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Freight Rail
Market Consist

Q1 2026

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Table of Contents

Letter from the CEO

Harris Ligon,
Co-founder + CEO of Telegraph

Hi!

We are excited to share our latest thinking around the freight market in 2026. In summary, there is a ton of distraction particularly considering the overall softness in demand. Our objective is to continue to provide signal amidst the noise. With that, three key takeaways from our latest:

Intermodal
The window is open. Our velocity analysis shows Chicago-to-LA westbound lanes running faster than they have in years. Softer volumes plus improved transit times equals a rare alignment: favorable rates and reliable service. If you've considered modal shift, test it now. This is a favorable opportunity that may not last if volumes exceed crew and locomotive capacity.

July 2026
Mark it. The USMCA review is coming. If you have meaningful Canada or Mexico exposure, scenario planning starts today, not next quarter. We expect posturing, not collapse. Prognostications have been wrong before, and the downside risk is real, but the decoupling from China is real and nearshoring will continue its slow, but consistent, upward trajectory.

Consolidation
Worth watching, few opportunities for action. The Surface Transportation Board rejected the first Union Pacific application. Midterm elections loom. Nothing will be decided before mid-year. Follow the headlines if you like drama, but don't rearrange your network until we see a ruling.

On behalf of the team, thanks for reading. Let’s go get it!

Harris

Harris Ligon

INTRODUCTION

This marks the second installment of our quarterly market outlook report, the *Telegraph Market Consist*. To us, the US freight market appears to be a little bit less murky than last time. International trade tensions have cooled. Benchmark federal fund rates have been cut. Broad macroeconomic measures appear to be outperforming analysts' most dire Q3 2025 predictions. So, is the overall freight railroading picture now clear and bright for 2026? That depends on who you ask. We predict railborne freight volumes will continue to trend below historical averages well into the new year.

Looking back, our forecasts from the inaugural *Telegraph Market Consist,* published in October 2025, proved accurate. Our initial forecasting models got national volumes pretty much right. We achieved 98% accuracy forecasting monthly US carload volumes, and 97% accuracy predicting US national intermodal volumes, when compared against the later-released government numbers. This isn't to pat ourselves on the back, merely a representation that there are a multitude of factors that influence railborne volumes, and we are presently in a period dominated by quantifiable seasonality and moderated by simmering trade tensions.

We attribute most of what we got right last time to our fundamental understanding of freight railroading's seasonal trends. Essentially, 2025's monthly ups and downs in the second half of the year followed a similar pattern to those observed in the historical data. Such behavior is imminently modelable – especially in Q3/Q4, which are typically low volatility quarters. But, like many analysts, we expected more to come from the US tariff regime in the second half of 2025 than actually materialized.

In this installment we've built our expectations around a milder tariff regime, one where tensions with US railroading's most important international trading partners - Canada, China, and Mexico - have cooled somewhat from a boil, to a modestly underperforming simmer.

We've also updated our assumptions to capture the cautious domestic economic moment too. Despite recent good news in consumer spending, and a winning stock market to close out 2025, we read the sentiment among the movers and the makers of freight in America as gloomy going into 2026. Industrial production has been trending downward. Housing starts have been trending downward. Manufacturers and transportation professionals' forward-looking sentiments are trending downward (see below). There are simply no compelling green shoot signs of Spring yet on the horizon for heavy industries and industrial production.

All of this points to some of the same freight strategy in 2026 that we prescribed last quarter. As much as it can be in railroading, 1H 2026 still looks to us like a shipper's market. For shippers, this means leveraging for price and service improvements on your railborne loads - and even experimenting with modal shifts from truck to rail where feasible. In the near-term, we believe that your carrier partners will have good reason to chase your business today and into the near future.

INTRODUCTION

For equipment lessors, this suggests upcoming cycles of equipment underutilization across both the carload and intermodal markets to start the new year. There may be opportunities to strategically reposition under-utilized assets, revisit maintenance cycles, and even upgrade existing equipment before the freight market eventually turns again .... maybe even later on in 2026.

Of course, many eyes are elsewhere at the moment. There is perhaps no greater drama in contemporary American railroading than the proposed transcontinental merger between Union Pacific and Norfolk Southern.

This merger stands to fundamentally rewire America's rail network, potentially boosting volume at some locations and subtracting it from others. Should the UP-NS merger be approved, more mergers are likely to follow - which will even further upend our industry's current status quo. On this front, our outlook for the next six months is this: bring your popcorn! Nothing is likely to be decided between now and July 2026. However, an already deeply politicized merger is heading into an especially unsettled moment.

Accountability Score

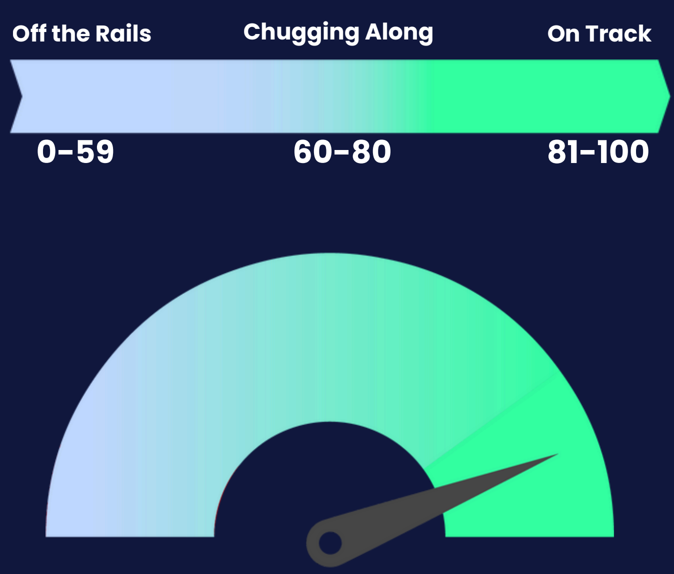
We achieved **98% accuracy** in forecasting monthly US carload volumes and **97% accuracy** predicting US national intermodal volumes, as compared to actual Q4 2025 volumes.

