

Industrial Research

February 13, 2019

## 2019 US Economic & Transportation Outlook

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# 2018 in Review; A Preview of 2019 And Thinking Beyond the Cycle



*“The farther backward you can look, the farther forward you are likely to see.”*

*Winston Churchill*

## **Three key focal points:**

- 2018 began with such optimism, and ended with such fear.
- Will 2019 be a recession year?
- While economic growth slows, the pace of change in the logistics industry has arguably never been faster.

# Key Themes from 2018



## **Optimism was unleashed to start the year.**

- Cycle-high readings in Industrial and Retail/Consumer end markets
- Robust (record?) freight rate increases during 2018's bid season

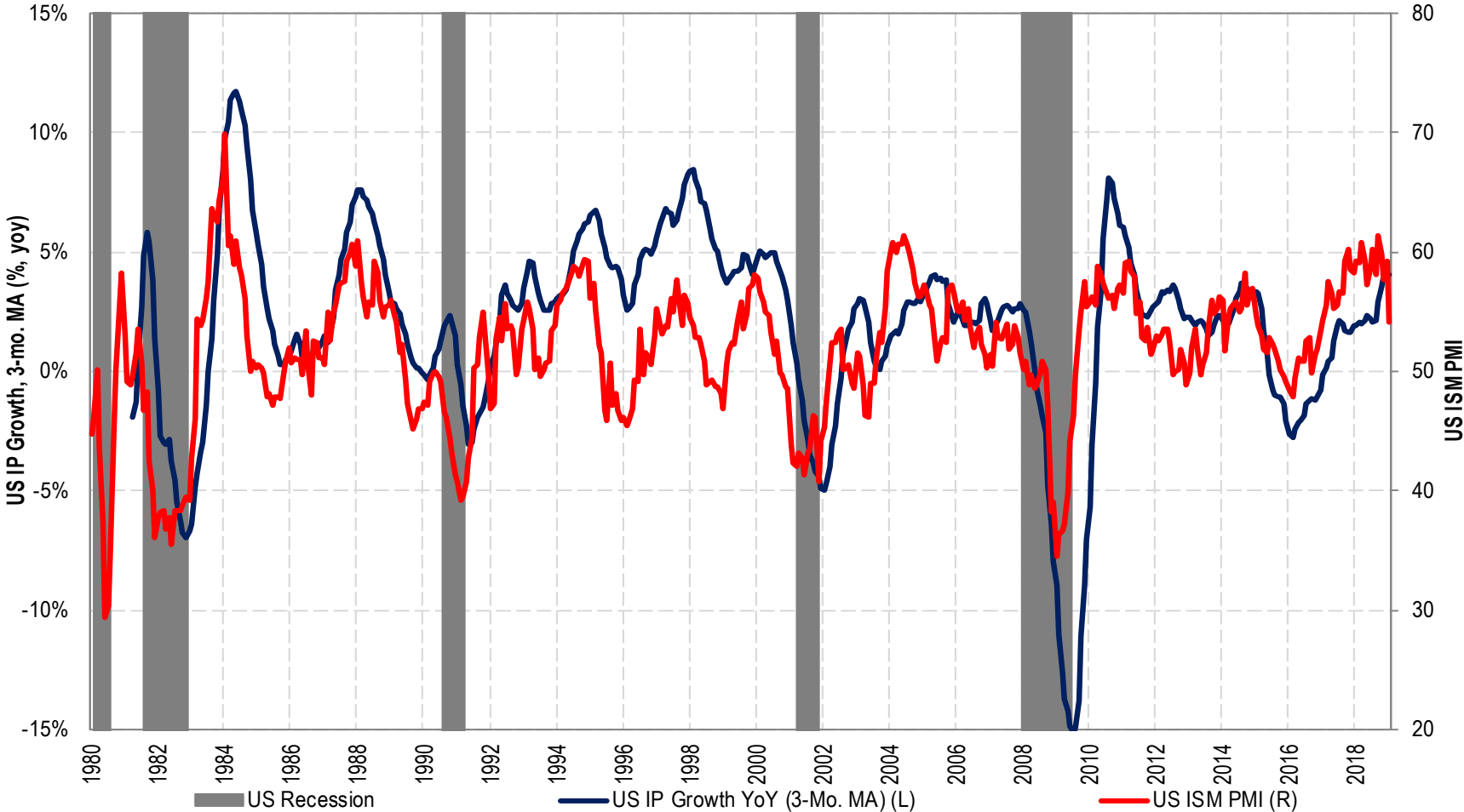
## **However, “peak growth” concerns developed...**

- Class 8 capacity growth
- Decoupling of US and global growth (amplified by uncertainty from US-China tariff dispute)

