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Hiring rates climb at Class I Railroads

Norfolk Southern Railway and CSX Transportation will try to position themselves to increase their share of the nation's double-stack freight traffic

Railroad Updates

The seven largest freight railroads mildly increased their net hiring in November even as the overall U.S. jobless rate increased, the Surface Transportation Board reported.

Six of the Class I carriers told the STB they added a total of 757 workers from mid-October to mid-November, for a combined 155,042. A few of them barely increased their employment in the month, and eastern-U.S. railroad CSX Transportation trimmed its workforce slightly.

But the November gain also reflects a rebound from October, when net hiring was a weak 191 workers across the industry. With the latest report, Class I railroads have posted a net increase in U.S. employment in nine of the 11 months of 2010.

Those adding jobs through the first pay period of November included Union Pacific Railroad, BNSF Railway, Norfolk Southern Railway, and the U.S. operations of Kansas City Southern, Canadian Pacific and Canadian National.

The job gains come as Class Is have maintained solid momentum throughout the autumn in intermodal traffic, which has remained at high levels for the year even after the peak traffic weeks in late September and early October. Railroads have also seen solid volume for several types of carload freight shipments that are carried in regular freight cars and linked to the manufacturing sector.

Learn more at:
http://www.joc.com/rail-intermodal/class-i-rail-hiring-rises-november

Container Traffic Market Share Shift Could Benefit NS, CSX

U.S. supply chain professionals expect East Coast ports to gain container traffic market share at the expense of West Coast ports, according to a new research report issued by the ProLogis Research Group.

Titled, "Capital Improvements Bolster the East Coast's Intermodal Rail Network," the report states that capital improvements and other market conditions at East Coast ports account for the anticipated gain in market share.

As a result, Norfolk Southern Railway and CSX Transportation will try to position themselves to increase their share of the nation's double-stack freight traffic, according to Leonard Sahling, first vice president of Denver-based ProLogis.

"Additionally, however big the shifts in market shares of East Coast ports and their railroad allies do turn out to be, they are likely to have only a modest impact on the derived demand for nearby distribution facilities," he said in a prepared statement.

The vast majority of inbound containers arriving at U.S. ports are destined for inland population centers, a portion of transpacific container traffic that is "vulnerable to being rerouted from West Coast to East Coast ports," said Sahling.

Read the article at:
http://www.progressiverailroading.com/news/article/ProLogis-Container-traffic-market-share-shift-could-benefit-NS-CSX--25270

AAR Updates

November marks the 11th straight month in which rail volumes were higher than year-earlier levels. That hasn't happened since January 2006

The Association of American Railroads (AAR) reported that monthly rail carloads for November 2010 were up 4.5 percent compared with the same period last year, while intermodal traffic was up 11.3 percent compared with November of 2009. Seasonally adjusted AAR data for November showed a month-to-month dip in carloads, down 1.1 percent from October 2010, as well as in intermodal traffic, down 0.4 percent from the month before.

"Even though U.S. rail volumes were down in November from October levels — due largely to Thanksgiving — November marks the 11th straight month in which rail volumes were higher than year-earlier levels. That hasn't happened since January 2006," said AAR Senior Vice President John Gray. "Granted, 2009 was a bad year for rail traffic, but like the economy in general, rail traffic has been slowly improving. We're hopeful that recent gains in consumer confidence and some recent encouraging signs regarding consumer spending will mean a continuation of economic growth and further growth in rail traffic."

On an unadjusted basis, November also saw carload gains in 14 of the 19 commodity groups tracked by AAR compared with the same period last year. Four categories in particular saw solid gains: metallic ores up 86 percent; primary metal products up 26 percent; coke up 19.9 percent, and crushed stone, gravel and sand up 18.7 percent compared with the same month last year.

While railroads continue to bring employees back to work and cars out of storage, data show the pace slowed slightly in recent months. During the month of October, the most recent period for industry employment data, railroads added 191 people to the employee rolls. Railroads brought 465 rail cars out of storage in November, with 317,810 cars, or roughly 20.8 percent of the North American railcar fleet, still in storage.

Note that AAR no longer reports 2010 rail traffic with 2008 comparison data since October 2008 marked the beginning of the recession-related downturn in rail traffic. RTI, available at www.aar.org, comprises detailed monthly rail traffic data framed with other key economic indicators to show how freight rail ties into the broader U.S. economy.