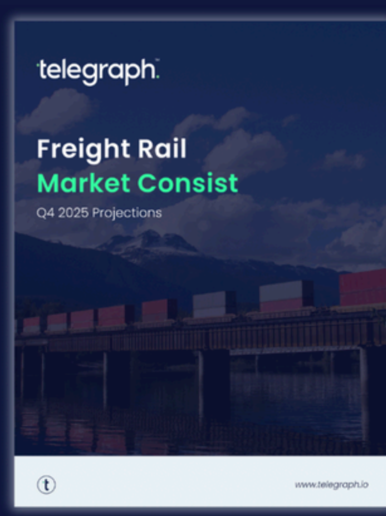
97%

accuracy predicting US national intermodal volumes

98%

accuracy forecasting monthly US carload volumes





INTRODUCTION

Demand Conditions

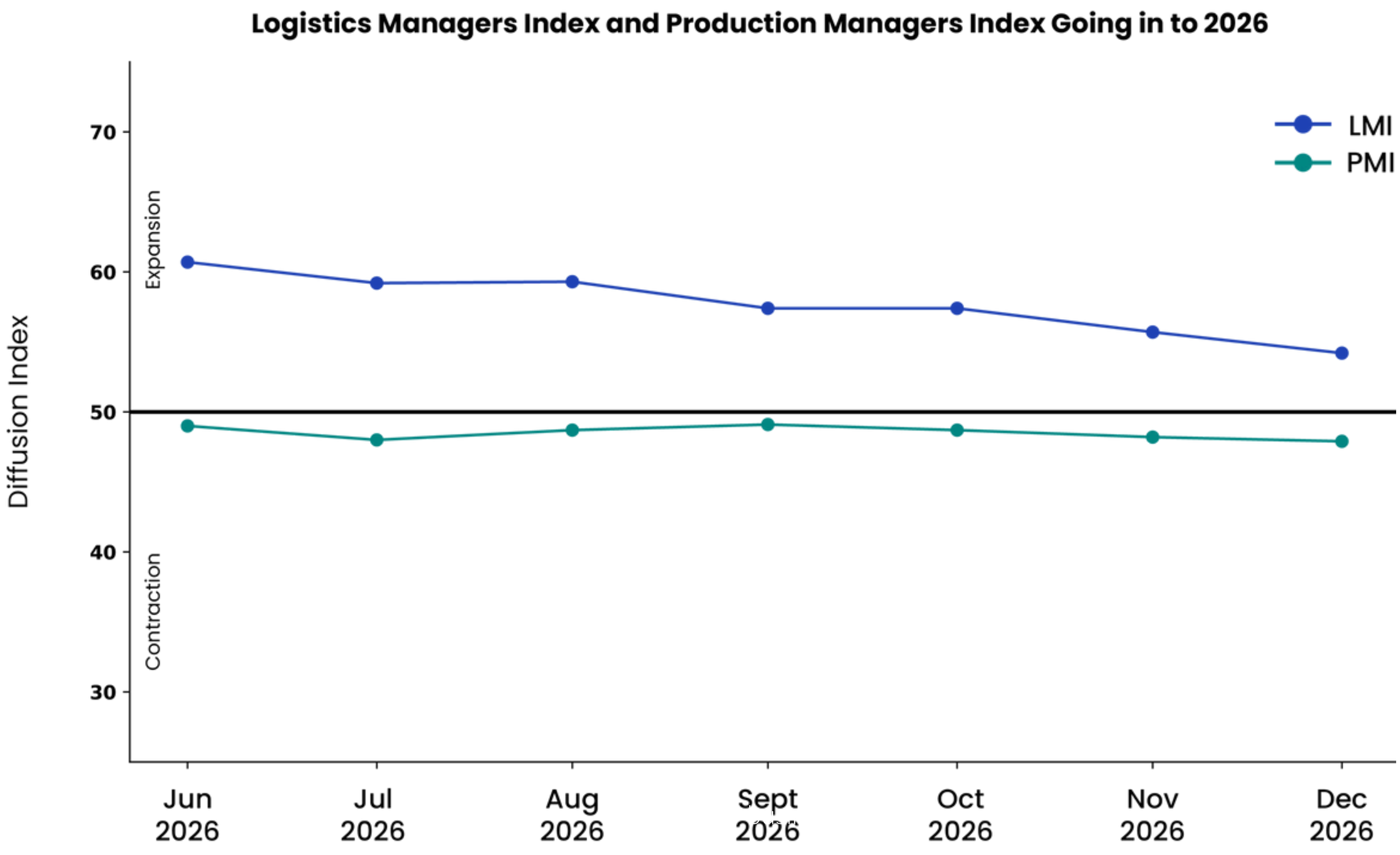
What do the makers and the movers of railborne freight expect over the next six months?

Nothing exciting.

Looking at the Production Managers' Index (PMI) and the Logistics Managers' Index (LMI) going into 2026, neither show inspiring signs of renewed demand for heavy freight conveyance in the new year. Both are trending negatively. The PMI, which measures producers' expectations of their future orders, has remained in a contractionary range for the entire second half of 2025. The LMI, which measures logistics managers' forward-looking expectations for shipping and warehousing demand, has remained in expansionary territory, but has been steadily falling in recent months and underperforming analyst expectations.

These results are especially concerning over Q3 and Q4 2025, which would typically capture pre-holiday inventory stocking and freight's end of year busy seasons. The freight just isn't moving like it used to – and the purchasers of freight conveyance don't expect it to any time soon.

In our view, the gist of this data is that there is nothing in the forward-looking domestic economic indicators that stands to boost railroading's seasonal volumes in 2026. And, unfortunately, from an international perspective, there remains ample downside risk to worry about.



CARLOAD + INTERMODAL RAIL VOLUMES

Carload: Cooler Winds Coming from the North

The quantitative model that we developed for our last *Market Consist* report achieved 98% accuracy predicting July, August, September, and October 2025 volumes (see below). Functionally, this meant accurately predicting the August and October 2025 carload volume upticks.

Our prediction model leverages both historical trends in US carload volumes, as well as external variables that our research shows are strongly predictive of US carload volumes. These external variables include four measures of US domestic economic activity (coal, chemical, steel and paper production), as well as monthly measures of US-Canada imports and exports.

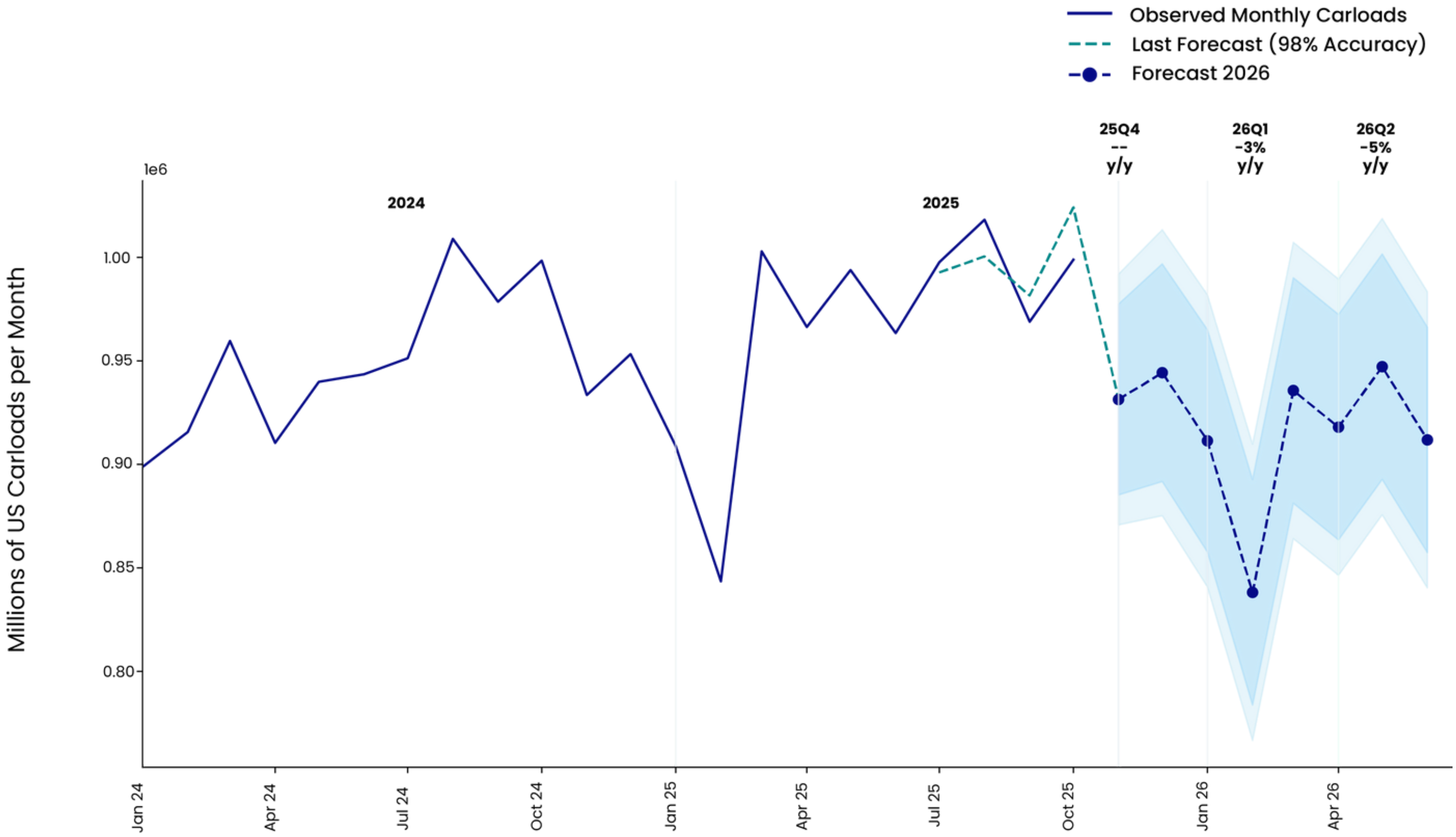
Looking ahead to H1 2026, we expect trade volume with Canada to underperform. Just before the US introduced its plans for a new American tariff regime, a new Prime Minister took office in Canada, Mark Carney. In his initial address, Carney took a uniquely defiant stance against Washington's tariff plans, saying: "Our old relationship with the United States, a relationship based on steadily increasing integration, is over."[1]. We believe that PM Carney meant what he said. Just before publication, we saw early evidence of this in his personal trade mission to China. As such, we've scaled-back our expectations for trade with Canada by 5 to 10% over this report's forecast period.

