Economic Update, & Transportation Market Outlook

What Lies Ahead For The U.S. Economy & The Domestic Transportation Industry

Presentation to Transportation & Logistics Council

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Average Real GDP Growth Rate Per Quarter in Office
Last 11 Presidents (1953 – 2016)

Source: Bureau of Economic Analysis
Economy
What will change over the next 12 months? In our view…

Economic stimulus

- Infrastructure
- Energy self-sufficiency
- Mad Dog Mattis / Defense re-build
- Reduced/simplified taxes
- 1 for 2 regulation swap
- Petro/chem buildout coming on stream
Equity Markets Believe
The stock market has moved approximately 9% to the positive since the election

Source: Factset, Stifel Analysis
Gross Domestic Product
Current GDP estimates project Y/Y growth from 2016. FED estimates have been notoriously inaccurate predictors.

Chart displays seasonally adjusted annual data; pink shaded regions denote recession. Source: Bureau of Economic Analysis, Federal Reserve, Trading Economics.
Freight Volumes Still Mixed
But in recent months some green shoots have come through data feeds

Source: ATA, DAT, AAR
Inventories
Are Elevated Retail Inventory/Sales the New Norm In Supply Chain Management?

Dec-16 I/S Ratio: 1.47

Source: U.S. Census Bureau
Conclusion

• Hope springs eternal in private sector

• Washington moving at a snails pace

• TL fleet downsizing and FMCSA ELD regulations will set the tone for reduced capacity

• Inventory rightsizing, Trumponomics, and renewed business sector optimism should drive incremental demand

• Freight rates could rise in 2H17 and should rise in 2018, and beyond - barring a recession
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