## **...and quickly transitioned to recession fears to finish the year.**

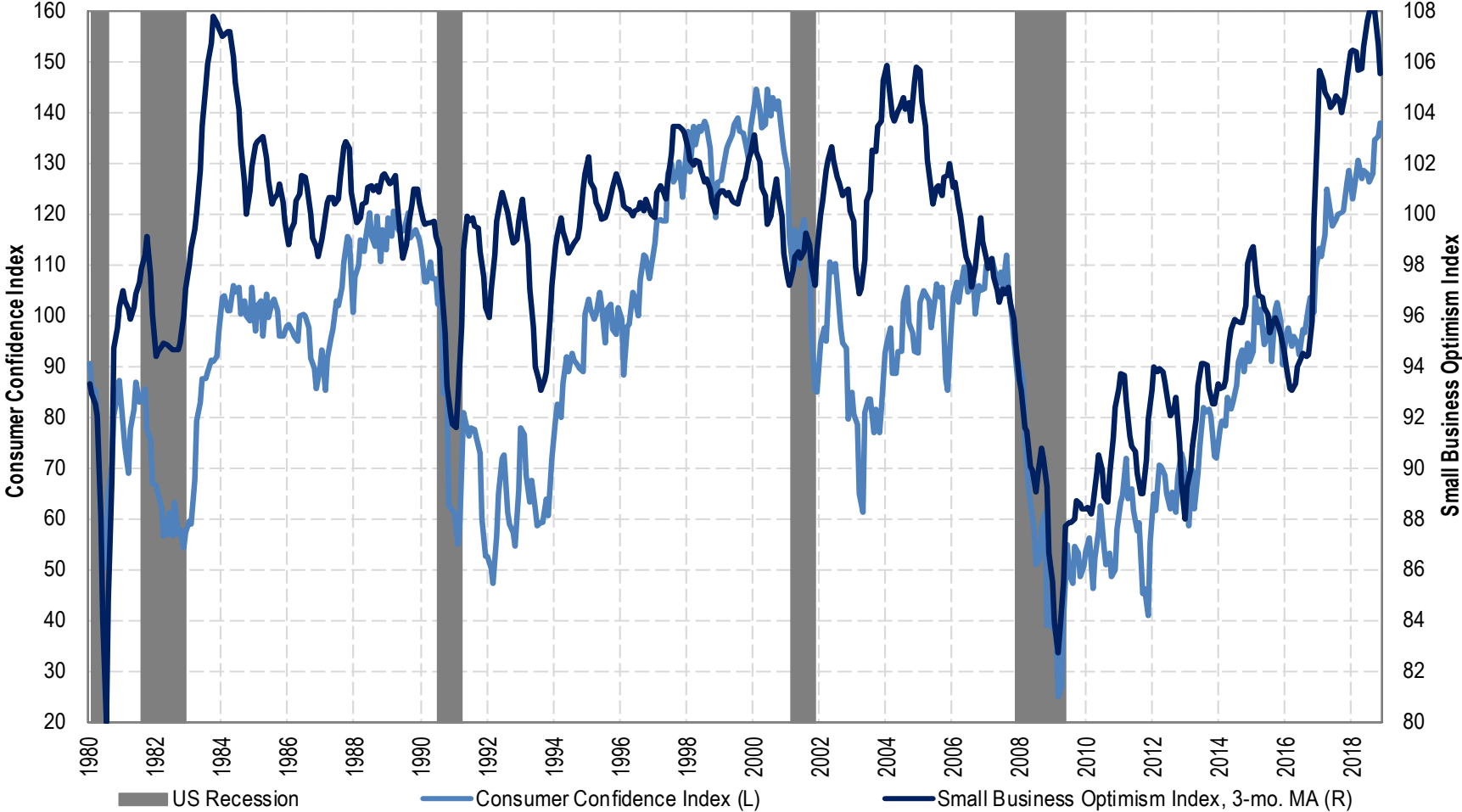
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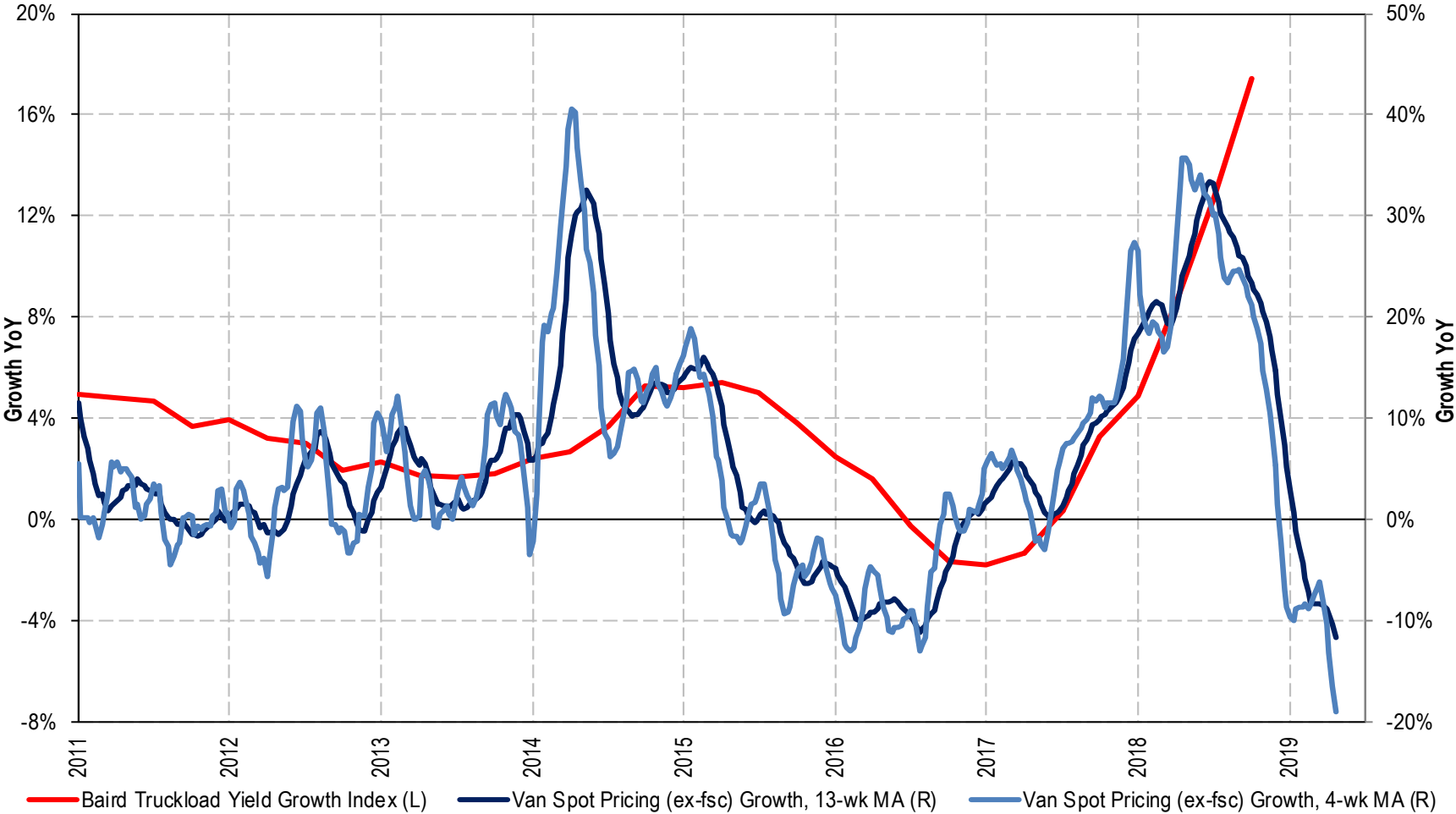
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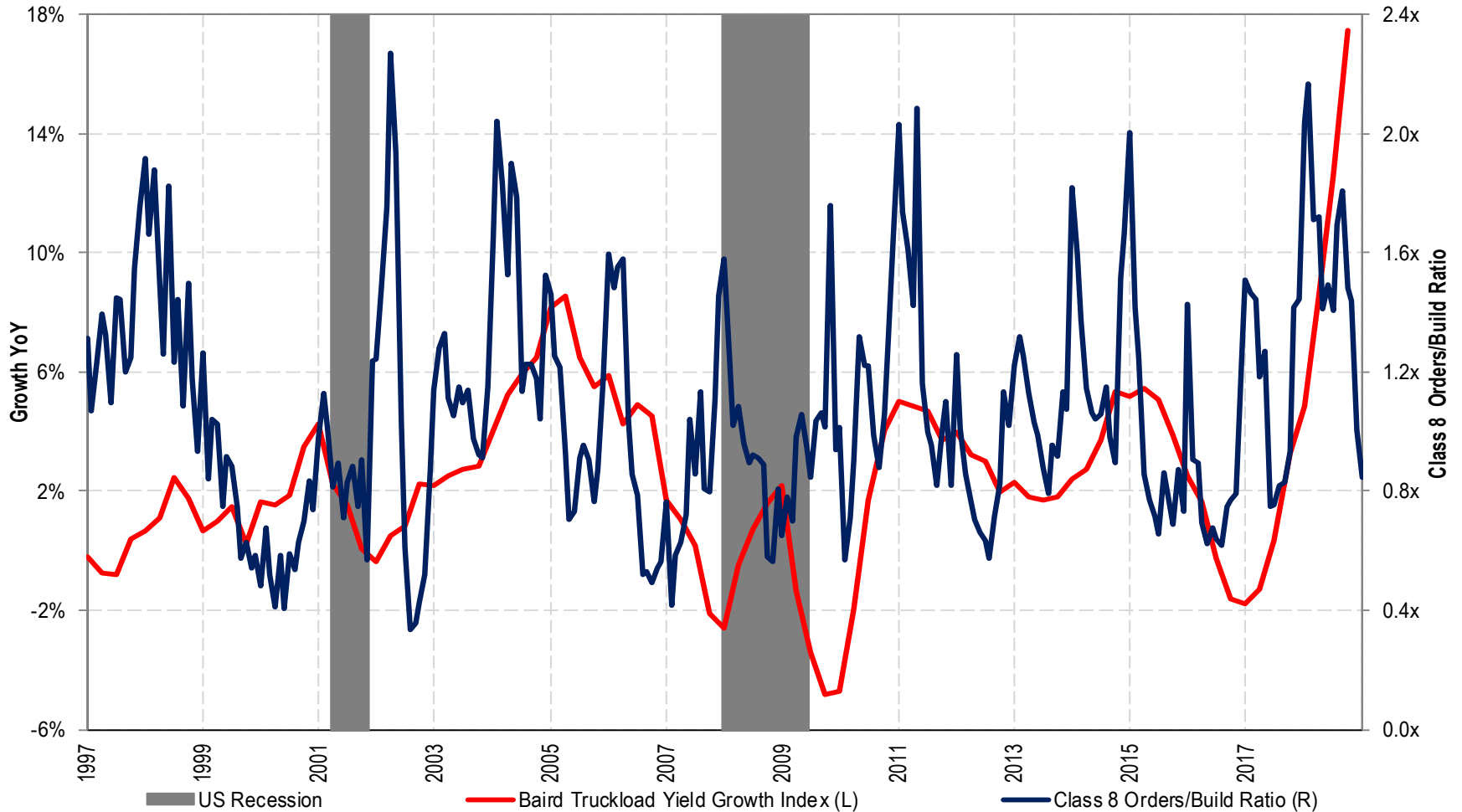