We've also taken a slightly pessimistic outlook on US industrial production as a whole over the next six months. Chiefly, this is because the forward-looking reads of Production Manager sentiment have been negative and trending downward for the last 6 months. It's hard to believe that American manufacturers plan to produce more in H1 2026 if they are not optimistically sourcing more production inputs now.

The result is a seasonal Q1 2026 dip in national carload volumes that mimics last year's cycle but cuts much deeper - down 3% compared to last year. In Q2 2026, seasonal volumes return to the market, but in aggregate we forecast 5% underperformance compared to last year.

CARLOAD + INTERMODAL RAIL VOLUMES

Carload: Cooler Winds Coming from the North



"Our old relationship with the United States, a relationship based on steadily increasing integration, is over."

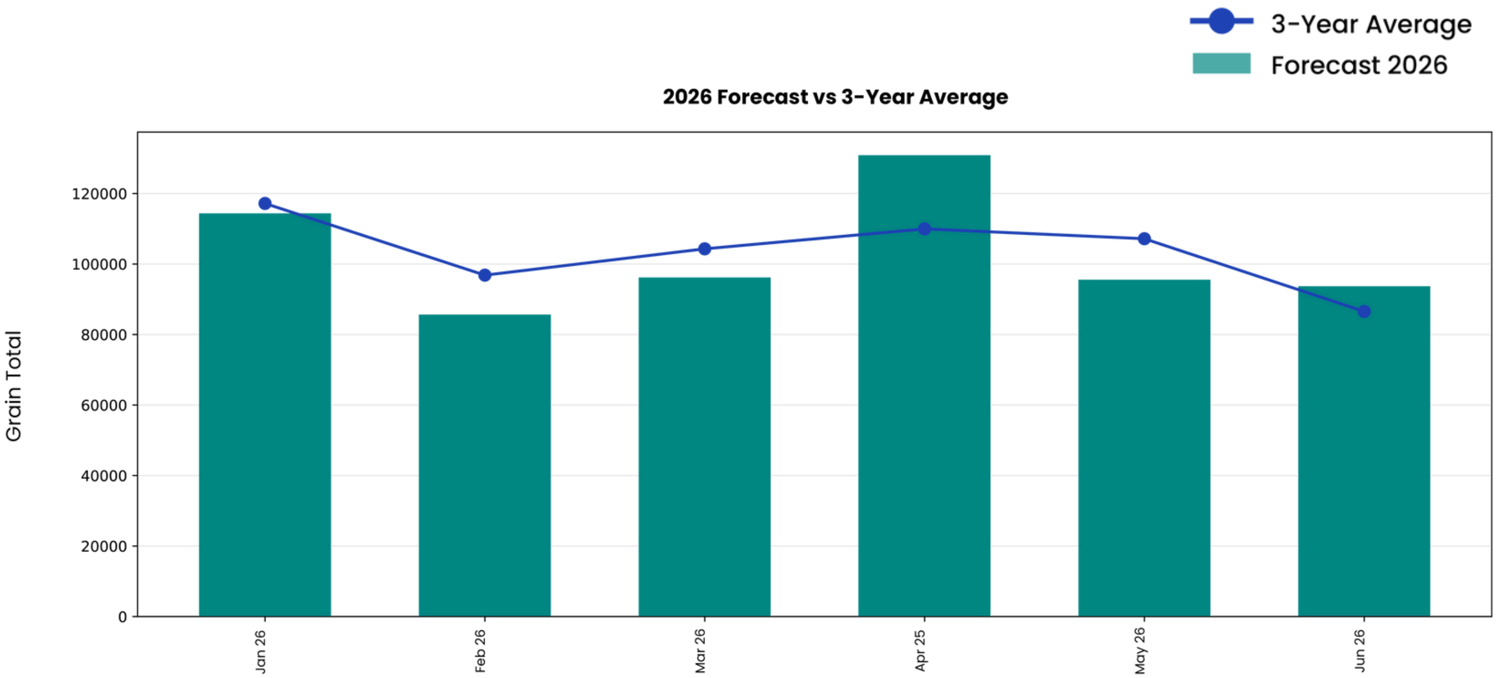
–Mark Carney, Prime Minister of Canada

CARLOAD + INTERMODAL RAIL VOLUMES

Carload: Railborne Grain in H1 2026

Our model for forecasting grain volumes builds off the national carload model, but also considers US ethanol production, as well as the delicate US-China trade relationship. Before 2025, China had purchased roughly 20% of all US agricultural exports.

For most of 2025, China halted its orders of US export grains. However, high-level diplomatic engagements between Washington and Beijing late in the year restored some normalcy to the trade relationship at year end. Late-season grain purchases from China began to trickle in for soybeans in October, and wheat in November 2025. We expect that these and other late-season grain exports to China will move for delivery in early 2026, offering the sector some temporary volume support. Nevertheless, we see most of the next six months slightly underperforming for railborne grain origination.

