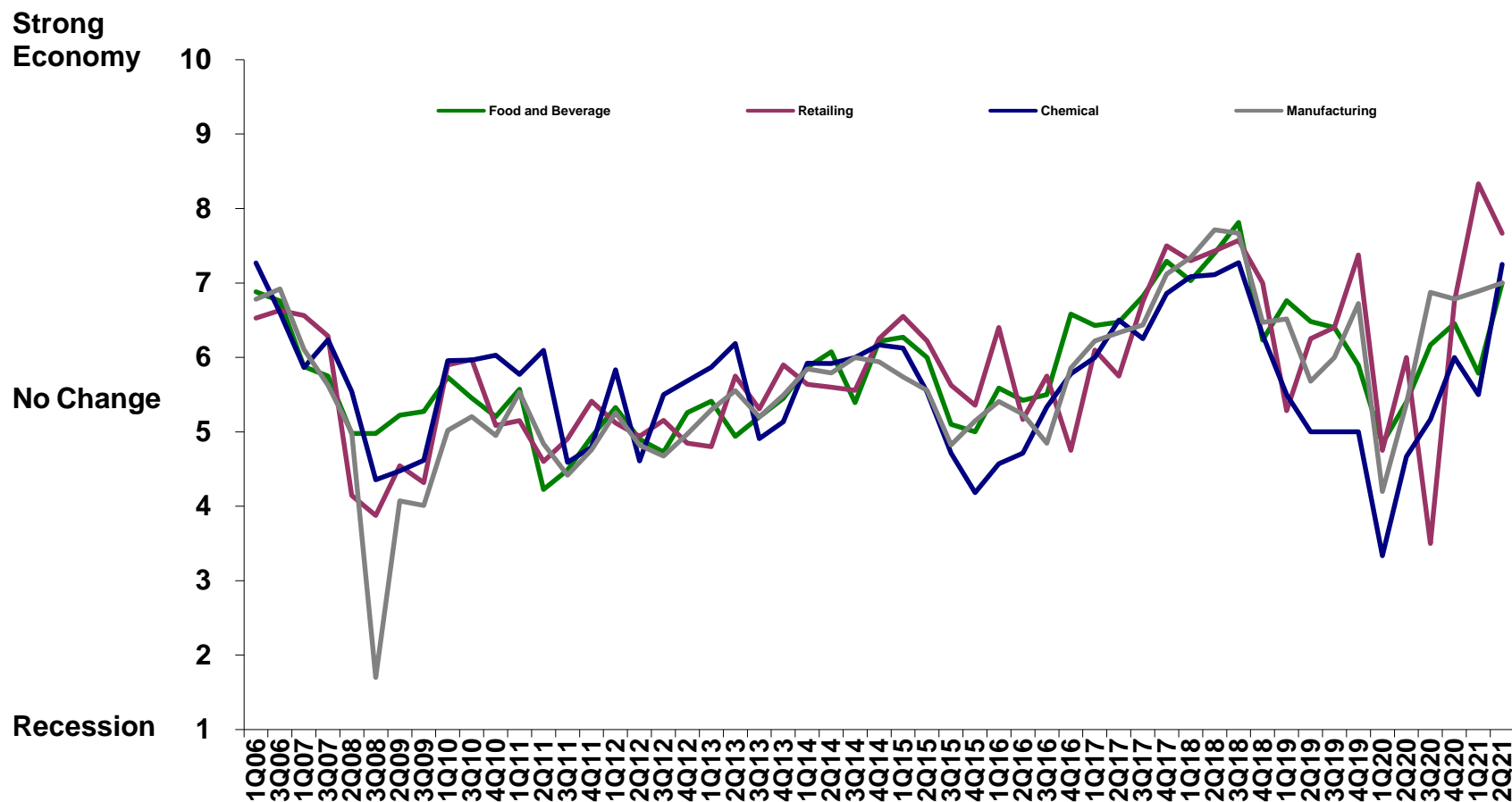
### State of the Economy from Shippers' Perspective





## Economic Outlook: View by Industry Over Time

### Shippers' Historical View of the Economy by Industry Segment



## Summary of Contents

---

### About the Surveys

### General Freight Trends

### Rail Trends

### Truck Trends

### Parcel Trends

## Part 1: Key Rail Trends

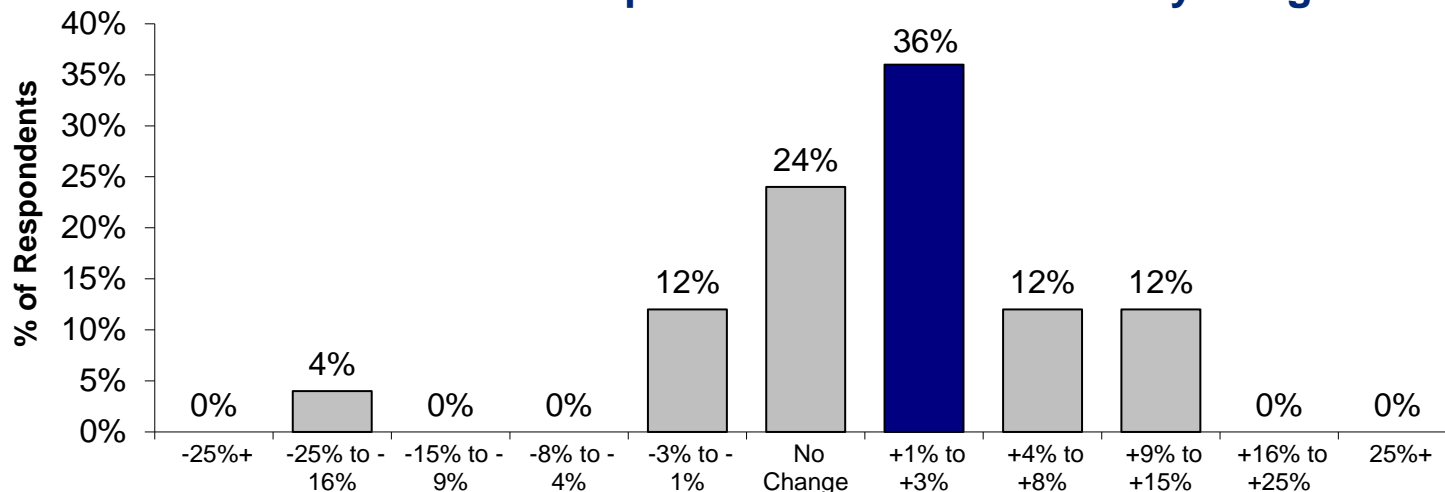
1. Volume Trends
2. Rate Trends
3. Spend Trends
4. Pricing Trends
5. Service Trends

## Part 2: Special Topics

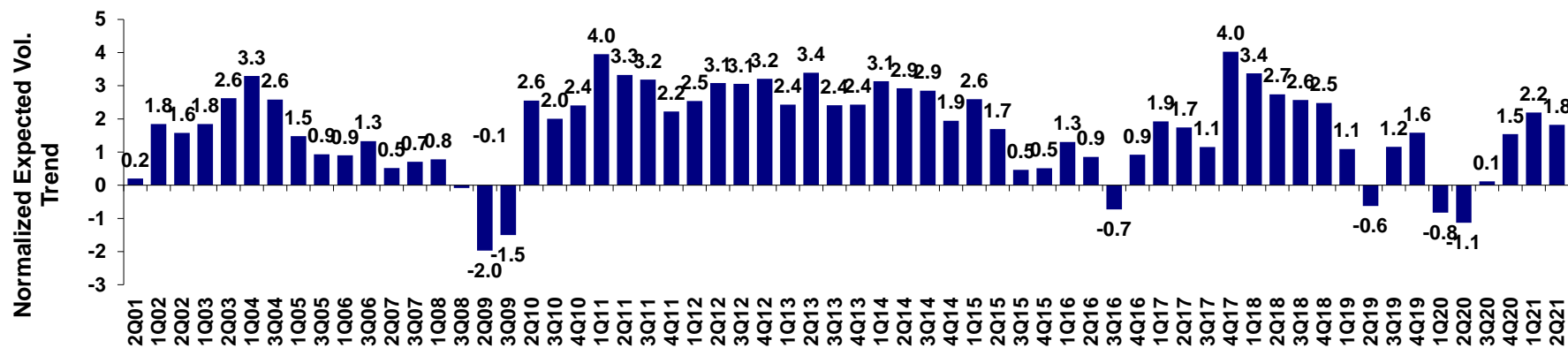
1. Intermodal
2. Rate Mitigation Efforts
3. Rail Competition
4. Rate Negotiations
5. Rate Cases
6. Support for Legislation

## Rail Volume Trends: Forward 6 Month YoY Volume Expectations

### YoY Volume Growth Expectations for Next 6 Mo. by Range

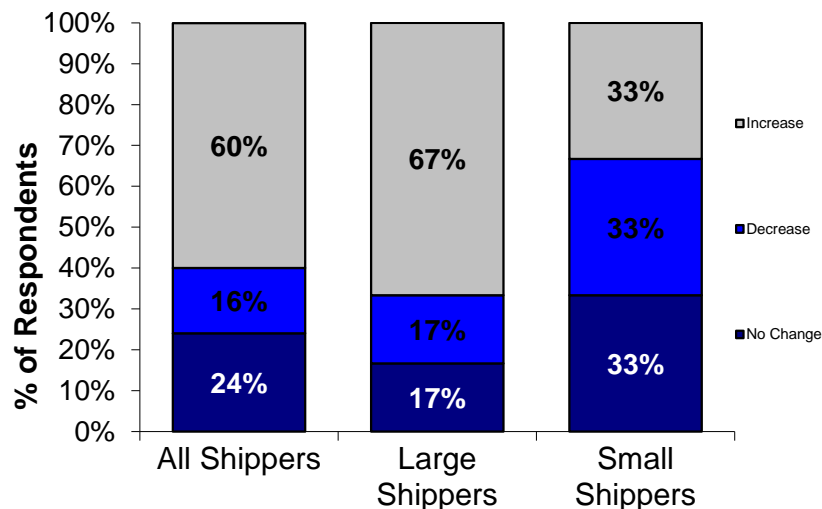


### MS Expected Rail Volume Change Index

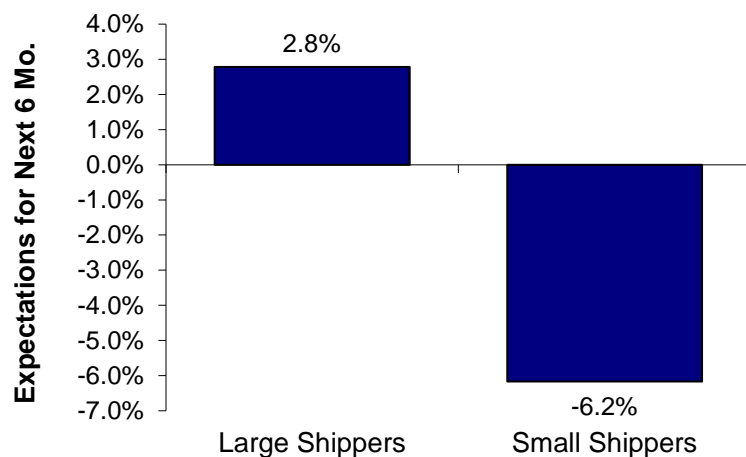


## Rail Volume Trends: Forward 6 Month YoY Volume Expectations by Segment

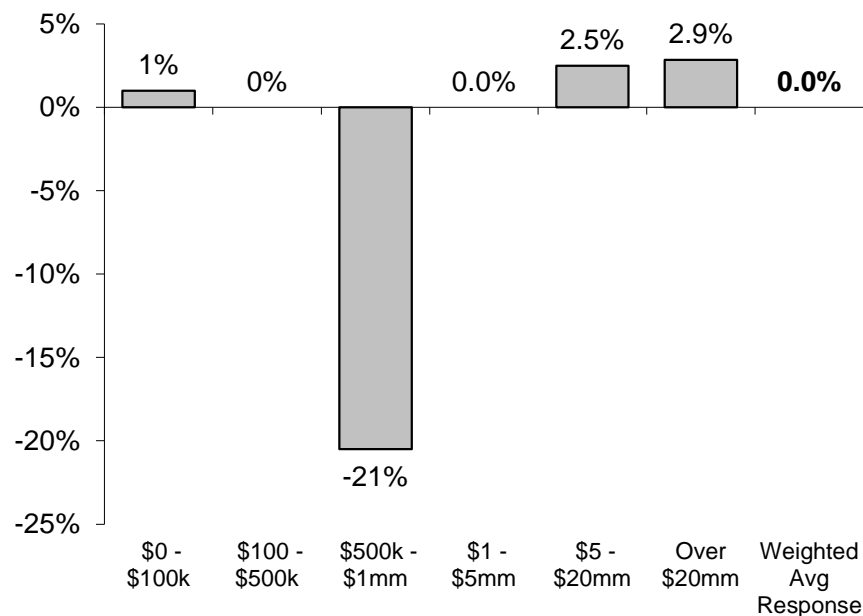
### YoY Volume Growth Expectations



### YoY Volume Growth Expectations

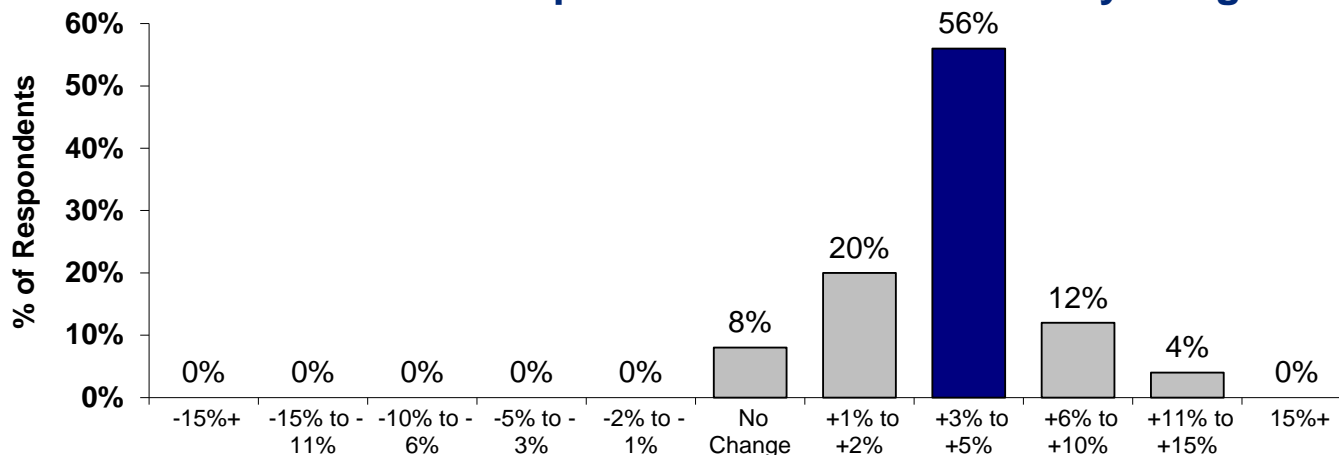


### 6 Mo. YoY Volume Growth Expectation by Spend

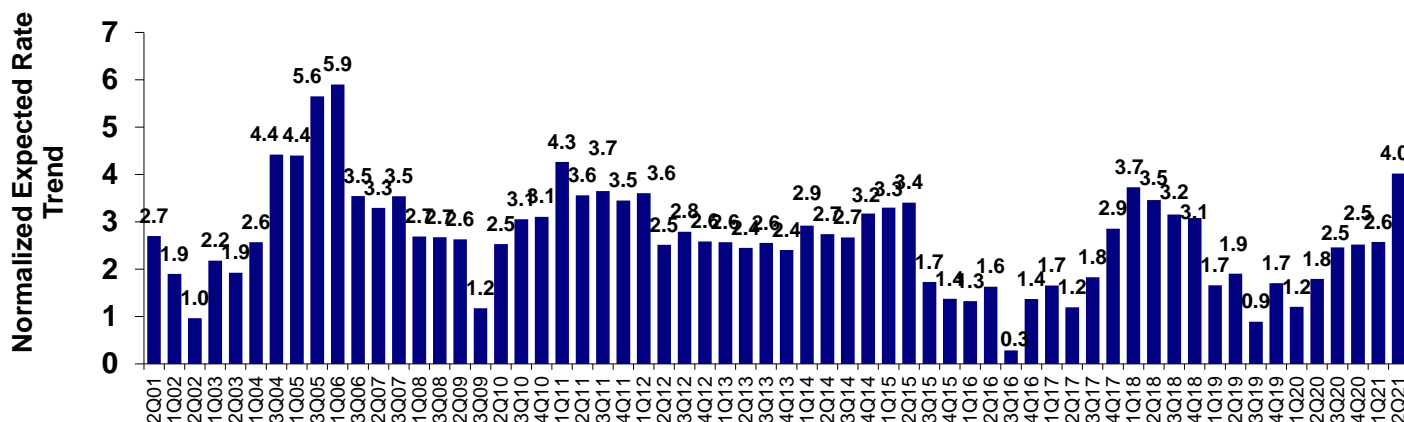


## Rail Rate Trends: Forward 6 Month YoY Rate Expectations

### YoY Rate Growth Expectations for Next 6 Mo. by Range

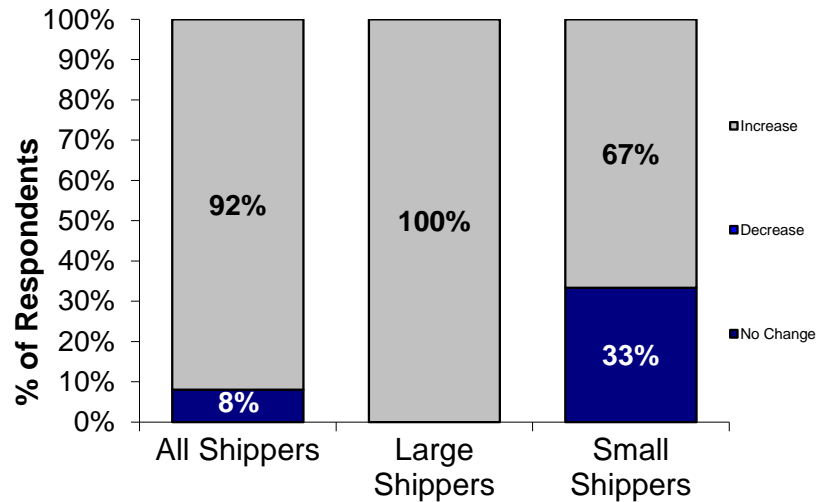


### MS Expected Rate Change Index

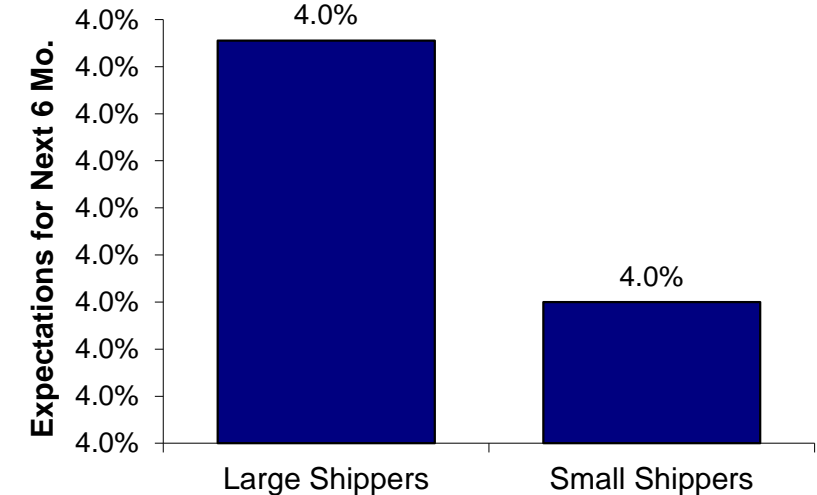


Rail Rate Trends: Forward 6 Month YoY Rate Expectations by Segment

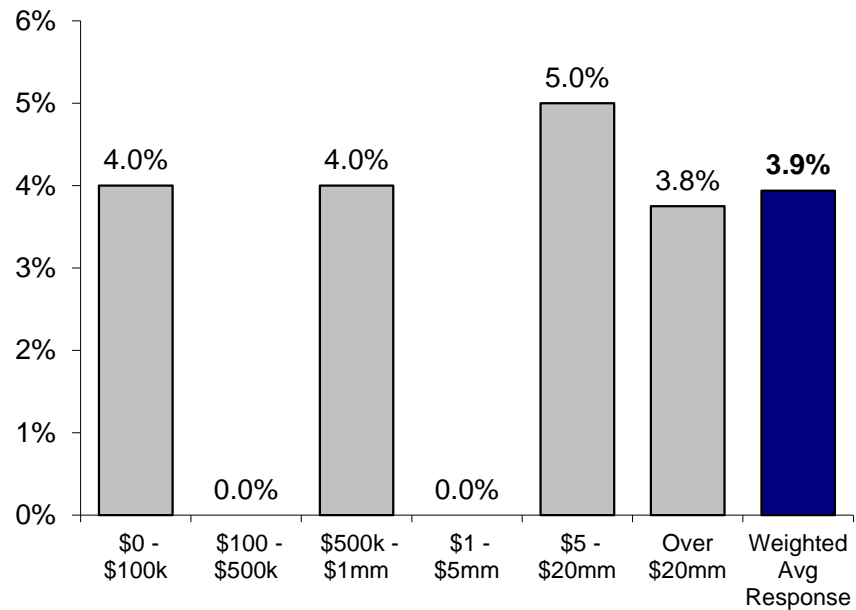
YoY Rate Growth Expectations



YoY Rate Growth Expectations

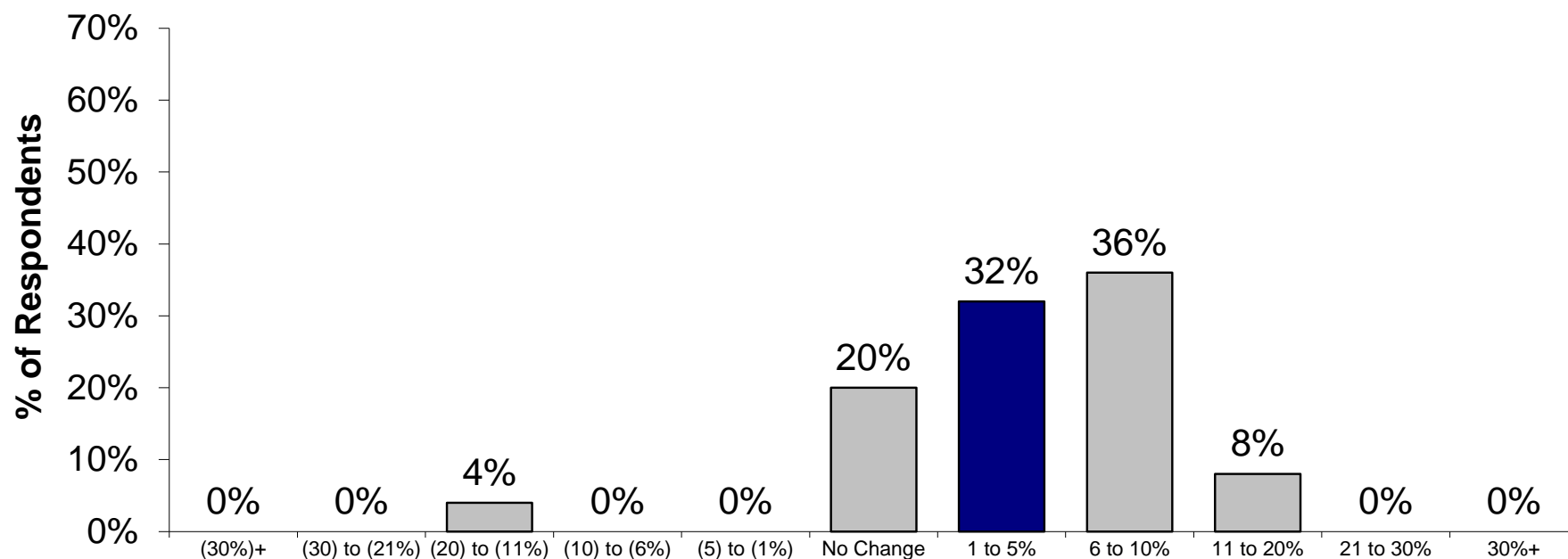


6 Mo. YoY Rate Growth Expectation by Spend



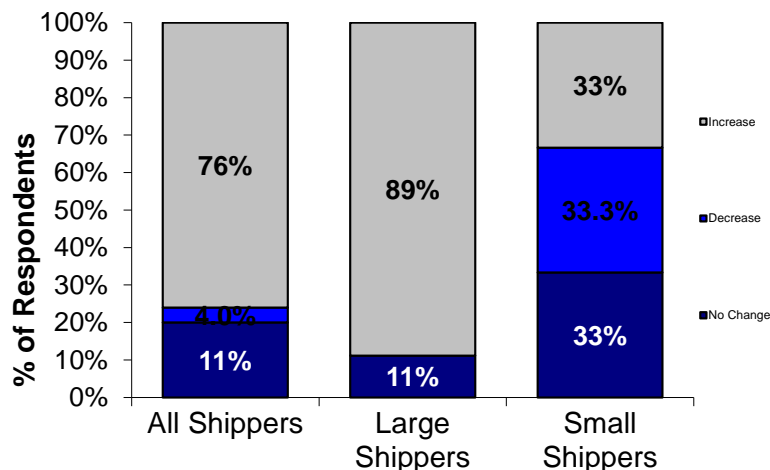
## Rail Spend Trends: Forward 6 Month YoY Spend Expectations

### YoY Rail Spend Growth Expectations for Next 6 Mo. by Range

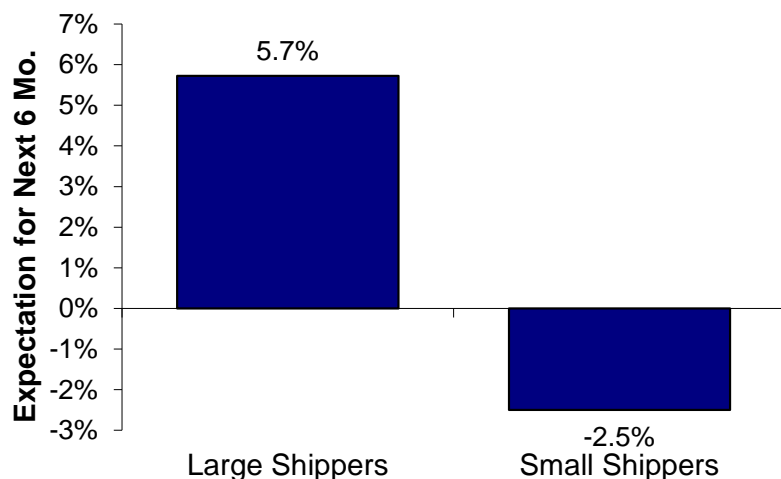


## Rail Spend Trends: Forward 6 Month YoY Spend Expectations by Segment

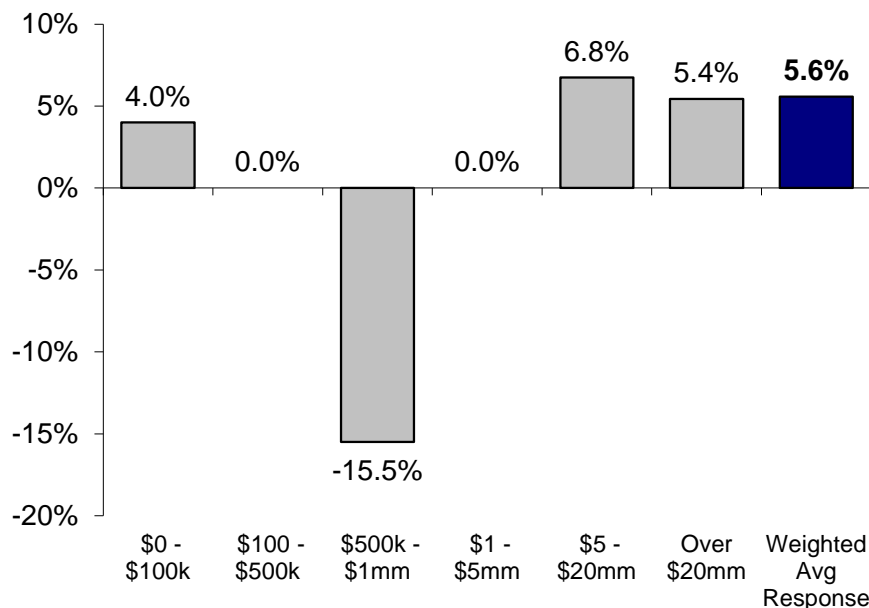
### YoY Spend Growth Expectations



### Spend Expectations by Size



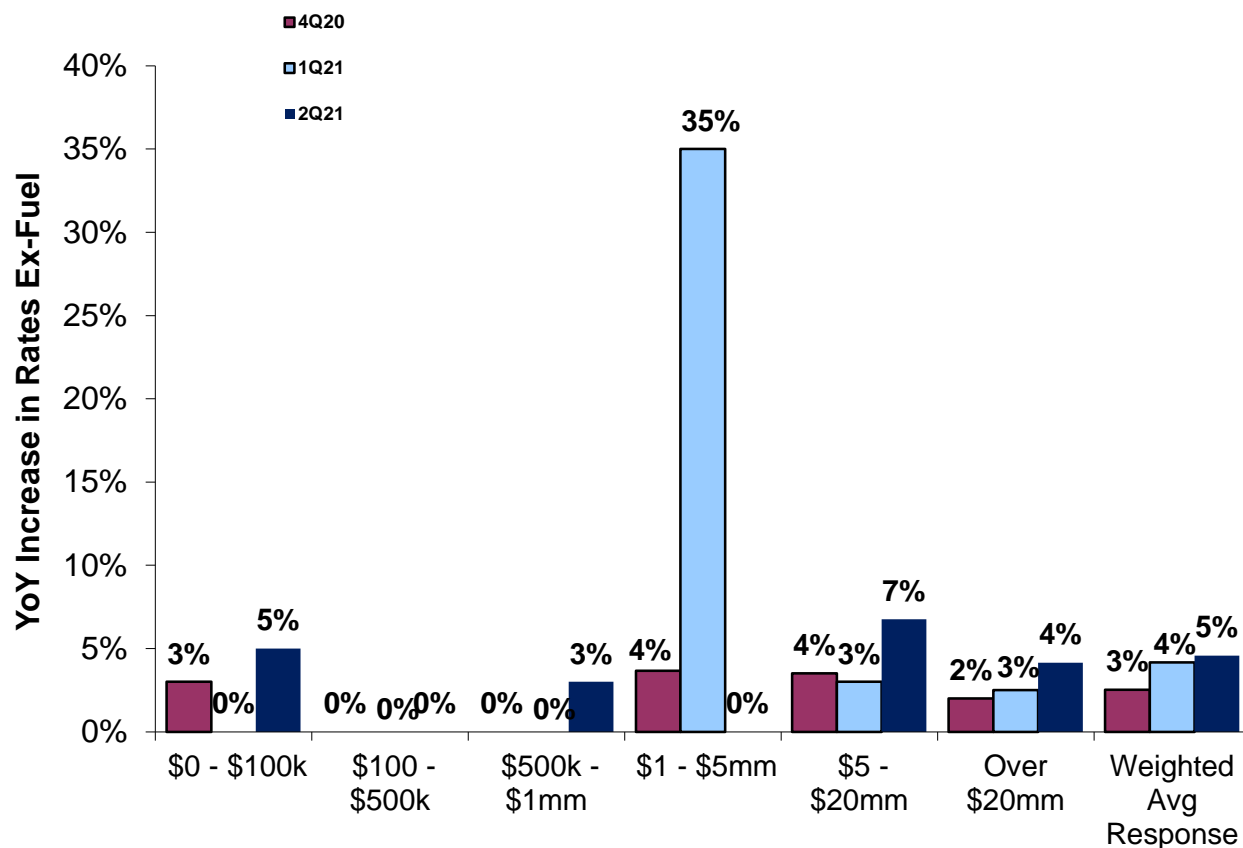
### 6 Mo. YoY Spend Growth Expectation by Spend