U.S. railroads originating 286,391 carloads for the week ending Dec. 11, 2010, up 10.2% compared with the same week last year

Although many economies in the developed world are "stuttering and uncertain," growth in Asia will continue to strain copper supply

Read the article at: **http://www.aar.org/NewsAndEvents/Press-Releases/2010/12/06-rti.aspx**

Railroad Traffic

The Association of American Railroads (AAR) reported December 16th that weekly rail traffic remains up over 2009 levels with U.S. railroads originating 286,391 carloads for the week ending Dec. 11, 2010, up 10.2 percent compared with the same week last year. Intermodal traffic for the week totaled 233,935 trailers and containers, up 14.1 percent compared with the same week in 2009, with container volume up 15.9 percent and trailer volume up 6.4 percent.

Fifteen of the nineteen carload commodity groups increased from the comparable week in 2009. Commodities posting double digit gains in loadings included: metallic ores, up 98.6 percent; metals and products, up 28.7 percent; farm products excluding grain, up 27.1 percent; stone, clay and glass products, up 24.3 percent; crushed stone, sand and gravel, up 22.3; petroleum products, up 17 percent; lumber and wood products, up 16.3 percent; coal, up 10.5 percent; and chemicals, up 10.3 percent. Commodities reporting declines included non-metallic minerals, down 14.4 percent; grain mill products, down 5.7 percent; motor vehicles and equipment, 5.2 percent; and primary forest products, down 2.7 percent.

Carload volume on Eastern railroads was up .7 percent compared with last year. In the West, carload volume was up 16.9 percent compared with the same week in 2009.

For the first 49 weeks of 2010, U.S. railroads reported cumulative volume of 14,052,248 carloads, up 7.1 percent from last year, and 10,718,006 trailers or containers, up 14.3 percent from the comparison week in 2009.

Canadian railroads reported volume of 74,098 cars for the week, up 10.9 percent from last year, and 47,447 trailers or containers, up 23.6 percent from 2009. For the first 49 weeks of 2010, Canadian railroads reported cumulative volume of 3,590,915 carloads, up 17 percent from last year, and 2,325,853 trailers or containers, up 15.8 percent from last year.

Read the article at: **http://www.aar.org/NewsAndEvents/Freight-Rail-Traffic/2010/12/2010-12-16-railtraffic.aspx**

Industrial Inside

Throughout 2010, the price of copper has fluctuated, but has essentially stayed in a very lofty range well above its historic average.

Speakers at the 2010 China Nonferrous Metals Industry Association Recycling Branch (CMRA) forum in Ningbo, China, had differing opinions as to what extent the lofty pricing can continue into 2011.

Mike Jackson, director of nonferrous sales at Commercial Metals Co., Irving, Texas, said he foresees strong copper demand continuing and suppliers straining to keep up in 2011.

“There is a global supply deficit projected”

Jackson said that although many economies in the developed world are “stuttering and uncertain,” growth in Asia will continue to strain supply. “There is a global supply deficit projected” in 2011, he commented.

The scenario leads Jackson to believe that copper pricing will average $4.10 per pound when the highs and the lows are averaged out at the end of 2011.

Michael Lion, Australia-based chairman and board director of Sims Metal Management, said he is “bullish for the most part” on nonferrous metals and that “copper’s strength is tied to fundamentals in the market.”

China’s ongoing growth and hunger for copper to keep the demand side high and the lack of new mining and production capacity investment to keep the supply side low

Lion cited China’s ongoing growth and hunger for copper as the key fundamental on the demand side and the lack of new mining and production capacity investment in the 1980s and 1990s as the key factor on the supply side.

Industry analyst Ming Feng of Shenzhen, China-based China International Futures Co. Ltd., said the strength in copper pricing has been underpinned by economic growth in Asia and, up until late 2008, healthy economies in the rest of the world.

He noted, though, that “the economy is not picking up fast” in the United States” and the job market in the U.S. “is not dynamic enough.” Ming added, however, “the U.S. economy has the ability of self-repairing.”

Demand in China may also have reached a peak, said Ming. “The pace of economic growth will slow down in China” under the 12th Five-Year Plan, he commented. Also, “the real rate of [infrastructure and real estate] investment started slowing down in 2009 [and] raw material demand has slowed down for most commodities except oil.”

“The [weakness of] the U.S. dollar is the main driver of the current copper market,” said Ming

“The [weakness of] the U.S. dollar is the main driver of the current copper market,” said Ming.” He concluded by saying copper may hit a medium-term trough in pricing as the recent boom winds down, but that in the long-term, market fundamentals will keep copper trading at a high range beyond where it was before the economies of China and other nations roared to life.

Learn more at:
http://www.recyclingtoday.com/cmra-conference-all-eyes-on-copper.aspx

Financial Focus

Survey shows that economists expect the Fed funds rate to remain near 0% for at least another year

Economists are evenly split on whether the Federal Reserve's current policies are helping the economy. But they're in agreement on one point -- the Fed won't be raising interest rates anytime soon.