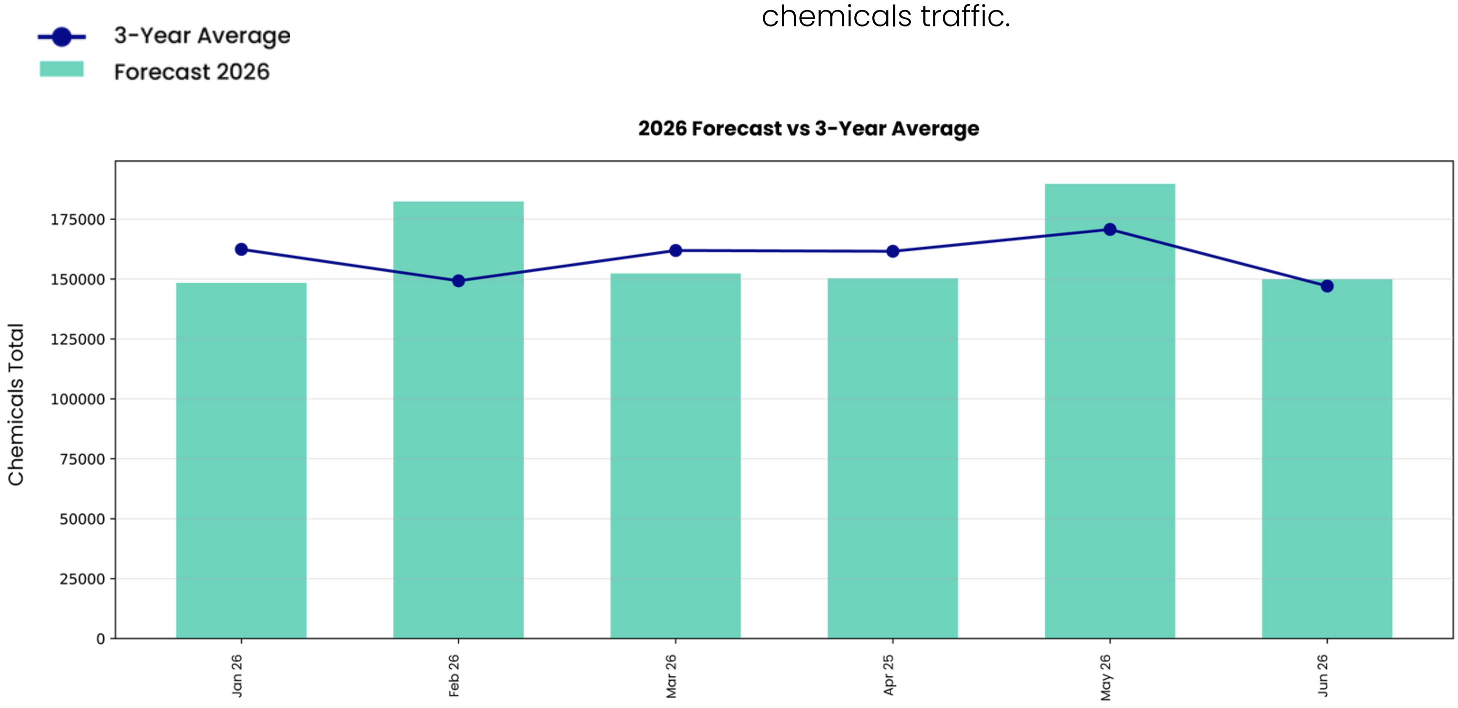


CARLOAD + INTERMODAL RAIL VOLUMES

Carload: Railborne Chemicals in H1 2026

Our model for forecasting railborne chemicals volumes also builds off the national carload model, but incorporates our outlook for US chemicals production, industrial production, and commercial natural gas prices over the first half of 2026.

In our view, Q1 2026 railborne chemical volumes will essentially track recent historical patterns. Our concerns about national industrial production and heavy freight demand generation aside, we see nothing on the horizon over the next six months that stands to dramatically shift our outlook for railborne chemicals traffic.



CARLOAD + INTERMODAL RAIL VOLUMES

Carload Forecast Risks and Longer-Term Outlook

In terms of grain carloads, we are paying close attention to changes to agricultural trade flows globally. Late-season diplomacy in 2025 may have temporarily mended the US-China trade relationship, but we do not believe that it has been fully restored. We are especially concerned about new agreements between South American producers and China, born of both the 2018 and 2025 tariff wars which look to be enduring. Chinese state-owned enterprises have spent billions developing export facilities in South America, all of which stand to challenge future US export flows, particularly our largest export crop (soybeans), to our largest international customer (China).

Our longer-term chemicals outlook faces more homegrown risk factors. It is important to remember that chemical carloads are an especially important part of the carload business – roughly 8% of the total US carload market by volume, and 15% of total gross revenue. Moreover, chemicals are often hazardous-material freight. (Recall that it was tank cars which derailed in East Palestine, Ohio in 2023.) For these reasons, two pending pieces of national legislation, The National Tank Car Modernization Act, and the Reducing Accidents in Locomotives (R.A.I.L.) Act, stand to change the carload chemicals business dramatically in the long-term (see Policy Watch).

Representative Troy E. Nehls
Texas, District 22
117th-119th Congress
2021-Present

Representative Seth Moulton
Massachusetts, District 6
114th-119th Congress
2015-Present

119TH CONGRESS
1ST SESSION

H. R. 2515

To provide for a grant program for adoption of certain telematics systems onboard freight railcars, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 31, 2025

Mr. NEHLS (for himself and Mr. MOULTON) introduced the following bill; which was referred to the Committee on Transportation and Infrastructure, and in addition to the Committee on Science, Space, and Technology, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To provide for a grant program for adoption of certain telematics systems onboard freight railcars, and for other purposes.

CARLOAD + INTERMODAL RAIL VOLUMES

Intermodal: Waves After the Storm

Our intermodal forecast also achieved 97% accuracy predicting July, August, September, and October 2025 intermodal volumes. Again, this meant accurately predicting the August and October volume upticks relative to July and September. Similar to the case with our carload volume forecast, we attribute this early forecast accuracy mostly to the sector's quantifiable seasonality and modelable sensitivity to trade tensions.