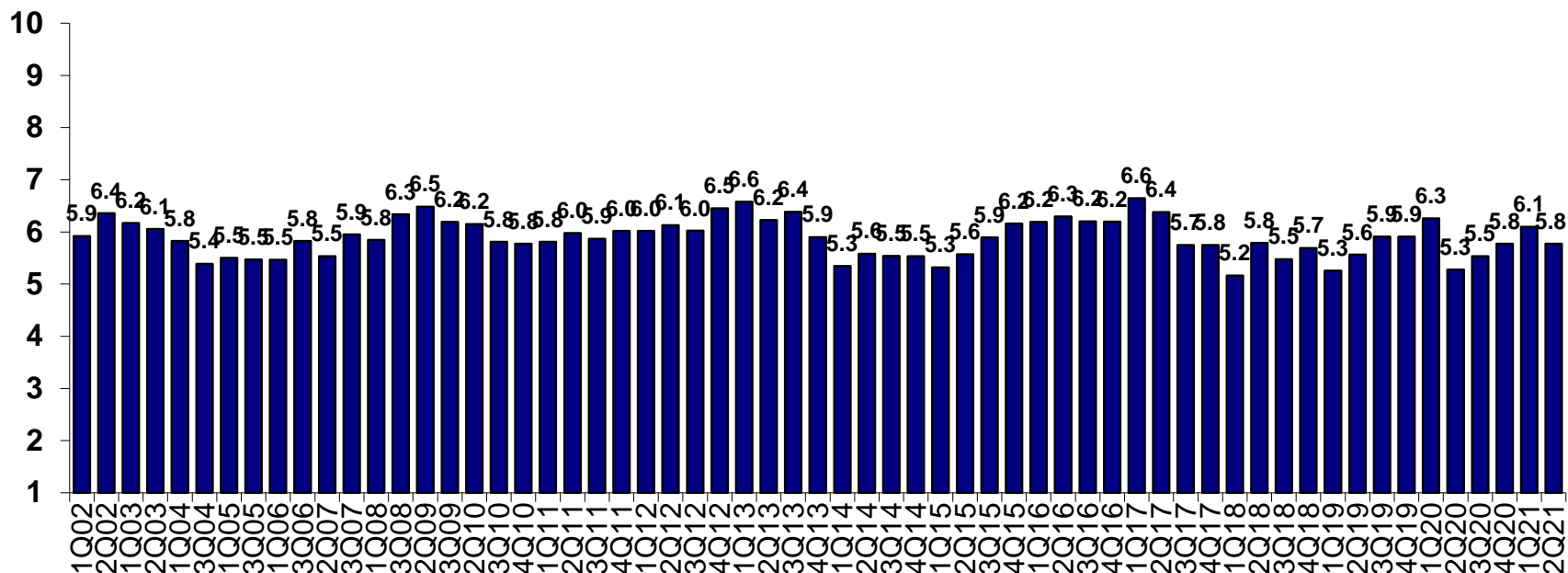
## Rail Pricing Trends: Renewal Rates

### Expectations for Current Year YoY Pricing Ex-Fuel by Spend



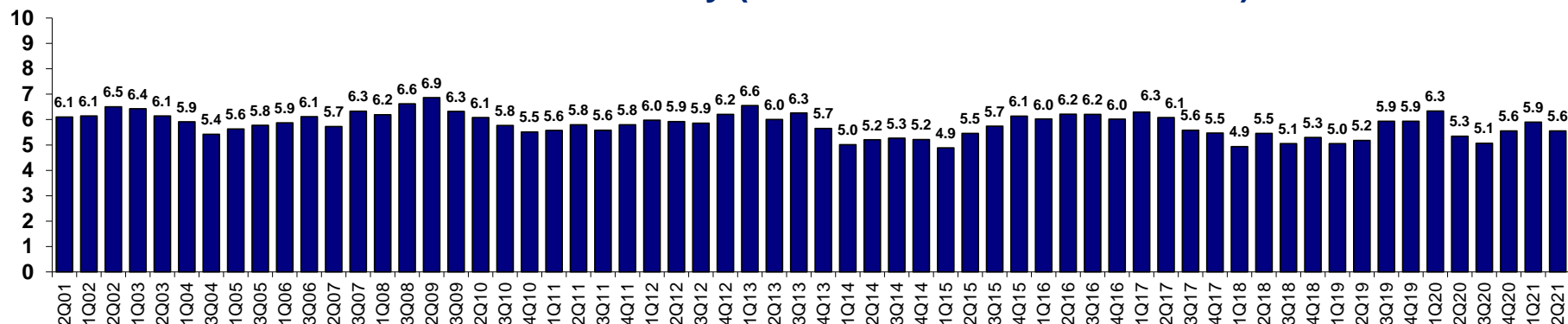
## Rail Service Trends: Average Service Levels

Average Service Levels (Scale 1 = Worst to 10 = Best)

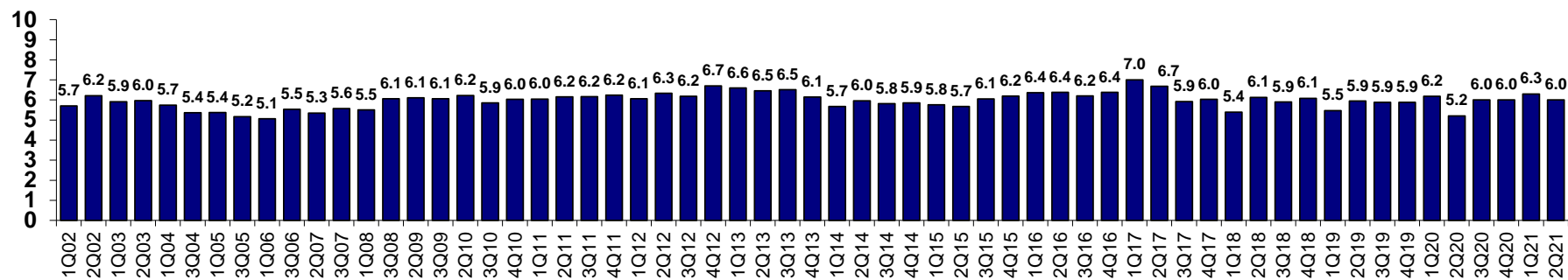


## Rail Service Trends: Detail

### Service Reliability (Scale 1 = Worst to 10 = Best)



### Value for Dollar (Scale 1 = Worst to 10 = Best)



## Summary of Contents

---

### About the Surveys

### General Freight Trends

### Rail Trends

### Truck Trends

### Parcel Trends

## Part 1: Key Rail Trends

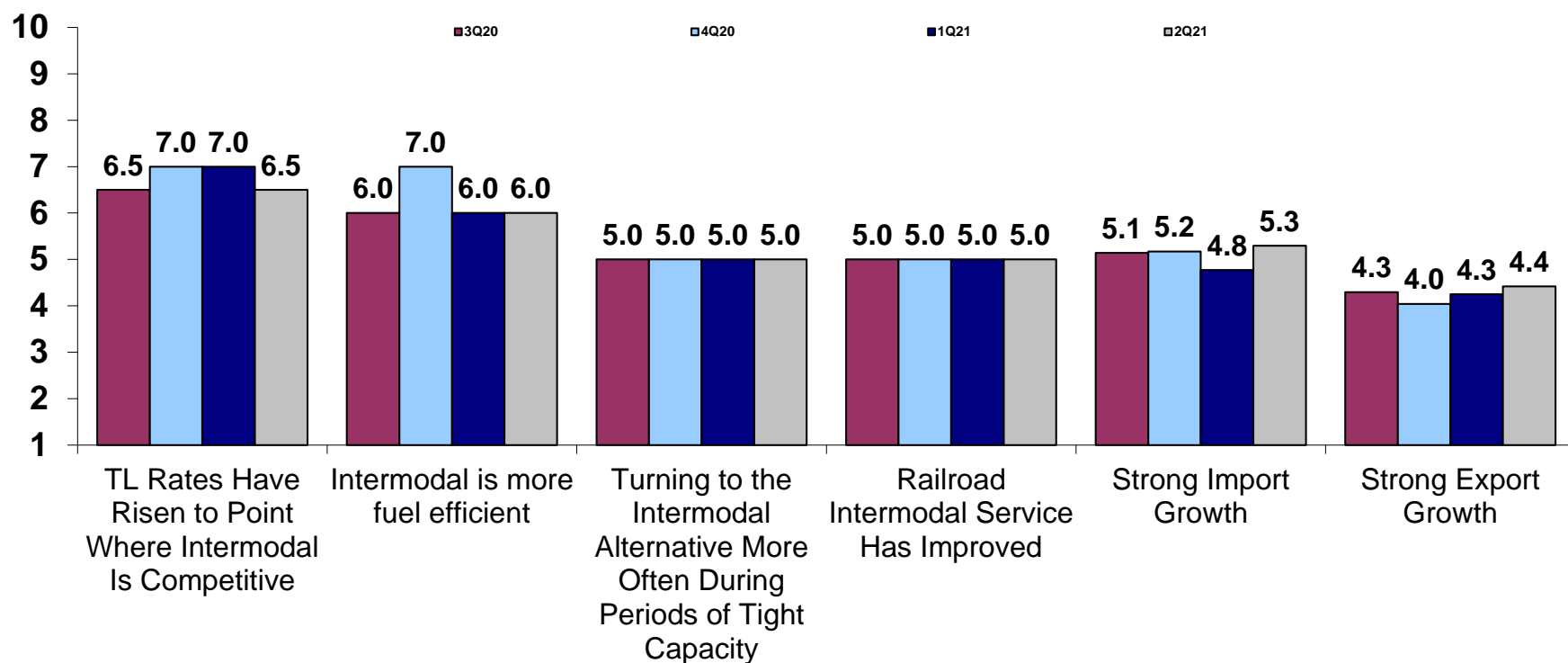
1. Volume Trends
2. Rate Trends
3. Spend Trends
4. Pricing Trends
5. Service Trends

## Part 2: Special Topics

1. Intermodal
2. Rate Mitigation Efforts
3. Rail Competition
4. Rate Negotiations
5. Rate Cases
6. Support for Legislation

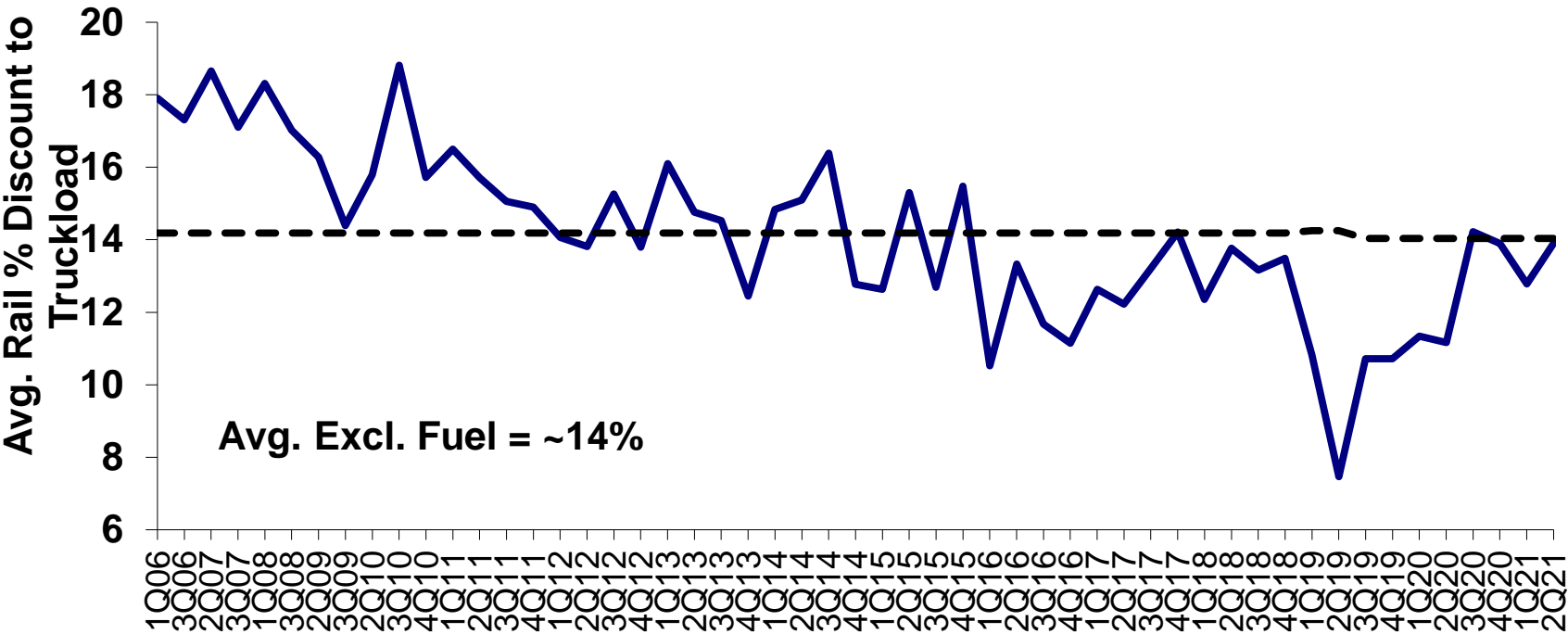
## Intermodal: What Factors Are Impacting Your Use of Intermodal Most?

Avg. Response on Scale of 1 (Least Impact) to 10 (Most Impact)



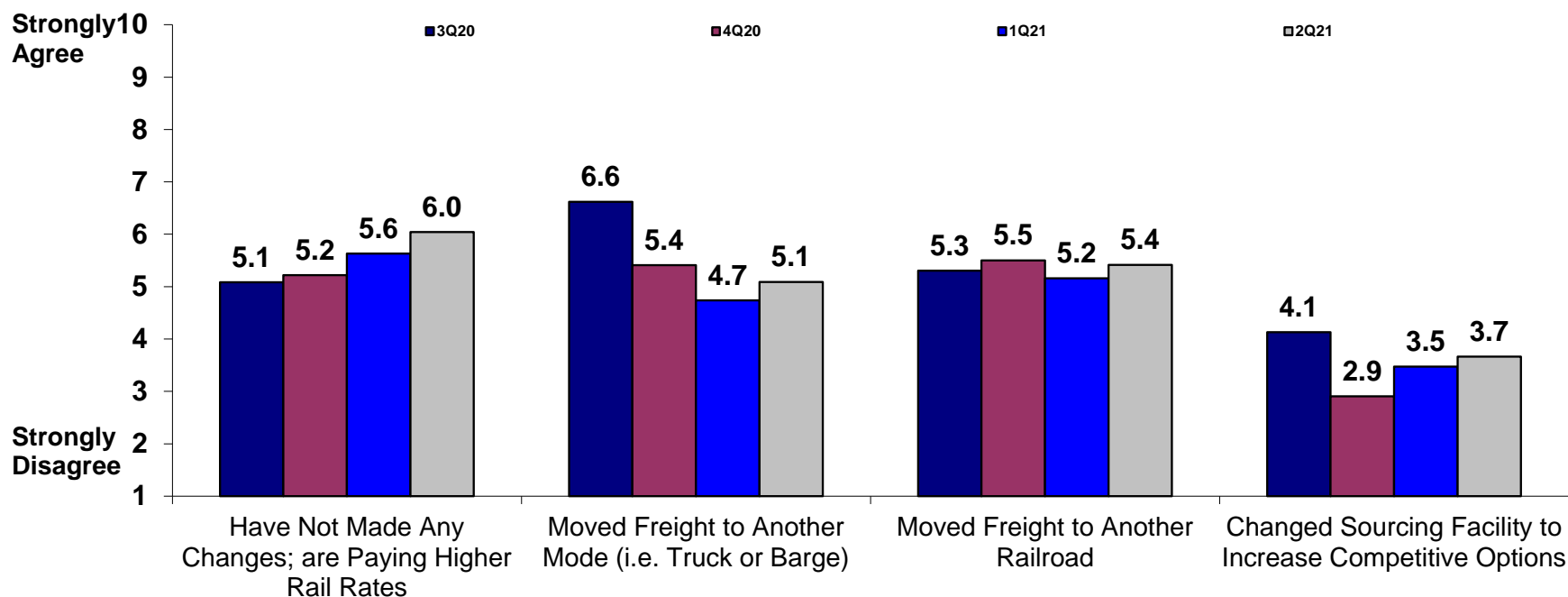
Intermodal: Average % Discount to Truckload Carriers?

Avg. Discount Excl. Fuel



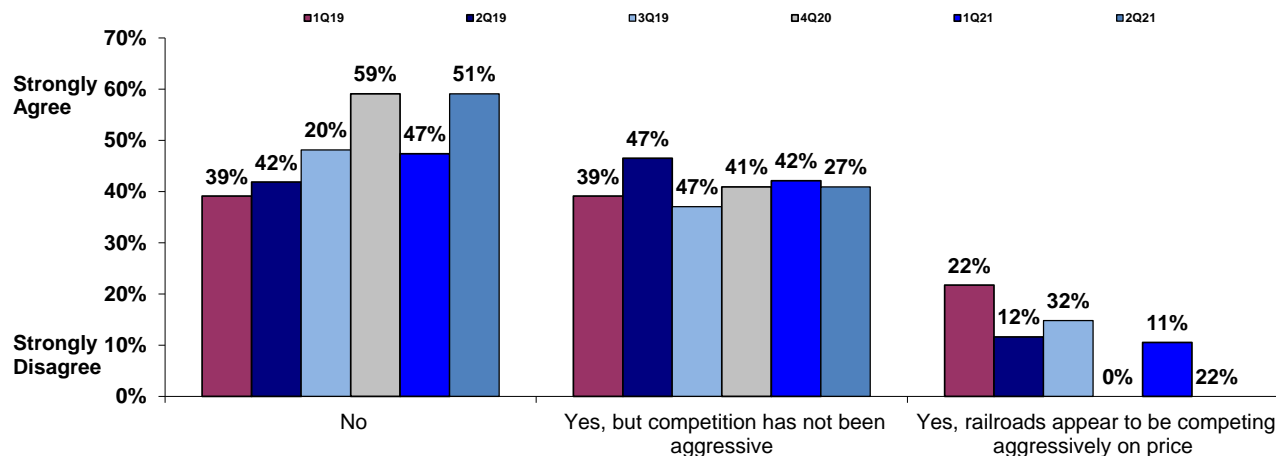
## Rate Mitigation: What Have You Done in an Effort to Reduce Railroad Spend ?

### All Shippers

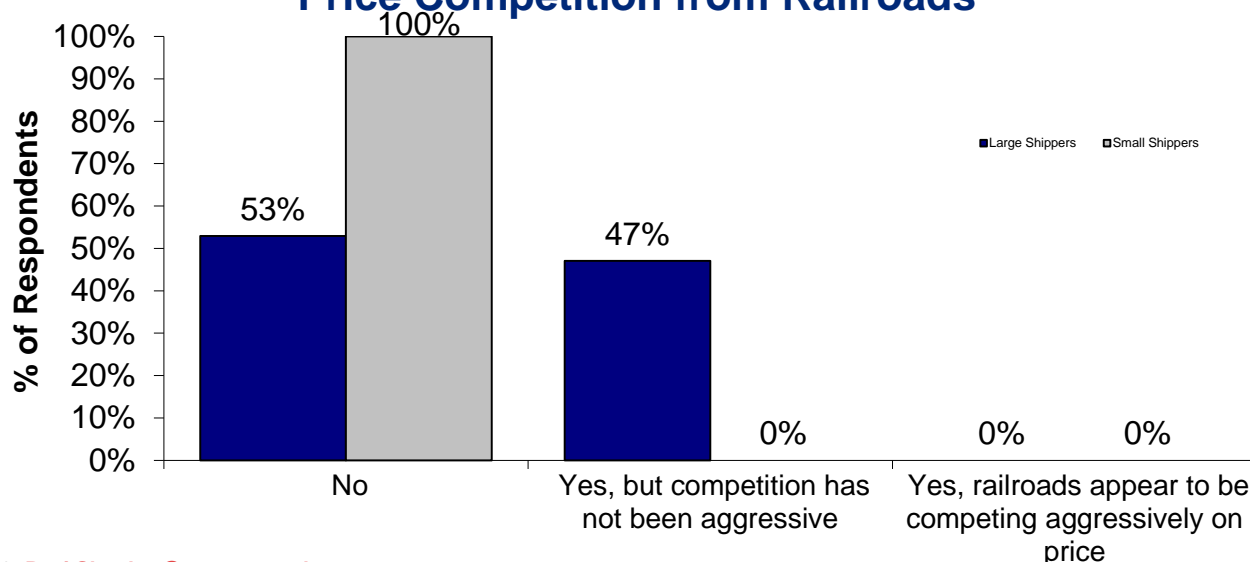


## Competition: Have You Been Solicited With Competing Bids Offering Lower Rates?

### All Shippers



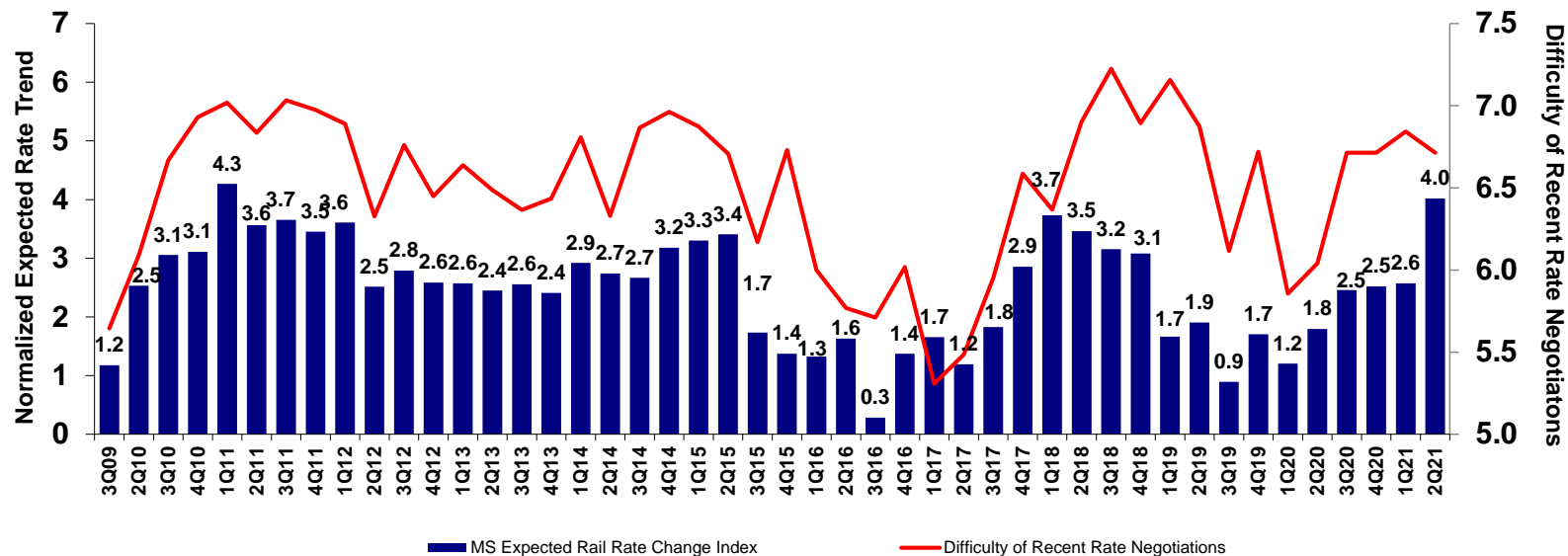
### Price Competition from Railroads



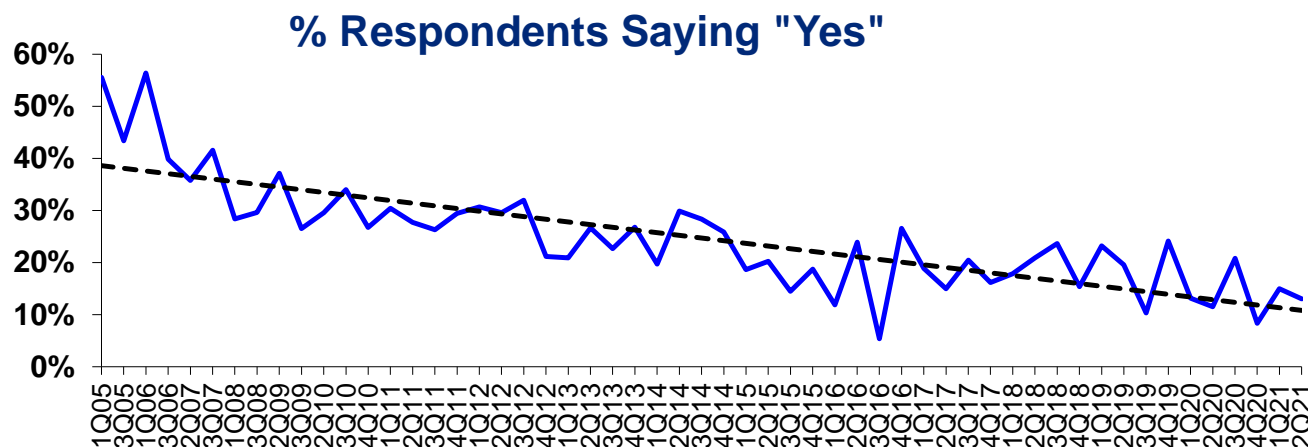
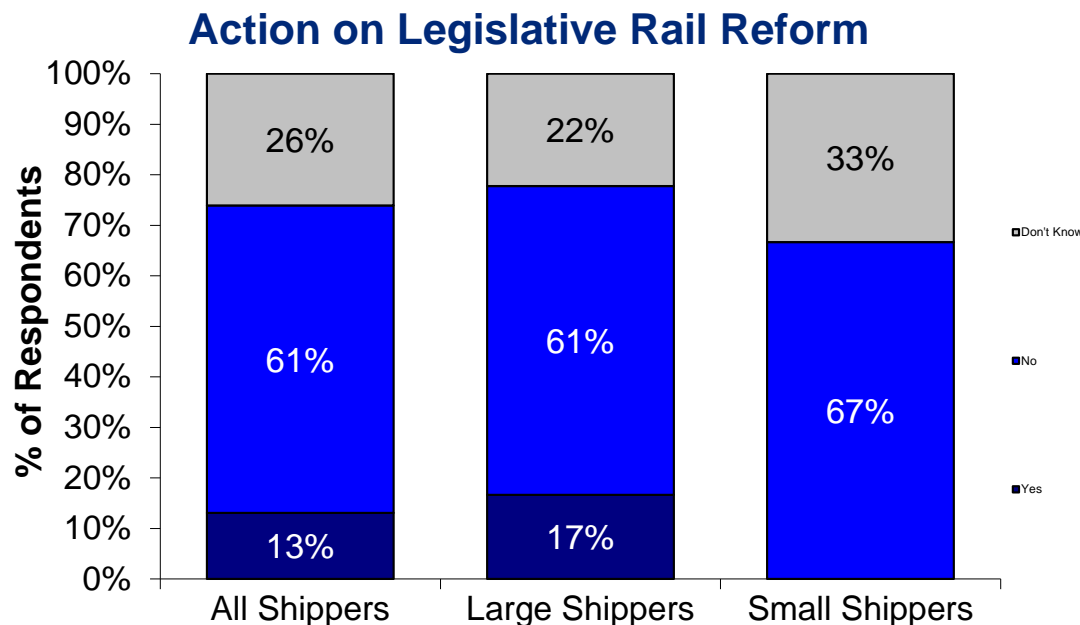


## Rail Rate Negotiations: Rate the Difficulty of Recent Rate Negotiations

Scale of 1 (Least Difficult) to 10 (Most Difficult)



## Legislation: Do You Expect to Take a More Active Role in Legislative Rail Reform?



## Summary of Contents

---

### About the Surveys

### General Freight Trends

### Rail Trends

### Truck Trends

### Parcel Trends

### Part 1: Key Truck Trends

1. Capacity Trends
2. Volume Trends
3. Rate Trends
4. Overall Spend Trends

### Part 2: Special Topics

1. Truckload Freight Index
2. Fuel Surcharge Concessions
3. Limitations on Truck to Rail Conversion

## Shipper Measures for Availability of Truck Capacity

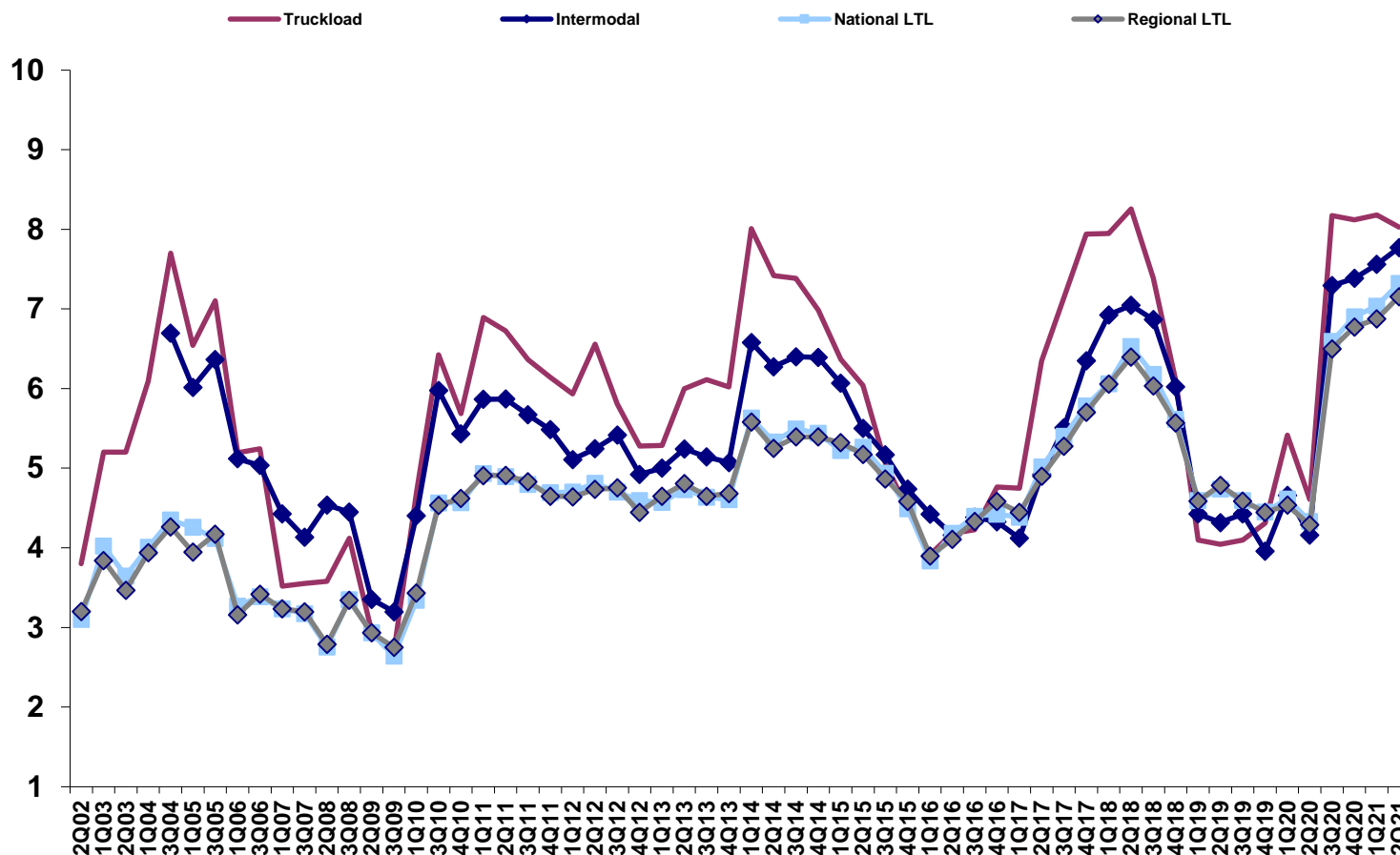
### Trucking Shipper Responses to “How Would You Currently Characterize the Availability of Equipment?”