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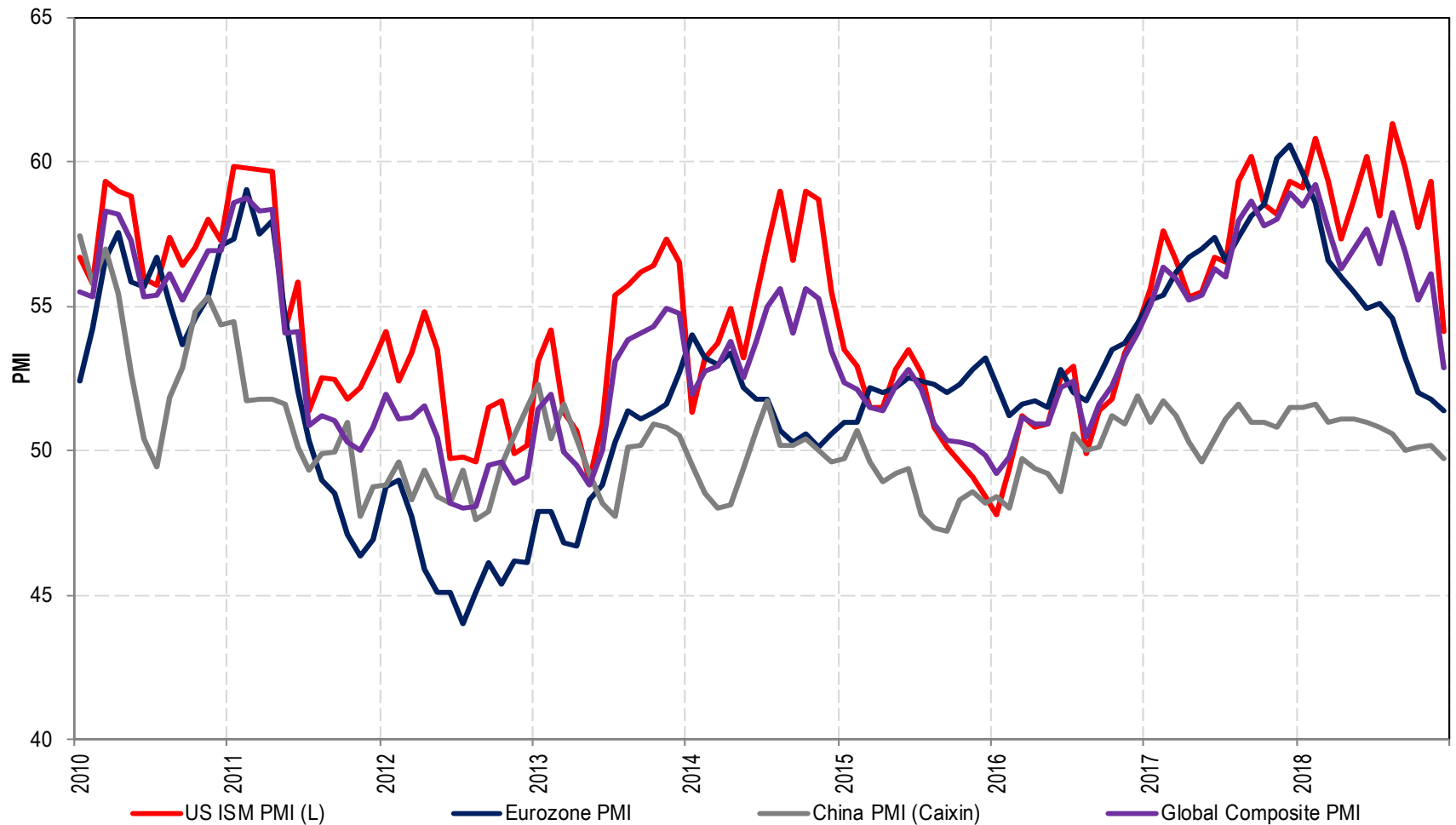
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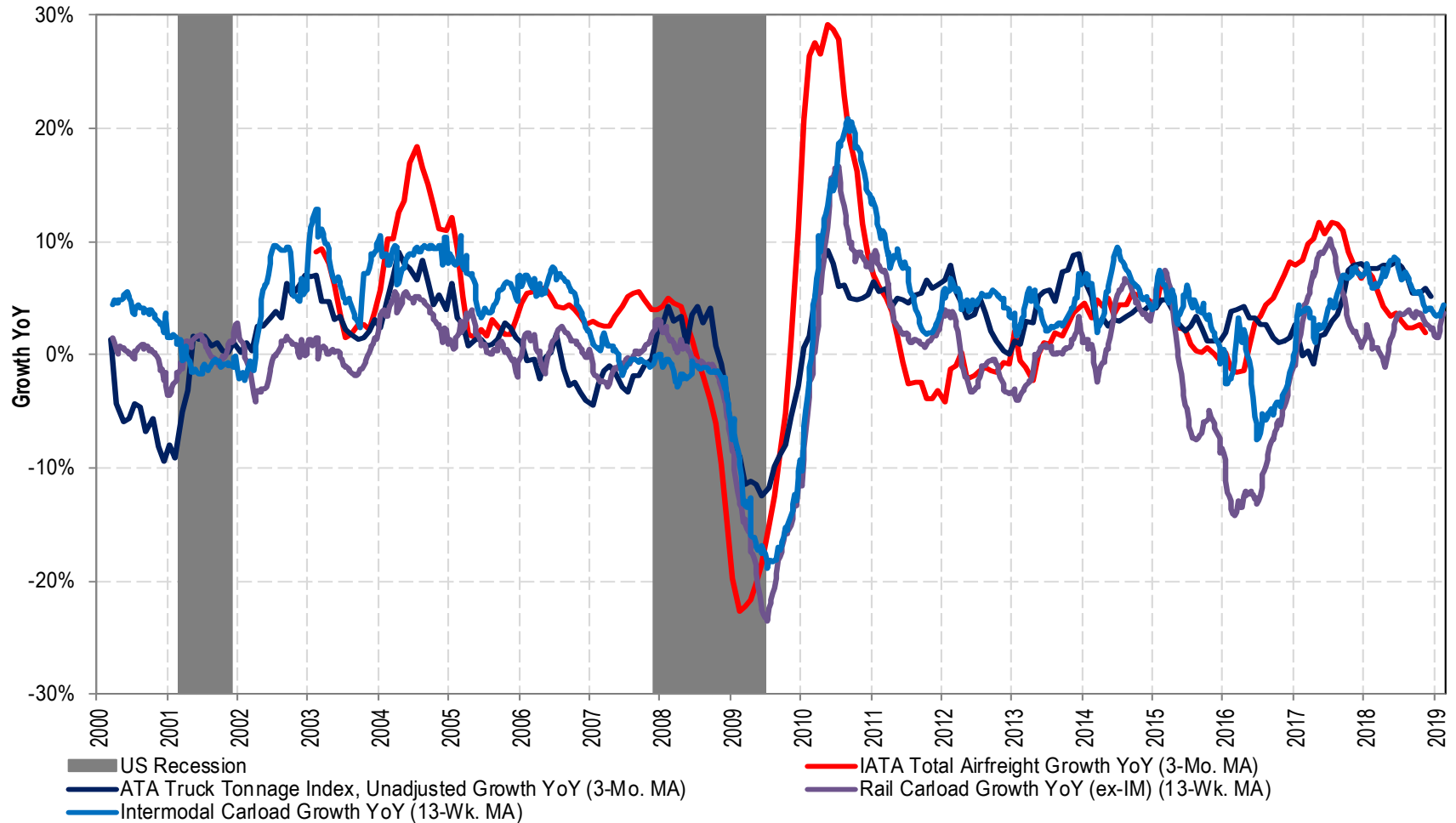
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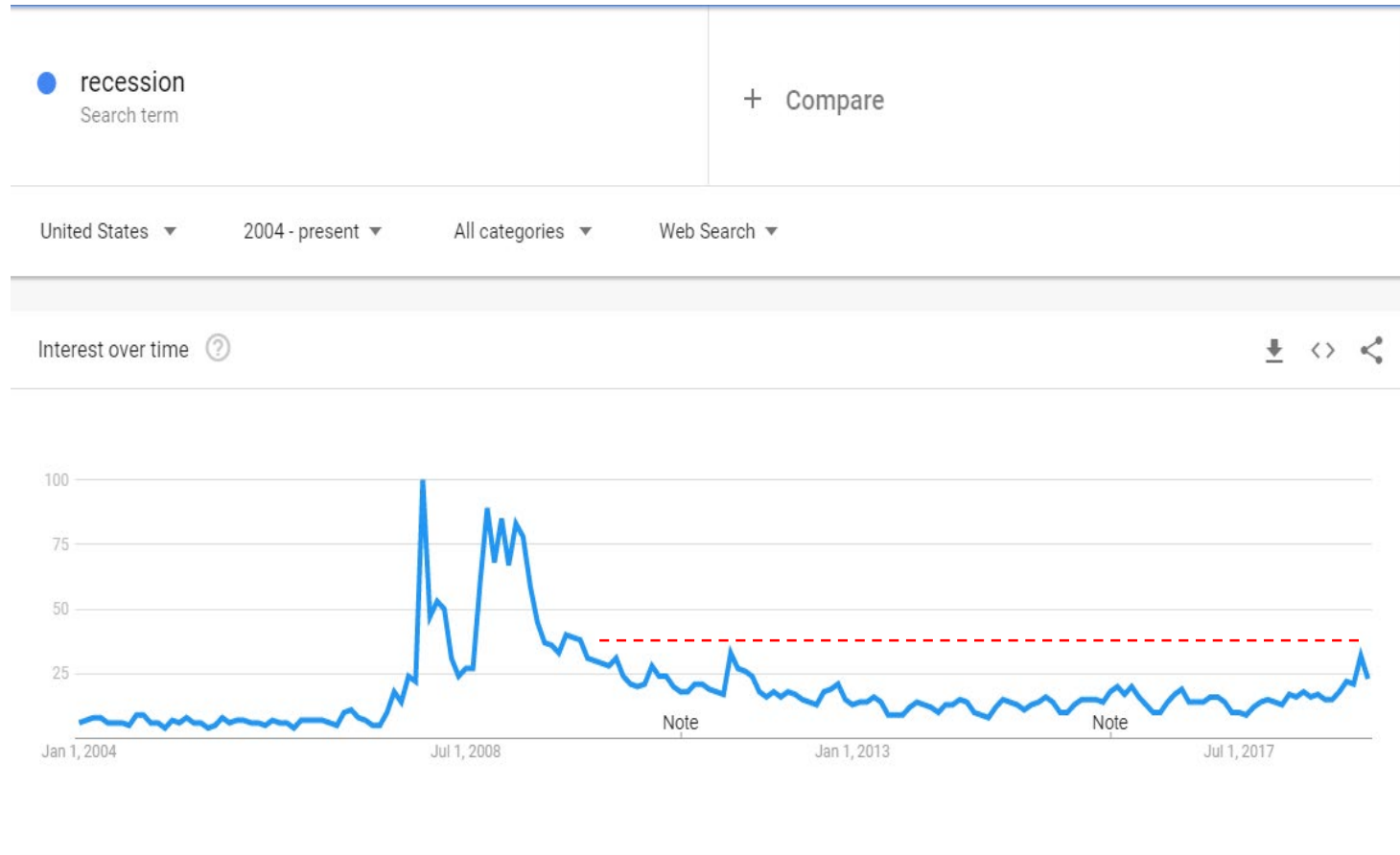
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# Key Themes from 2018



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# A Preview of 2019



## **Cycle concerns remain dominant.**

- Is this simply decelerating growth, or something more?