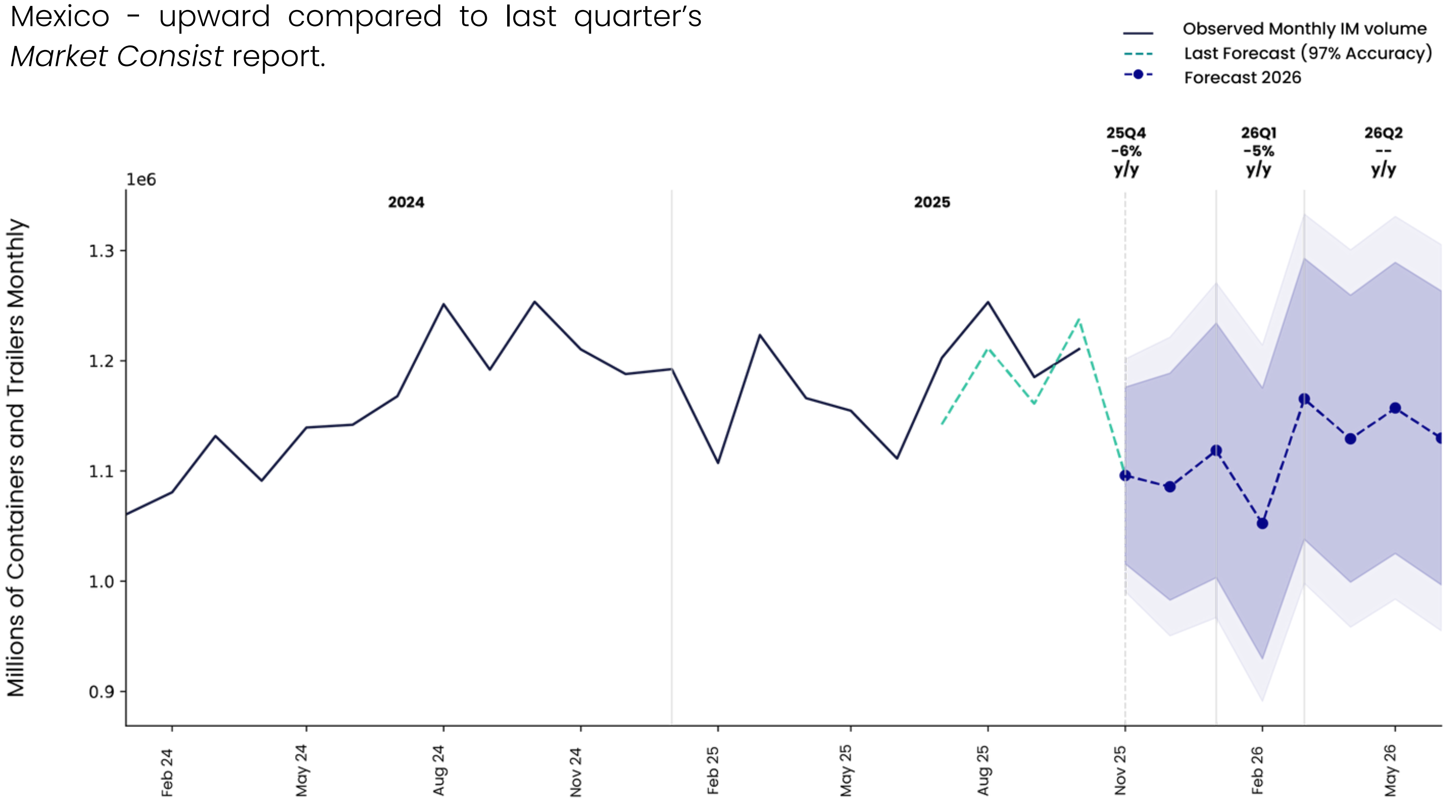
But, compared to our carload forecast, our intermodal forecast mostly under-estimated actual volumes. This is likely an even more pronounced effect of the White House tariff regime relaxing over the second half of 2025 compared to expectations.

Going forward, we have revised our expectations for trade with America's major intermodal trading partners - Canada and Mexico - upward compared to last quarter's *Market Consist* report.

However, to capture the enduring effect of ongoing trade tensions, our model assumes trade with both China and Mexico will underperform historical expectations by 3%-5% in H1 2026.

Domestically, our expectations for underperforming US industrial production also weigh on our intermodal forecast. US food and beverage production in the United States also plays a role in how we predict intermodal volumes, but, at this point, we do not see adequate cause to adjust American foodstuff production off its historical trajectory over the next six months.

This all results in seasonal Q1 2026 dip, but one that cuts 5% deeper compared to 2025. In Q2 2026, we see strong seasonal month-over-month growth leading to a return to on-par 2025 volumes by mid-year.

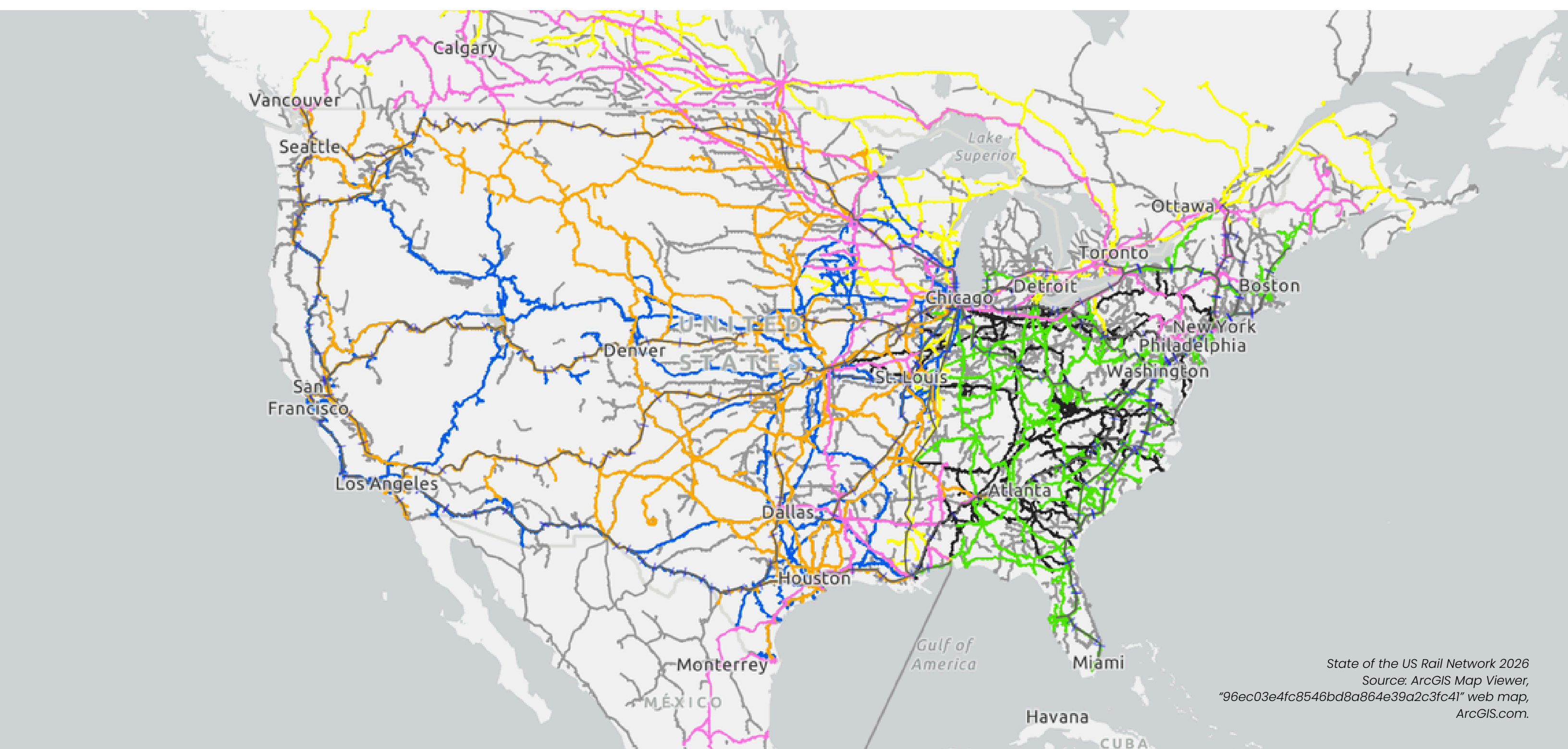


CARLOAD + INTERMODAL RAIL VOLUMES

Intermodal Forecast Risks and Longer-Term Outlook

For shippers, the obvious alternative to intermodal service is truckload conveyance. Although per mile spot rates for both truckload and intermodal service have been declining, 2025's rock-bottom trucking market has recently challenged the typical intermodal savings value proposition. We are carefully watching for new signs of life in the trucking industry. The combination of new regulatory action by the US Department of Transportation, and some return to international trade normalcy described above, has the potential to breathe new life into truckload rates in 2026. But such renewal is not certain - especially without concomitant improvements from the demand side. Should a truckload rate renewal actually occur, our anticipated Q2 2026 growth may actually undershoot by missing some savings-seeking modal shift that occurs when, and if, the truckload market awakens.