#### Capacity is:

Very  
Tight

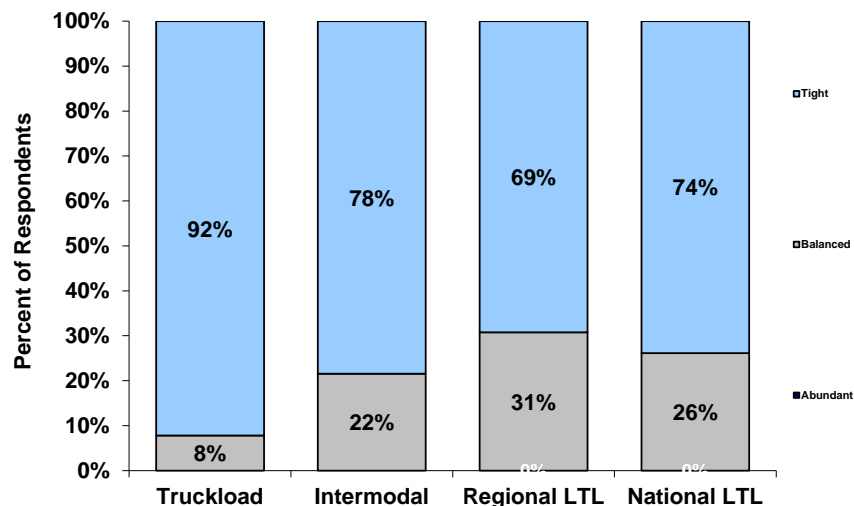
Balanced

Abundant

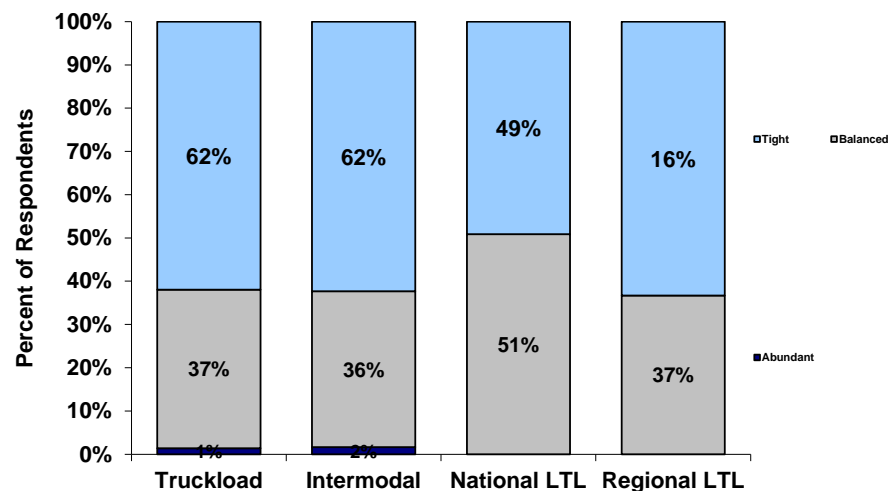


## Shipper Expectations for Availability of Truck Capacity

### Current Capacity

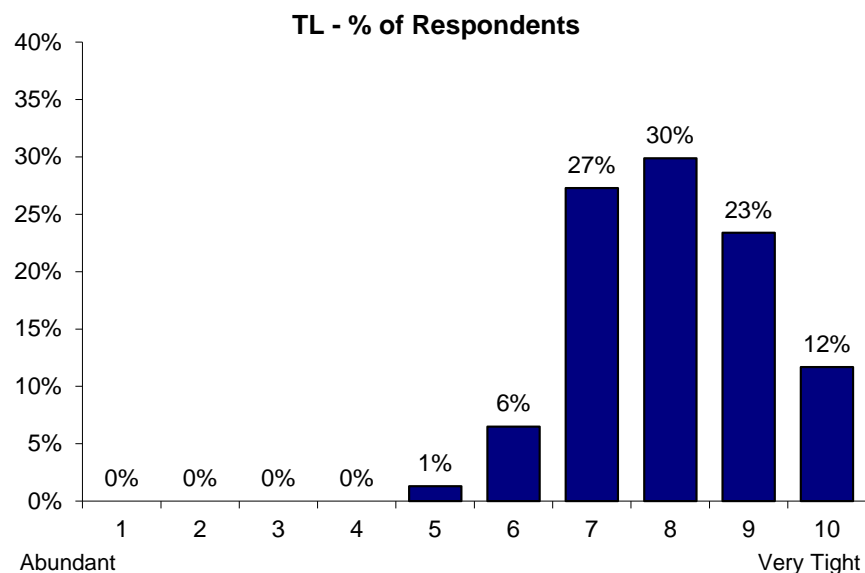


### Projected Capacity in 6 Months

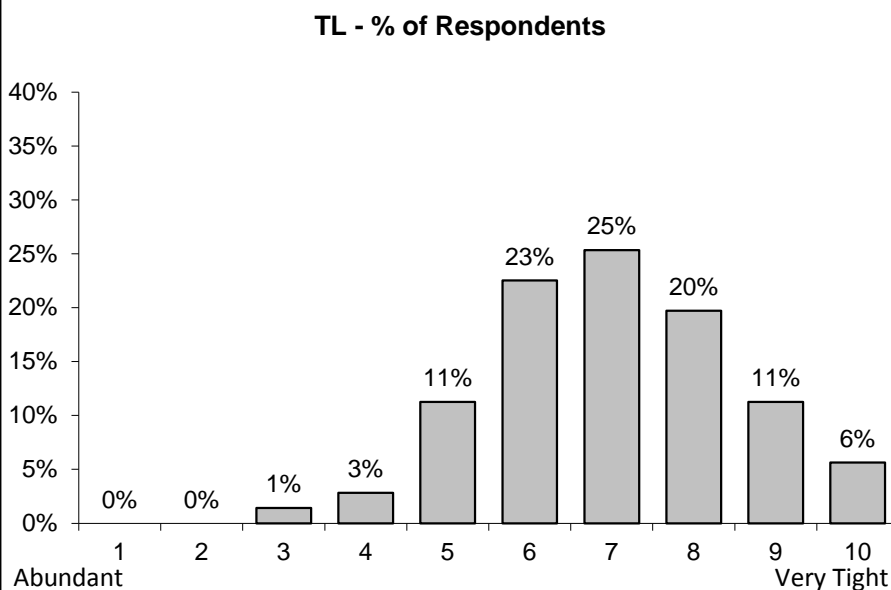


## Capacity: Distribution of Truckload Capacity Rankings

### Current Capacity



### Projected Capacity in 6 Months



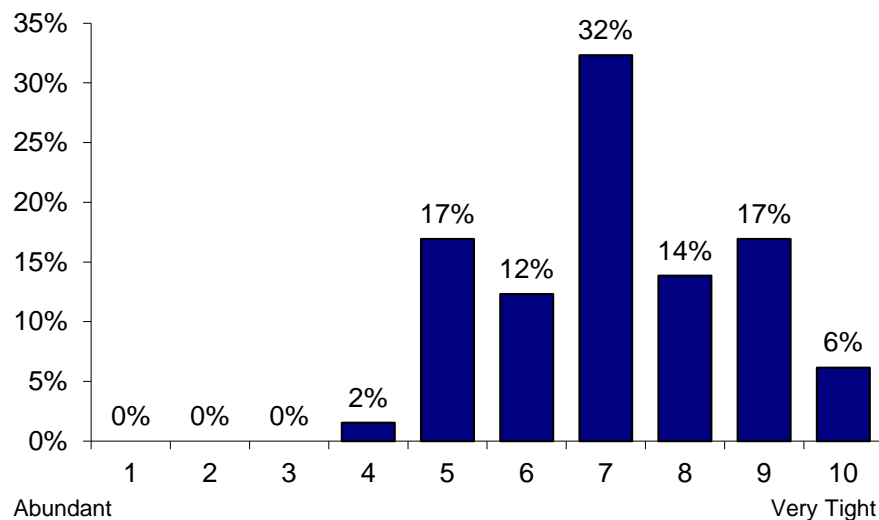
\* Shipper rankings of available capacity where 1= Abundant and 10 = Very Tight

Source: Morgan Stanley Freight Pulse Surveys

## Capacity: Distribution of Regional Less-Than-Truckload Capacity Rankings

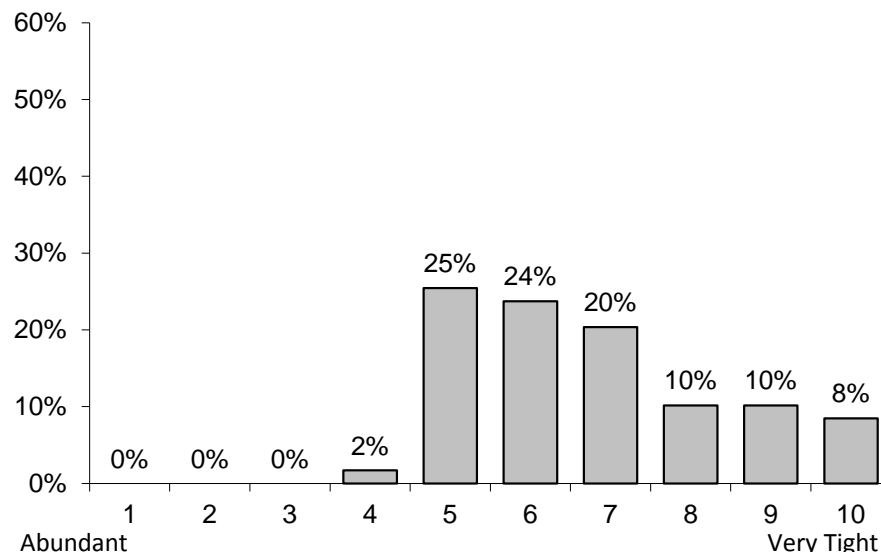
### Current Capacity

Regional LTL - % of Respondents



### Projected Capacity in 6 Months

Regional LTL - % of Respondents

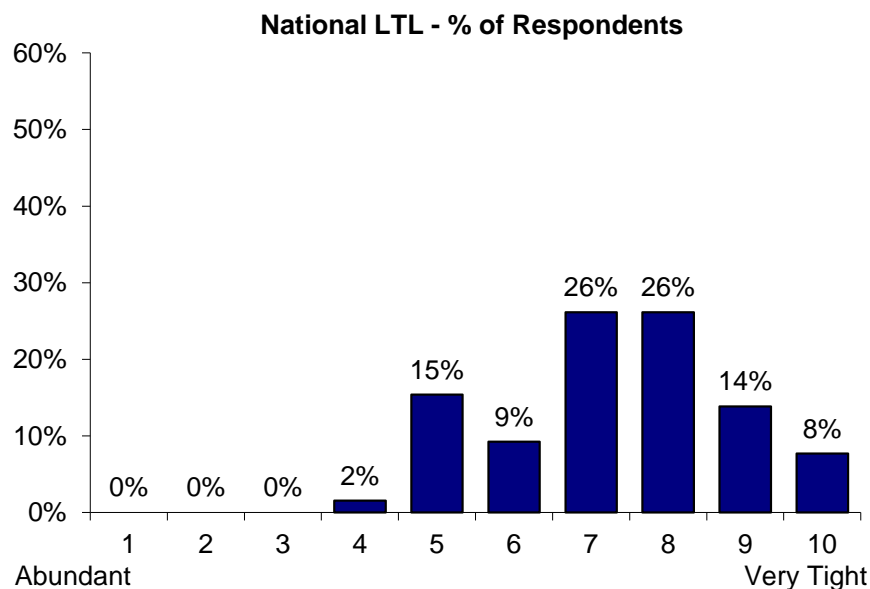


\* Shipper rankings of available capacity where 1= Abundant and 10 = Very Tight

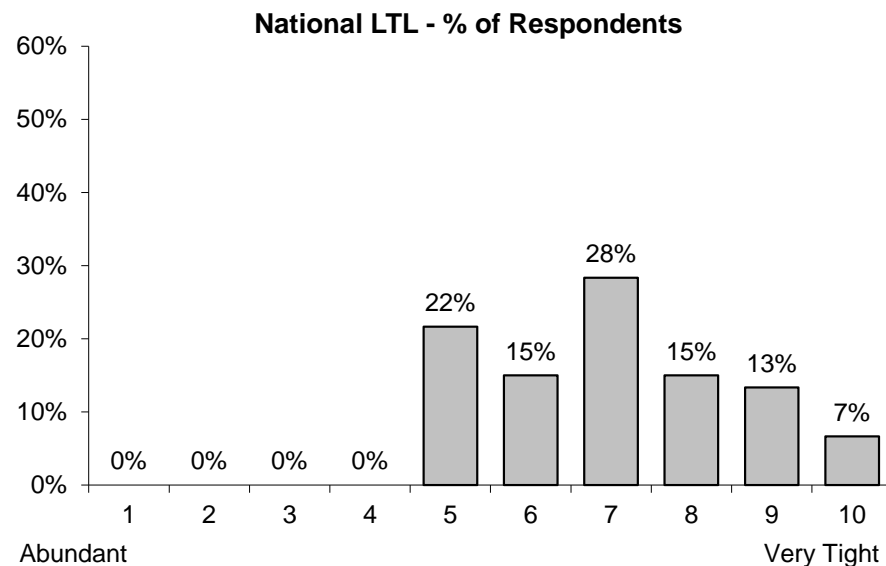
Source: Morgan Stanley Freight Pulse Surveys

## Capacity: Distribution of National Less-Than-Truckload Capacity Rankings

### Current Capacity



### Projected Capacity in 6 Months



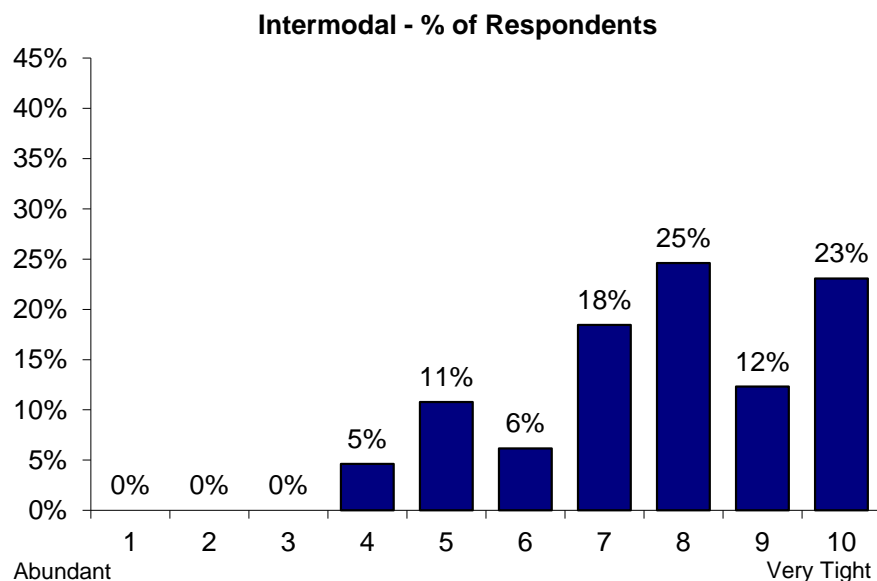
\* Shipper rankings of available capacity where 1= Abundant and 10 = Very Tight

Source: Morgan Stanley Freight Pulse Surveys

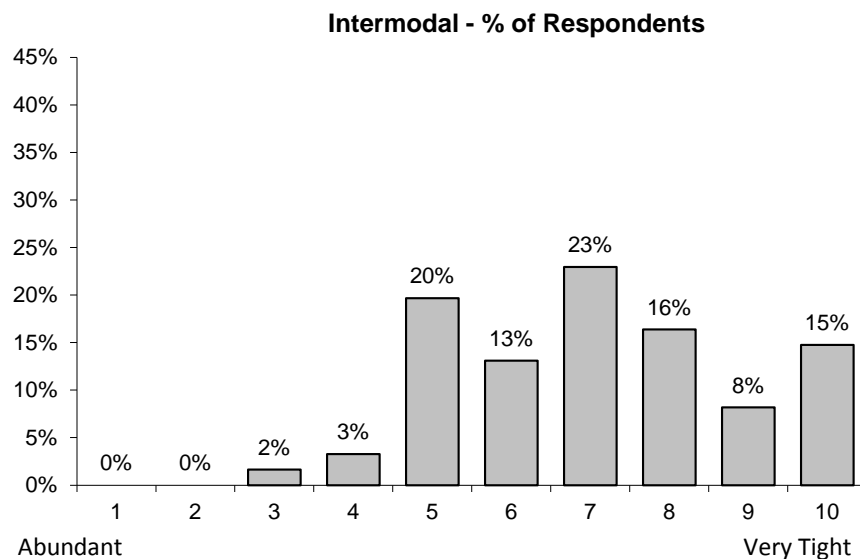


## Capacity: Distribution of Intermodal Capacity Rankings

### Current Capacity



### Projected Capacity in 6 Months

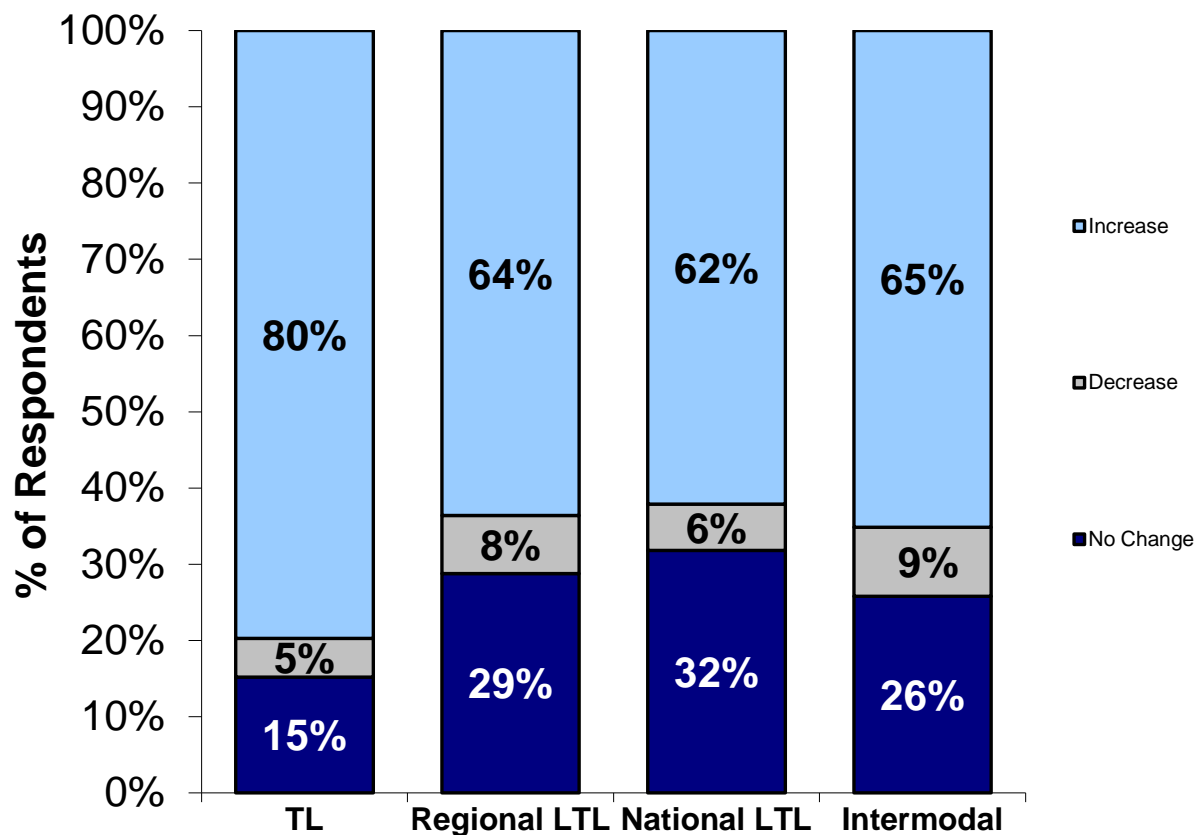


\* Shipper rankings of available capacity where 1= Abundant and 10 = Very Tight

Source: Morgan Stanley Freight Pulse Surveys

## Truck Volume Outlook Over The Next 6 Months

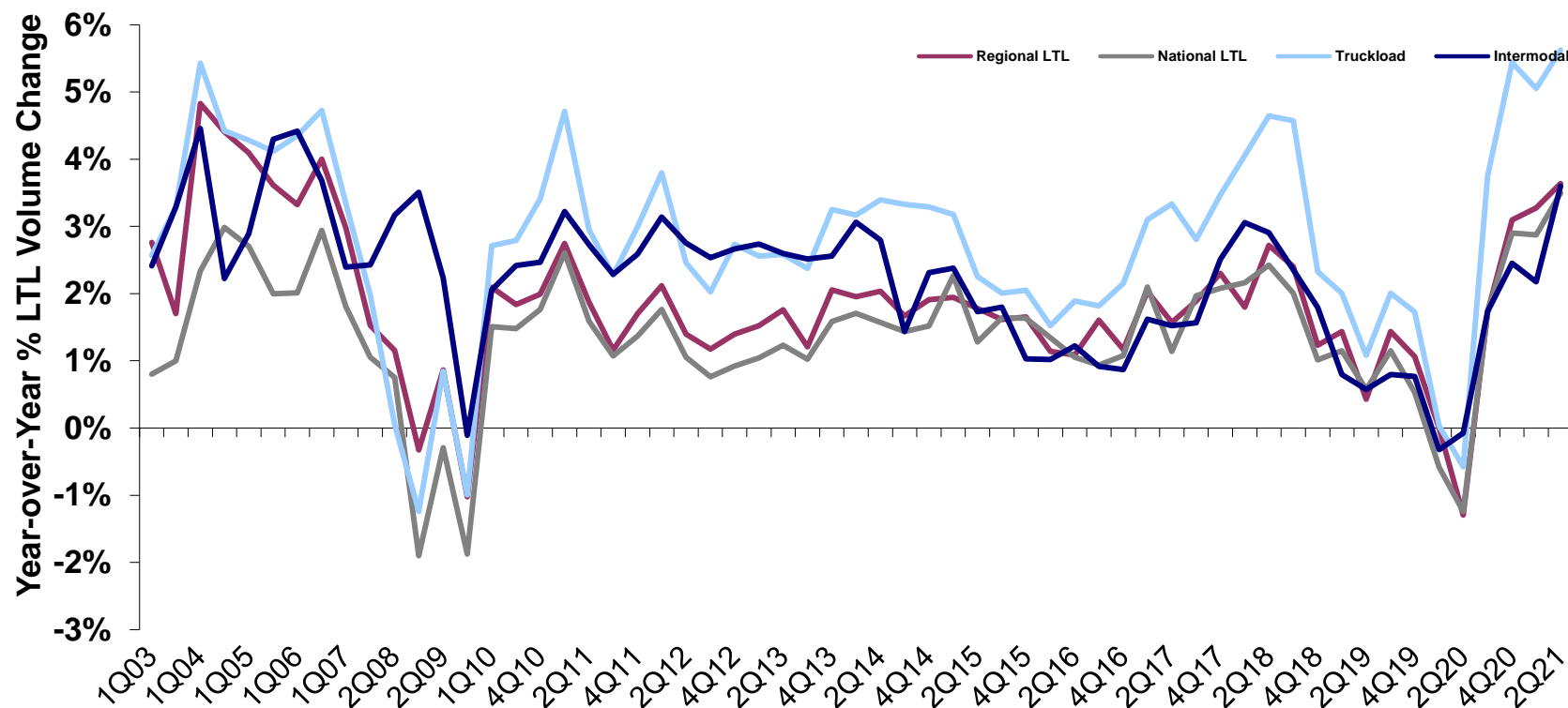
### Shipper Growth Expectations by Mode



Source: Morgan Stanley Freight Pulse Surveys

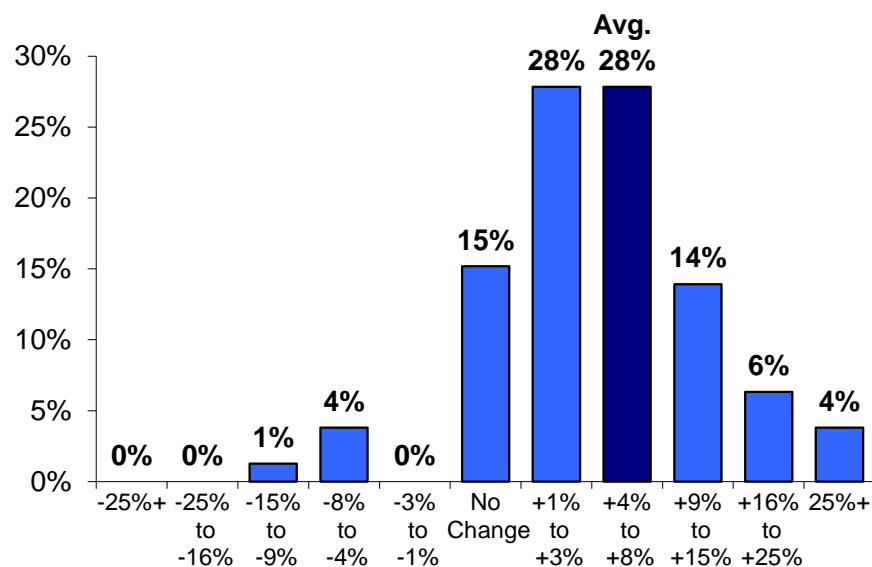
## Volume Response History

### Trends in Trucking Shippers' Expectations Over the Next 6 Months vs. the Same Period in the Prior Year"

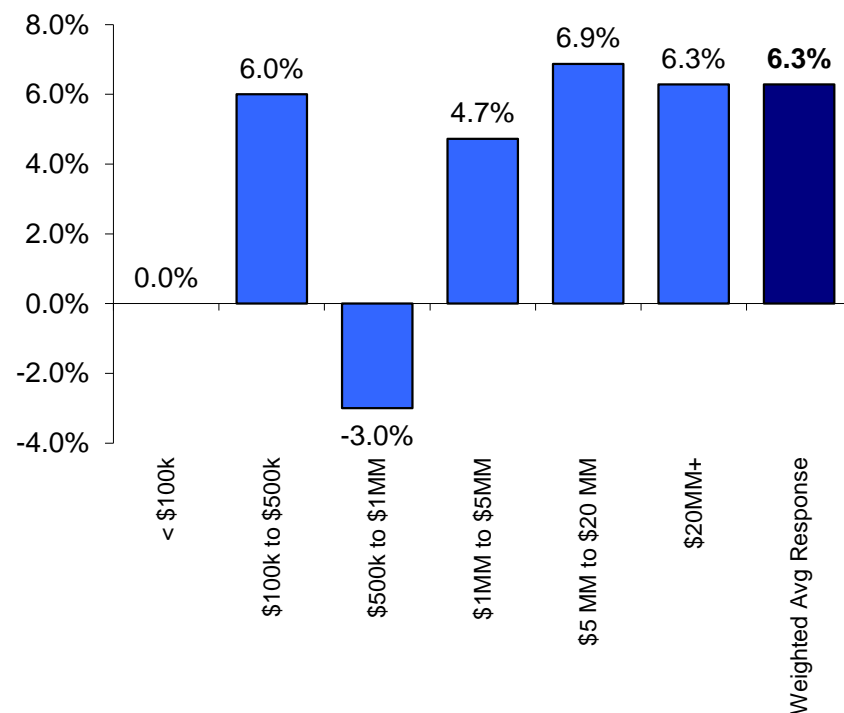


## Truckload Volume Detail by Spend, Industry, and Response Skew

### Truckload - Y/Y Volume Expectation by Range



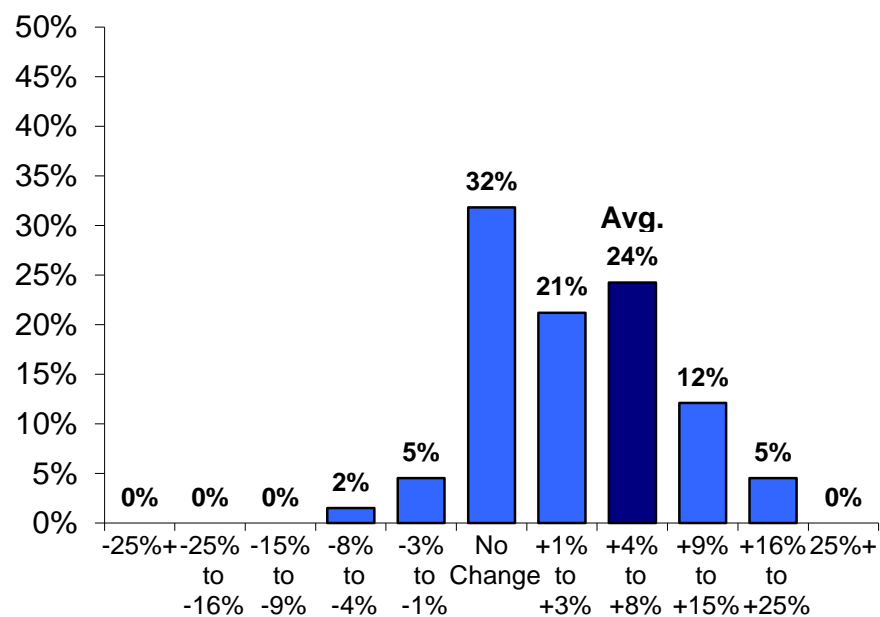
### Truckload - Avg Volume Change by Spend



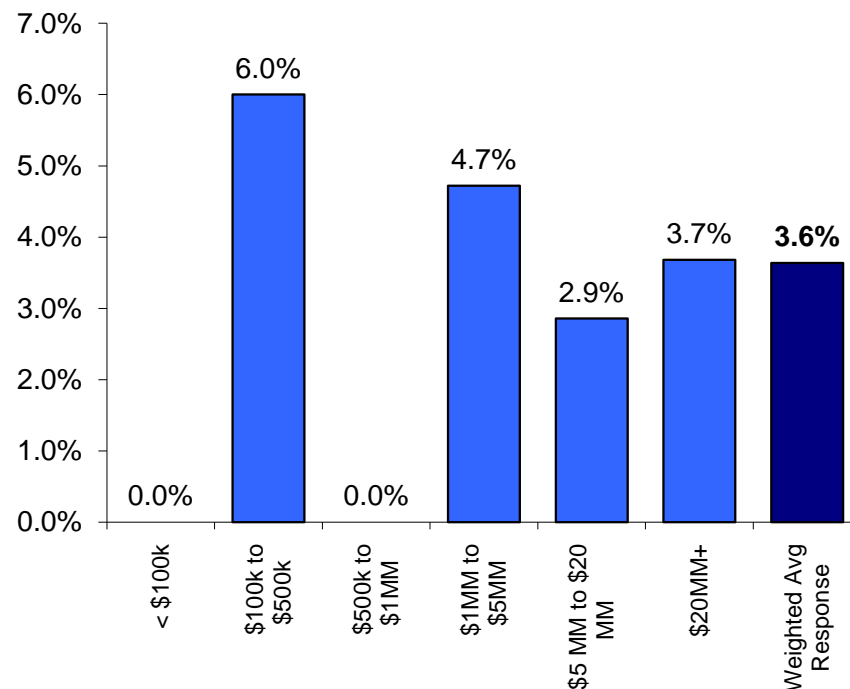
Source: Morgan Stanley Freight Pulse Surveys

## National LTL Volume Detail by Spend, Industry, and Response Skew

### National LTL - Y/Y Volume Expectation by Range

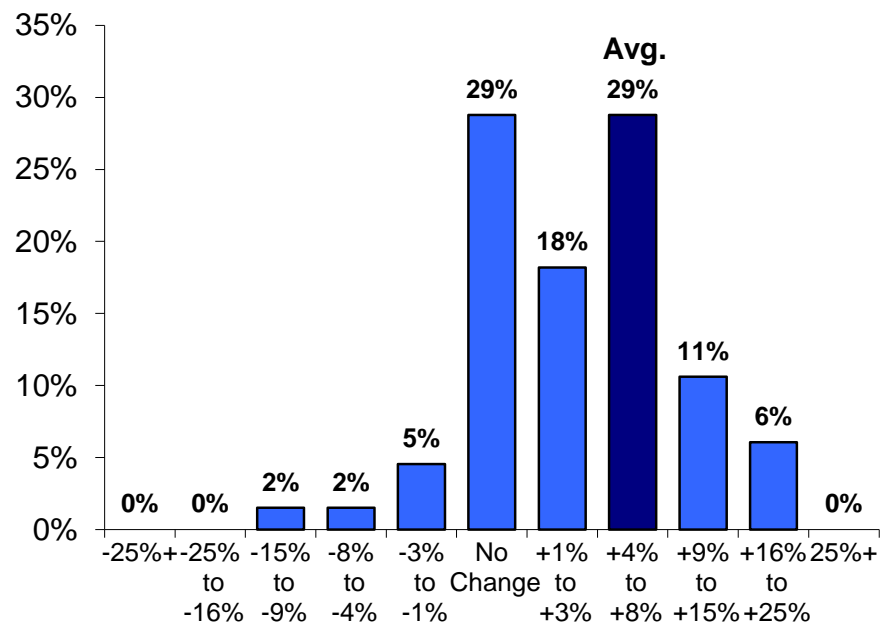


### National LTL - Avg Volume Change by Spend

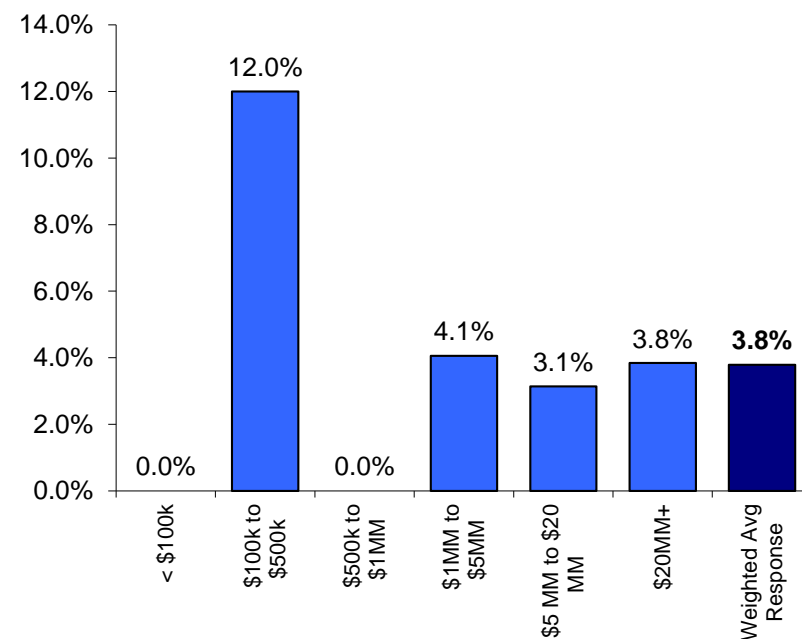


## Regional LTL Volume Detail by Spend, Industry, and Response Skew

### Regional LTL - Y/Y Volume Expectation by Range



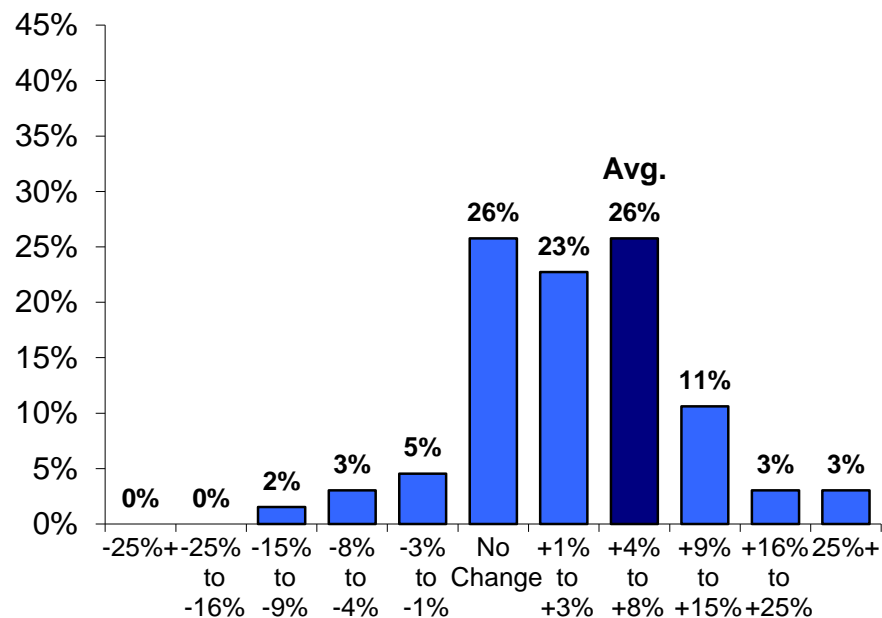
### Regional LTL - Avg Volume Change by Spend



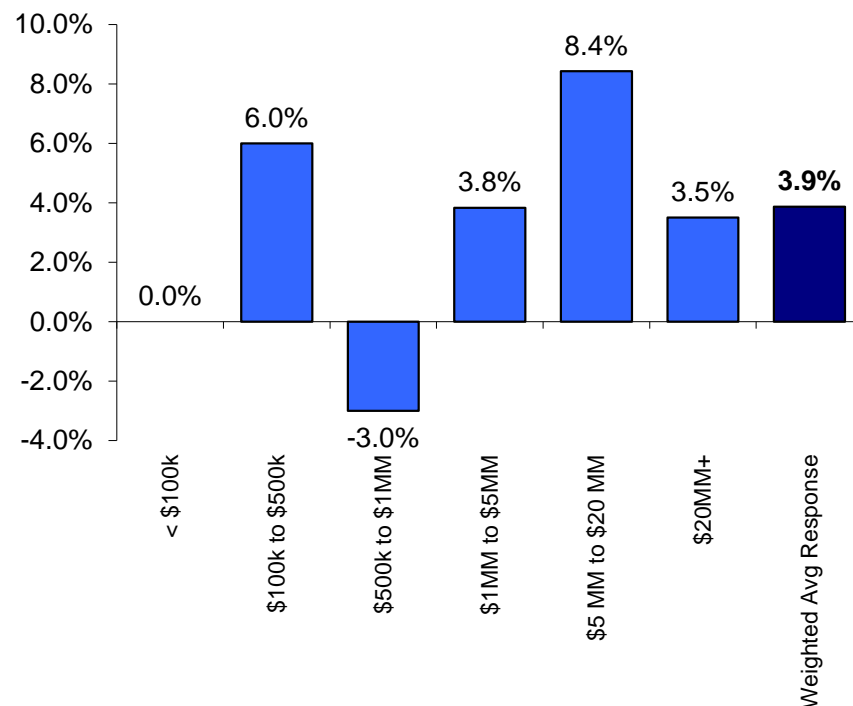
Source: Morgan Stanley Freight Pulse Surveys