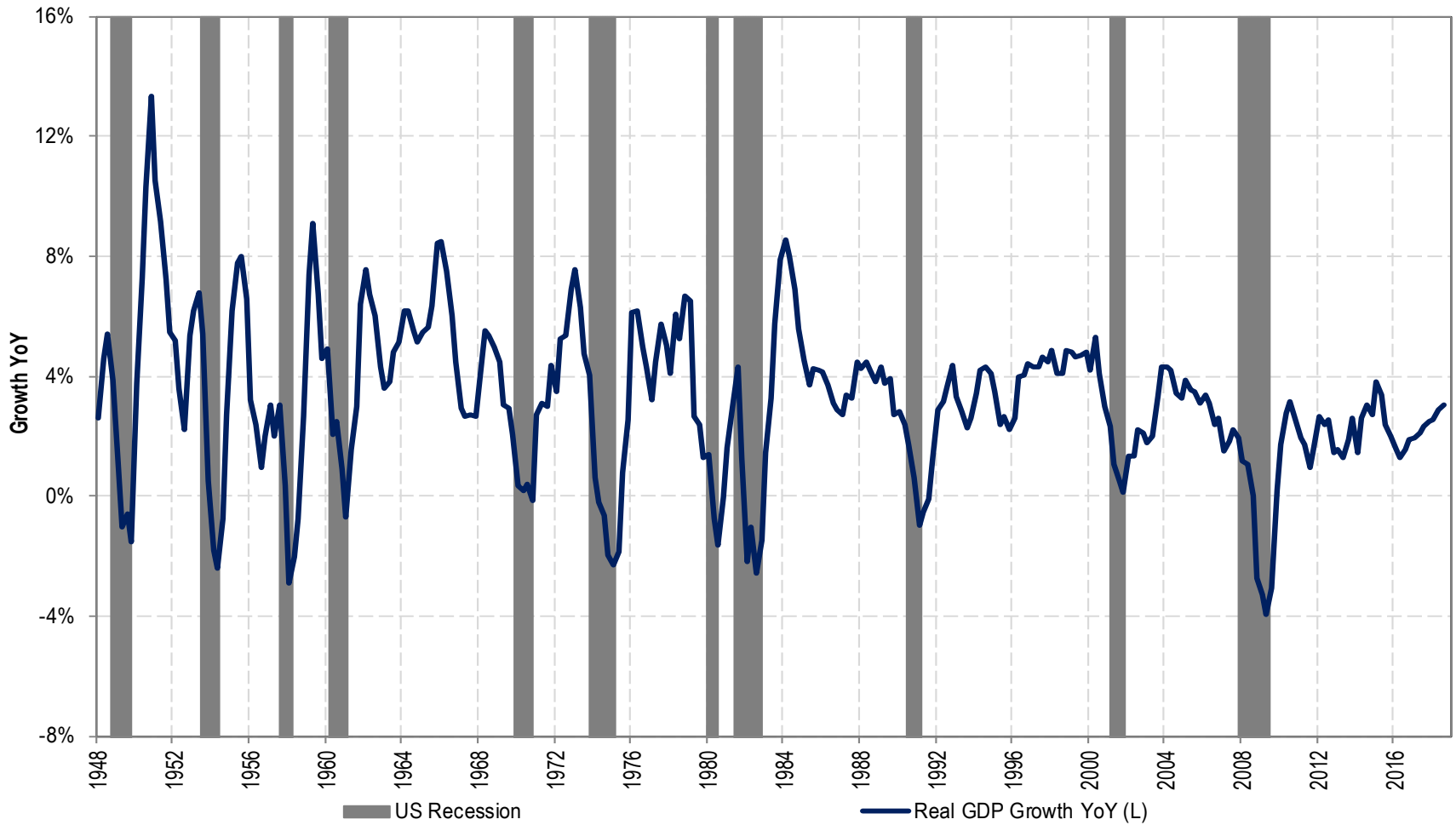
## **Key points we're monitoring** for 2H19 and the balance of the cycle:

- Interest rates
- USD
- Commodity prices
- Trade talks

# A Preview of 2019

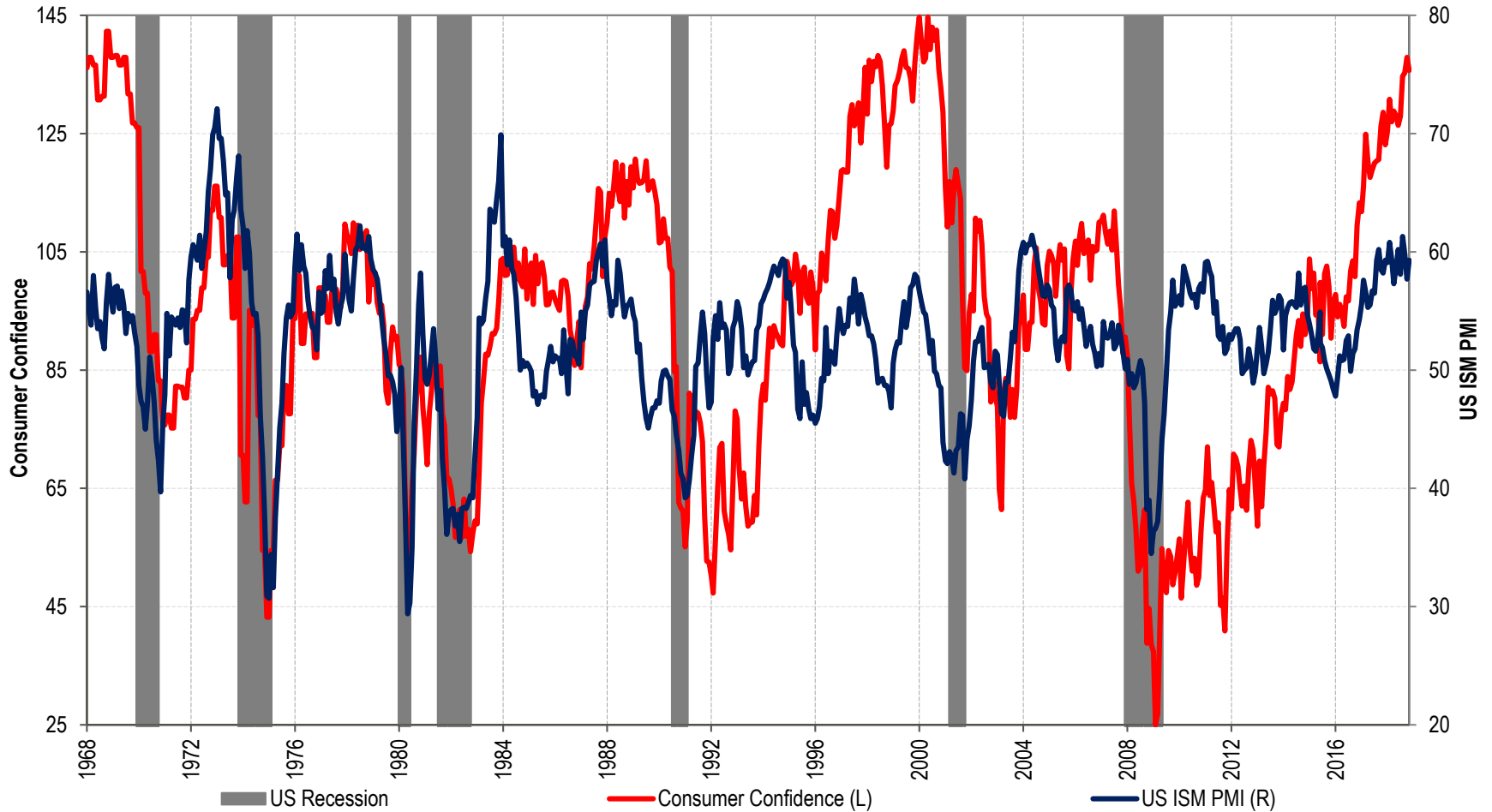


Not necessarily a “recession year.”