Moreover, as will be discussed in greater depth below, over the next six months the United States, Canada, and Mexico will be preparing for a scheduled review of the free trade agreement between them known as the US-Mexico-Canada Agreement (USMCA). Overall, we expect some saber rattling - especially between the US and Canada – but that in the end, something resembling the old USMCA will be agreed to. If we are wrong, and the three parties cannot come to an agreement and the North American free trade relationship implodes, then longer-term forecasts of railborne volumes will need to be recalibrated dramatically downward.



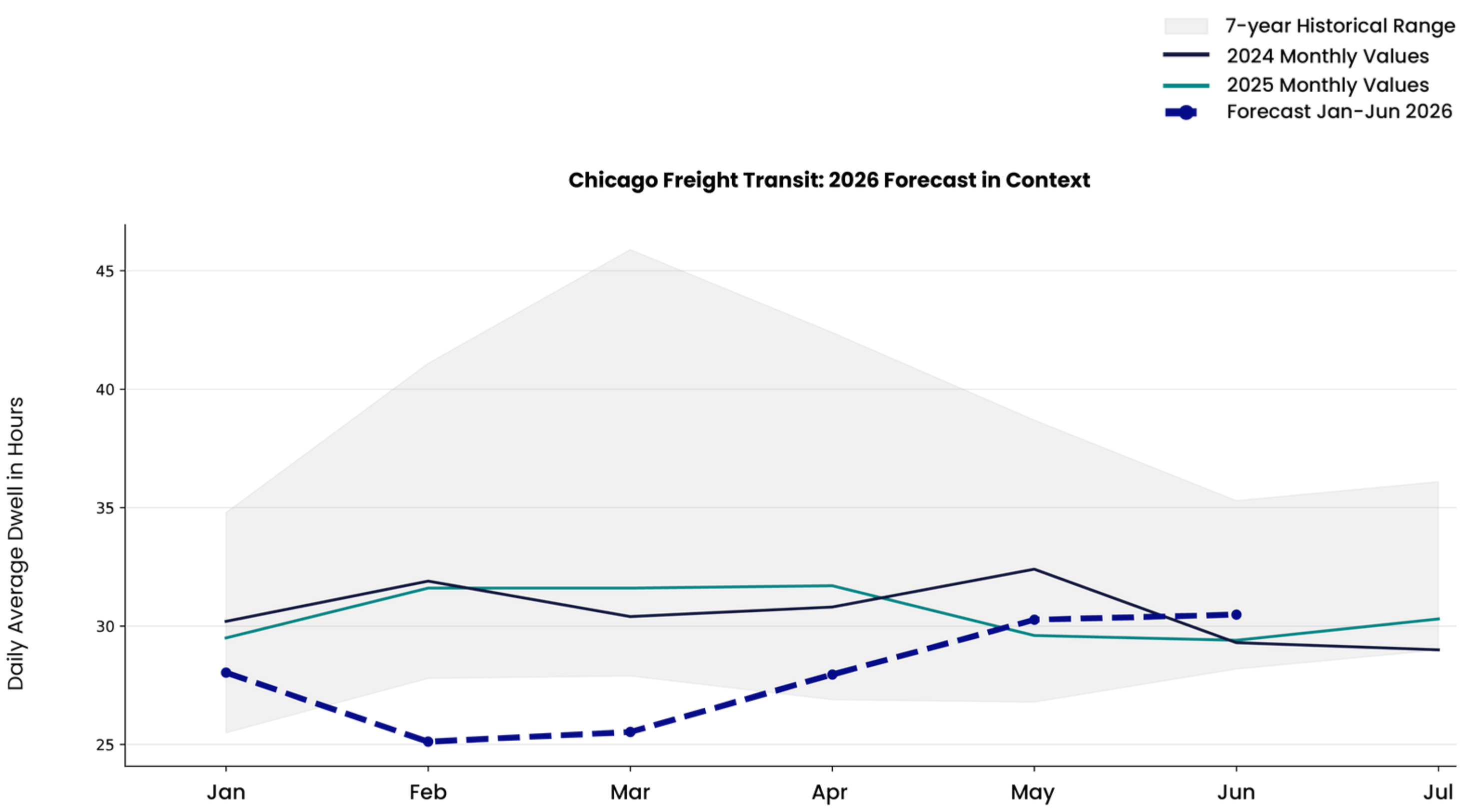
State of the US Rail Network 2026
Source: ArcGIS Map Viewer, "96ec03e4fc8546bd8a864e39a2c3fc41" web map, ArcGIS.com.

VELOCITY

Velocity at the Chicago Gateway

Consistent with last quarter's report, we expect relatively quick transit times through the Chicago rail gateway to begin 2026. In our modeling, quicker interchanges at the Chicago-area rail terminals are in large part understandable as a consequence of both the seasonal dips in national rail volumes that we've predicted for the beginning of the year, as well as the generalized carload underperformance that we're expecting in Q2 2026. In essence, fewer rail cars moving to start the new year results in relatively faster service times for existing rail customers.

In context, this puts daily average dwell time at Chicago rail hubs at an unseasonably low daily average dwell time of <30 hours to start the year, with February and March reaching new 7-year lows. We expect daily average dwell to pickup to something resembling 2024/2025 levels as 2026 progresses. Keep in mind that Chicago-gateway dwell in the high twenties to low thirties is still very low compared to recent history, as shown below.



VELOCITY

Intermodal Velocity

New to this installment of the *Market Consist*, we've added analysis of intermodal transit times along some of the highest traffic origin-destination pairs in the Telegraph system. On the chart below, we've plotted the statistically probable range of transit time values for each intermodal origin-destination pair based on thousands of observations in the Telegraph data in 2025. To give a sense of trend, we've plotted the Q4 2025 average transit times for each rail lane in black. And, to give broader supply chain context, we've also plotted estimated transit time between the same two points via truck in red (assuming the truck's compliance with federal Hours of Service rules).