## Intermodal Volume Detail by Spend, Industry, and Response Skew

### Intermodal - Y/Y Volume Expectation by Range



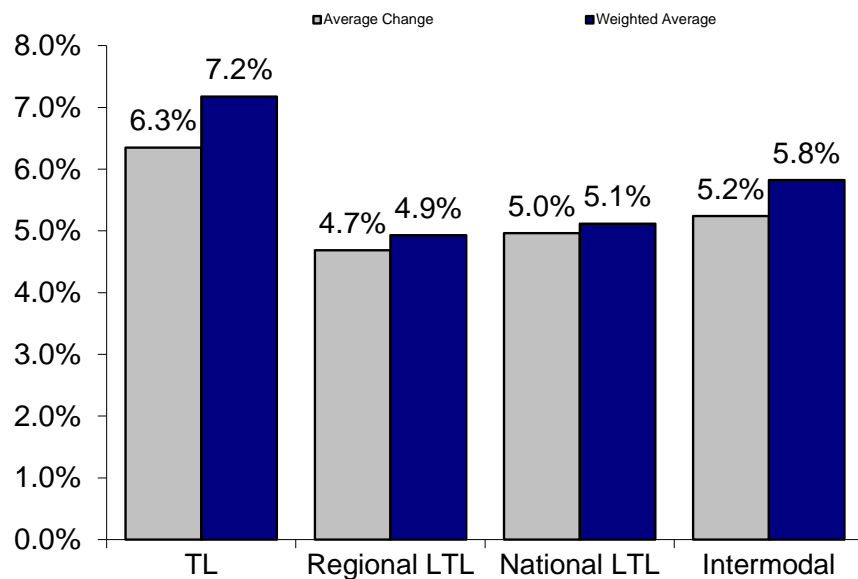
### Intermodal - Avg Volume Change by Spend



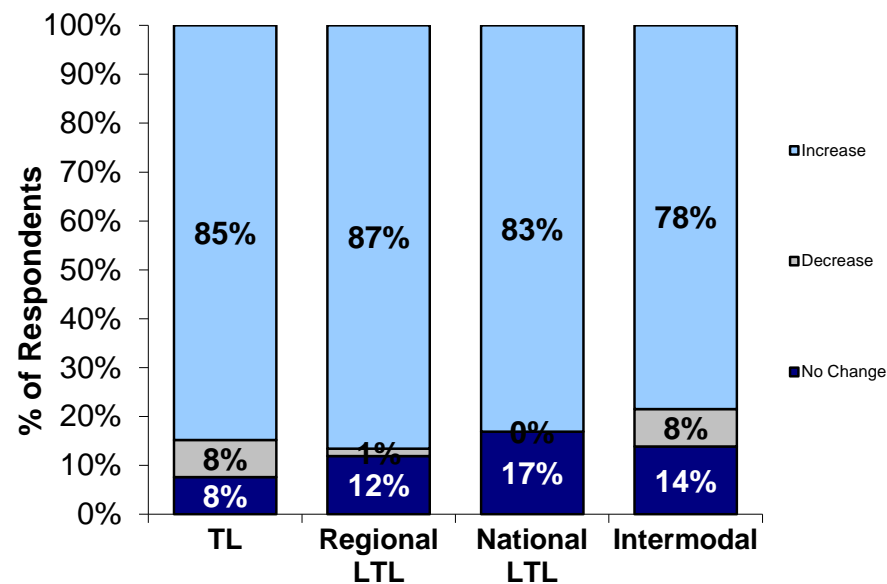
Source: Morgan Stanley Freight Pulse Surveys

## Truck Base Rates Outlook Over The Next 6 Months

### Base Rates: Average vs. Weighted Average



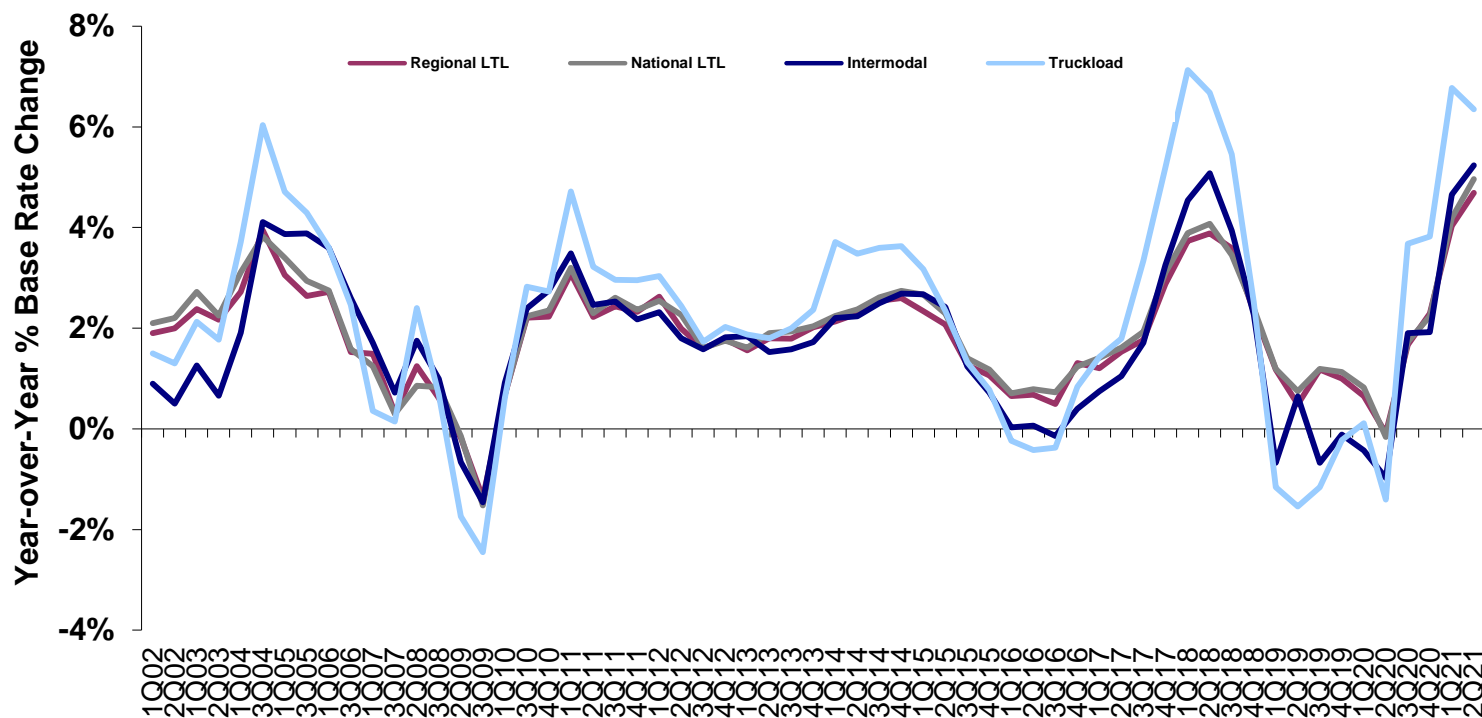
### Shipper Rate Expectations by Mode





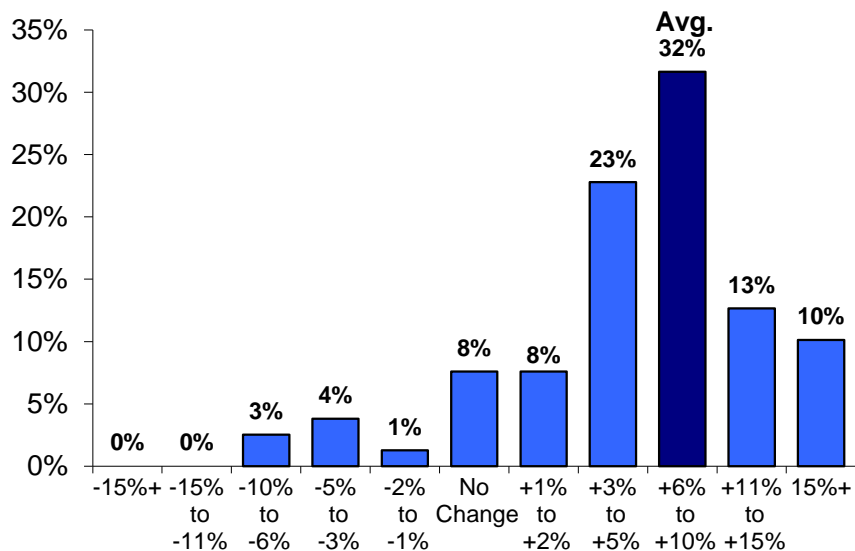
## Base Rate Response History

### Trends in Trucking Shippers' Expectations Over the Next 6 Months vs. the Same Period in the Prior Year"

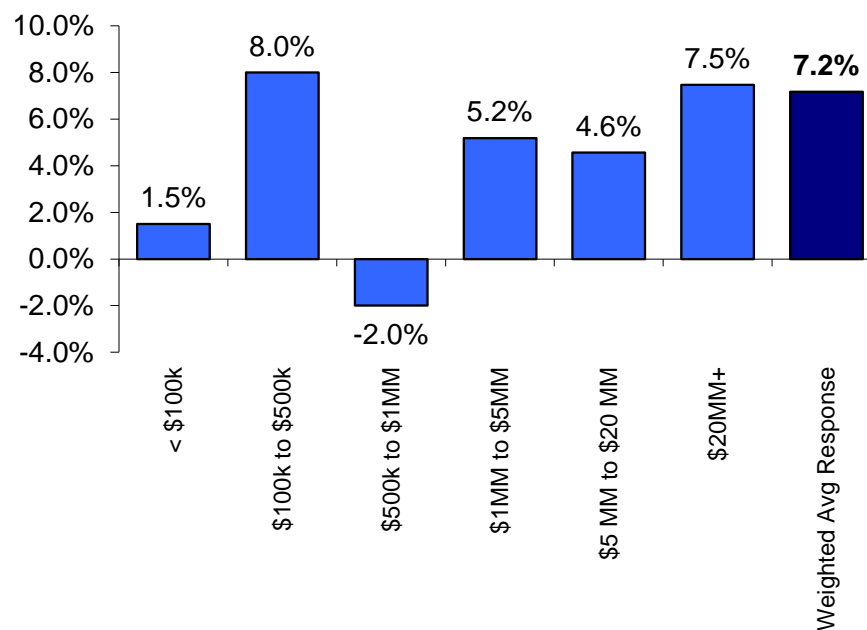


## TL Base Rate Detail by Spend, Industry, and Response Skew

### Truckload - Y/Y Base Rate Expectation by Range



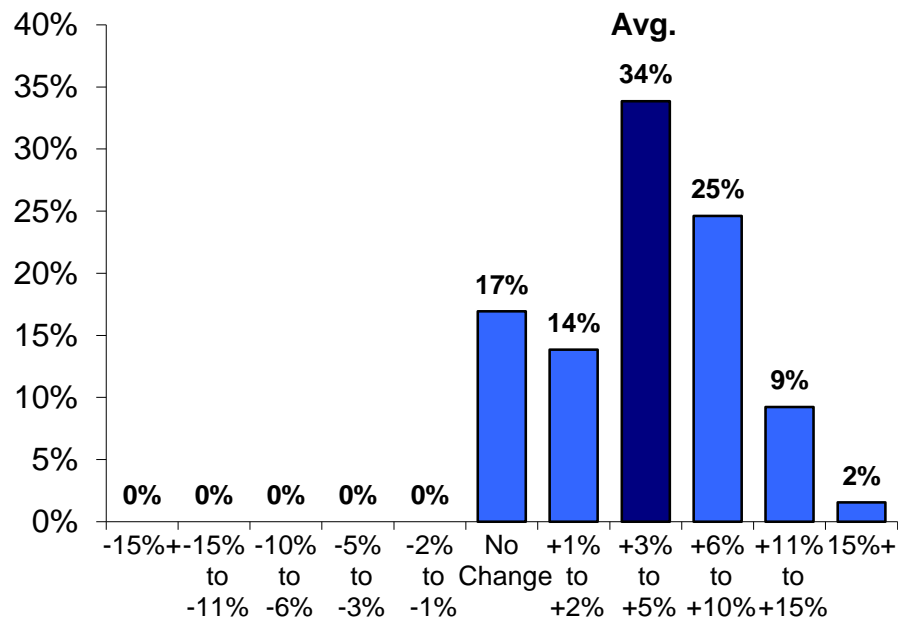
### TL - Avg Change by Spend



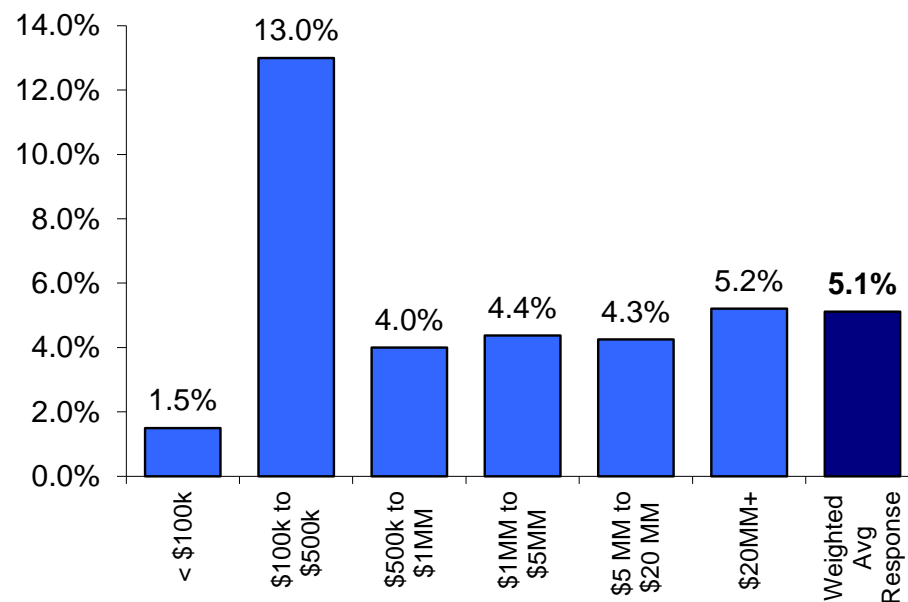
Source: Morgan Stanley Freight Pulse Surveys

## National LTL Base Rate Detail by Spend, Industry, and Response Skew

### National LTL - Y/Y Base Rate Expectation by Range



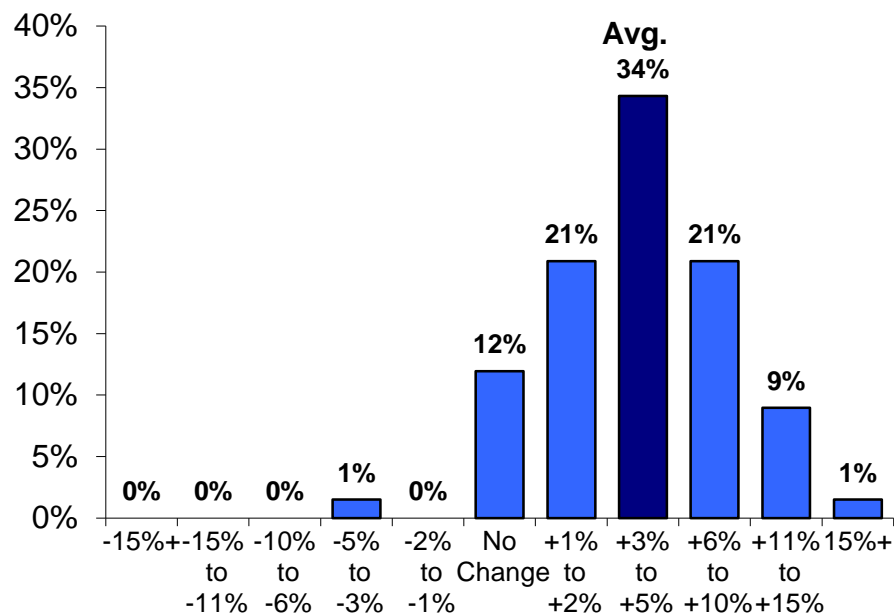
### National LTL - Avg Change by Spend



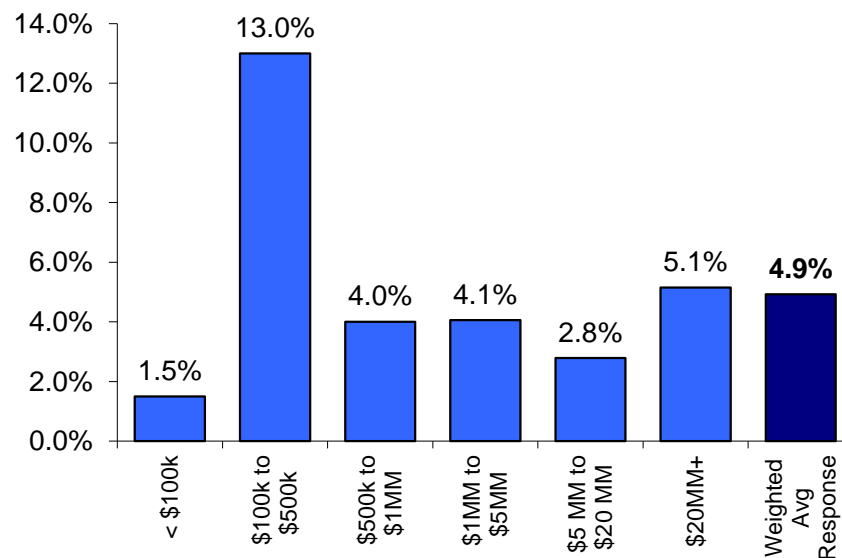
Source: Morgan Stanley Freight Pulse Surveys

## Regional LTL Base Rate Detail by Spend, Industry, and Response Skew

### Regional LTL - Y/Y Base Rate Expectation by Range



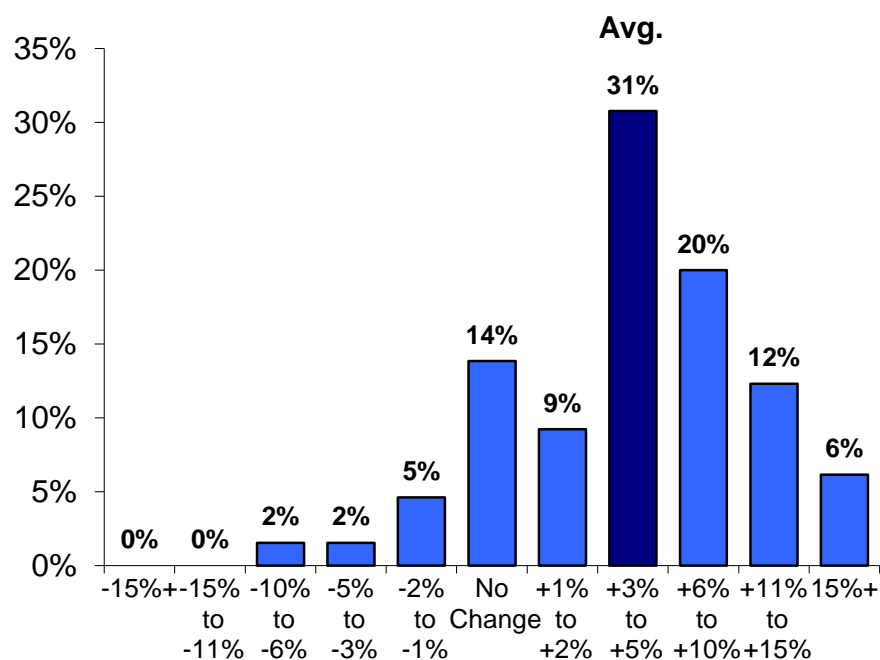
### Regional LTL - Avg Change by Spend



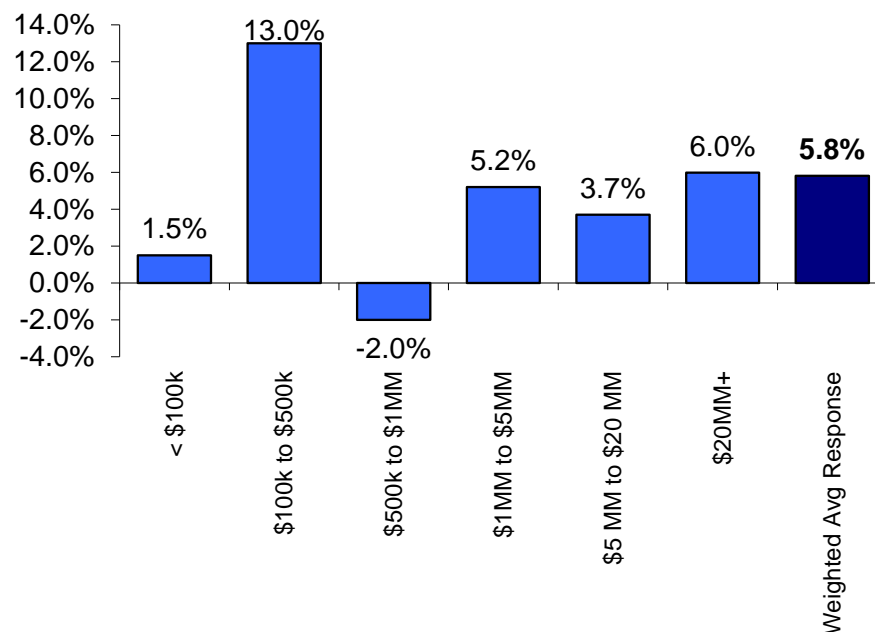
Source: Morgan Stanley Freight Pulse Surveys

## Intermodal Base Rate Detail by Spend, Industry, and Response Skew

### Intermodal - Y/Y Base Rate Expectation by Range



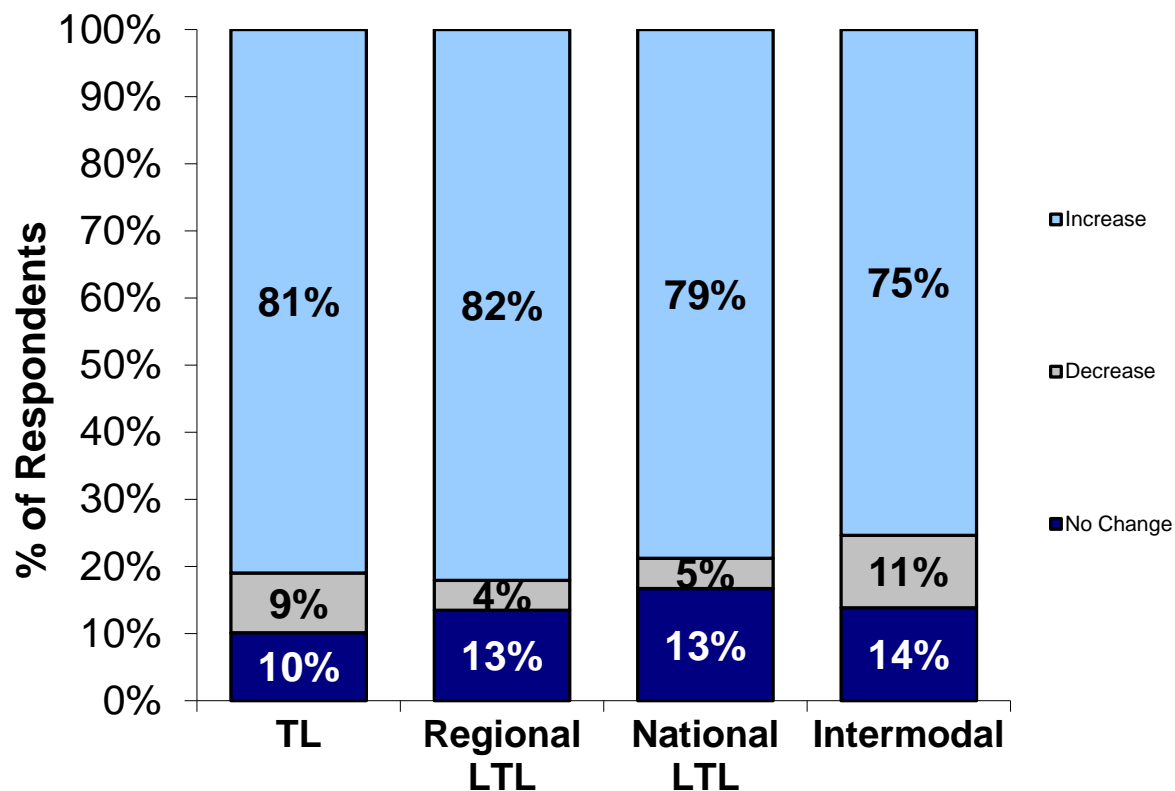
### Intermodal - Avg Change by Spend



Source: Morgan Stanley Freight Pulse Surveys

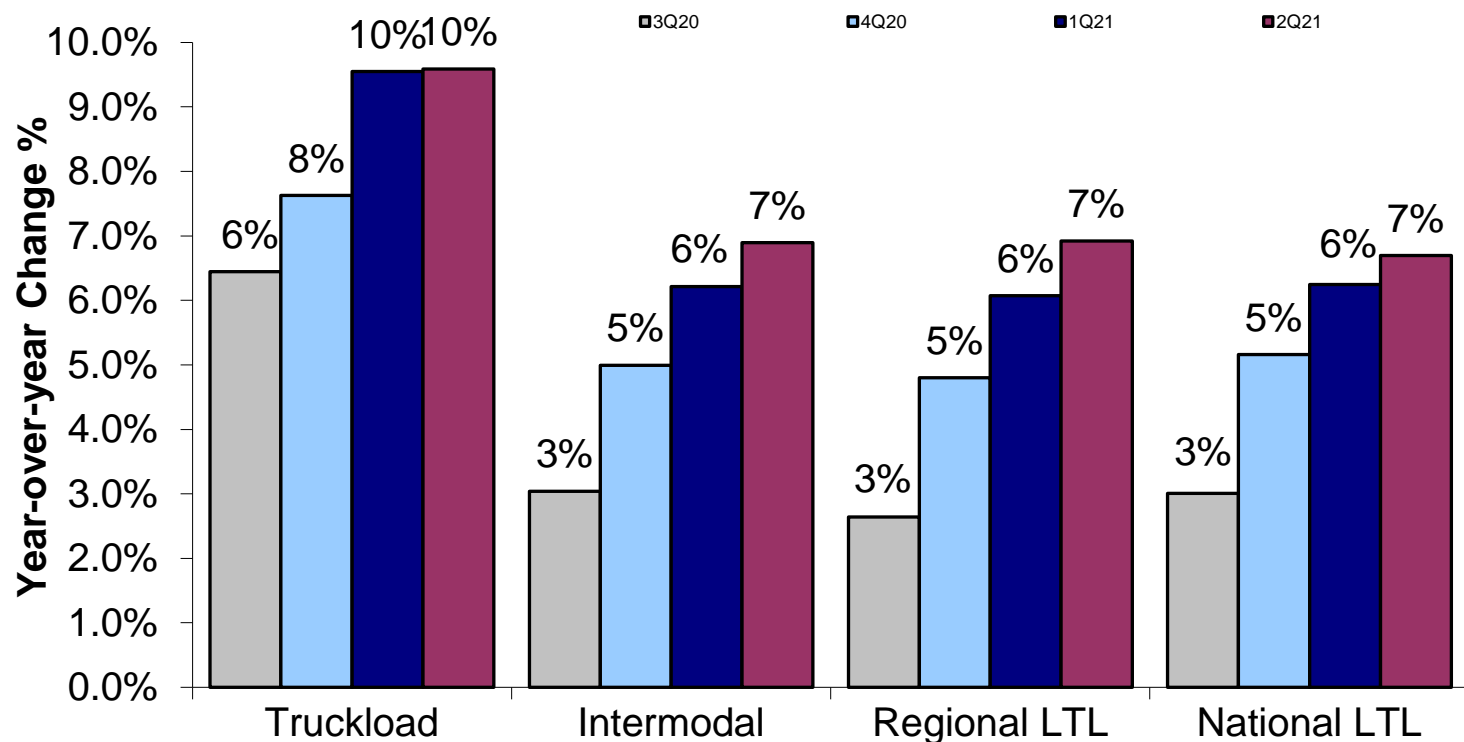
## Truck Spend Outlook Over The Next 6 Months

### Shipper Spend Expectations by Mode



## Truck Spend: Change vs. Prior Survey

### YoY % Change in Your Organization's Spend Over the Next 6 Months



## Summary of Contents

---

### About the Surveys

### General Freight Trends

### Rail Trends

### Truck Trends

### Parcel Trends

## Part 1: Key Truck Trends

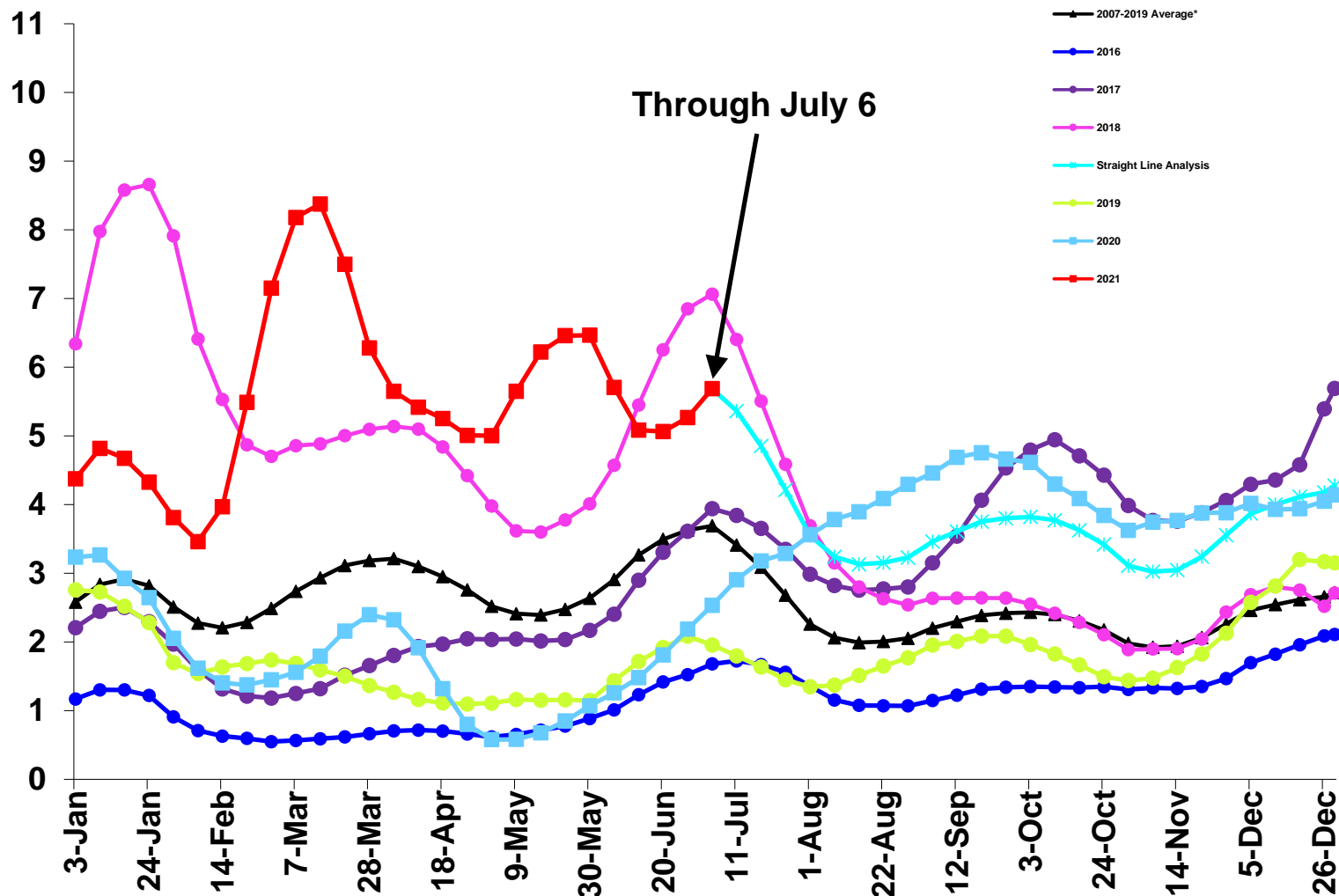
1. Capacity Trends
2. Volume Trends
3. Rate Trends
4. Overall Spend Trends