A CNNMoney.com exclusive survey showed that economists expect the Fed funds rate -- the central bank's key overnight interest rate used as a benchmark for a wide range of loans -- to remain near 0% for at least

John Ryding of RDQ Economics, predicts that the Fed will keep rates near zero all the way into 2013

Fed announced a plan to buy $600 billion more in long-term Treasuries to try and spur growth

another year.

Only seven out of 25 participants are forecasting a rate hike in the next twelve months, and most of those expect it to come in the final three months of 2011. Another nine expect the next rate increase to come in the first quarter of 2012, while eight more are expecting a hike later that year.

Just one economist, John Ryding of RDQ Economics, predicts that the Fed will keep rates near zero all the way into 2013. He believes unemployment will stay above 8% until the following year, prompting the Fed to keep rates low.

Persistently high unemployment is one reason the economists think rates will remain low. While their forecasts for growth are improving, unemployment is expected to stay at about 9% through the end of 2011. But low inflation pressures will also allow the Fed to keep the low rates in place. The economists believe prices will rise only 1.7% over the next 12 months.

The Fed cut the fed funds rate to near 0% for the first time in its history in December 2008 in response to the economic meltdown. Since lowering rates is the typical tool the central bank uses to spur economic growth, it has had to find other means to encourage growth since then.

In November of this year, the Fed announced a plan to buy $600 billion more in long-term Treasuries to try and spur growth. The move prompted widespread attacks from critics who believe the Fed risks devaluing the dollar, a return of high inflation and creating asset bubbles.

But the survey showed disagreement among the economists, with 12 out of 25 expecting no significant economic impact from the Fed's controversial policy.

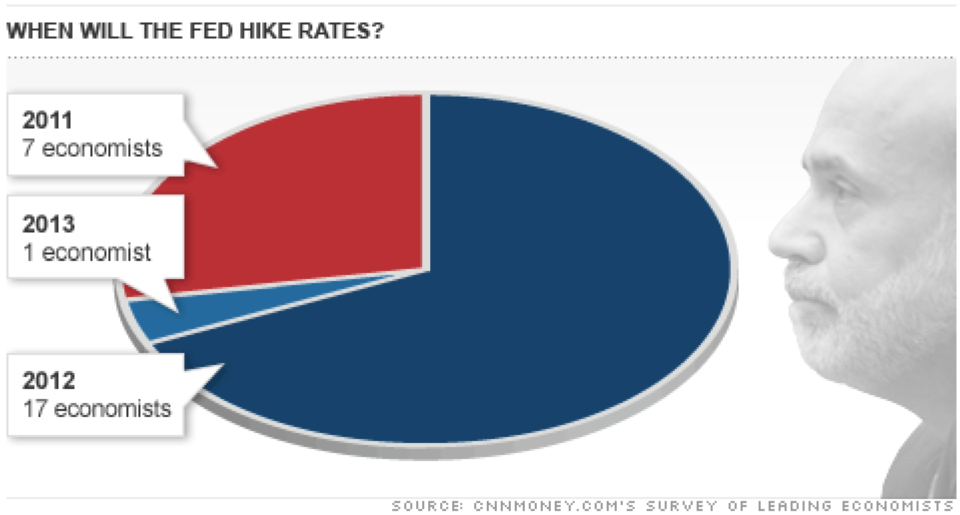
Another 11 believed the policy would boost growth, although two of those said it would be at the price of high inflation.

But even some of those who expect the Fed's policy to work still have their doubts about the move.

"Growth ... is likely to be later than we hope -- in the second half of 2011 and into 2012," said David Berson of PMI Group. "Unfortunately, we won't need the boost then."

Almost all the economists think the Fed's current plan will run its course, as 22 of the 25 expect the central bank to purchase the full $600 billion in Treasuries. Just two economists surveyed predict that the Fed will pull the plug early, although a third believes that it should.

And despite some ambiguous comments from Fed Chairman Ben Bernanke on 60 Minutes earlier this month, the economists don't expect another round of purchases after this one, with only one predicting that outcome.



Read the article at:
http://money.cnn.com/2010/12/23/news/economy/economists_survey_fed_outlook/index.htm

The Edge

Happy New Year! We hope 2011 brings you and yours every bit of health, happiness and success that you so desire! It is typical that the start of a new year brings the excitement of new opportunities and hope for overwhelming success.

Here at Tealinc, we spend much of the Holiday season closing the books on the previous year and reviewing transactions to plan for the incoming year. When looking at 2010, we can assert that nothing was as simple as we'd planned but that the complexities of the economy, market changes and the volatility within most industries we work in provided the sort of challenges our team thrives on. To say the least, 2010 was an exciting year!