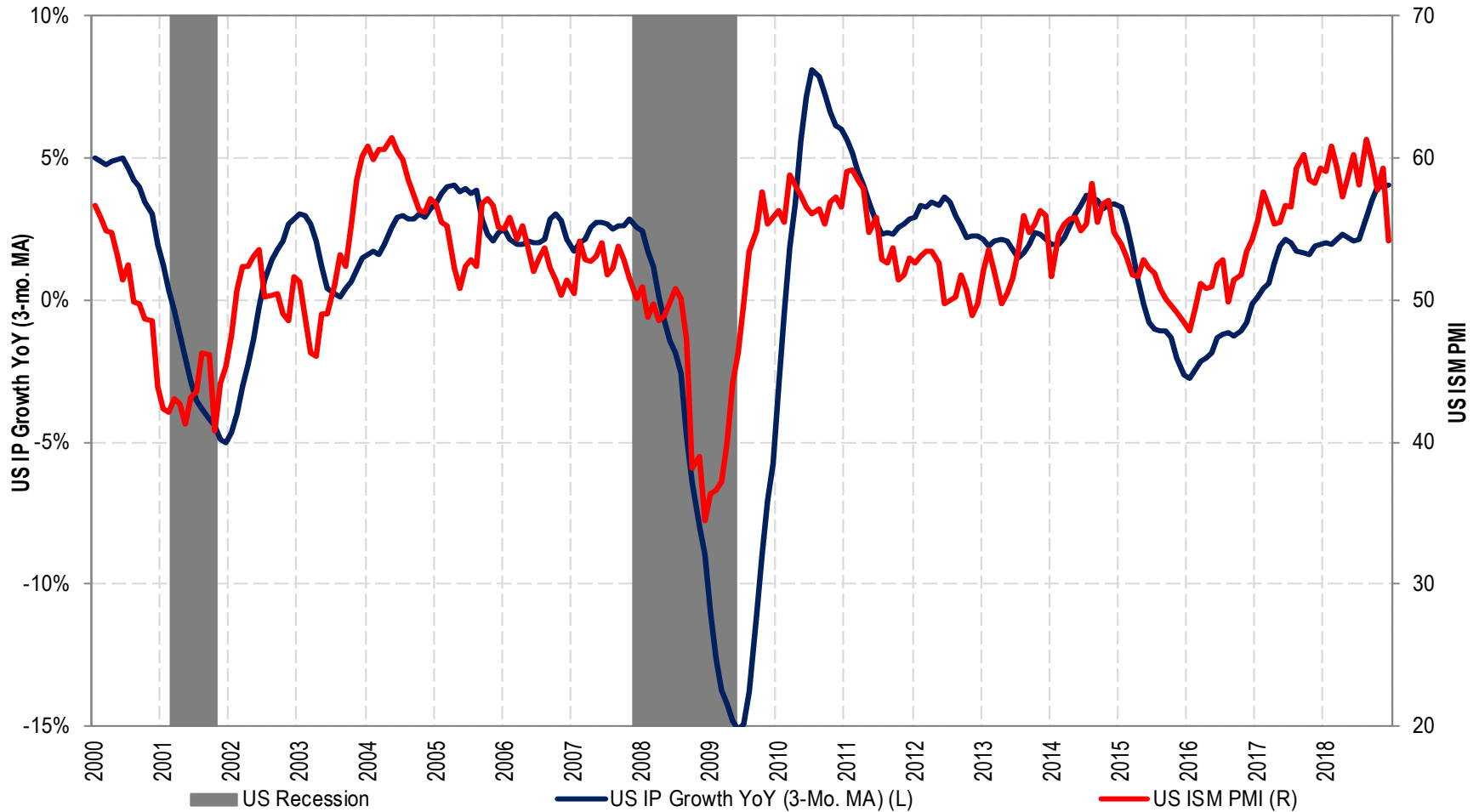
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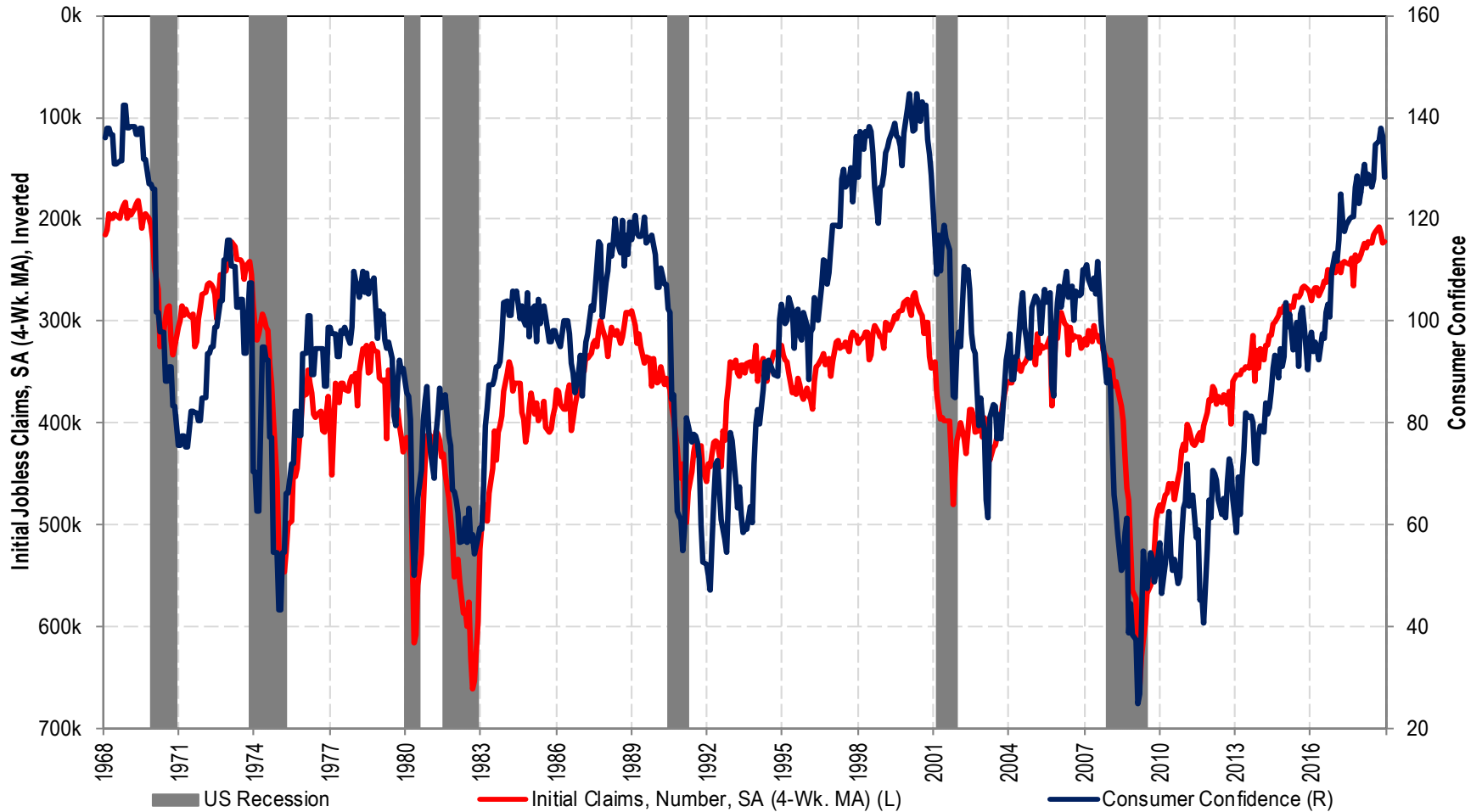
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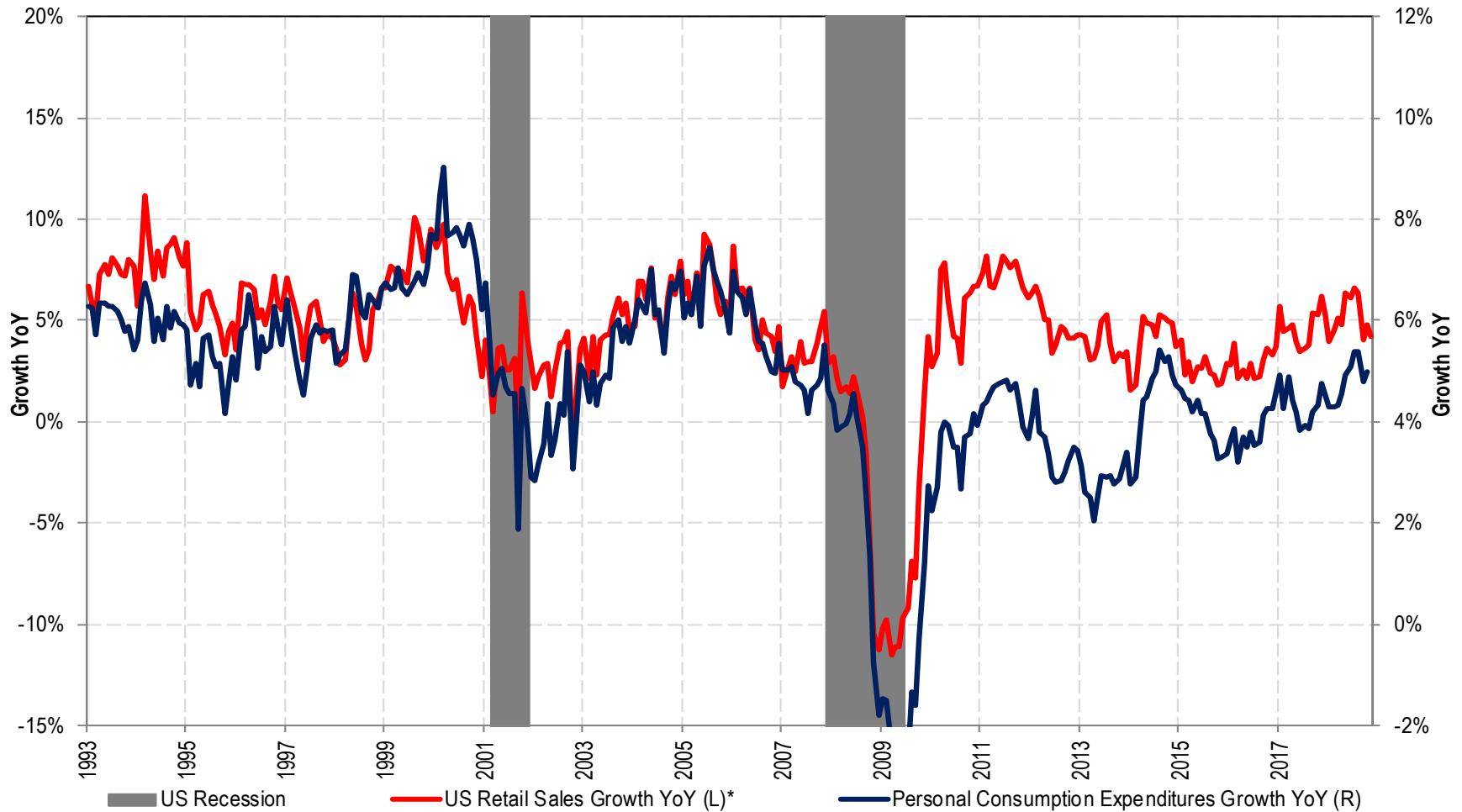