## Part 2: Special Topics

1. Truckload Freight Index
2. Fuel Surcharge Concessions
3. Limitations on Truck to Rail Conversion



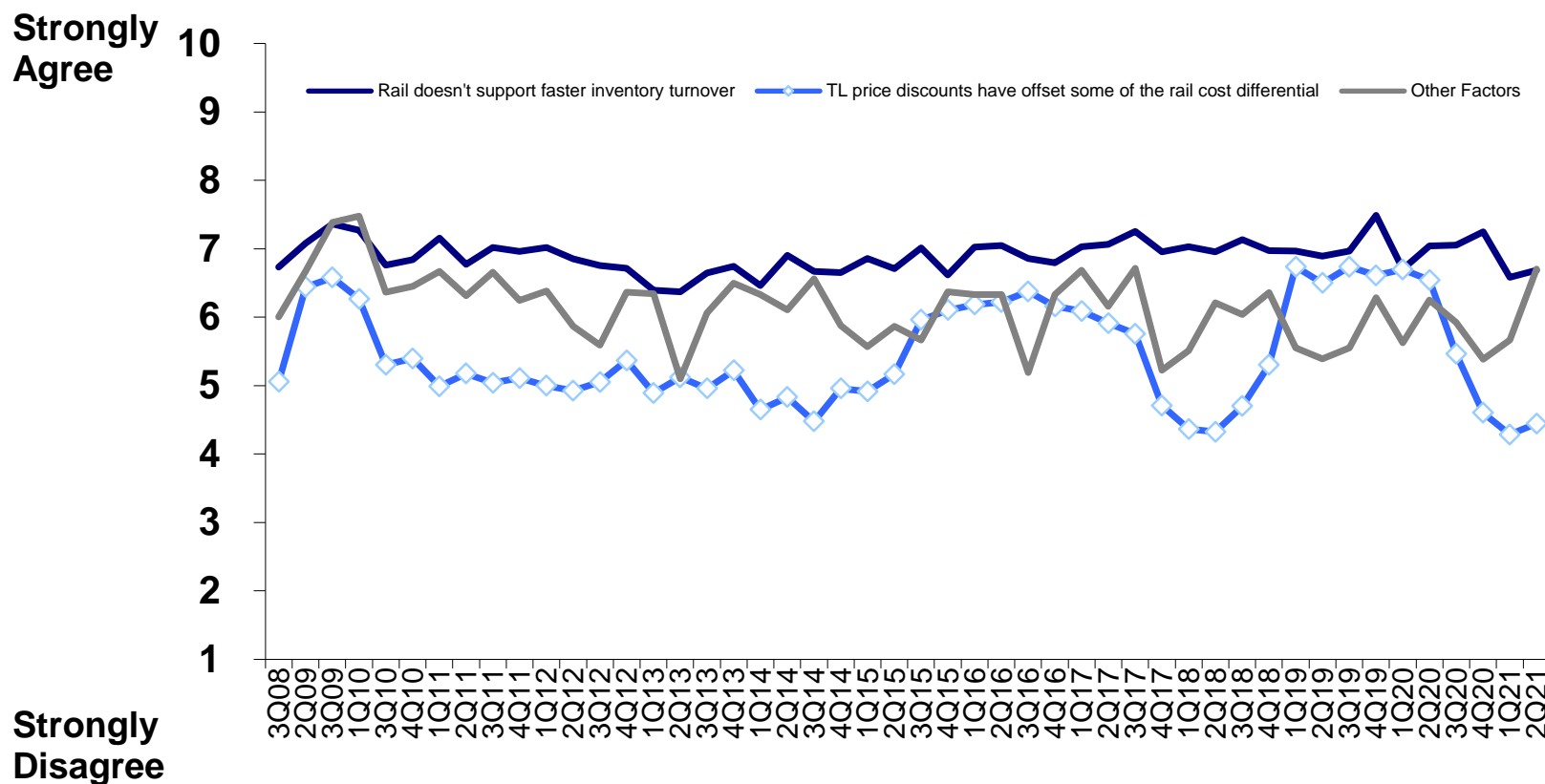
## Morgan Stanley Truckload Freight Index With Straight-Line Forecast



The index measures the demand for Dry-Van Truckload services compared to the number of Dry-Van trucks on the road. The index begins in April 1994. When a given reading is above prior years' level, it means there is more freight demand relative to available capacity. When a given reading is below prior years' level, it means there is less freight demand relative to capacity; \*2007-2019 average trend line excludes financial crisis years of 2008 and 2009; Source: Morgan Stanley Research

## Truckload Fuel Surcharge Concession History

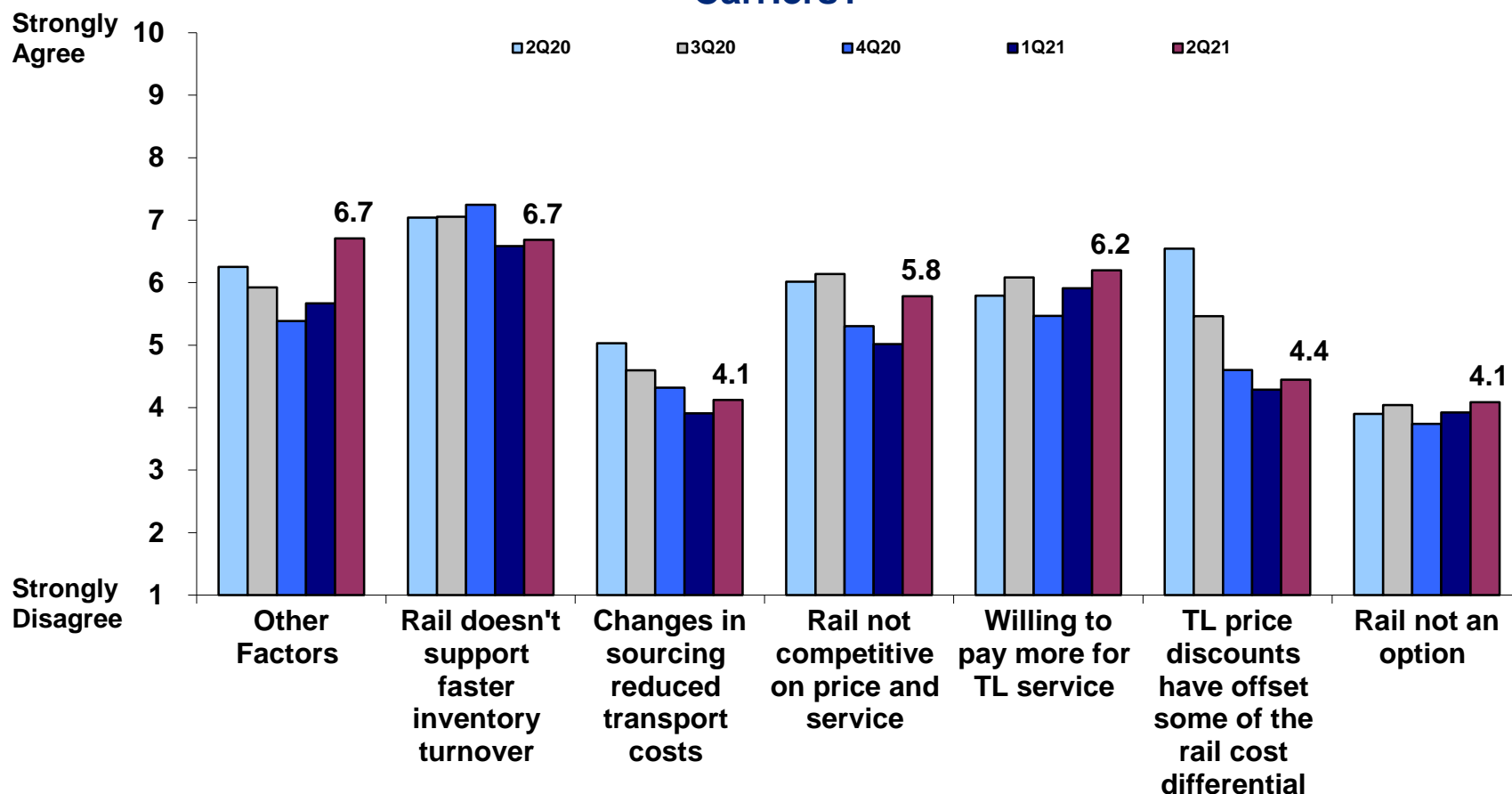
### What Factors are Limiting your Organization from Shipping More Volume on the Railroads?



Source: Morgan Stanley Freight Pulse Surveys

## Truck to Rail Conversion: Key Obstacles to Overcome

### What Factors are Impacting Your Decision to Keep More Volume with Truckload Carriers?



## Summary of Contents

---

### About the Surveys

### General Freight Trends

### Rail Trends

### Truck Trends

### Parcel Trends

## Part 1: Volume Trends & Share Shift

1. Volume Outlook
2. Expectations for Total Parcel Spend
3. Product Usage (e.g. Air vs. Ground)
4. B2B vs. B2C
5. Changes in Primary Carrier

## Part 2: Pricing Trends

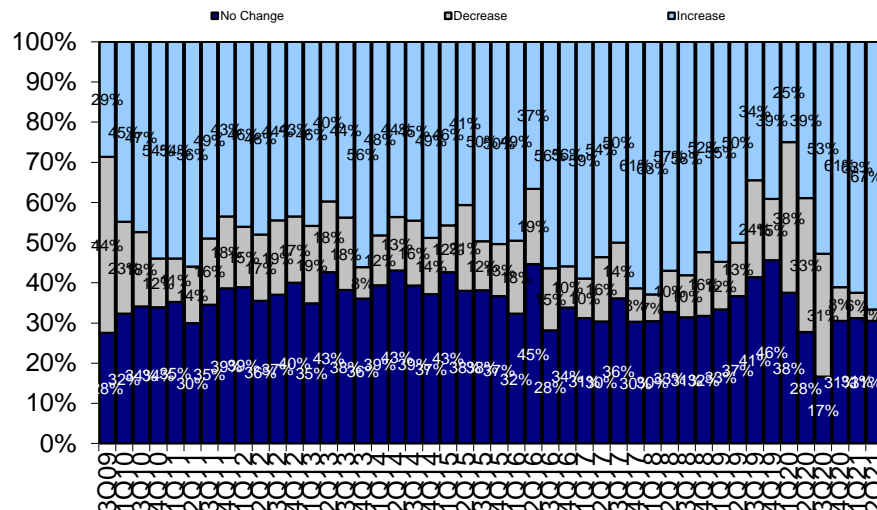
1. Outlook for Parcel Base Rates
2. Measures of Aggressiveness
3. Trends in List Rate Discounts
4. Accessorial Charges

## Part 3: Service & Value Trends

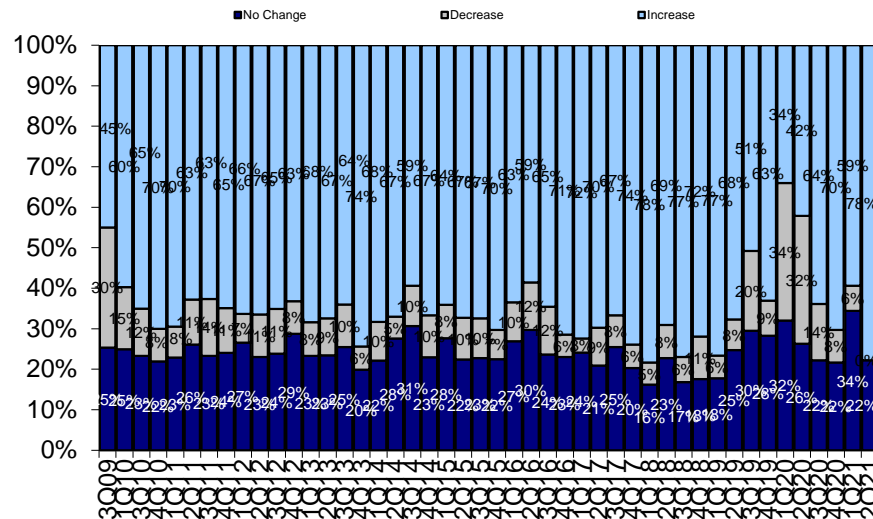
1. Service Reliability Rankings
2. Value of Service Rankings

## Parcel Volume Outlook Over the Next 6 Months

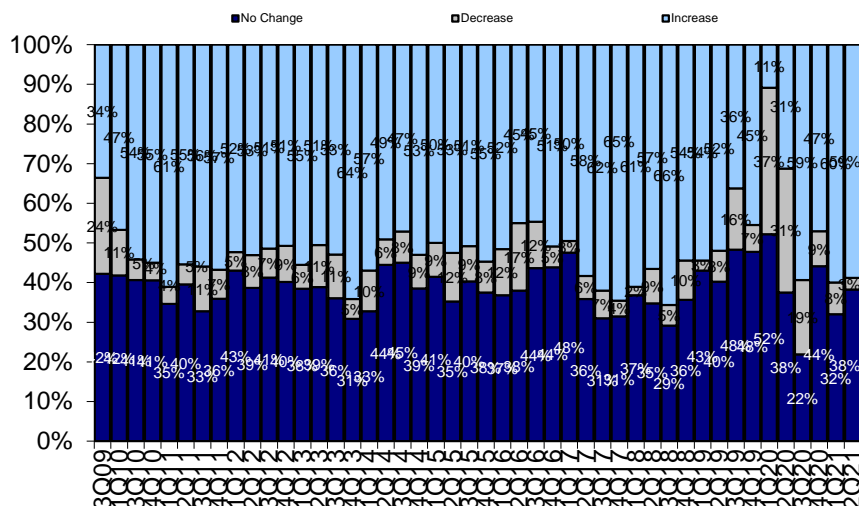
### % of Shippers Expecting Air to:



### % of Shippers Expecting Ground to:

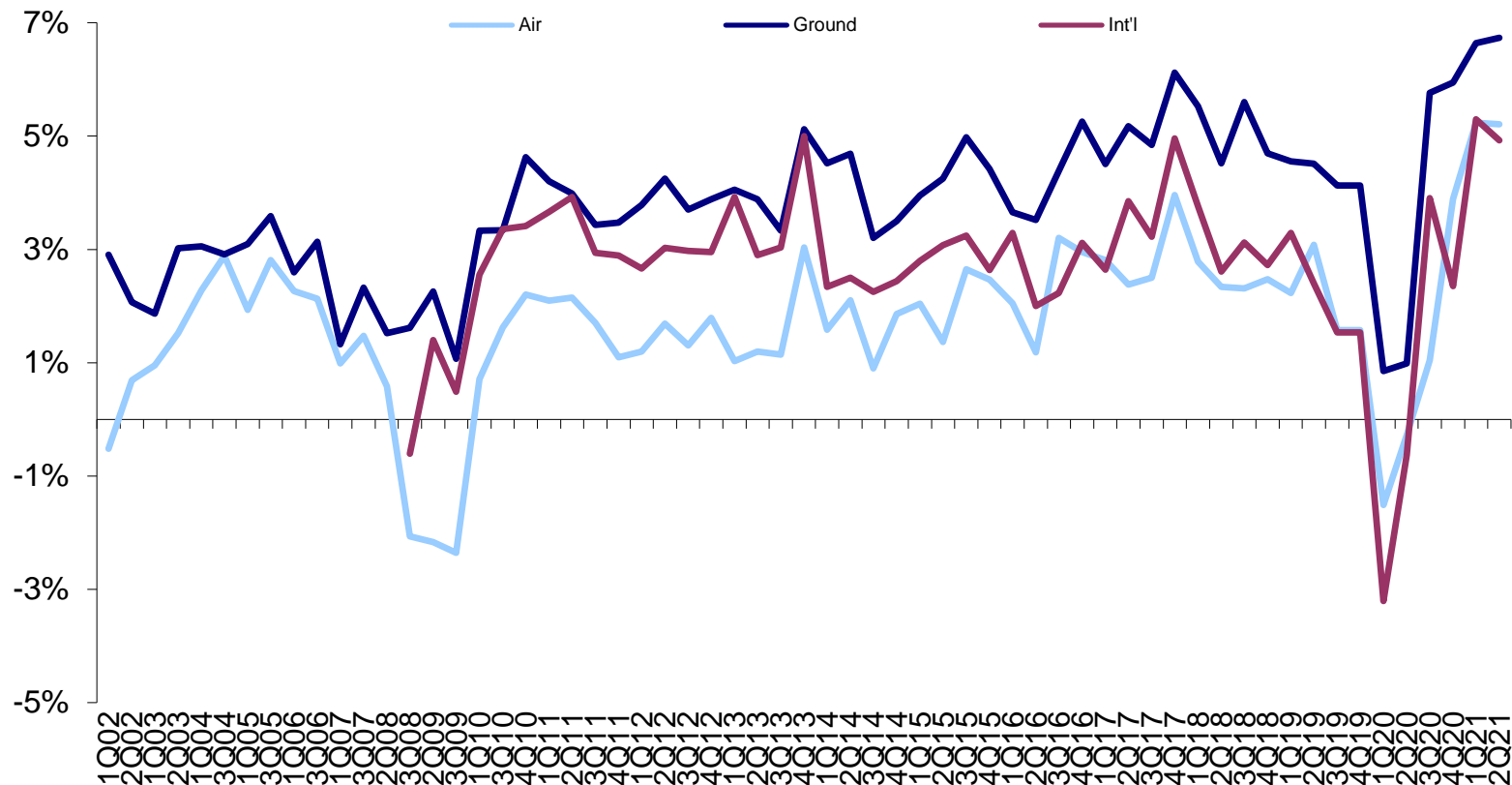


### % of Shippers Expecting International to:



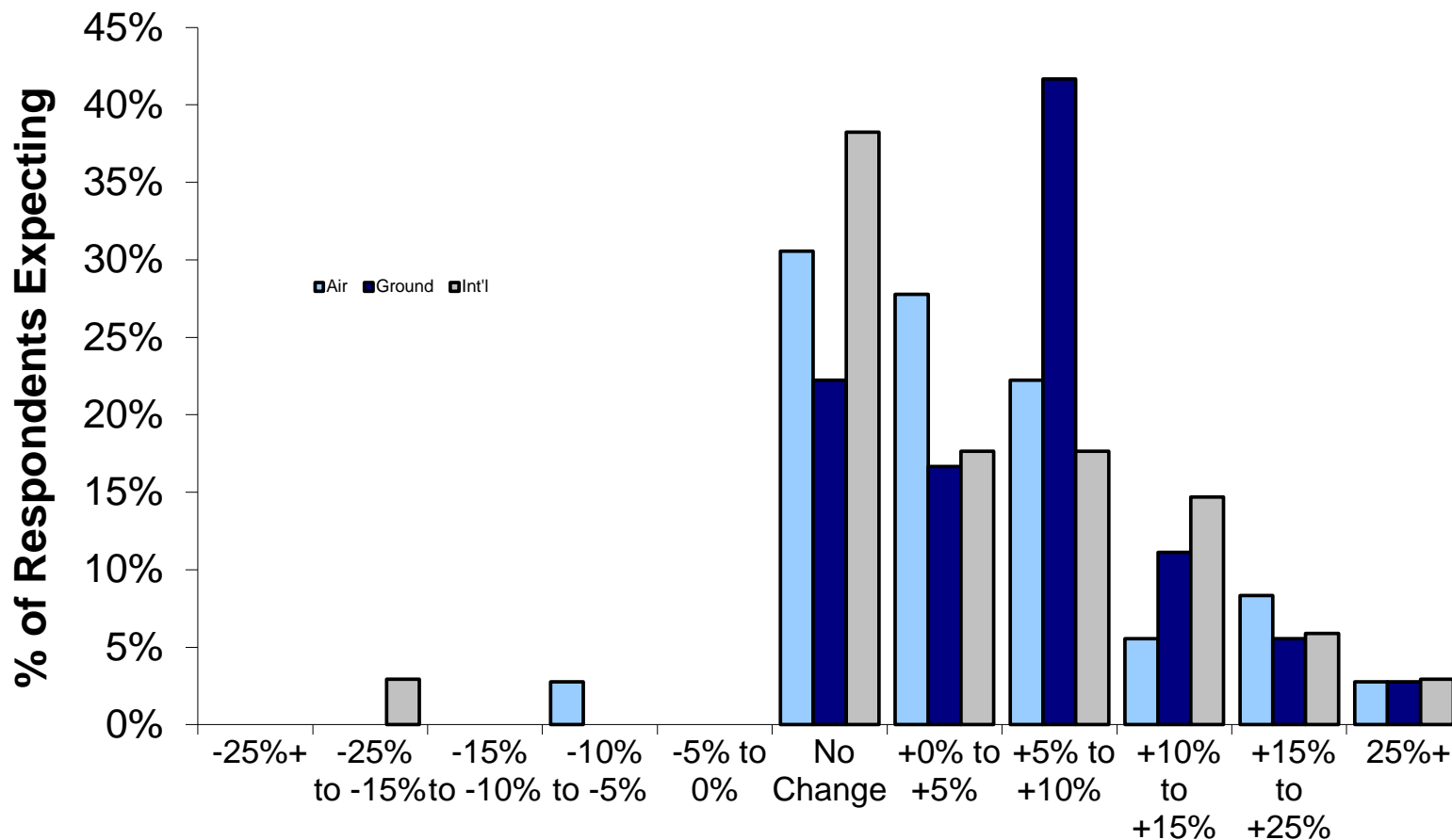
## Volume Trends by Product

### Volume Growth Expectations “Over the Next 6 Months” vs. Last Year



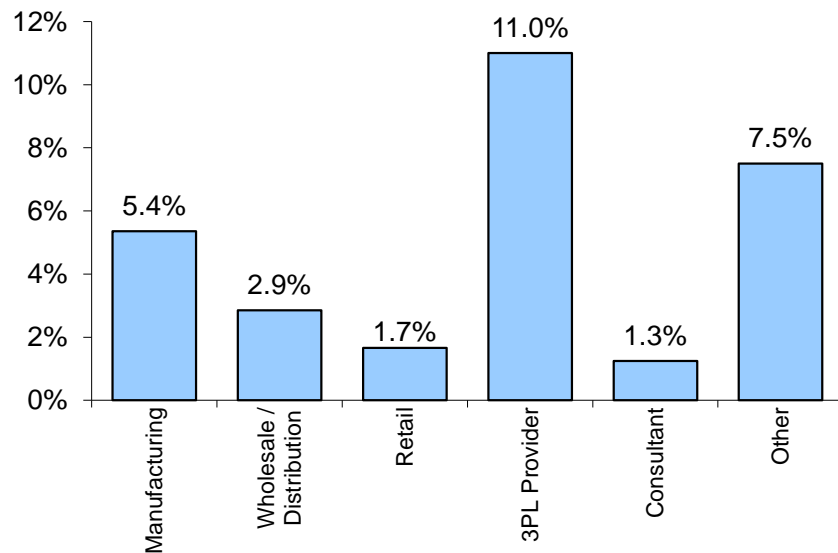
## Volume Response Skew – All Shippers

### Volume Growth Expectations “Over the Next 6 Months” vs. Same Period Last Year

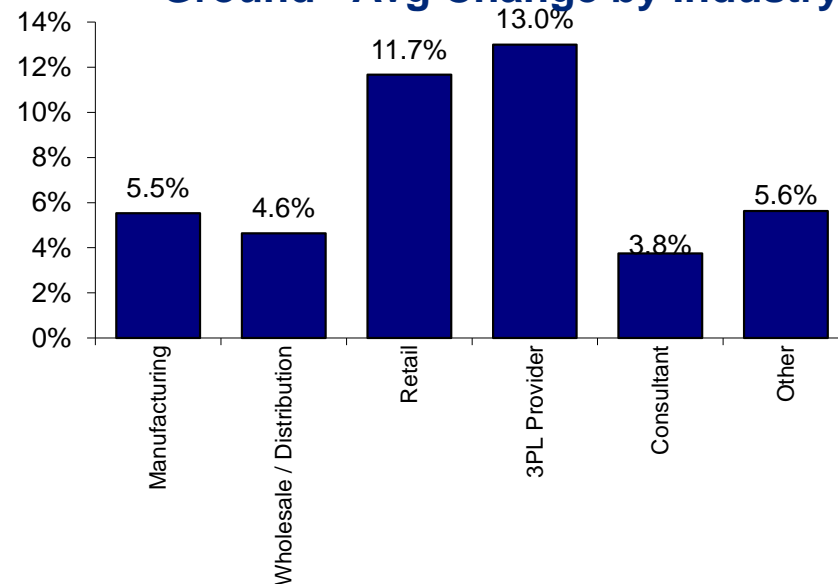


## Volume Growth Outlook by Industry

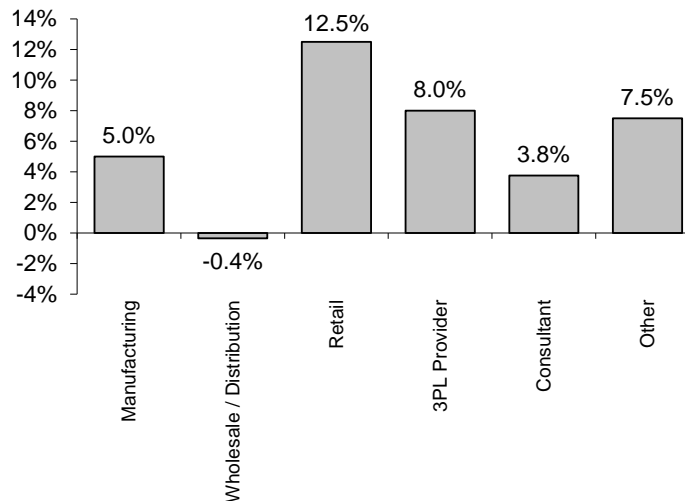
### Air - Avg Change by Industry



### Ground - Avg Change by Industry



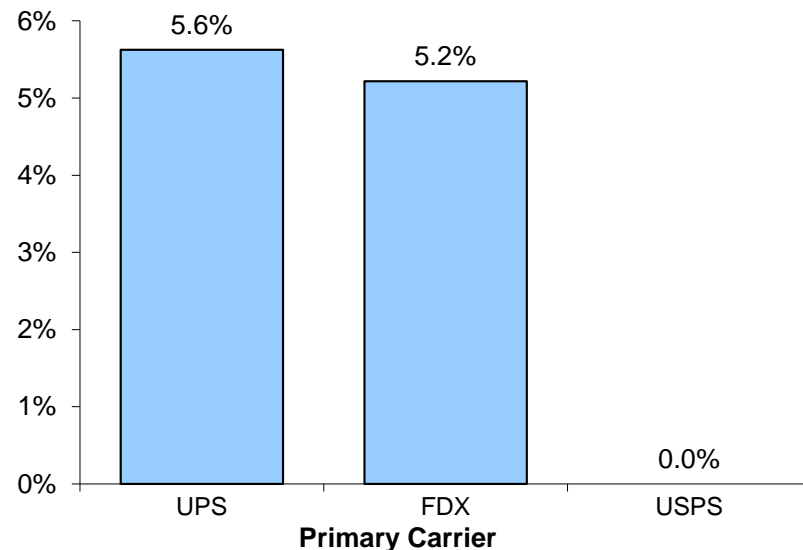
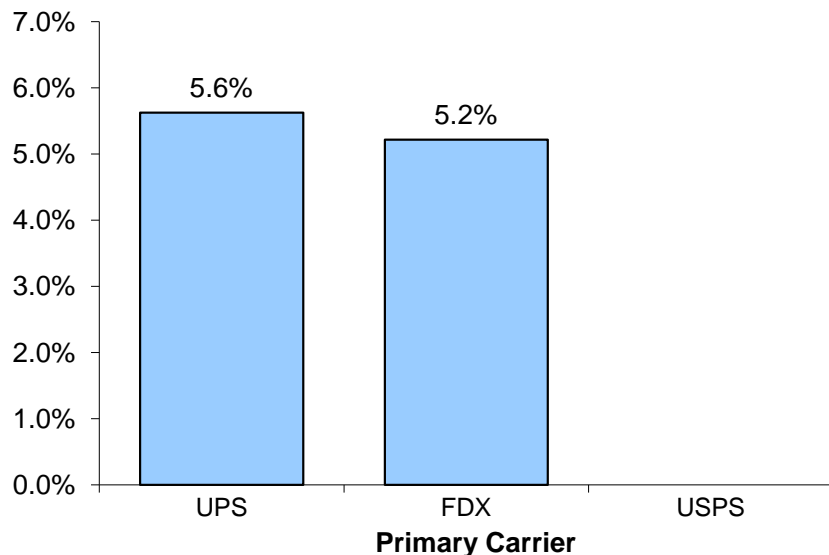
### International - Avg Change by Industry



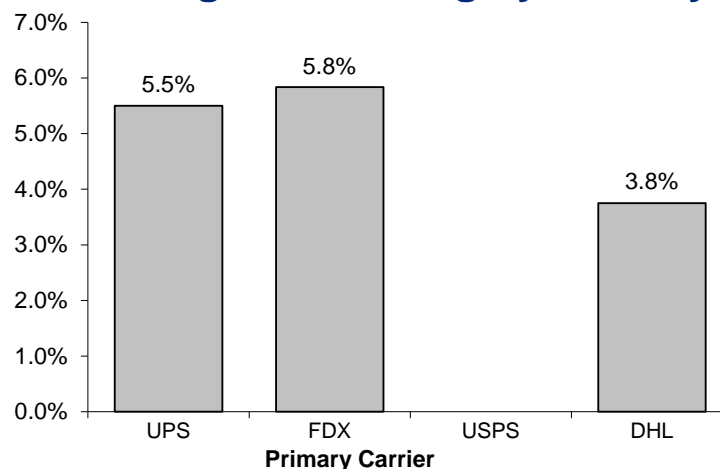


## Volume Growth Outlook by Listed Primary Carrier

### Air - Avg Volume Change by Primary Carrier      Ground - Avg Volume Change by Primary Carrier

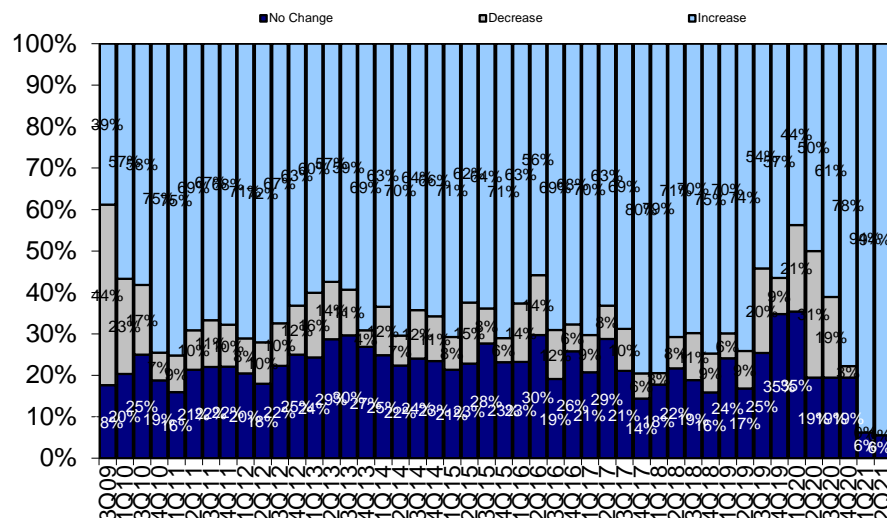


### International - Avg Volume Chg by Primary Carrier

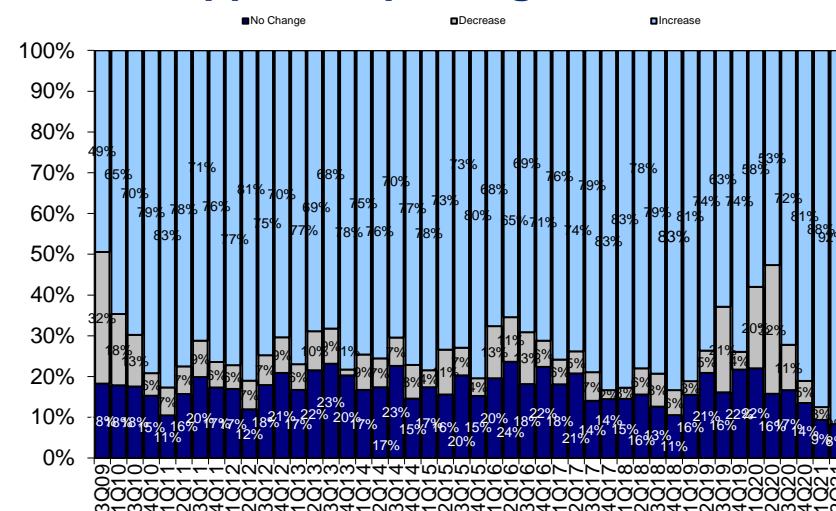


## Parcel Spend Outlook Over the Next 6 Months

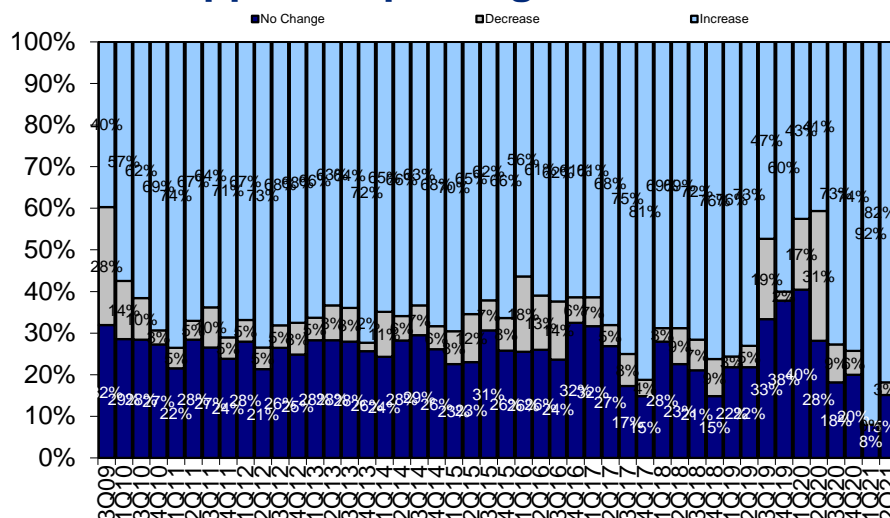
## % of Shippers Expecting Air to:



## % of Shippers Expecting Ground to:



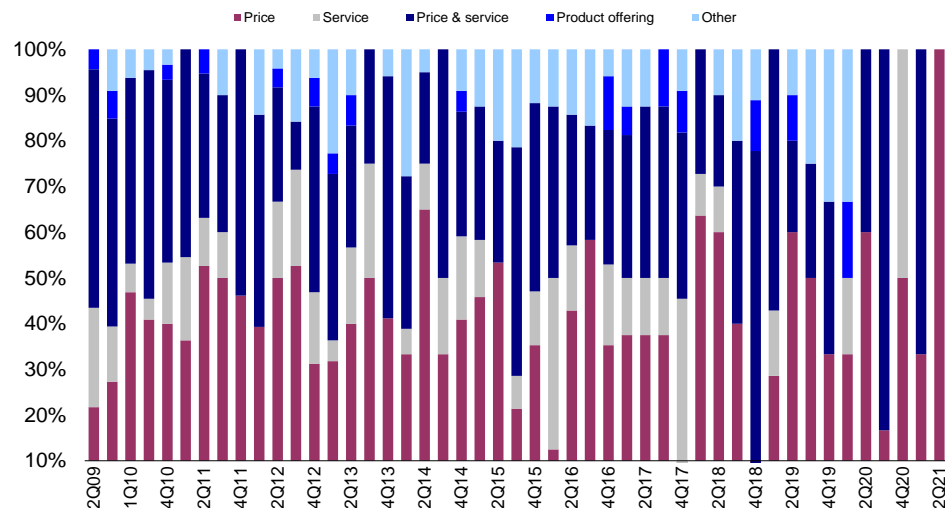
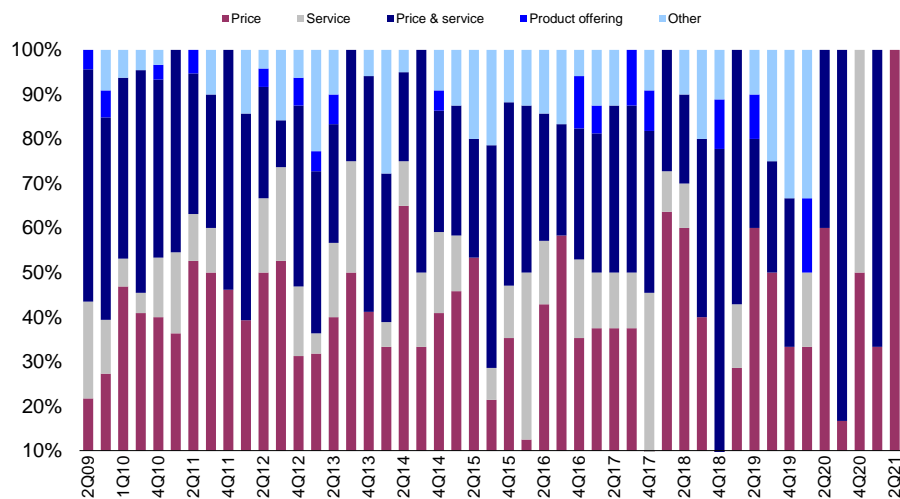
## % of Shippers Expecting International to:



## Price & Service the Most Relevant Switching Factors for Parcel Shippers

### Ground: Reason for Switching Primary Carriers

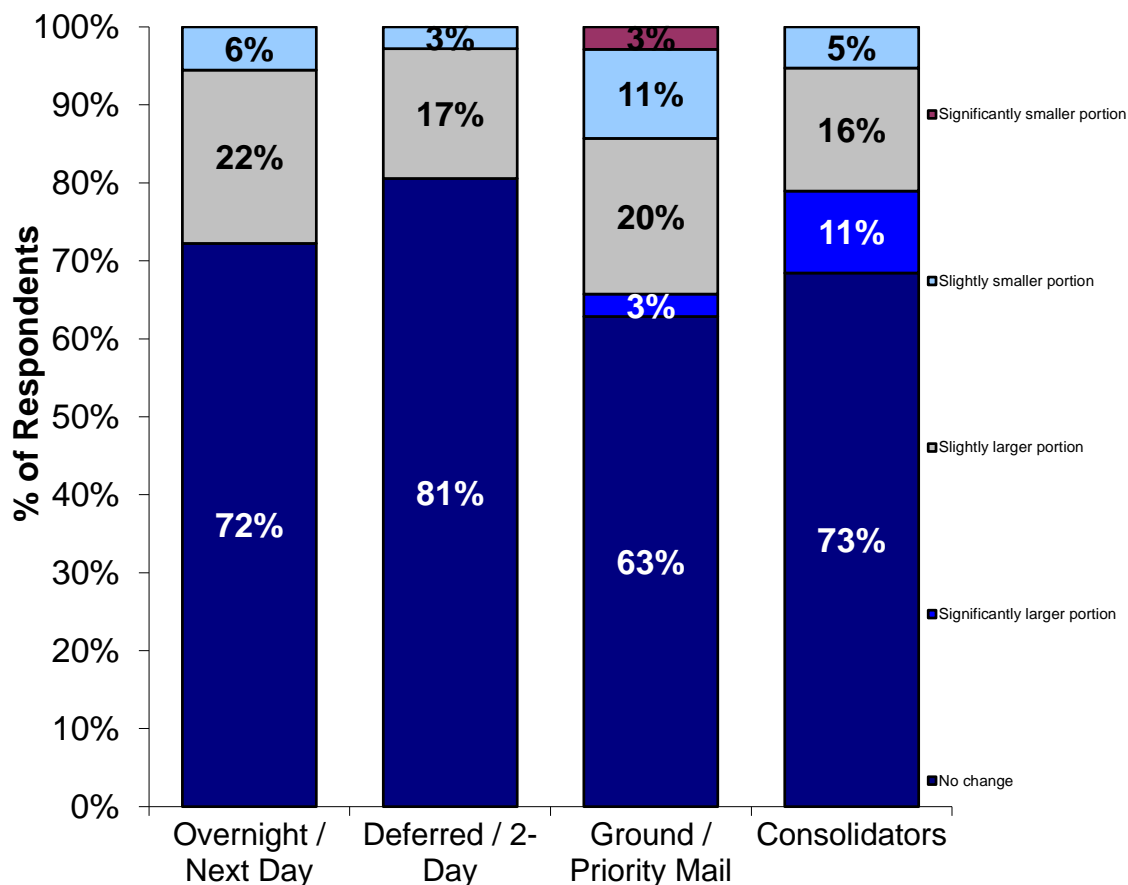
### Air: Reason for Switching Primary Carriers



Source: Morgan Stanley Parcel Survey

## Expected Shift in Product Usage: All Shippers

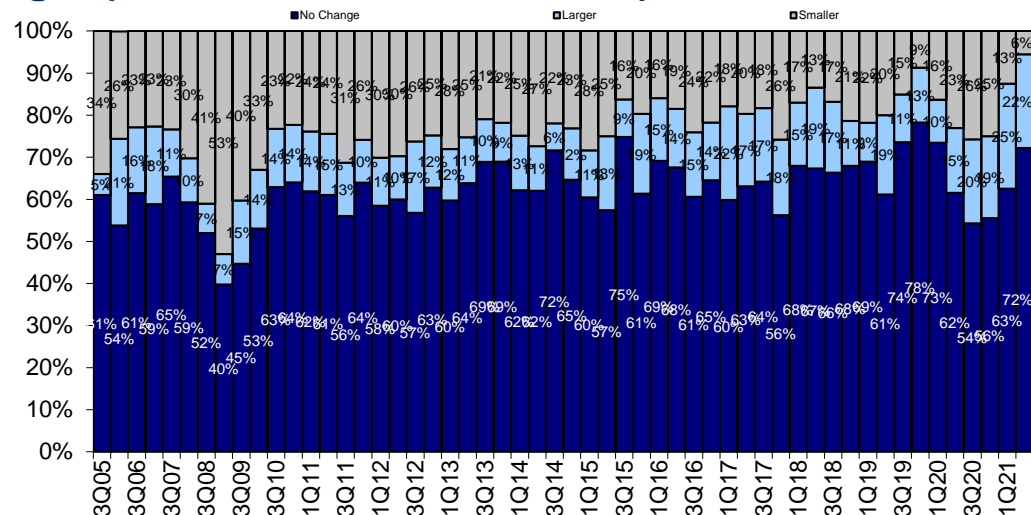
**How Will Your Usage of the Following Products Change as a Proportion of your Total Parcel Shipment Budget (on a Year-over-Year Basis) Over the Next 6 Months?**



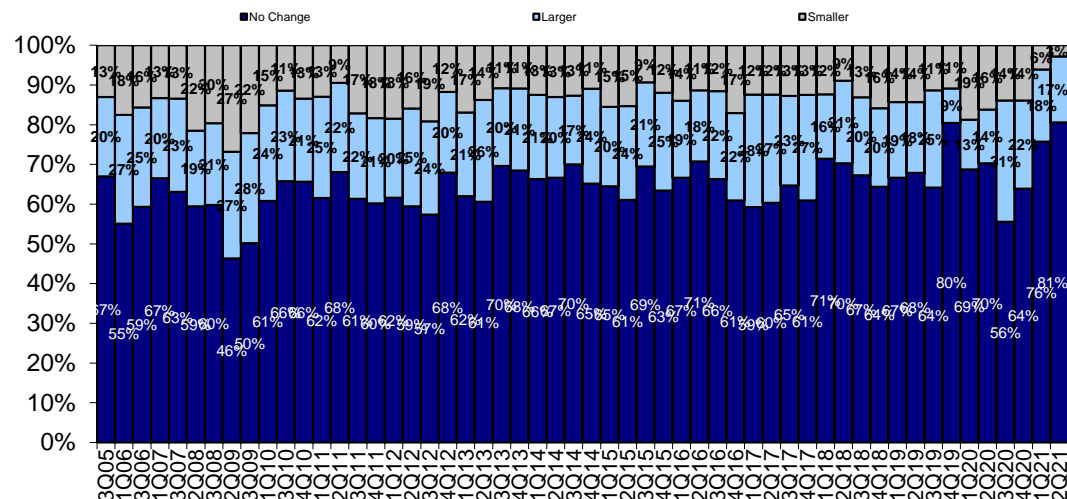
## Historical Expected Change in Use of Air Products

How Will Your Usage of the Following Products Change as a Proportion of your Total Parcel Shipment Budget (on a Year-over-Year Basis) Over the Next 6 Months?

### Overnight / Next Day



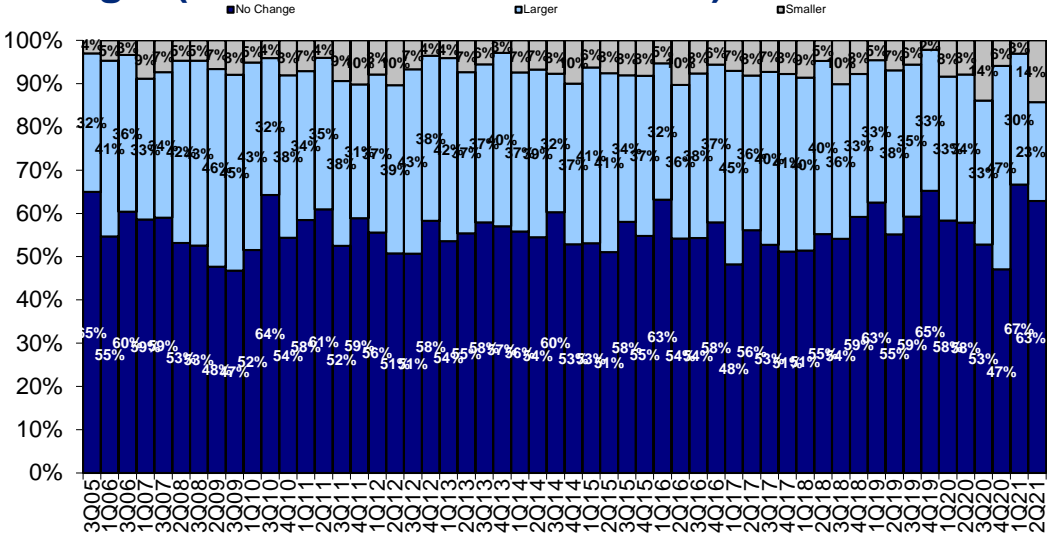
### Deferred / 2-Day



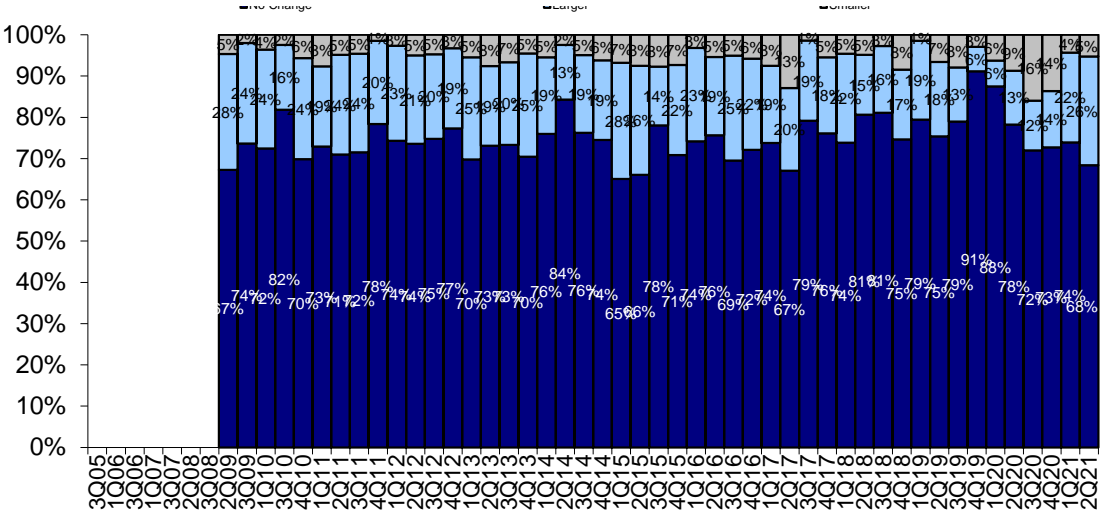
Historical Expected Change in Use of Ground and Consolidators

How Will Your Usage of the Following Products Change as a Proportion of your Total Parcel Shipment Budget (on a Year-over-Year Basis) Over the Next 6 Months?

Ground

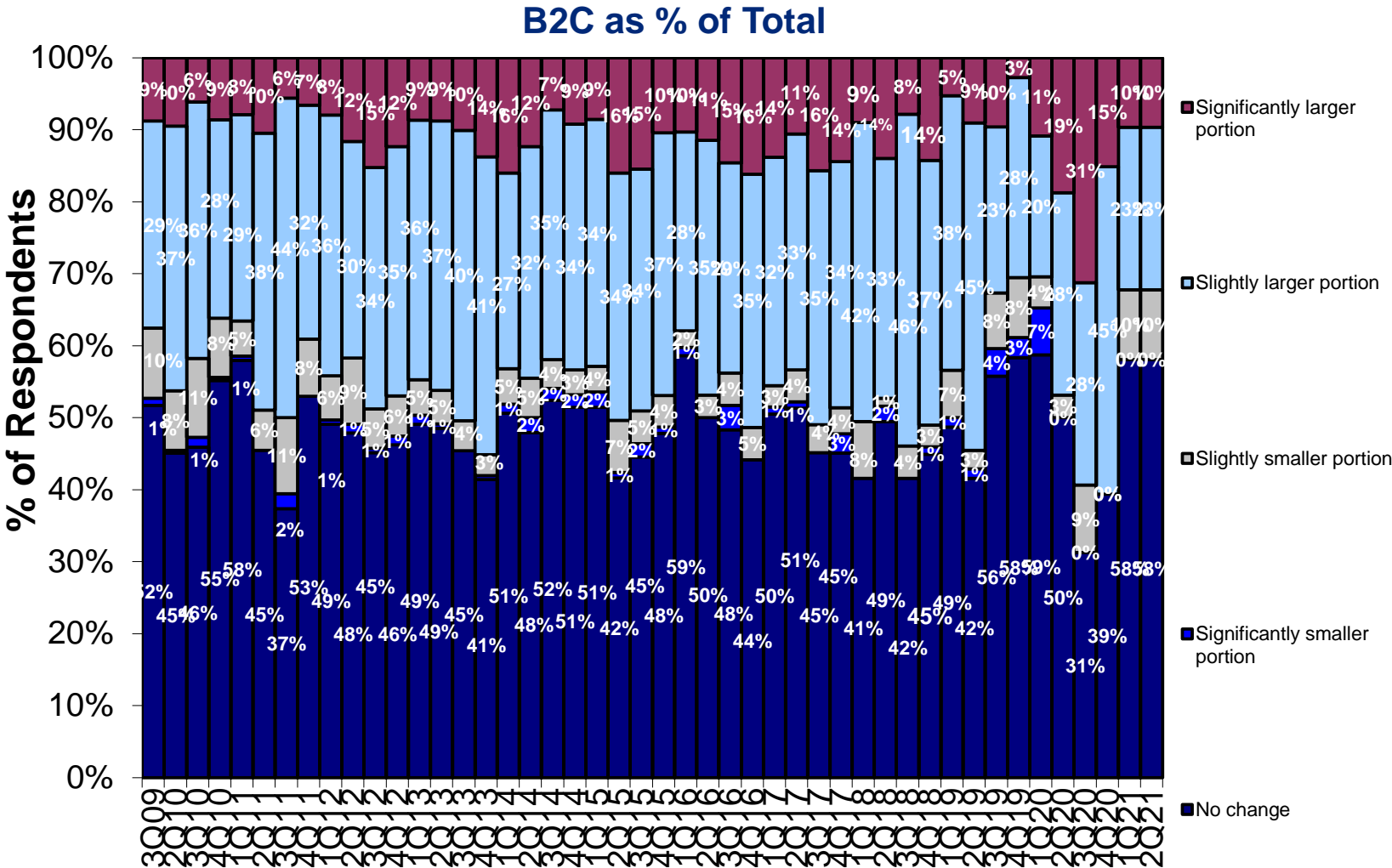


Consolidators



Source: Morgan Stanley Parcel Survey

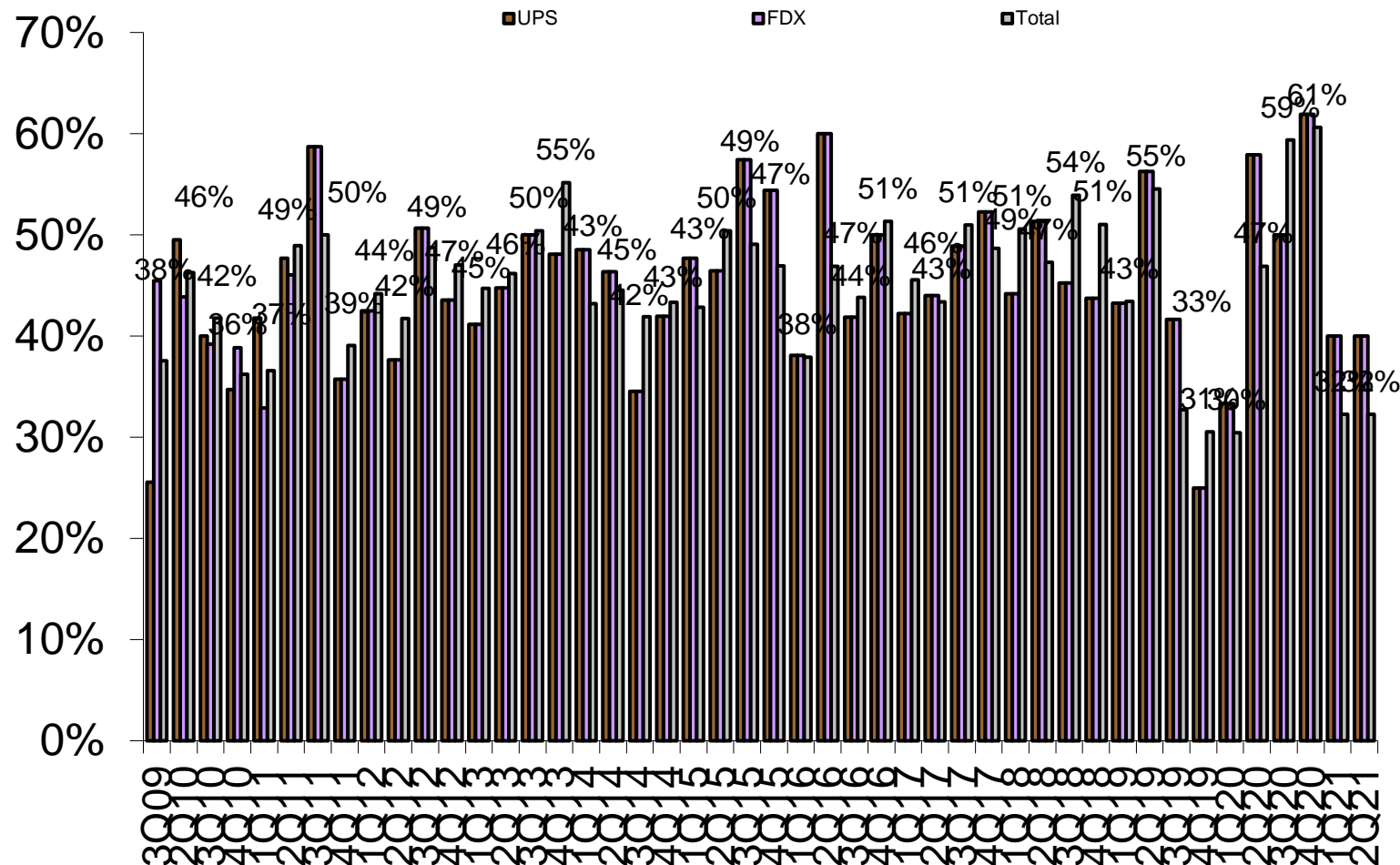
Expected Trends in B2C



Source: Morgan Stanley Parcel Survey

Expected Trends in B2C

% of Respondents Indicating Increase in B2C Shipping as % of Total

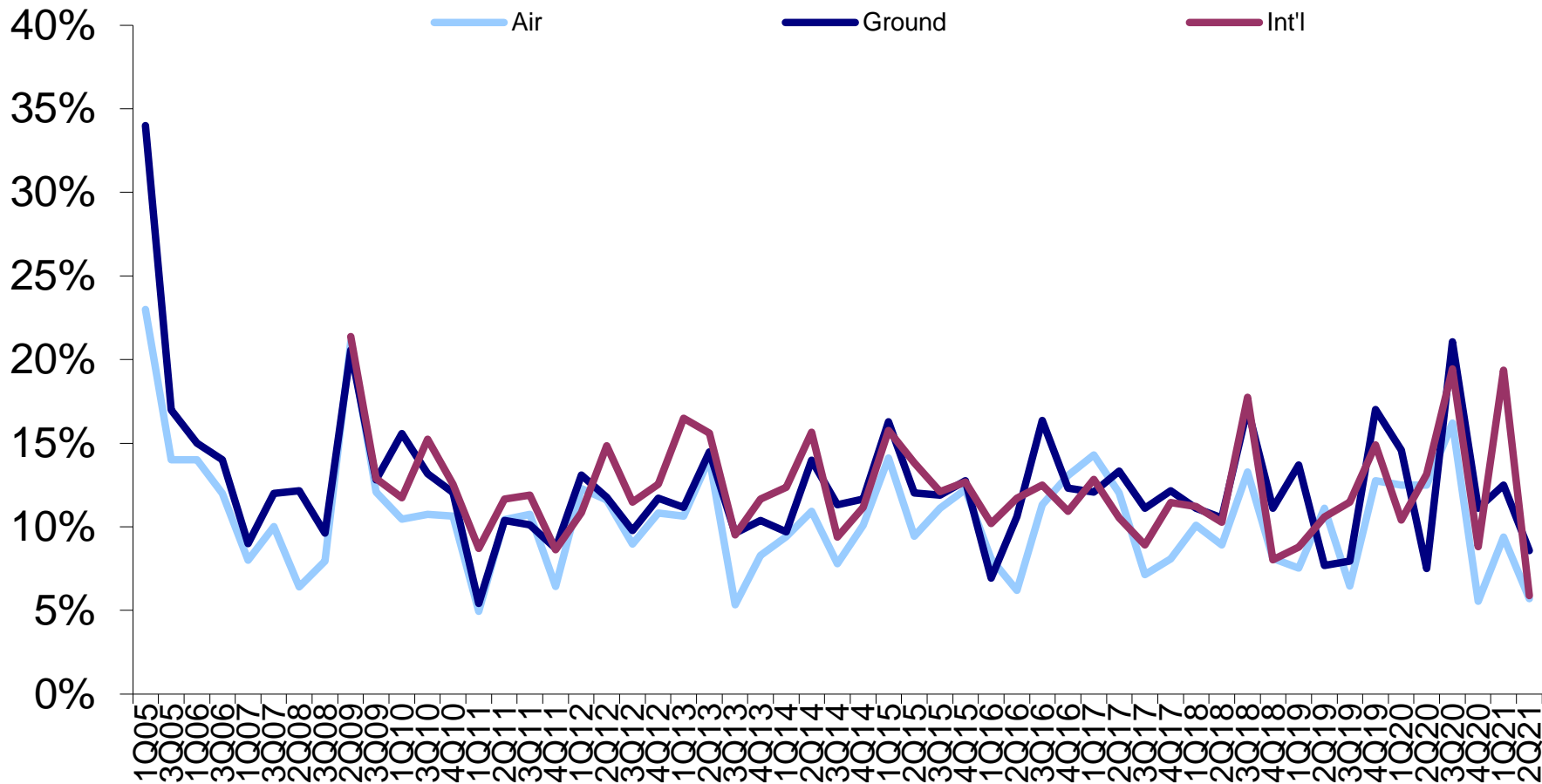


Source: Morgan Stanley Parcel Survey



% of Respondents Switching Primary Carriers Over Time

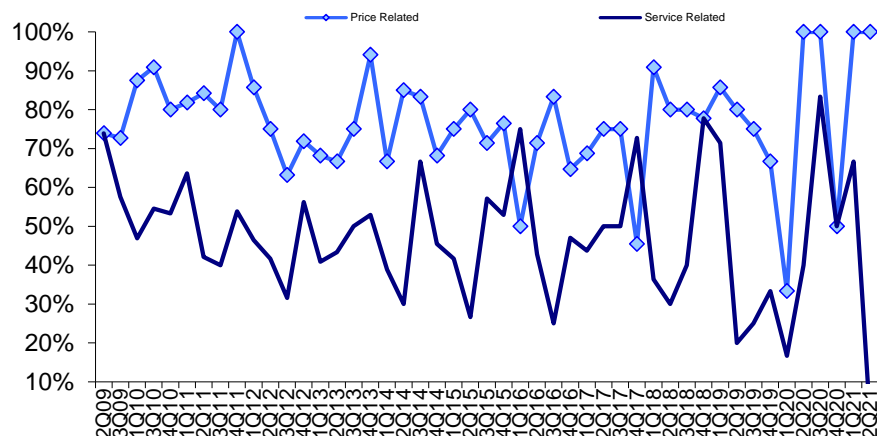
% of Shippers Switching Primary Carriers Over the Past 6 Months



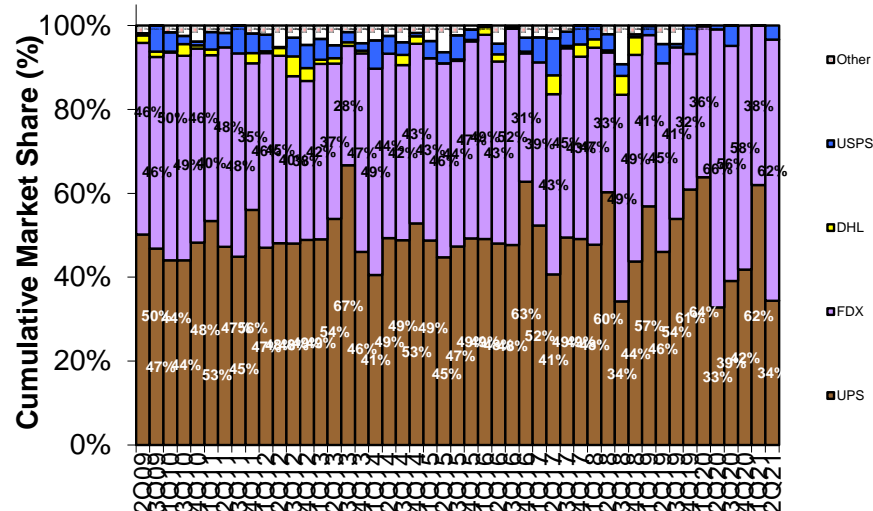
Source: Morgan Stanley Parcel Survey

## Air Switching: Reasons for Switch and Primary Carrier

### Air: Reason for Switching Primary Carriers

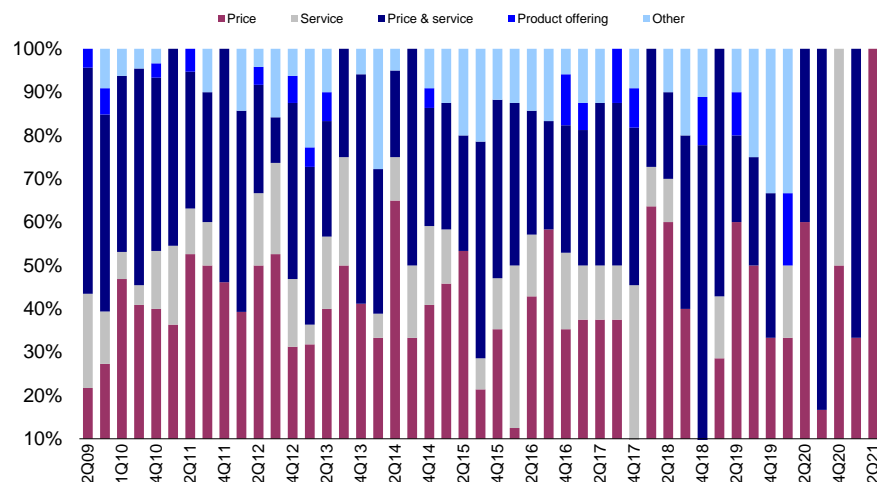


### Air: Dollar-weighted Market Share

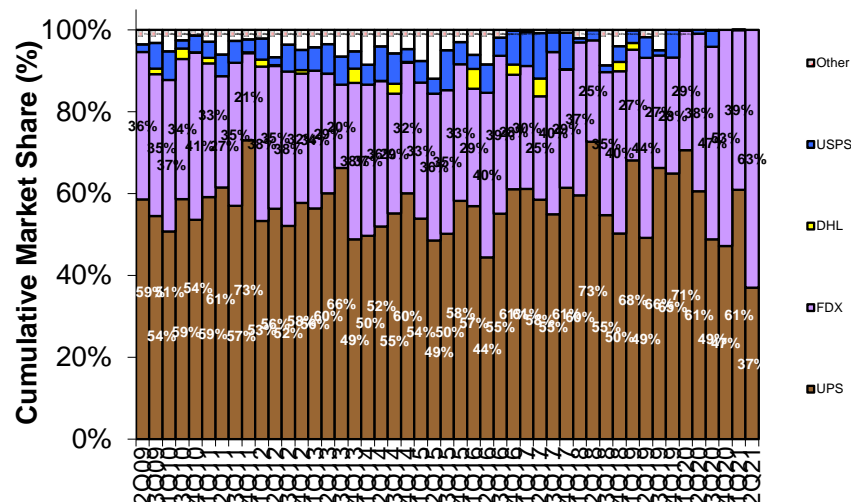


## Ground Switching: Reasons for Switch and Primary Carrier

### Ground: Reason for Switching Primary Carriers



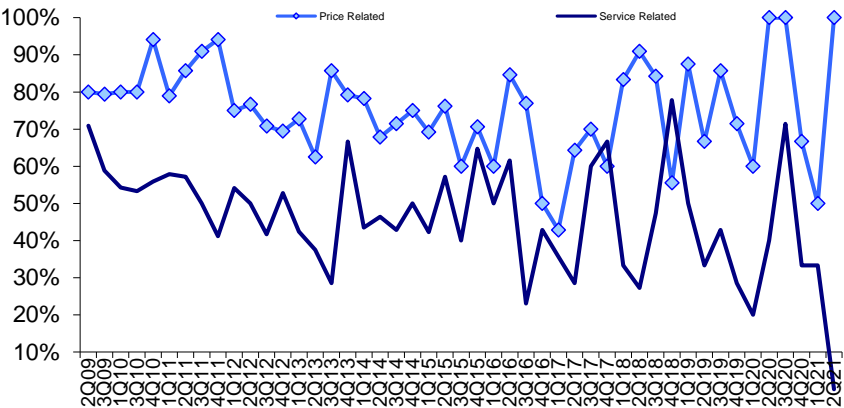
### Ground: Dollar-weighted Market Share



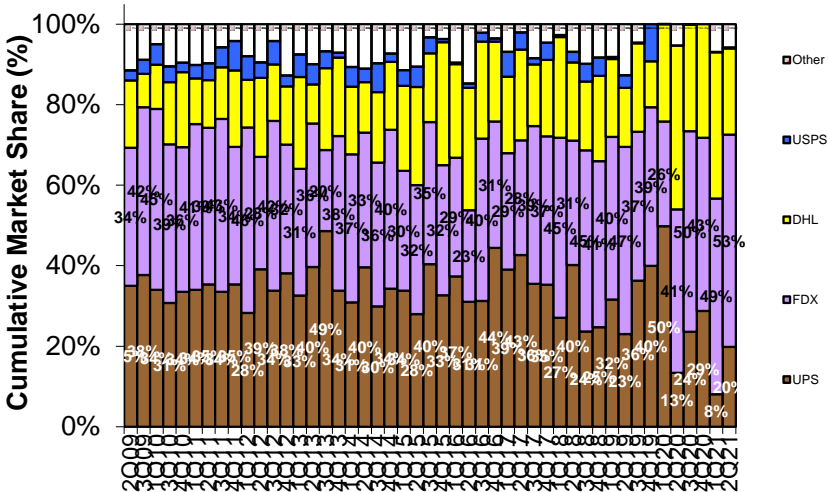
Source: Morgan Stanley Parcel Survey

International Switching: Reasons for Switch and Primary Carrier

International: Reason for Switching Primary Carriers



International: Dollar-weighted Market Share



## Summary of Contents

---

### About the Surveys

### General Freight Trends

### Rail Trends

### Truck Trends

### Parcel Trends

## Part 1: Volume Trends & Share Shift

1. Volume Outlook
2. Expectations for Total Parcel Spend
3. Product Usage (e.g. Air vs. Ground)
4. B2B vs. B2C
5. Changes in Primary Carrier

## Part 2: Pricing Trends

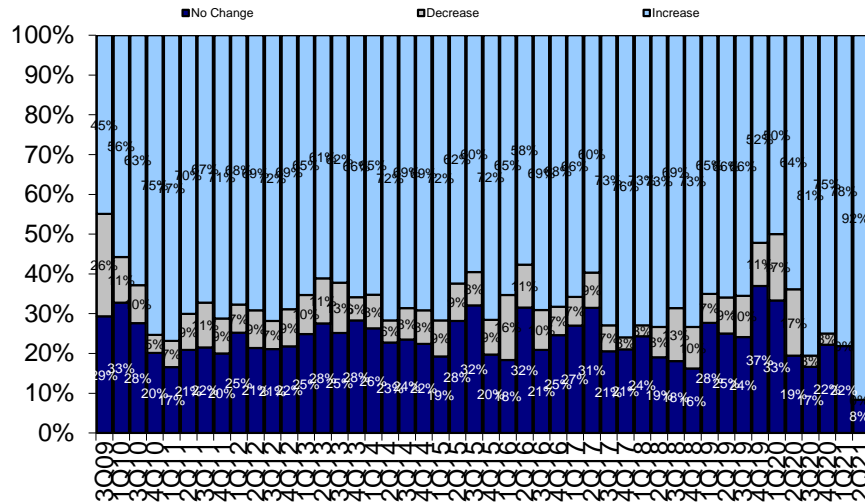
1. Outlook for Parcel Base Rates
2. Measures of Aggressiveness
3. Trends in List Rate Discounts
4. Accessorial Charges