As we move into 2011, we've begun by talking with others in the industry to further forecast on what we see for the market in 2011. Most of the people we've talked with agree that while 2010 was a better year than 2009, the differences were only slight yet still helped to ramp up the forecast for success in 2011. We see that most markets will continue to further pull out of the slump they saw in 2009 but don't expect to see the 2007 or 2008 highs they experienced.

A reading pulled from **Kiplingers** shares some further economic factors that we agree will further impact our industry in 2011. While planning for success this year, we think you'll find that while economic indicators are painting a modest better-than-last-year picture of 2011, you can factor in these positive notes to increase your 2011 optimism.

1) **Look for the pace of gains for business activity to slow somewhat into early 2011 and expect an increase of about 12% for the year.** Businesses also will moderate their buildup of inventory, exercising caution in the face of the slow economic recovery. Construction remains the weakest element of business investment. Vacancy rates are at a peak for offices and industrial space, but sluggish economic growth means vacancies are likely to plateau during 2011 rather than fall off quickly.
2) **Look for GDP growth to advance to about 3.5% for 2011.** The sluggish growth that followed a rousing 2009 fourth quarter and first quarter of 2010 has been raising fears that the economy may tumble into recession again. The White House-GOP pact slams the door on that worry. The tax deal agreement extends unemployment benefits, cuts payroll

taxes and adds some inducements for companies to buy new equipment. All of that reinforces growth that is being fueled by both consumer spending and business investment.

3) **Look for the Federal Reserve to keep its benchmark short-term interest rate near zero through 2011.** With inflation at a low of around 1% and unemployment high at 9.8%, the central bank's greatest concern is warding off deflation and a recurrence of recession. Look for the prime rate to remain at its present level, 3.25%, probably through 2011.
4) **Look for inflation to pick up only modestly in 2011,** rising to about 1.5% for 2011, measuring from December 2010 to December 2011. Federal Reserve Chairman Ben Bernanke remains more concerned about the possibility of deflation, but the economy is gradually absorbing the sum of the excess resources. The number of jobs in the private sector, for example, is increasing, albeit slowly, leading us to believe that inflation will increase mildly in 2011, though still remain very low. Going forward, there is still enough slack in the economy to curb price increases for several months. Makers of beer, coffee, tires and breakfast cereals, among others, aren't able to pass along much of the rise in commodity prices, which are up 20% to 100% in some cases this year. But the firms are nudging up prices a little.
5) **Look for the unemployment rate to remain high in 2011.** The tax package working its way through Congress is sure to boost employment along with adding to GDP growth. We now expect about 2.5 million net new jobs in 2011. Still, the unemployment rate will remain high.
6) **Look for the trade deficit to show a modest increase in 2011.** Companies that ran down their inventories during the recession spent the early part of 2010 restocking. But that process is largely complete, and global demand will fall. The deficit for 2010 will end up at about $465 billion or 3.2% of gross domestic product, and edge up to $525 billion -- 3.5% of GDP -- in 2011.
7) **Look for crude oil prices to remain in the range of $85-$90 into the first half of 2011 following a dip in January.** While traditional metrics of supply and demand continue to be important in the market, there is also a great deal of speculative trading that's keeping prices artificially higher than market supply-and-demand fundamentals alone would dictate. Expect the price of gasoline at the pump to edge up slightly in coming months while diesel fuel will also slowly increase in price as the economy improves, boosting shipments of goods and the need for truckers to deliver them.
8) **Look for sales of existing homes to show signs that they're hitting bottom,** after the boom and bust surrounding the housing tax credit over the past 12 months. There's scant indication of a pickup, however. The annualized pace of 4.68 million sales last month remains well below the pre-bubble trend of about 5.5 million. New home sales are also bumping along at a very low pace. Also not helping is the recent rise of the 30-year fixed-rate mortgage to 4.8%. Next year, the rate is likely to fluctuate in a range of 5% to 5.5%. The large inventory of unsold homes plus new foreclosures and distressed sales will result in a drop in prices of about 5% or a bit more, even as the rest of the economy shows improvement. Foreclosures will total about 1.8 million this year and about 2 million in 2011.
9) **Look for retail sales to resume their modest growth in 2011,** following a fairly decent 2010 holiday sales season. Despite the holiday cheer consumers have shown in recent months, the realities of high unemployment and a still shaky housing market will keep a rein on consumers' ability and desire to buy once the holiday season is over. Higher prices for raw materials will also bump up prices of some goods, further dampening demand. Look for overall retail sales to increase less than 3%, compared with a gain of 3.5% in 2010.

We look forward to the opportunity to work with you. If we can help you in planning for 2011, please call on us!

We look forward to earning your business!