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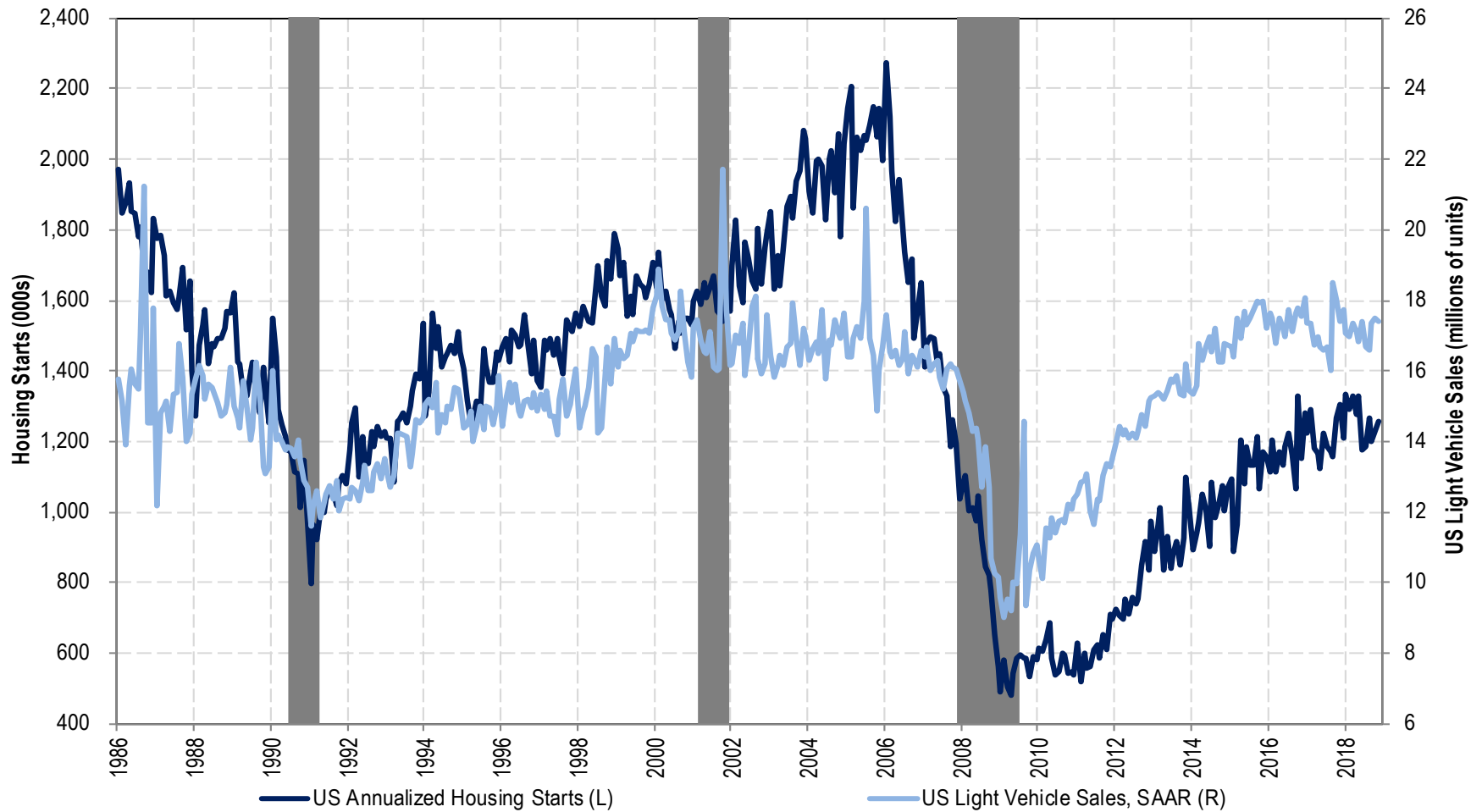
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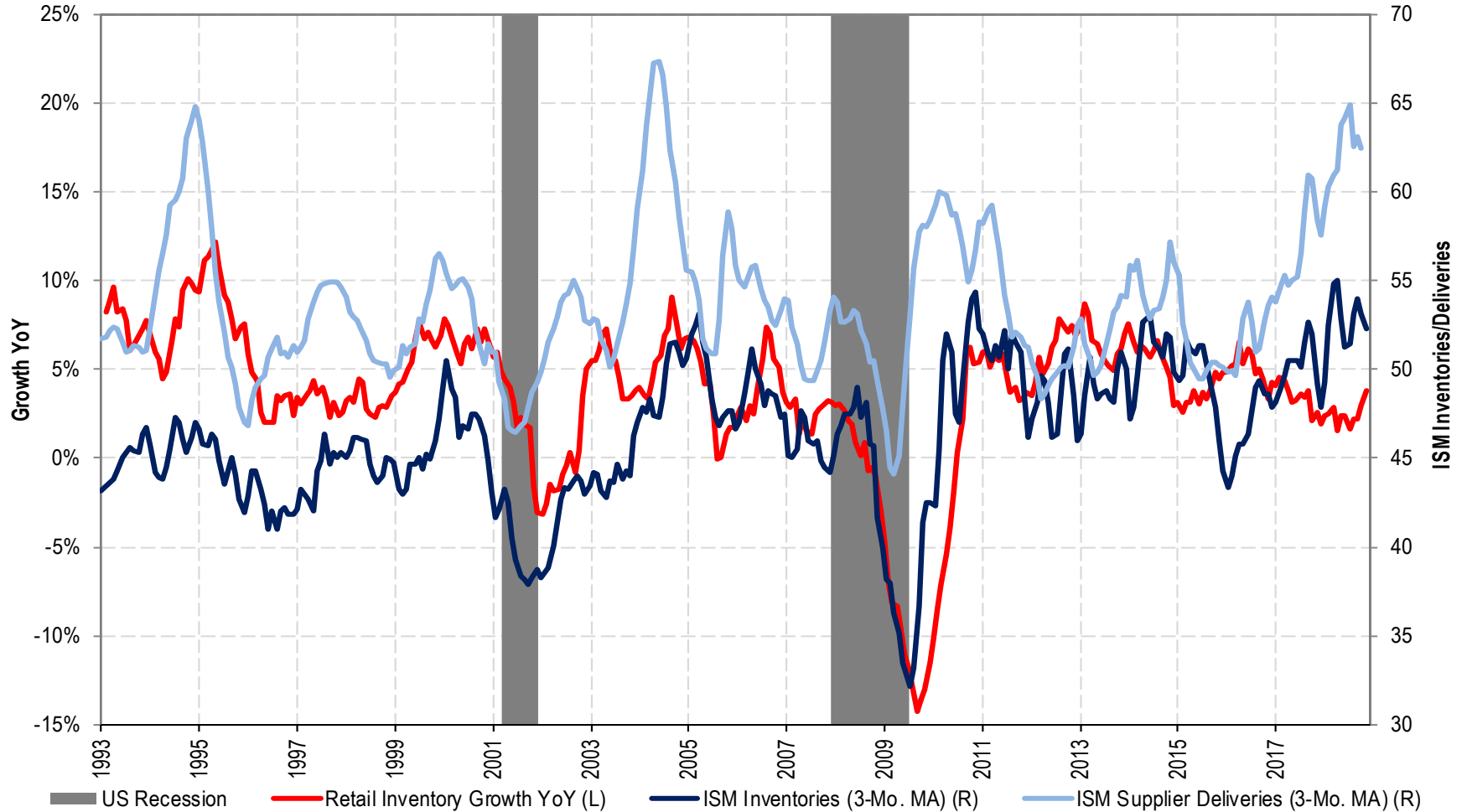
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