## Part 3: Service & Value Trends

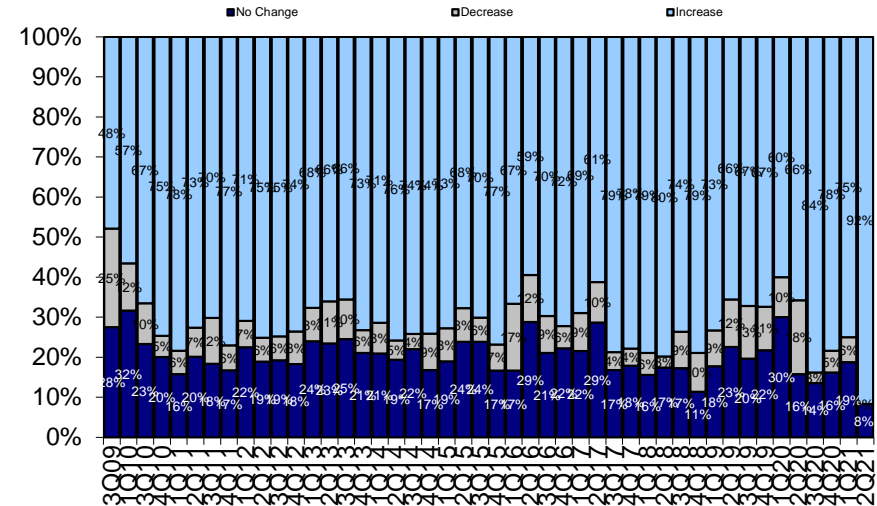
1. Service Reliability Rankings
2. Value of Service Rankings

## Parcel Pricing Outlook Over the Next 6 Months

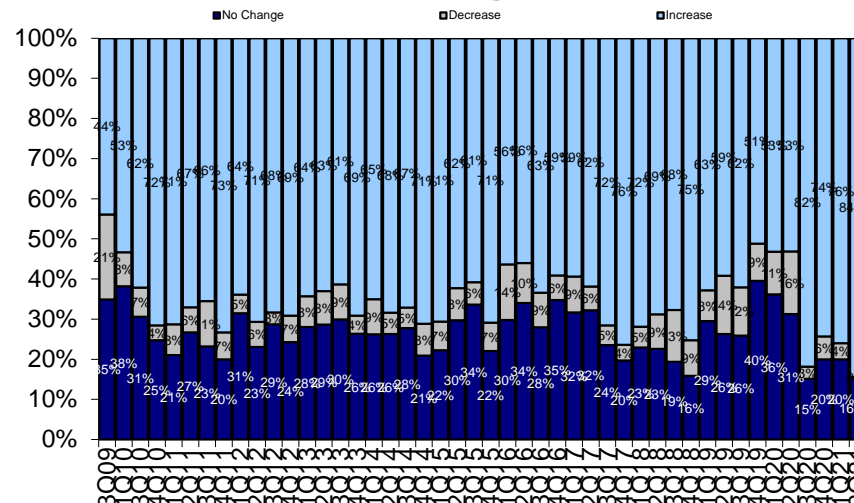
### % of Shippers Expecting Air to:



### % of Shippers Expecting Ground to:



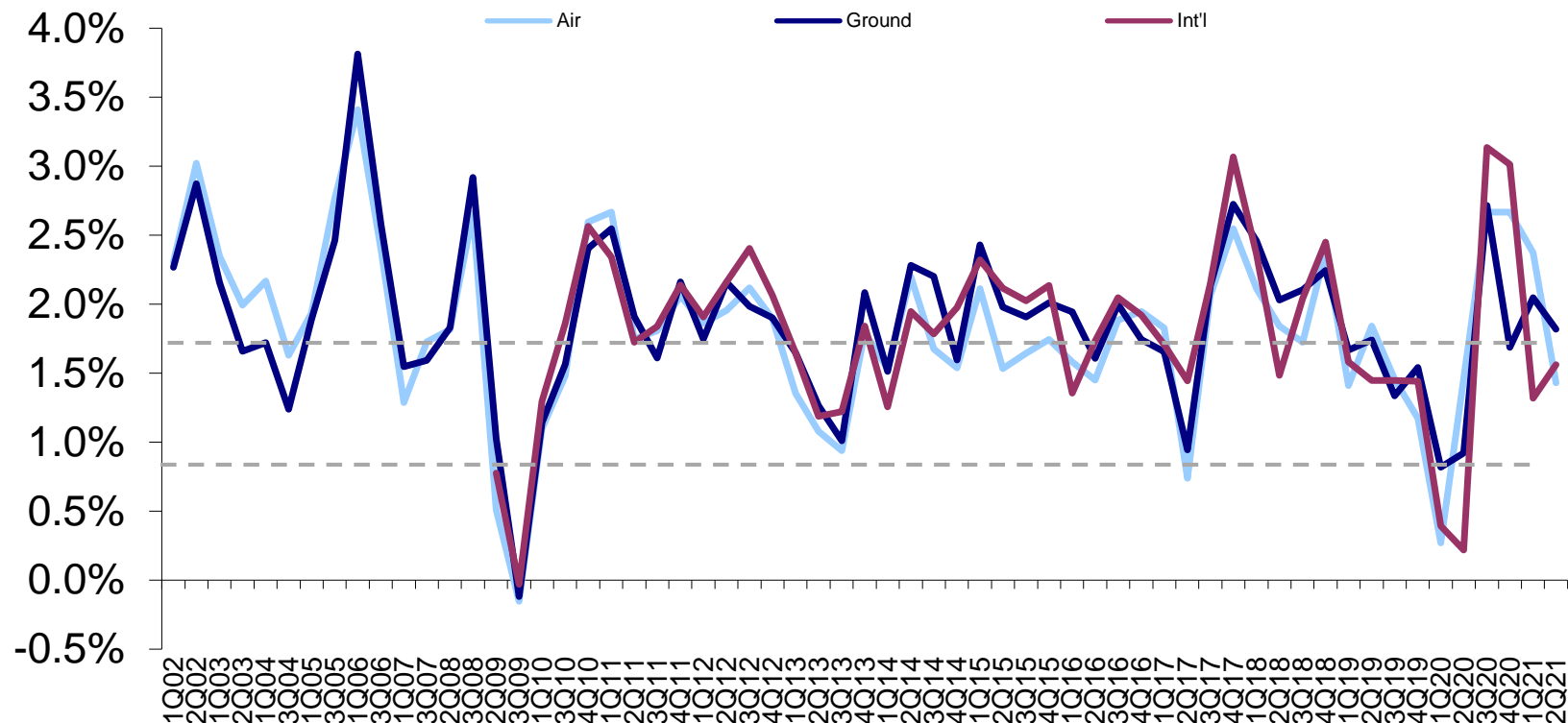
### % of Shippers Expecting International to:



Source: Morgan Stanley Parcel Survey

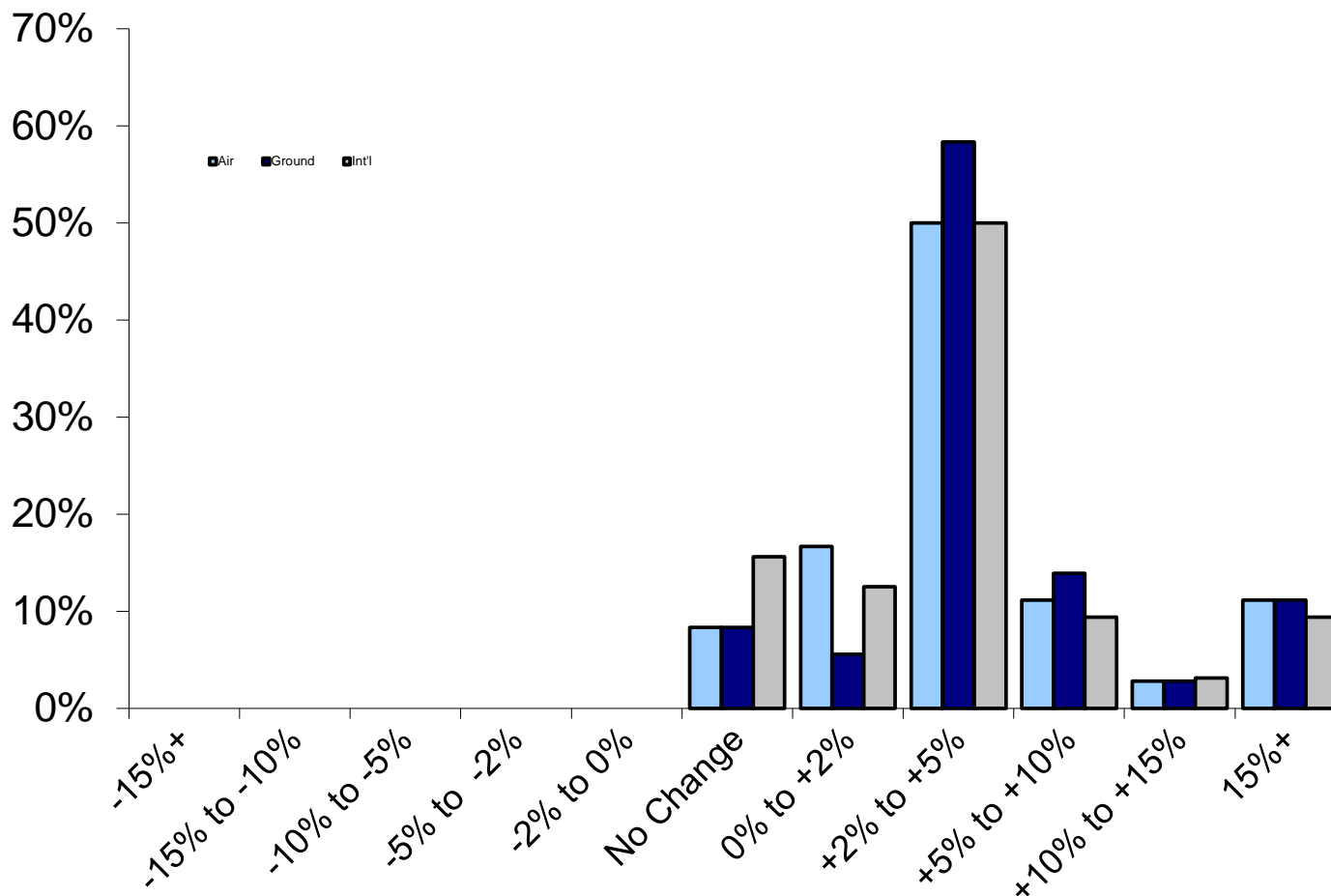
## Pricing Trends by Product: Large vs. Small Shipper

### Average Base Rate Expectations "Over the Next 6 Months" vs. Last Year



## Base Rate Response Skew – All Shippers

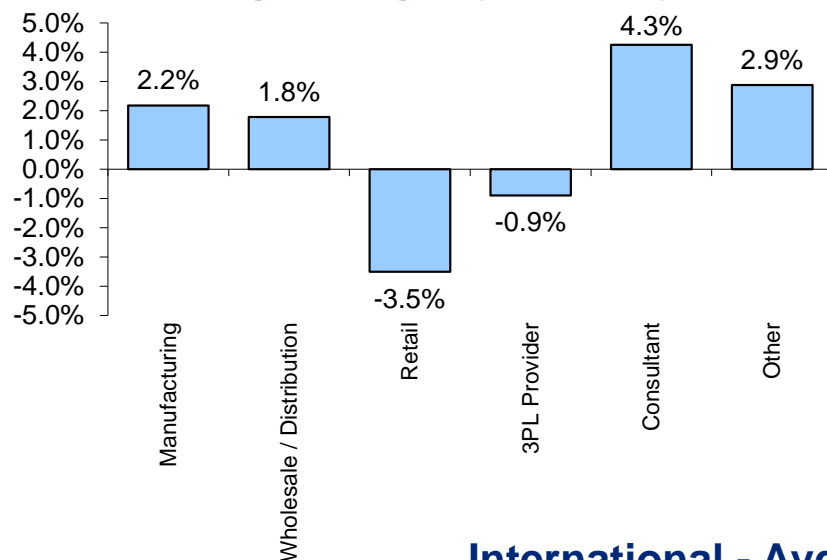
### Base Rate Growth Expectations “Over the Next 6 Months” vs. Same Period Last Year



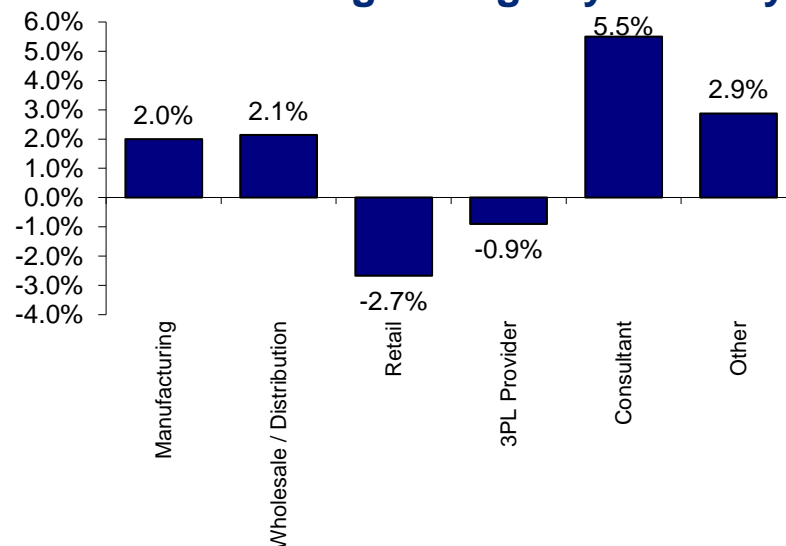


## Pricing Outlook by Industry

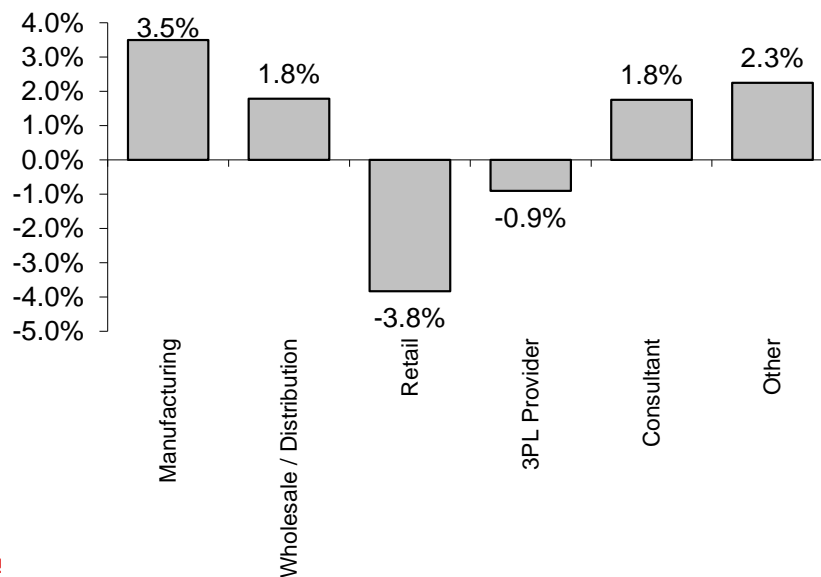
### Air - Avg Change by Industry



### Ground - Avg Change by Industry

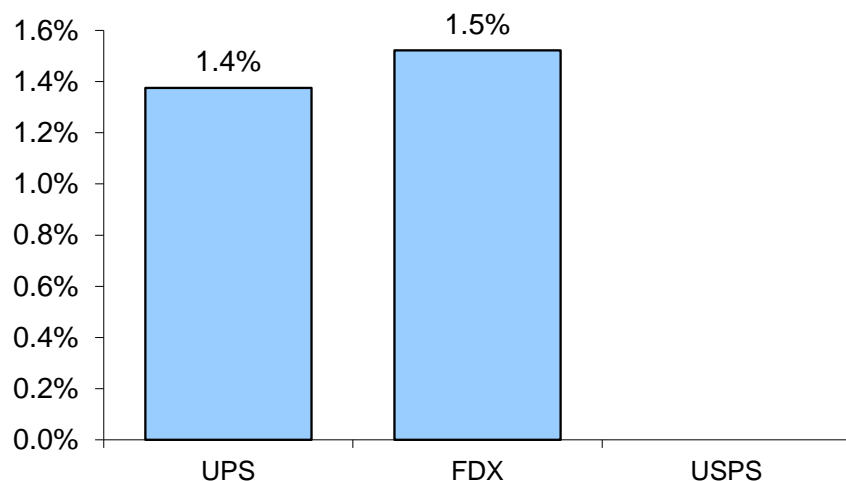


### International - Avg Change by Industry



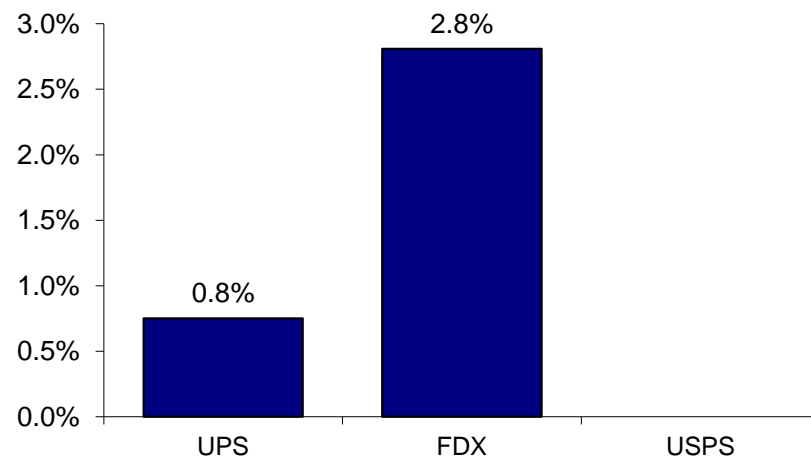
## Pricing Outlook by Listed Primary Carrier

### Air - Avg Change by Carrier



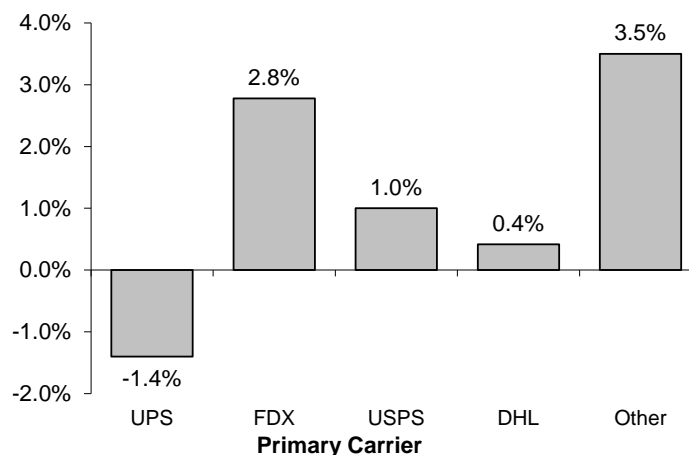
Primary Carrier

### Ground - Avg Change by Carrier



Primary Carrier

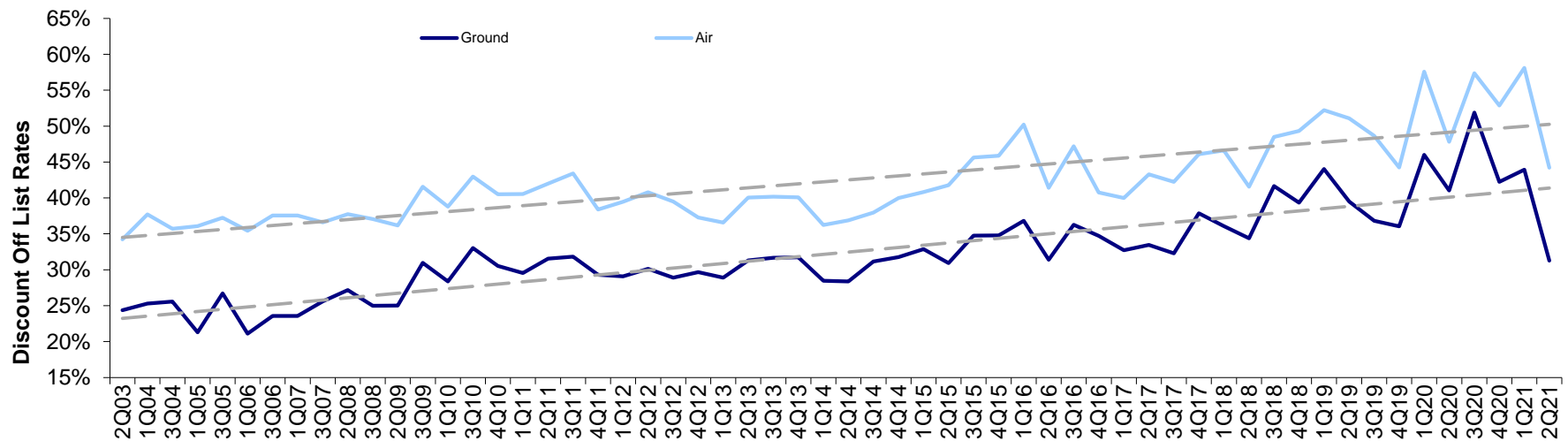
### International - Avg Change by Carrier



Primary Carrier

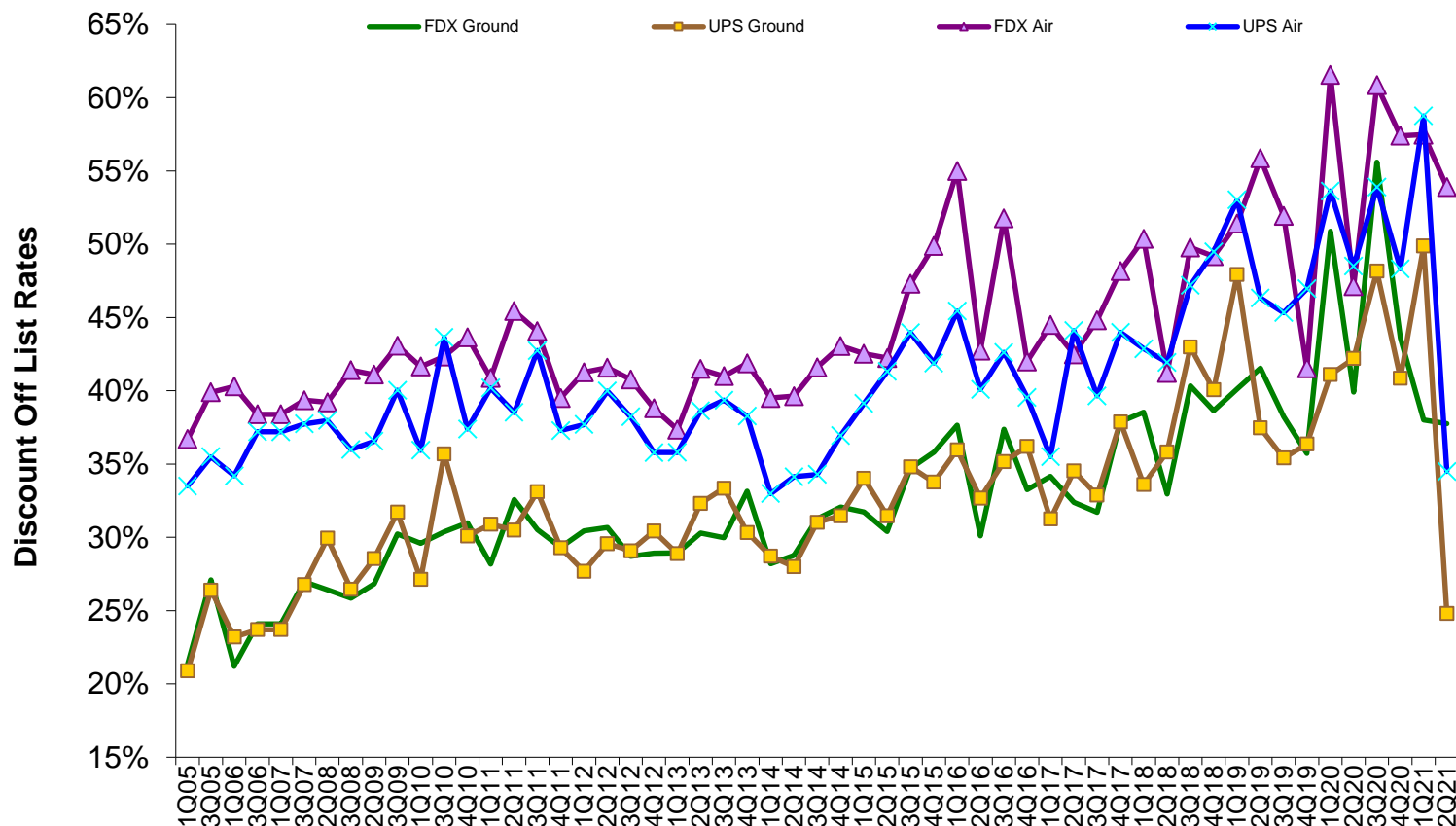
## Percentage Discount Off of List Rates

### Average List Rate Discount



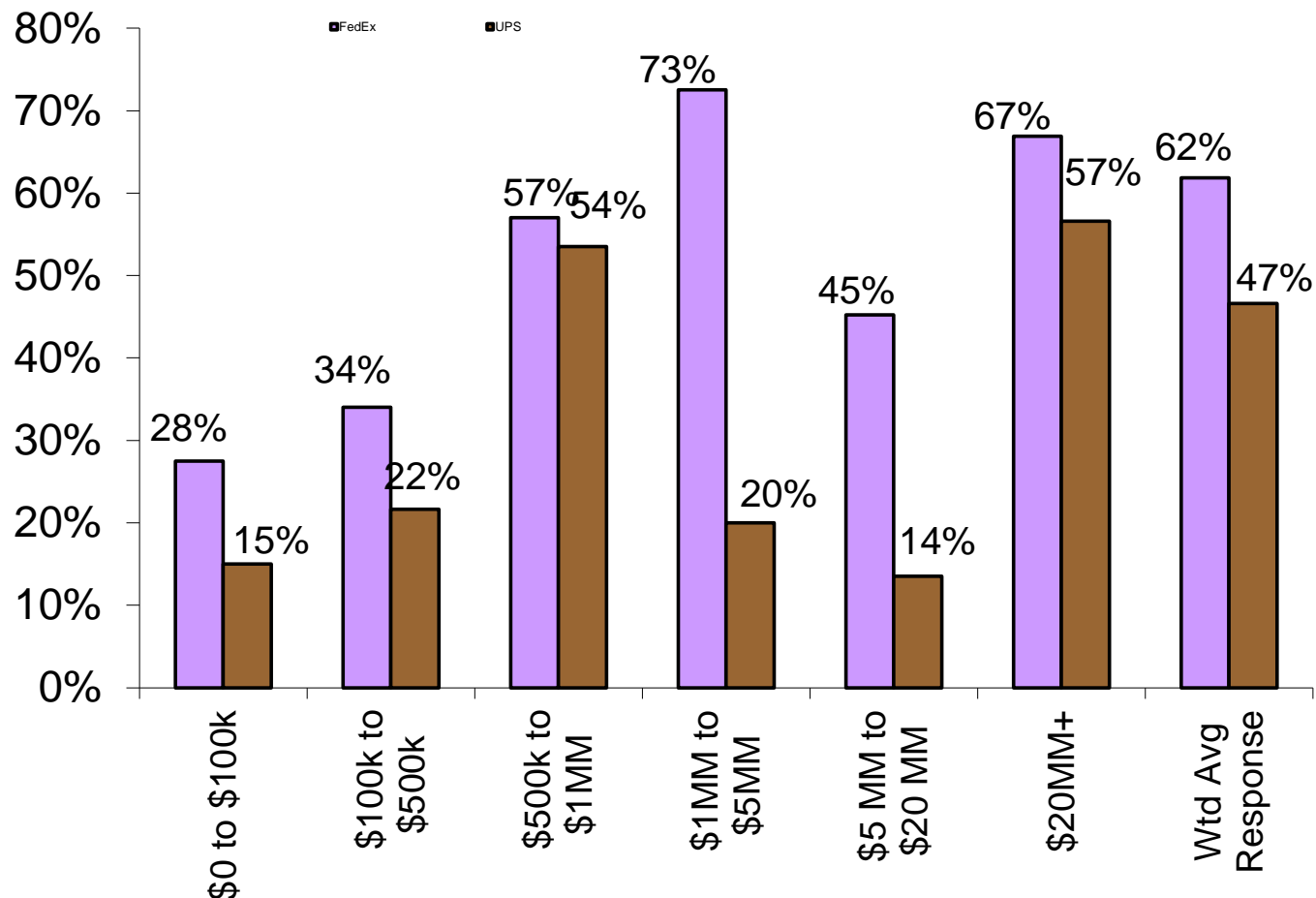
## Percentage Discount Off of List Rates

### Average Discount by Carrier and Product



## Air List Rate Discount by Spend

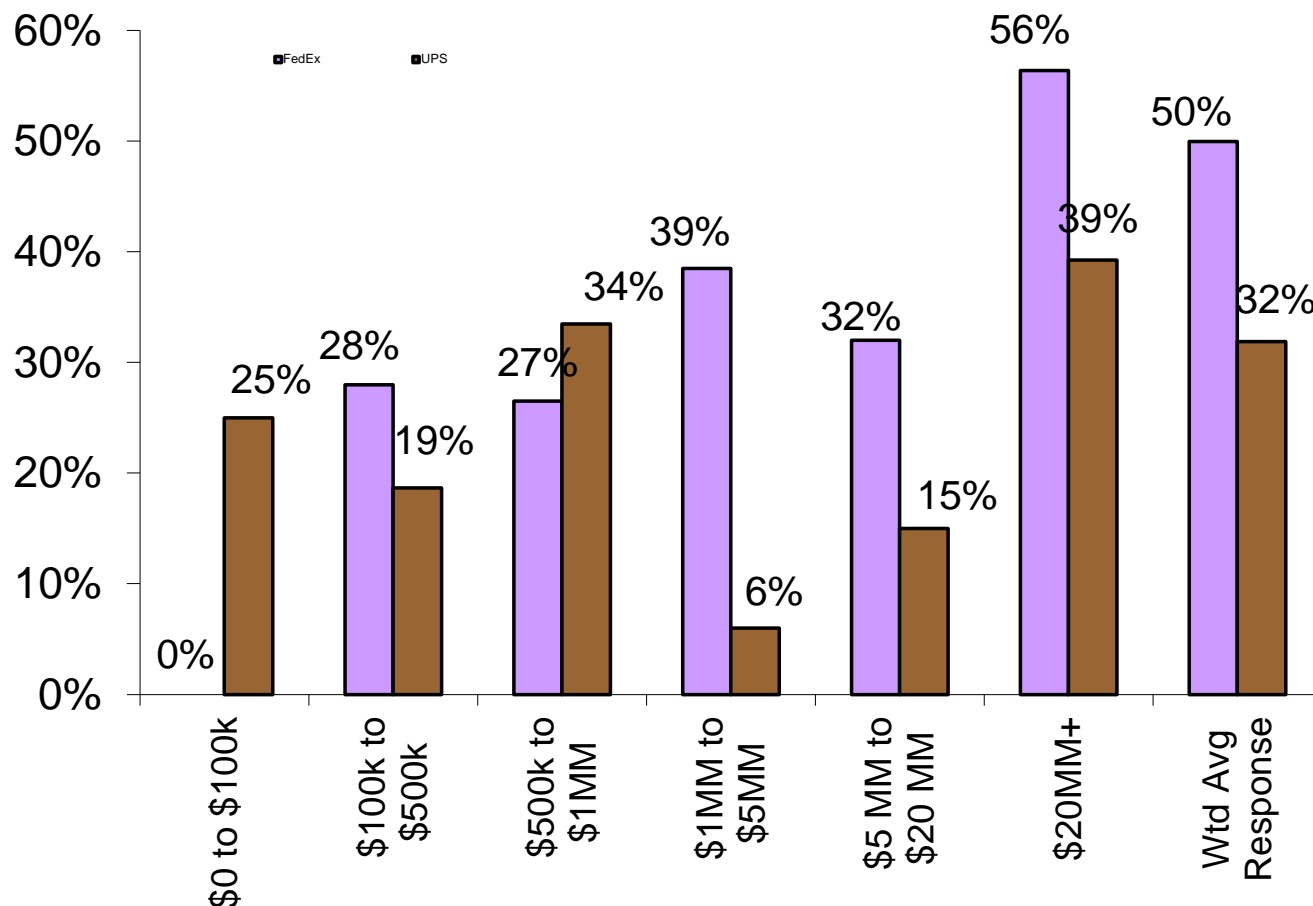
### What is Your % Discount Off of Listed Parcel Rates for Air Express?