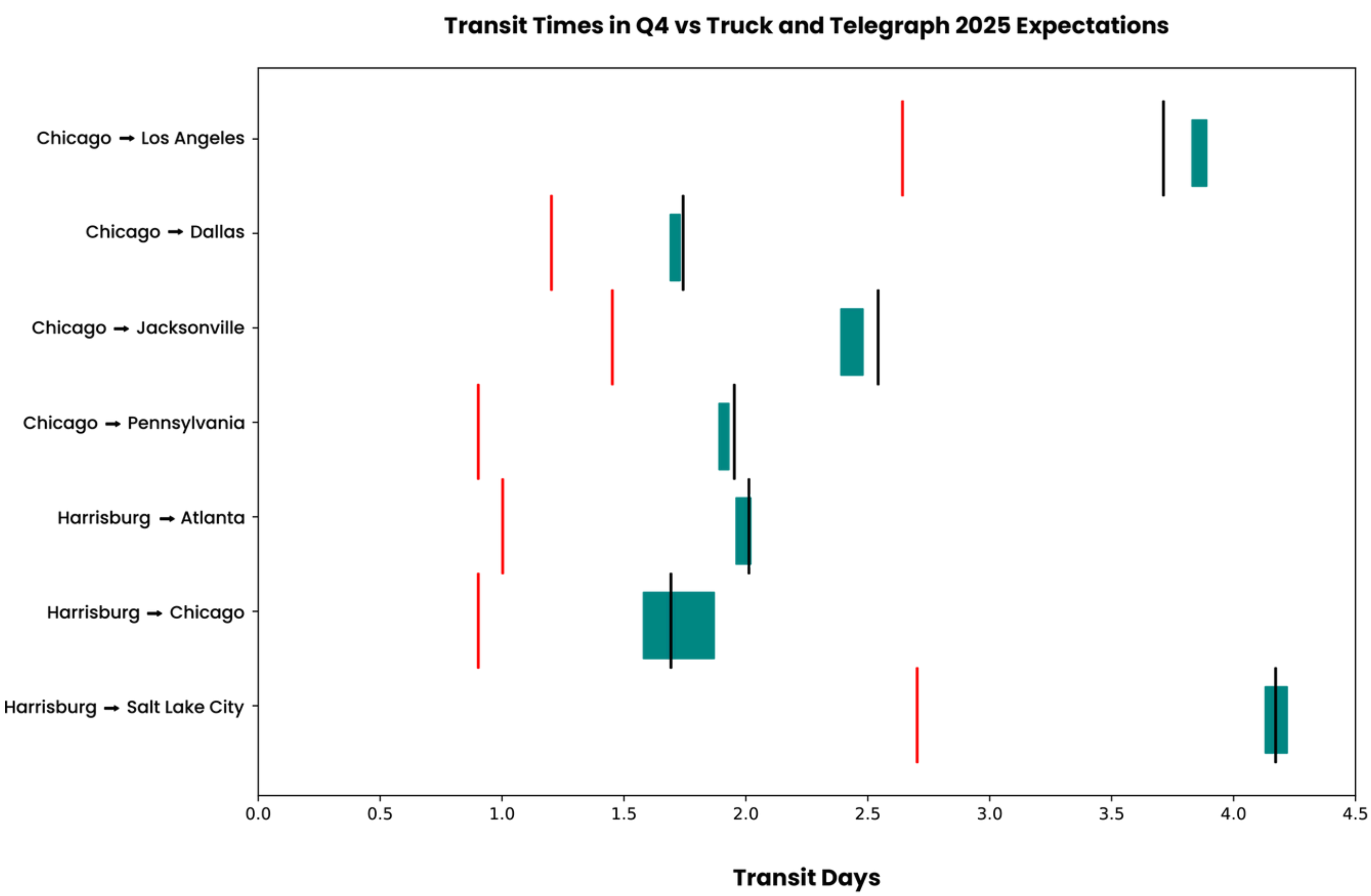
The resulting picture is one where in all observed cases, truckload service outpaced intermodal service by about one transit day in 2025. To some extent, the range of expected gate-to-gate rail transit time varied by lane, with the Los Angeles, Dallas, and Jacksonville destinations showing a 1.5 to 2.5 hour expected transit time window; while Harrisburg westbound to Chicago showed a greater, roughly 7-hour, range in expected transit time over the course of 2025.

Q4 2025 was especially quick for Westbound freight rail from Chicago to Los Angeles; and especially slow for Eastbound freight rail from Chicago to Pennsylvania and Jacksonville, compared to the rest of the year. Other lanes analyzed ended 2025 with within-range transit time performance.

In general, this view on recent outbound train velocity gives context when considering the real and operational potential for modal shift from truck to intermodal service in 2026. Lanes with tight expected transit times windows and quickening Q4 results should be top of mind. In our analysis, the Chicago Westbound to Los Angeles stands out as prime for modal conversion in the new year.

VELOCITY

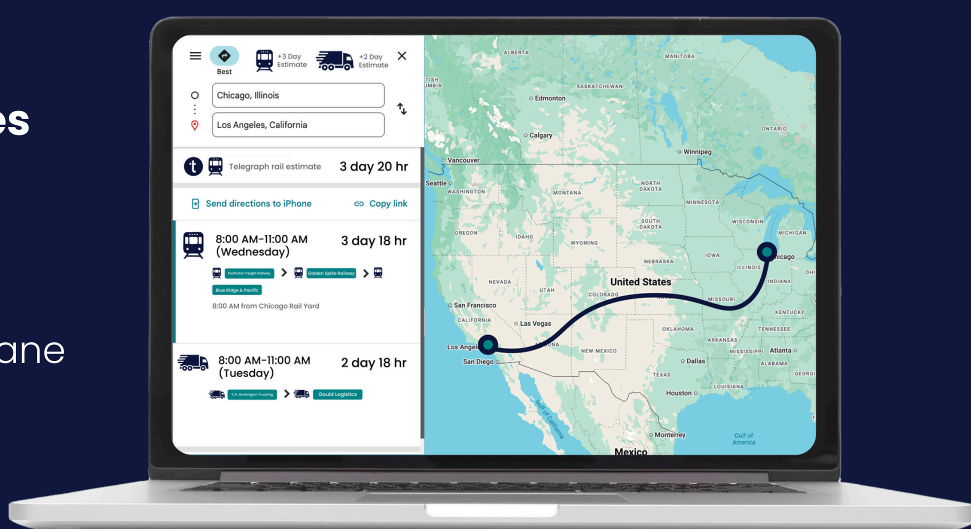
Intermodal Velocity



Take a Closer Look

Chicago to Los Angeles

Over thousands of trips tracked in the Telegraph platform in 2025, the Chicago-to-Los Angeles lane showed the strongest Q4 quickening for shippers.



POLICY WATCH

UP-NS Merger

Get out your popcorn! There is perhaps no higher drama in railroading at the moment than the proposed merger between Union Pacific and Norfolk Southern - two Class I railroads that, if successfully combined, would create the first truly transcontinental railroad in modern American history. As readers of this report likely already know, in the US, railroad merger approval authority rests with the Surface Transportation Board (STB), which is comprised of a small and changing group of political appointees.

At the time of writing, the STB has only two Senate-approved board members (Patrick Fuchs and Michelle Schultz), both of whom are Republicans. Another Republican (Richard Kloster) has been nominated for board membership, but not yet Senate confirmed. One long-standing Democrat board member's term expired in December 2025 (Karen Hedlund), and her status as an STB member going in 2026 remains unclear. Another Democrat STB board member was controversially fired at the direction of the White House in August 2025 (Robert Primus).

Why does all of that political machination matter? And what does STB board composition really mean to you? Firstly, we believe that this merger has already been deeply politicized, and that over the next six months, partisan politics will influence the fate of the proposed transcontinental railroad at least as much as UP-NS's application materials and the STB's competition-enhancing evaluation guidelines. As it stands, the White House supports the merger. Both President Trump and Commerce Secretary Lutnick have publicly signaled their endorsements. A Republican party unified under the Executive Branch could get this merger approved in the name of the President. Moreover, Midterm elections are coming up in November, which could further weaken Republican congressional majorities and potentially expose more fissures in majority party unity. So go the 2026 Midterm elections, potentially, so goes the dream of a modern American transcontinental railroad.