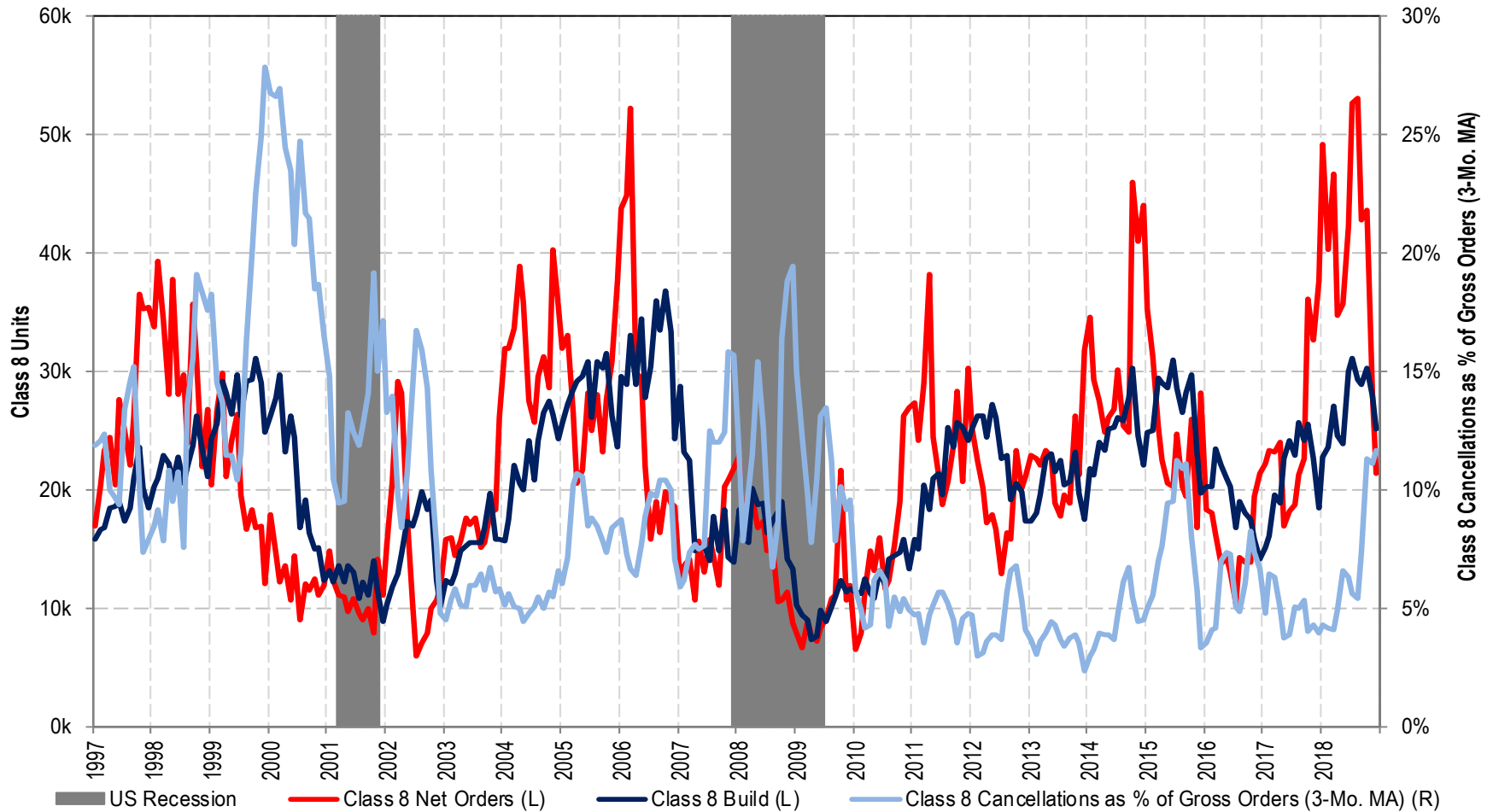
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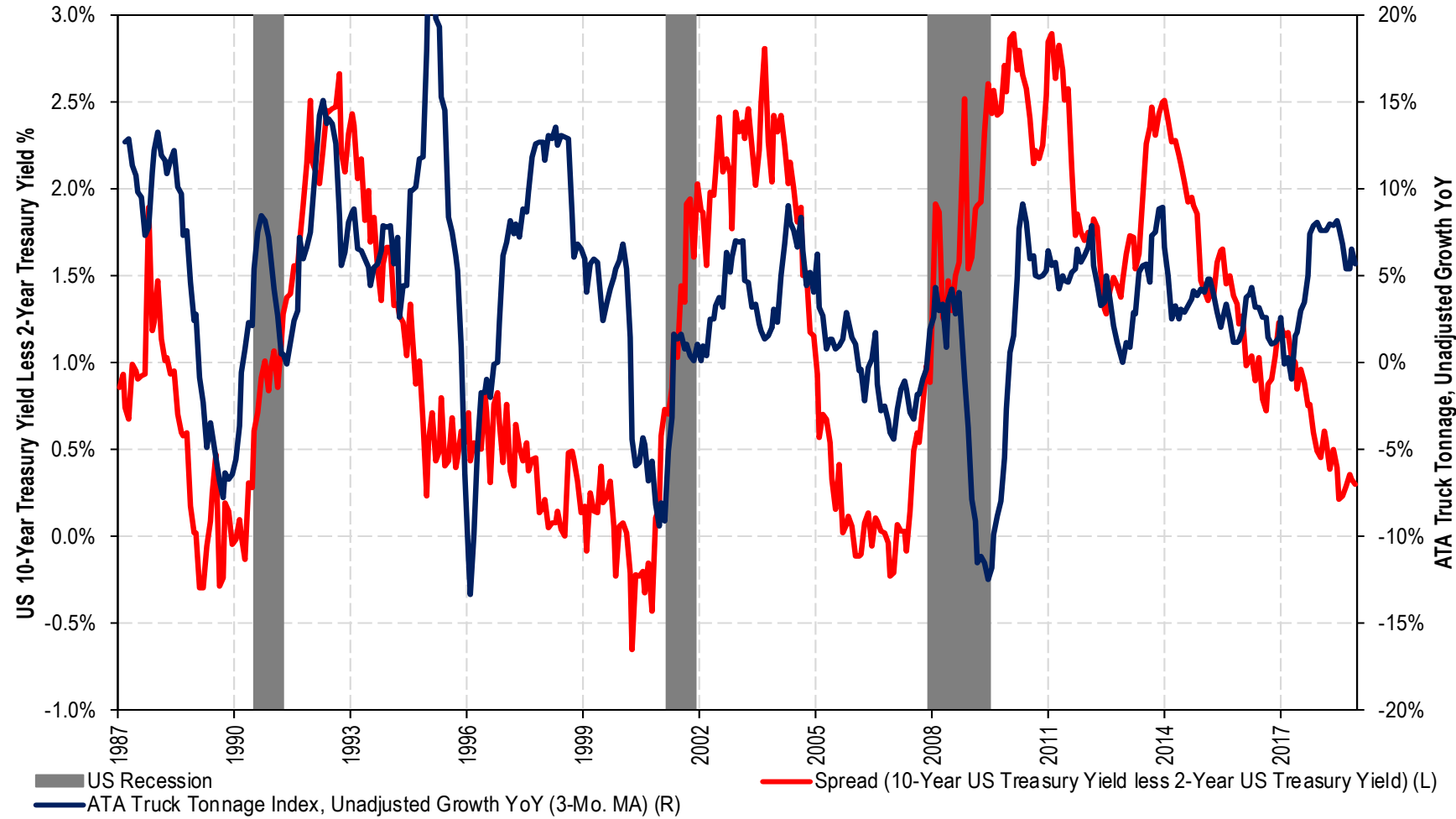
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# Key Themes During 2019