Source: Morgan Stanley Parcel Survey

## Ground List Rate Discount by Spend

### What is Your % Discount Off of Listed Parcel Rates for Ground?



## Summary of Contents

---

### About the Surveys

### General Freight Trends

### Rail Trends

### Truck Trends

### Parcel Trends

## Part 1: Volume Trends & Share Shift

1. Volume Outlook
2. Expectations for Total Parcel Spend
3. Product Usage (e.g. Air vs. Ground)
4. B2B vs. B2C
5. Changes in Primary Carrier

## Part 2: Pricing Trends

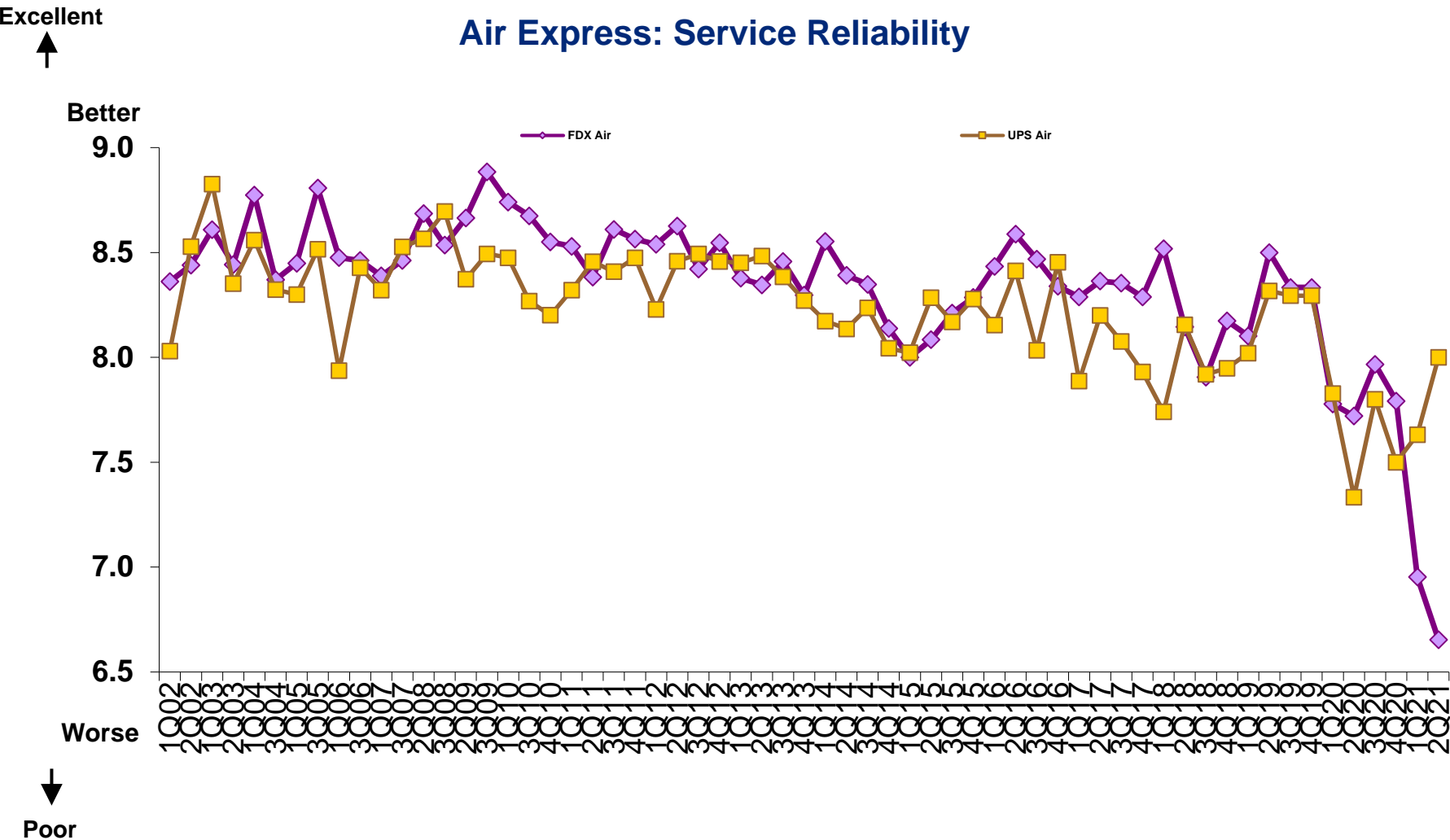
1. Outlook for Parcel Base Rates
2. Measures of Aggressiveness
3. Trends in List Rate Discounts
4. Accessorial Charges

## Part 3: Service & Value Trends

1. Service Reliability Rankings
2. Value of Service Rankings

Service Reliability Rankings: Historical Trends

Air Express: Service Reliability

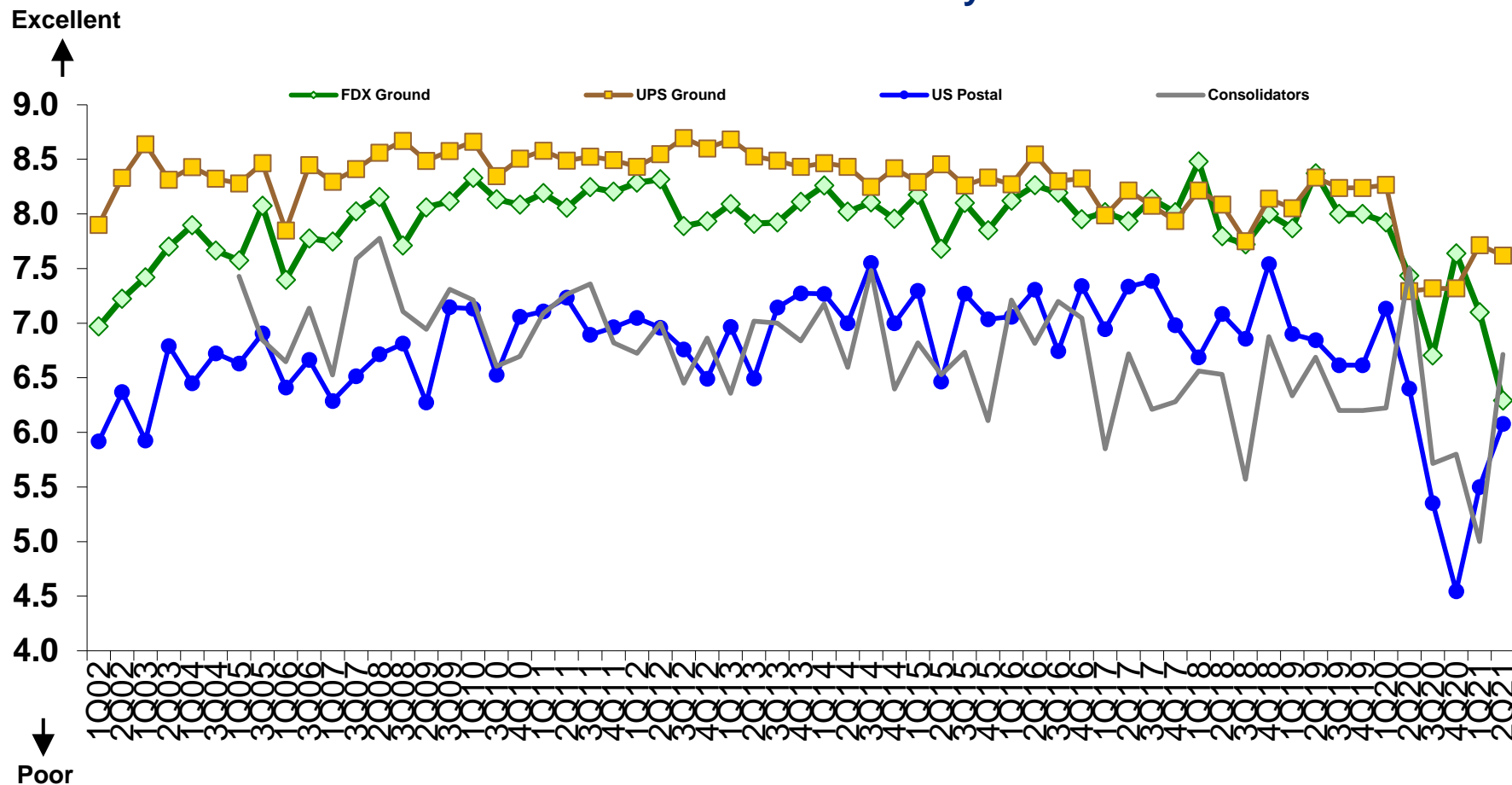


Source: Morgan Stanley Parcel Survey

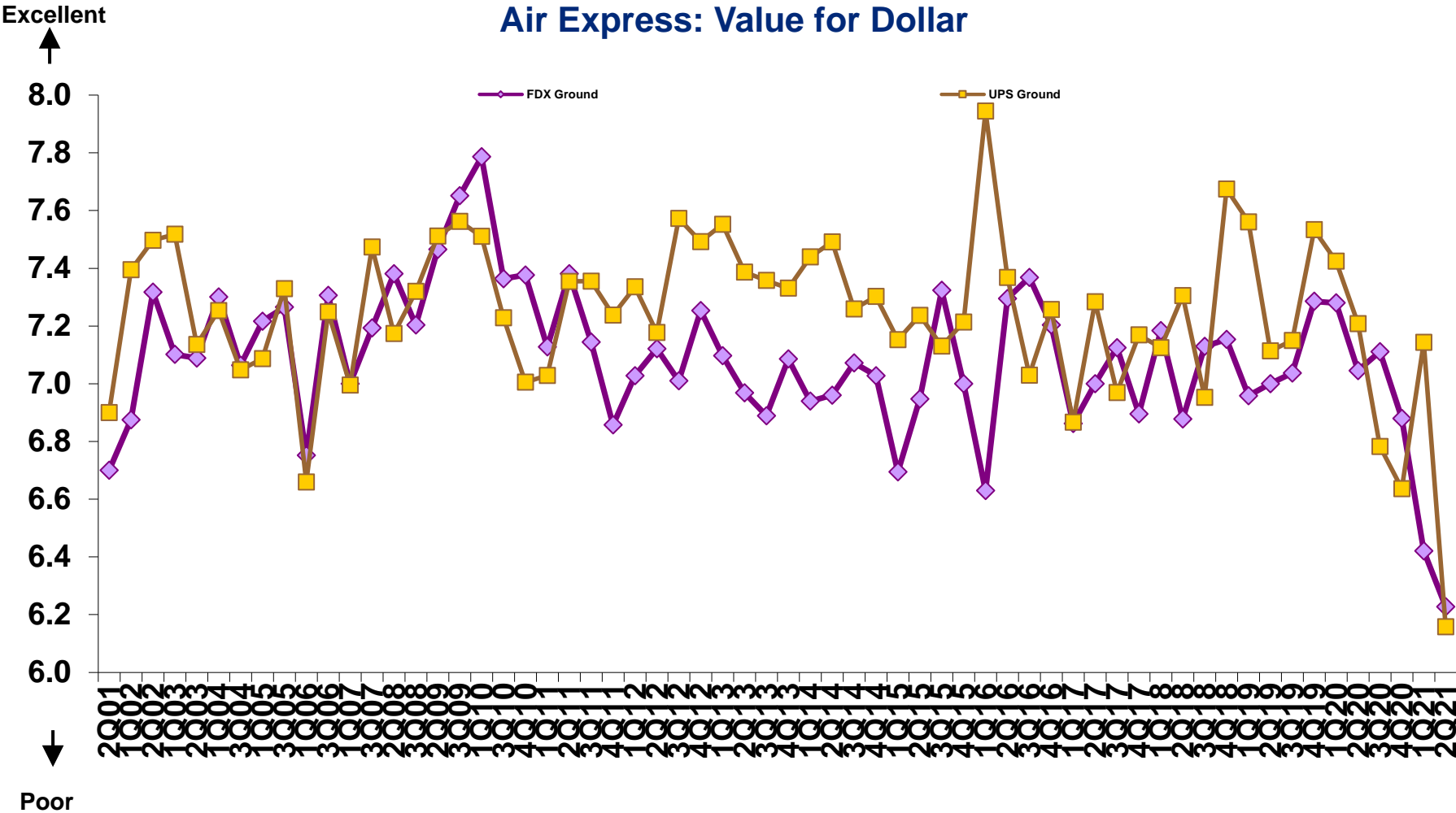


## Service Reliability Rankings: Historical Trends

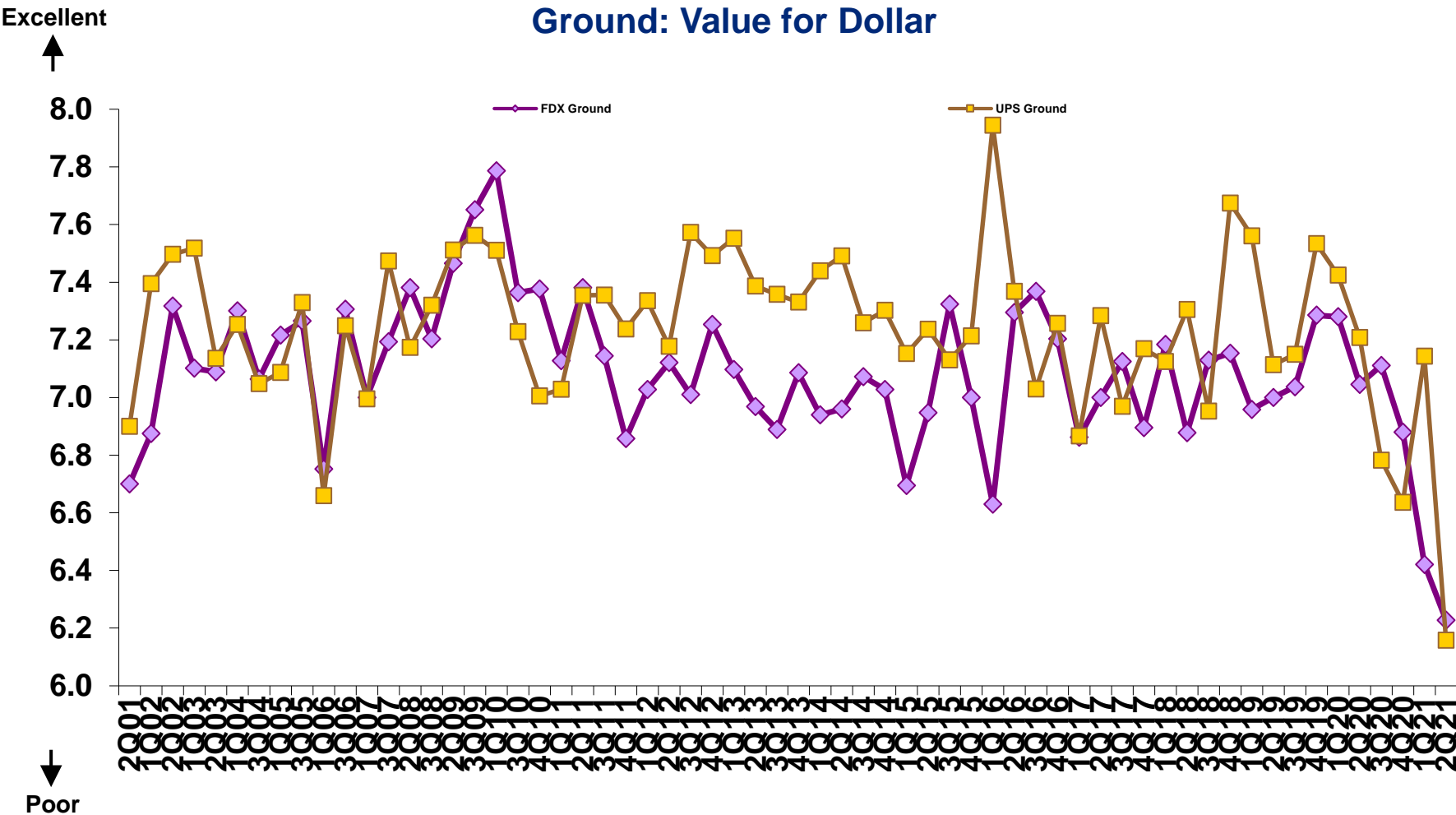
### Ground: Service Reliability



Value for Dollar Rankings: Historical Trends



Value for Dollar Rankings: Historical Trends



## Disclosure Section

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

The information and opinions in Morgan Stanley Research were prepared or are disseminated by Morgan Stanley & Co. LLC and/or Morgan Stanley C.T.V.M. S.A. and/or Morgan Stanley México, Casa de Bolsa, S.A. de C.V. and/or Morgan Stanley Canada Limited and/or Morgan Stanley & Co. International plc and/or Morgan Stanley Europe S.E. and/or RMB Morgan Stanley Proprietary Limited and/or Morgan Stanley MUFG Securities Co., Ltd. and/or Morgan Stanley Capital Group Japan Co., Ltd. and/or Morgan Stanley Asia Limited and/or Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research) and/or Morgan Stanley Taiwan Limited and/or Morgan Stanley & Co International plc, Seoul Branch, and/or Morgan Stanley Australia Limited (A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents), and/or Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents), and/or Morgan Stanley India Company Private Limited, regulated by the Securities and Exchange Board of India ("SEBI") and holder of licenses as a Research Analyst (SEBI Registration No. INH000001105), Stock Broker (BSE Registration No. INB011054237 and NSE Registration No. INB/INF231054231), Merchant Banker (SEBI Registration No. INM000011203), and depository participant with National Securities Depository Limited (SEBI Registration No. IN-DP-NSDL-372-2014) which accepts the responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research, and their affiliates (collectively, "Morgan Stanley").

For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures), or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA.

For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 800 303-2495; Hong Kong +852 2848-5999; Latin America +1 718 754-5444 (U.S.); London +44 (0)20-7425-8169; Singapore +65 6834-6860; Sydney +61 (0)2-9770-1505; Tokyo +81 (0)3-6836-9000. Alternatively you may contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

### Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Ravi Shanker.

### Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at [www.morganstanley.com/institutional/research/conflictolicies](http://www.morganstanley.com/institutional/research/conflictolicies). A Portuguese version of the policy can be found at [www.morganstanley.com.br](http://www.morganstanley.com.br)

### Important Regulatory Disclosures on Subject Companies

As of June 30, 2021, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: Alaska Air Group Inc, Allegiant Travel, American Airlines Group Inc, ArcBest Corp, C.H. Robinson Worldwide Inc., Delta Airlines, Inc., Echo Global Logistics Inc, Expeditors International of Washington I, FedEx Corporation, Hub Group Inc, J.B. Hunt Transport Services Inc., JetBlue Airways Corp., Kansas City Southern, Knight-Swift Transportation Holdings Inc, Landstar System Inc, Norfolk Southern Corp., Schneider National Inc., Southwest Airlines Co., Union Pacific Corp., United Airlines Holdings, Inc., United Parcel Service, US Xpress Enterprises Inc, Werner Enterprises.

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of Allegiant Travel, American Airlines Group Inc, CSX Corporation, Delta Airlines, Inc., FedEx Corporation, Frontier Group Holdings Inc, Heartland Express Inc., JetBlue Airways Corp., Norfolk Southern Corp., Sun Country Airlines Holdings Inc, TFI International Inc, TuSimple Holdings Inc, Union Pacific Corp., United Airlines Holdings, Inc..

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Allegiant Travel, American Airlines Group Inc, C.H. Robinson Worldwide Inc., CSX Corporation, Delta Airlines, Inc., FedEx Corporation, Frontier Group Holdings Inc, Heartland Express Inc., JetBlue Airways Corp., Kansas City Southern, Norfolk Southern Corp., Old Dominion Freight Line Inc, Sun Country Airlines Holdings Inc, TFI International Inc, TuSimple Holdings Inc, Union Pacific Corp., United Airlines Holdings, Inc., United Parcel Service, XPO Logistics, Inc..

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Alaska Air Group Inc, Allegiant Travel, American Airlines Group Inc, ArcBest Corp, C.H. Robinson Worldwide Inc., Canadian National Railway Co., Canadian Pacific Railway Ltd., CSX Corporation, Delta Airlines, Inc., Echo Global Logistics Inc, FedEx Corporation, Frontier Group Holdings Inc, Heartland Express Inc., Hub Group Inc, J.B. Hunt Transport Services Inc., JetBlue Airways Corp., Kansas City Southern, Landstar System Inc, Norfolk Southern Corp., Old Dominion Freight Line Inc, Saia, Inc., Schneider National Inc., Southwest Airlines Co., Sun Country Airlines Holdings Inc, TFI International Inc, TuSimple Holdings Inc, Union Pacific Corp., United Airlines Holdings, Inc., United Parcel Service, US Xpress Enterprises Inc, Werner Enterprises, XPO Logistics, Inc..

**Ravi Shanker, (212) 761-6350, [Ravi.Shanker@morganstanley.com](mailto:Ravi.Shanker@morganstanley.com)**

## Disclosure Section (cont'd)

Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from American Airlines Group Inc, C.H. Robinson Worldwide Inc., Canadian Pacific Railway Ltd., CSX Corporation, Delta Airlines, Inc., J.B. Hunt Transport Services Inc., Kansas City Southern, Norfolk Southern Corp., Old Dominion Freight Line Inc, Southwest Airlines Co., Sun Country Airlines Holdings Inc, Union Pacific Corp., United Airlines Holdings, Inc., United Parcel Service, XPO Logistics, Inc..

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: Alaska Air Group Inc, Allegiant Travel, American Airlines Group Inc, ArcBest Corp, C.H. Robinson Worldwide Inc., Canadian National Railway Co., Canadian Pacific Railway Ltd., CSX Corporation, Delta Airlines, Inc., Echo Global Logistics Inc, FedEx Corporation, Frontier Group Holdings Inc, Heartland Express Inc., Hub Group Inc, J.B. Hunt Transport Services Inc., JetBlue Airways Corp., Kansas City Southern, Landstar System Inc, Norfolk Southern Corp., Old Dominion Freight Line Inc, Saia, Inc., Schneider National Inc., Southwest Airlines Co., Sun Country Airlines Holdings Inc, TFI International Inc, TuSimple Holdings Inc, Union Pacific Corp., United Airlines Holdings, Inc., United Parcel Service, US Xpress Enterprises Inc, Werner Enterprises, XPO Logistics, Inc..

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: Alaska Air Group Inc, American Airlines Group Inc, C.H. Robinson Worldwide Inc., Canadian National Railway Co., Canadian Pacific Railway Ltd., CSX Corporation, Delta Airlines, Inc., Echo Global Logistics Inc, FedEx Corporation, J.B. Hunt Transport Services Inc., JetBlue Airways Corp., Kansas City Southern, Norfolk Southern Corp., Old Dominion Freight Line Inc, Southwest Airlines Co., Sun Country Airlines Holdings Inc, Union Pacific Corp., United Airlines Holdings, Inc., United Parcel Service, XPO Logistics, Inc..

An employee, director or consultant of Morgan Stanley is a director of Norfolk Southern Corp.. This person is not a research analyst or a member of a research analyst's household.

Morgan Stanley & Co. LLC makes a market in the securities of Alaska Air Group Inc, Allegiant Travel, American Airlines Group Inc, ArcBest Corp, C.H. Robinson Worldwide Inc., Canadian National Railway Co., Canadian Pacific Railway Ltd., CSX Corporation, Delta Airlines, Inc., Echo Global Logistics Inc, Expeditors International of Washington I, FedEx Corporation, Heartland Express Inc., Hub Group Inc, J.B. Hunt Transport Services Inc., JetBlue Airways Corp., Kansas City Southern, Knight-Swift Transportation Holdings Inc, Landstar System Inc, Norfolk Southern Corp., Old Dominion Freight Line Inc, Saia, Inc., Schneider National Inc., Southwest Airlines Co., TuSimple Holdings Inc, Union Pacific Corp., United Airlines Holdings, Inc., United Parcel Service, US Xpress Enterprises Inc, Werner Enterprises, XPO Logistics, Inc..

The equity research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues. Equity Research analysts' or strategists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

Morgan Stanley and its affiliates do business that relates to companies/instruments covered in Morgan Stanley Research, including market making, providing liquidity, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis. Morgan Stanley may have a position in the debt of the Company or instruments discussed in this report. Morgan Stanley trades or may trade as principal in the debt securities (or in related derivatives) that are the subject of the debt research report.

Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

## Disclosure Section (cont'd)

### STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

(Global Stock Ratings Distribution  
(as of June 30, 2021))

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm.

For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Service	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1530	44%	416	48%	27%	675	44%
Equal-weight/Hold	1439	41%	362	42%	25%	657	43%
Not-Rated/Hold	1	0%	0	0%	0%	0	0%
Underweight/Sell	529	15%	91	10%	17%	206	13%
Total	3,499		869			1538	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

## Disclosure Section (cont'd)

### Analyst Stock Ratings

Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index or the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis over the next 12-18 months.

Equal-weight (E or Equal) - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index or the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis over the next 12-18 months.

Not-Rated (NR) - Currently the analyst does not have adequate conviction about the stock's total return relative to the relevant country MSCI Index or the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U or Under) - The stock's total return is expected to be below the total return of the relevant country MSCI Index or the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

### Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

### Stock Price, Price Target and Rating History (See Rating Definitions)

### Important Disclosures for Morgan Stanley Smith Barney LLC & E\*TRADE Securities LLC Customers

Important disclosures regarding the relationship between the companies that are the subject of Morgan Stanley Research and Morgan Stanley Smith Barney LLC or Morgan Stanley or any of their affiliates, are available on the Morgan Stanley Wealth Management disclosure website at [www.morganstanley.com/online/researchdisclosures](http://www.morganstanley.com/online/researchdisclosures). For Morgan Stanley specific disclosures, you may refer to [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures).

Each Morgan Stanley research report is reviewed and approved on behalf of Morgan Stanley Smith Barney LLC and E\*TRADE Securities LLC. This review and approval is conducted by the same person who reviews the research report on behalf of Morgan Stanley. This could create a conflict of interest.

### Other Important Disclosures

Morgan Stanley & Co. International PLC and its affiliates have a significant financial interest in the debt securities of Allegiant Travel, American Airlines Group Inc, C.H. Robinson Worldwide Inc., Canadian National Railway Co., CSX Corporation, Delta Airlines, Inc., FedEx Corporation, JetBlue Airways Corp., Kansas City Southern, Norfolk Southern Corp., Southwest Airlines Co., Union Pacific Corp., United Airlines Holdings, Inc., United Parcel Service, XPO Logistics, Inc..

Morgan Stanley Research policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions.

Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Morgan Stanley produces an equity research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>.

Morgan Stanley Research is provided to our clients through our proprietary research portal on Matrix and also distributed electronically by Morgan Stanley to clients. Certain, but not all, Morgan Stanley Research products are also made available to clients through third-party vendors or redistributed to clients through alternate electronic means as a convenience. For access to all available Morgan Stanley Research, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>.

## Disclosure Section (cont'd)

Any access and/or use of Morgan Stanley Research is subject to Morgan Stanley's Terms of Use (<http://www.morganstanley.com/terms.html>). By accessing and/or using Morgan Stanley Research, you are indicating that you have read and agree to be bound by our Terms of Use (<http://www.morganstanley.com/terms.html>). In addition you consent to Morgan Stanley processing your personal data and using cookies in accordance with our Privacy Policy and our Global Cookies Policy ([http://www.morganstanley.com/privacy\\_pledge.html](http://www.morganstanley.com/privacy_pledge.html)), including for the purposes of setting your preferences and to collect readership data so that we can deliver better and more personalized service and products to you. To find out more information about how Morgan Stanley processes personal data, how we use cookies and how to reject cookies see our Privacy Policy and our Global Cookies Policy ([http://www.morganstanley.com/privacy\\_pledge.html](http://www.morganstanley.com/privacy_pledge.html)).

If you do not agree to our Terms of Use and/or if you do not wish to provide your consent to Morgan Stanley processing your personal data or using cookies please do not access our research.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the circumstances and objectives of those who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor's circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

The fixed income research analysts, strategists or economists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

The "Important Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common equity securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities/instruments or derivatives of securities/instruments of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel may participate in company events such as site visits and are generally prohibited from accepting payment by the company of associated expenses unless pre-approved by authorized members of Research management.

Morgan Stanley may make investment decisions that are inconsistent with the recommendations or views in this report.

To our readers based in Taiwan or trading in Taiwan securities/instruments: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Any non-customer reader within the scope of Article 7-1 of the Taiwan Stock Exchange Recommendation Regulations accessing and/or receiving Morgan Stanley Research is not permitted to provide Morgan Stanley Research to any third party (including but not limited to related parties, affiliated companies and any other third parties) or engage in any activities regarding Morgan Stanley Research which may create or give the appearance of creating a conflict of interest. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

Certain information in Morgan Stanley Research was sourced by employees of the Shanghai Representative Office of Morgan Stanley Asia Limited for the use of Morgan Stanley Asia Limited.



## Disclosure Section (cont'd)

Morgan Stanley is not incorporated under PRC law and the research in relation to this report is conducted outside the PRC. Morgan Stanley Research does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. Neither this report nor any part of it is intended as, or shall constitute, provision of any consultancy or advisory service of securities investment as defined under PRC law. Such information is provided for your reference only.

Morgan Stanley Research is disseminated in Brazil by Morgan Stanley C.T.V.M. S.A. located at Av. Brigadeiro Faria Lima, 3600, 6th floor, São Paulo - SP, Brazil; and is regulated by the Comissão de Valores Mobiliários; in Mexico by Morgan Stanley México, Casa de Bolsa, S.A. de C.V which is regulated by Comisión Nacional Bancaria y de Valores. Paseo de los Tamarindos 90, Torre 1, Col. Bosques de las Lomas Floor 29, 05120 Mexico City; in Japan by Morgan Stanley MUFG Securities Co., Ltd. and, for Commodities related research reports only, Morgan Stanley Capital Group Japan Co., Ltd; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents) and by Morgan Stanley Asia International Limited, Hong Kong Branch; in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research) and by Morgan Stanley Asia International Limited, Singapore Branch (Registration number T11FC0207F); in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Canada by Morgan Stanley Canada Limited, which has approved of and takes responsibility for its contents in Canada; in Germany and the European Economic Area where required by Morgan Stanley Europe S.E., authorised and regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin) under the reference number 149169; in the US by Morgan Stanley & Co. LLC, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. RMB Morgan Stanley Proprietary Limited is a member of the JSE Limited and A2X (Pty) Ltd. RMB Morgan Stanley Proprietary Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited. The information in Morgan Stanley Research is being disseminated by Morgan Stanley Saudi Arabia, regulated by the Capital Market Authority in the Kingdom of Saudi Arabia, and is directed at Sophisticated investors only.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at Professional Clients only, as defined by the DFSA. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria to be a Professional Client.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided exclusively to persons based on their risk and income preferences by the authorized firms. Comments and recommendations stated here are general in nature. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Indicators and trackers referenced in Morgan Stanley Research may not be used as, or treated as, a benchmark under Regulation EU 2016/1011, or any other similar framework.

## Disclosure Section (cont'd)

INDUSTRY / COMPANY	TICKER	VIEW / RATING	CCY	LAST CLOSE
<u>AIRLINES (NORTH AMERICA)</u>		ATTRACTIVE		
<u>JetBlue Airways Corp.</u>	<u>JBLU.O</u>	Overweight	USD	15.62
<u>Delta Airlines Inc.</u>	<u>DAL.N</u>	Overweight	USD	40.68
<u>Allegiant Travel</u>	<u>ALGT.O</u>	Overweight	USD	186.43
<u>Frontier Group Holdings Inc</u>	<u>ULCC.O</u>	Overweight	USD	15.14
<u>Southwest Airlines Co.</u>	<u>LUV.N</u>	Overweight	USD	51.98
<u>Alaska Air Group Inc</u>	<u>ALK.N</u>	Overweight	USD	57.55
<u>United Airlines Holdings, Inc.</u>	<u>UAL.O</u>	Equal-weight	USD	48.16
<u>Sun Country Airlines Holdings Inc</u>	<u>SNCY.O</u>	Equal-weight	USD	34.28
<u>American Airlines Group Inc</u>	<u>AAL.O</u>	Underweight	USD	20.62
<u>FREIGHT TRANSPORTATION (NORTH AMERICA)</u>		IN-LINE		
<u>US Xpress Enterprises Inc</u>	<u>USX.N</u>	Overweight	USD	8.77
<u>ArcBest Corp</u>	<u>ARCB.O</u>	Overweight	USD	61.48
<u>TuSimple Holdings Inc</u>	<u>TSP.O</u>	Overweight	USD	48.40
<u>Schneider National Inc.</u>	<u>SNDR.N</u>	Overweight	USD	21.84
<u>Werner Enterprises</u>	<u>WERN.O</u>	Overweight	USD	45.79
<u>Knight-Swift Transportation Holdin..</u>	<u>KNX.N</u>	Overweight	USD	50.16
<u>Old Dominion Freight Line Inc</u>	<u>ODFLO</u>	Overweight	USD	258.76
<u>TFI International Inc</u>	<u>TFIL.N</u>	Overweight	USD	98.90
<u>Echo Global Logistics Inc</u>	<u>ECHO.O</u>	Equal-weight	USD	28.61

**Disclosure Section (cont'd)**

INDUSTRY / COMPANY	TICKER	VIEW / RATING	CCY	LAST CLOSE
<u>FREIGHT TRANSPORTATION (NORTH AMERICA)</u>	IN-LINE			
<u>XPO Logistics, Inc.</u>	<u>XPO.N</u>	Equal-weight	USD	140.94
<u>FedEx Corporation</u>	<u>FDX.N</u>	Equal-weight	USD	295.86
<u>J.B. Hunt Transport Services Inc.</u>	<u>JBHT.O</u>	Equal-weight	USD	169.63
<u>Hub Group Inc</u>	<u>HUBG.O</u>	Equal-weight	USD	66.89
<u>Union Pacific Corp.</u>	<u>UNP.N</u>	Equal-weight	USD	220.05
<u>Expeditors International of Washin...</u>	<u>EXPD.O</u>	Equal-weight	USD	128.12
<u>Heartland Express Inc.</u>	<u>HTLD.O</u>	Underweight	USD	17.32
<u>Landstar System Inc</u>	<u>LSTR.O</u>	Underweight	USD	157.86
<u>Norfolk Southern Corp.</u>	<u>NSC.N</u>	Underweight	USD	261.76
<u>CSX Corporation</u>	<u>CSX.O</u>	Underweight	USD	31.64
<u>Saia, Inc.</u>	<u>SAIA.O</u>	Underweight	USD	205.37
<u>C.H. Robinson Worldwide Inc.</u>	<u>CHRW.O</u>	Underweight	USD	94.65
<u>United Parcel Service</u>	<u>UPS.N</u>	Underweight	USD	211.53
<u>Canadian National Railway Co.</u>	<u>CNR.TO</u>	++	CAD	132.24
<u>Canadian Pacific Railway Ltd.</u>	<u>CP.TO</u>	++	CAD	91.35
<u>Kansas City Southern</u>	<u>KSU.N</u>	++	USD	267.27