Union Pacific CEO Jim Vena, and Norfolk Southern CEO Mark George Bill Sitzmann/Union Pacific photo via the Associated Press, published by the Altoona Mirror.

POLICY WATCH

Surface Transportation Reauthorization

The policies that support and govern surface transportation (road and rail transit) in the United States are subject to periodic Congressional reauthorization. The current surface transportation package authorization expires in September 2026. This means that the sitting Congress has an opportunity to reshape US freight logistics is governed going forward.

In committee, several leadership priorities have already been announced. These include permitting reform intended to streamline and expedite the delivery of infrastructure projects, and technical changes to how the nation's Highway Trust Fund is managed.

But there are other potential component pieces of draft legislation currently in committee that could end up included in the new larger Surface Transportation Reauthorization bill that would have significant implications for railroaders. We've listed three below that are on our radar.

The American Tank Car Modernization Act of 2025

In March 2025, Rep. Troy Neihls (R-TX) introduced the American Tank Car Modernization Act of 2025, with two democratic co-sponsors, Seth Moulton (D-MA) and Jim Costa (D-CA). Among other things, the bill calls for $10mn in funding to offer grants to rail car owners for the purchase of telematics beginning in 2026. As it stands, the legislation prioritizes funding by rail car type, with tank cars at the top of the list. However, other rail cars are also stipulated for in the draft legislation.

The Reducing Accidents in Locomotives (RAIL) Act

Inspired to action by the train derailment in East Palestine, Ohio in 2023, Ohio Congress members Bill Johson (R-OH) and Emilia Sykes (D-OH) introduced the Reducing Accidents in Locomotives (RAIL) Act. Among other things, the RAIL Act would: (1) expedite the legislated phase out of certain railroad tank cars by May 2028 (one year ahead of current law); (2) direct the US DOT to begin regulating the installation, repair, testing, and maintenance of wayside defect detectors on all US railroad tracks; and (3) direct the US DOT to issue stronger safety regulations for trains carrying hazardous materials, including new fees and higher fines for safety violations.

The Freights First Act

Sponsored by Missouri Republican Congressman Eric Burlson, this act would give freight rail priority over passenger rail (Amtrak) on America's railways. Currently, the opposite is true (except in emergency situations). We do not foresee meaningful improvements to freight train velocity or service-levels that rail shippers experience should this act pass. However, paired with Washington support for the UP-NS transcon merger, the Freights First Act could become part of broader government-led effort to publicly prioritize and lay claim to freight rail's resurgence in a re-industrialized United States going forward.

POLICY WATCH

USMCA

Since 2020, the United-States Mexico Canada Agreement (USMCA) has governed commerce between our three highly-integrated economies. This agreement is up for a scheduled 6-year review in July 2026. Given the current state of US trade relationships with its neighbors, there is strong reason to believe that this year's USMCA review process will be contentious.

Removing USMCA trade agreements (which have been protecting many North American freight flows from the 2025 tariff regime) could have significant impact for railborne volumes in the United States – especially carload grain and raw materials trade with Canada, and intermodal and energy trade with Mexico.

So far, we know only what the administration has said publicly, which is that the US will be bringing a list of new demands to the negotiating table.

As we've previously noted, the Canadians have already shown credible defiance. Conversely, the Mexican government at this point appears more malleable to US direction. In the end, we expect that trust and trade between the US and its neighbors will deteriorate over the next six months, resulting in an intact, but underperforming North American trade relationship in 2026.

USMCA signing ceremony, November 2018. Council on Foreign Relations (CFR), USMCA signing ceremony image, via CFR.org.

POLICY WATCH

For Telegraph Customers

What we've described is a forecast for H1 2026 where rail volumes mostly follow seasonal patterns but lag historical trends by 5% to 6%. Already fast service times at the Chicago rail gateway quicken; modal shift, if it happens, occurs on Westbound trains to Los Angeles; and politicians take new and potentially outsized interest in American railroading. What kind of near-term strategy does such a situation suggest for Telegraph customers?

For Shippers
Relatively weak volumes in the months ahead mean that, as much as is possible in railroading, we foresee a continuation of the current shipper's market. This bears particular implications for shippers' whose carrier negotiations turn over early in the calendar year. January and February volumes will be particularly weak, with secular declines to follow.

We encourage, and can work with, our partners to identify and make a data-driven case for new rate targets and service agreements for 2026 that reflect this reality.

For Railcar Lessors
Firstly, we expect lower asset utilization going forward - both on a month-to-month, and year-over-year basis. We just don't see domestic economic sentiment or international trade tensions unfolding in a way that boosts heavy industry demand for freight conveyance in the new year. And, of course, should USMCA negotiations deteriorate, this effect will be further pronounced – especially for equipment servicing North-South integrated North American supply chain lanes.

In effect, for savvy lessors, this downmarket might present opportunities for clever asset reassignment and/or repair operations in anticipation of a resumption of demand growth when it materializes. Or, if truly necessary, strategic positioning of cars for short-term storage.

POLICY WATCH

Consideration Matrix

	UP/NS Merger	*Surface Transportation Reauthorization*	*USMCA*
Whole Industry	A new bar for cross country rail service Washington's interest in railroading expands	Possible new funding and timelines for railcar modernization More rail data comes online	Meaningful changes to carload and intermodal volume
Shippers	Network redesign possibly necessitated	Government support for improving rail visibility	Network redesign possibly necessitated
Railcar Lessors	Potential asset reallocation opportunities from changing shipper networks	Possible new funding and timeline for railcar modernization	Opportunities to re-assign and re-tool assets

LOOKING DOWN THE TRACKS

References and Technical Notes

[1] Speech by Canadian Prime Minister Mark Carney , April 2025
https://globalnews.ca/news/11154593/canada-election-mark-carney-victory-speech/

Altoona Mirror. “Norfolk Southern, Union Pacific Ink $85 Billion Merger.” Photo by Bill Sitzmann/Union Pacific via AP.

Council on Foreign Relations. “Democrats Are Right to Insist on Better Enforcement Provisions in the USMCA.” CFR.org.

ArcGIS Map Viewer (ArcGIS.com), web map ID 96ec03e4fc8546bd8a864e39a2c3fc41.

Note on Forecasting Methods

Quantitative forecasts developed using the Federal Reserve of St. Louis economic data, Surface Transportation Board railroad data, and Seasonal Auto-Regressive Integrated Moving Average with Exogenous Variables (SARIMAX) forecast formulations. Exogenous inputs into the carload and intermodal SARIMAX forecasts were first independently forecast using Auto-Regressive Moving Average (ARIMA) forecast formulations, and then modified where necessary to capture our expectations of anomalous future behavior (i.e. political developments).

If you have any questions regarding our forecast, please reach out to us at research@telegraph.io.

About the Author:

David Correll is the Director of Freight Market Intelligence at Telegraph. He has spent two decades in transportation and logistics with the US Department of Transportation, the US Department of Energy, the Massachusetts Institute of Technology, and Clark University. David brings his many experiences – and a little bit of wit – to help us break down some of the more nuanced challenges and opportunities facing American rail transportation.