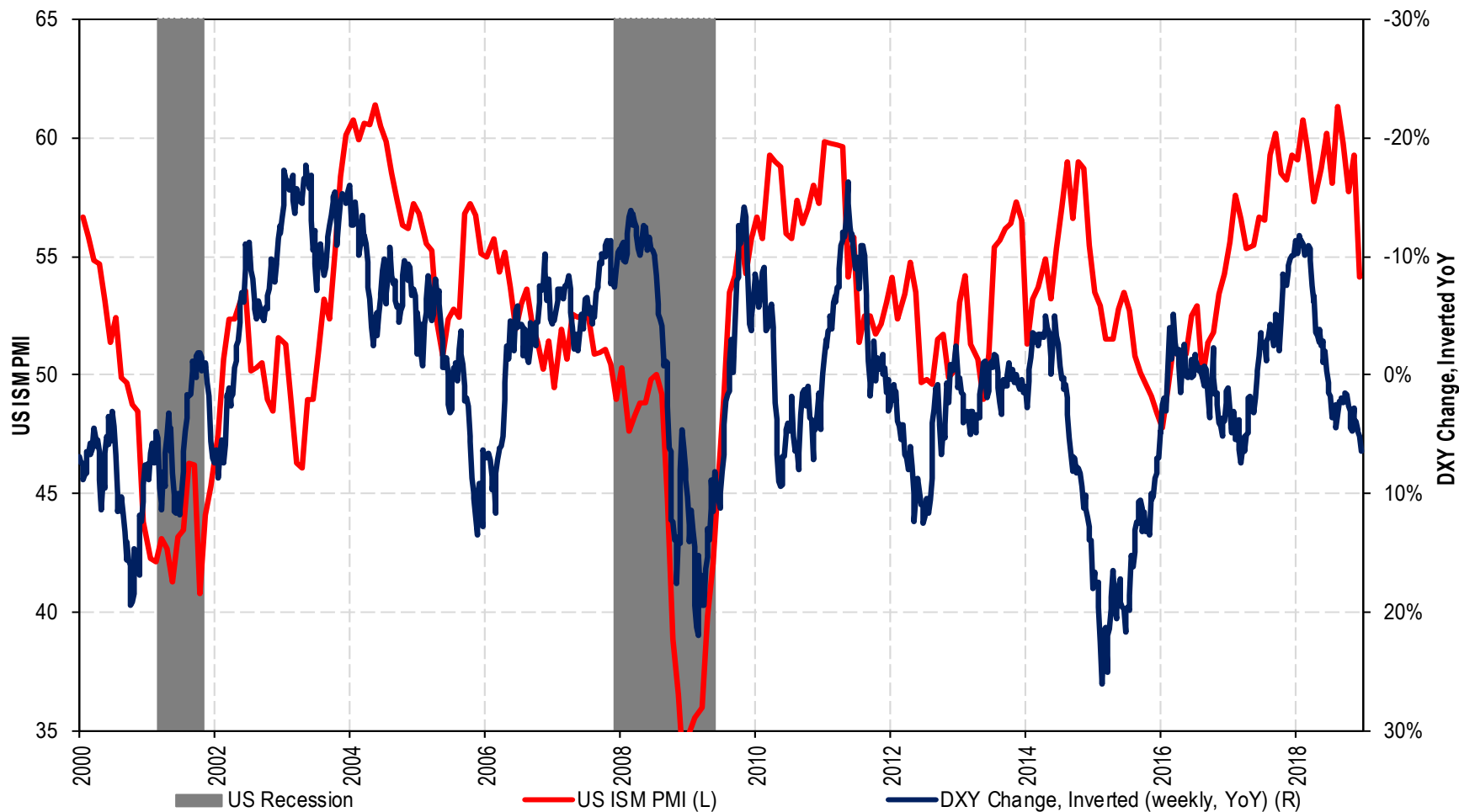
## Interest rates



# Key Themes During 2019

USD

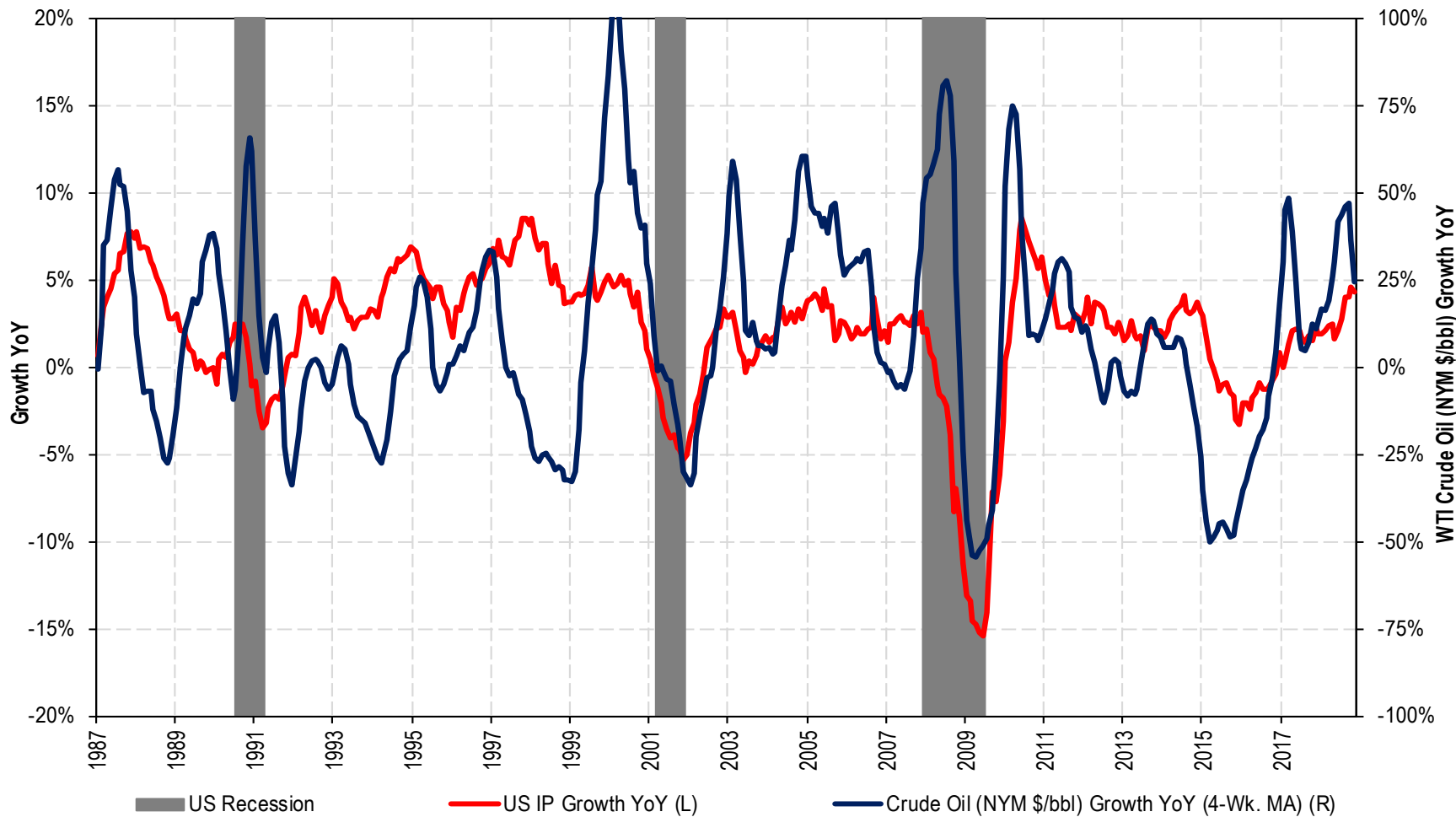
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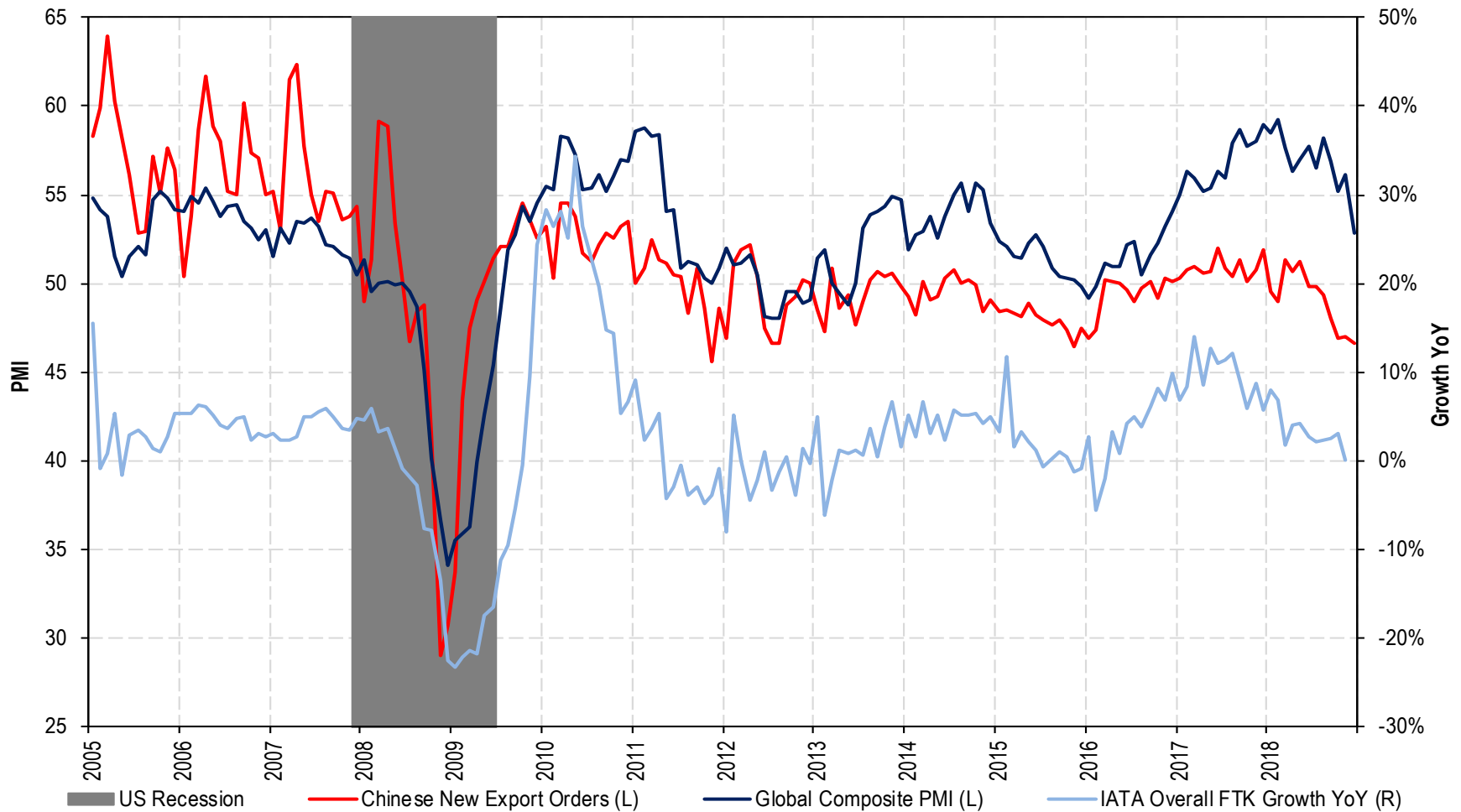
## Commodity prices

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# Key Themes During 2019

## Trade talks and government leadership



# Three Points to Takeaway

1. **A lot of cycle-highs were made in 2018; growth rates will slow in 2019.**
  - Consumer Confidence
  - Small Business Optimism
  - US ISM PMI
  - Truckload/freight rates
  
2. **However, “peak growth” does not necessarily mean “peak cycle.”**
  
3. **Late 2018’s recession fears were credible but premature.**
  - Is it possible to talk an economy into recession?



# Thinking Beyond the Cycle

## Key themes to watch in the coming years:

- Capacity growth (rolling stock, infrastructure and labor)
- Changing trade agreements (China, Mexico/Canada, EU)
- E-commerce's opportunities and threats ("Final Mile" and Amazon – friends or foes?)
- Automation (transactions, transportation) and technology (machine learning/AI, blockchain)
- Convergence of operating models and consolidation

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