



### Container Reliability July 2012

#### INTRA + SeaIntel data

See page 15 for details.

## ASIA-EUROPE FREIGHT RATE MODEL

Spot to contract rate correlation remains firm. Contract rates to increase slightly in Q3 compared to Q2.

Last year we developed a model showing a very clear link between the developments in the spot market rates and contract rate indices on the trade between Asia and Europe. Given the strong link between spot and contract rates, it was possible to accurately assess the expected development in the contract rate index published by Container Trade Statistics (CTS) several months in advance of the actual CTS index being published.

This article takes a closer look at the model, to review whether it still holds true. From an analytical angle we find it is crucial to subject one's own models to scrutiny at regular intervals, as even the strongest of models might over time become obsolete, if fundamental dynamics in the market should change.

We find that despite the drastic market changes driven by the carriers' resolve to make the trade profitable, the fundamental link between spot and contract rates remain unchanged.

This conclusion leads us to the forecast that the contract rate index for Asia-Europe will exhibit a slightly increasing trend in Q3 compared to Q2 2012. However, unless the next round of announced rate increases are

### Back in black ... almost...

The quarterly accounting season is upon us. Most, but not all, of the carriers have shared their financial performance for the second quarter. As always, beauty is in the eye of the beholder. Carriers fared much better than last year – and better than Q1 – driven by the strong increases in freight rates. Furthermore they seem intent on making sure they deliver profits to their owners in 2012. However, the return on invested capital is not impressive, and much more action must be taken in the quarters ahead if this is to change.

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