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Suspended to 13 September

Lufthansa Dubai

**CAFC stayed CIT ruling (12 May) —
tariff in force**

Section 122 Stay

**Toll-and-control model unveiled —
transit fee demand**

Iran Hormuz Regime

THE VIEW FROM HERE

The expected May 31 airline reinstatement decisions have arrived — and they are not the recovery signal the market was waiting for. Lufthansa Group has pushed its Dubai suspension to 13 September. Singapore Airlines has extended its Dubai suspension to 2 August. Cathay Pacific's passenger services to Dubai and Riyadh are now suspended to 30 June, with cargo freighter services to May 31 followed by a passenger-only rebuild. None of these carriers have committed to a recovery timeline for their broader Middle East networks; Lufthansa's suspension of Abu Dhabi, Amman, Muscat, and Riyadh runs to 24 October. The May 31 date was a decision point, not a turning point.

Meanwhile, the Strait of Hormuz situation has moved from stasis to structured confrontation. Iran is moving to formalise a toll-and-control regime over the strait — designating transit routes, requiring coordination with Iranian naval authorities, and signalling the intention to charge fees on vessels wishing to pass. The US response has been escalatory rather than conciliatory: as of 17 May, US forces have rerouted 78 commercial ships and disabled four vessels as the blockade of Iranian ports continues. These are not conditions under which commercial shipping normalisation is imminent.

The rate picture reflects both developments. Global air cargo capacity remains approximately 15% below normal levels. The three-year spot rate high recorded in April has not corrected meaningfully; the Freightos global benchmark sits approximately 25-30% above pre-war levels. The market entered a partial plateau in May but the plateau is under no downward pressure from the variables that matter — Gulf hub capacity, fuel costs, or policy. With Q3 approaching and the Q4 compounding thesis becoming more structurally evident by the week, this issue carries a dedicated forward scenario section that lays out what the second half of 2026 looks like if the current conditions persist.

DEMAND PULSE

- Rate plateau, not correction: Global air cargo spot rates hit a three-year high in April. South Asia to Europe peaked in the week ending 12 April and has eased by single digits since; SEA corridors have followed less dramatically. China-North America at \$5.48/kg in the week to 5 May represents a 14% week-on-week decline from late April but the current week reads suggest stabilisation rather than further meaningful correction. The global FAX remains approximately 25-30% above pre-war. Per the Baltic Exchange, global air cargo capacity is running approximately 15% below normal; that gap is the primary rate support mechanism. ([Baltic Exchange / Freightos](#))
- April rate data: Global air cargo spot rates hit a three-year high in April per Xeneta/WorldACD analysis published 4 May. The 52% spot-rate share of total volumes recorded in March (up from typical 30-35%) has not normalised — short-term procurement behaviour persists as a structural feature of the disrupted market. Cargo yields rose 13.6% YoY in the IATA March data; yield resilience is holding into April on the available indicators. The first clean April data will emerge from IATA in late May. ([Xeneta / WorldACD](#))
- Hub-level picture: London Heathrow (BAI40) +91.8% YoY as of the week to 27 April, and that premium is sustained by the persistence of Lufthansa and other European carrier Dubai suspensions. With Lufthansa now confirmed to September 13, the belly capacity that would normally transit Frankfurt-Dubai-Asia is not returning to the network before autumn. The Heathrow premium will compress only when direct competition and reconnected hub routing restores alternative capacity options. That clock does not start until at least mid-September. ([TAC Index](#))
- IATA April 2026 data: Not yet published as of 19 May. Expected in the final week of May. This will be the first full-month read after the initial conflict shock and the IATA March distortion. The critical metrics to watch: does global CTK recover toward positive YoY growth as other regions offset the continued Middle East contraction, and does cargo load factor hold above 47%? ([IATA](#))

TRADE LANE INTELLIGENCE

Asia-Europe: Capacity Architecture Reset — Durable, Not Temporary

The extension of Lufthansa Dubai to September 13, combined with SIA to August 2 and Cathay passenger services to June 30, settles an important question: the capacity rebalancing that has driven Heathrow, Frankfurt, and direct-route Europe-Asia premiums is not a short-term disruption. It is a 6-9 month structural reconfiguration of the European carrier network.

Before the conflict, the Europe-Asia cargo network operated on two primary routing architectures: Gulf hub transit (Emirates, Qatar, Etihad connecting European feeder flights to Asian destinations) and direct widebody services (principally Lufthansa Cargo, Air France-KLM, Finnair on key city pairs). The conflict effectively suspended the Gulf transit architecture for European carriers. The direct-service architecture is now carrying the load — and it is not sized to do so without premium pricing.

Qatar Airways Cargo is the specific constraint that the UAE airspace restoration does not address. As covered in previous issues, Qatar operates under QCAA jurisdiction. Its freighter network is rebuilding toward pre-conflict capability from approximately 60% of freighter frequencies and 70% of belly capacity. The Iran west FIR closure is the operative constraint: a large proportion of Qatar's long-haul routes to Europe and parts of the Far East transit Tehran FIR, and the rerouting penalty — 1.5 to 2.5 additional hours on affected sectors — suppresses payload

capacity through fuel burn while also compressing schedule reliability. Qatar's full recovery is Iran-dependent, not UAE-dependent.

The commercial consequence for the corridor: Europe-Asia rates are not reverting to pre-conflict levels this quarter. The capacity architecture that will support a genuine rate correction — full Gulf hub operation, normal transit routings, Lufthansa/SIA/Cathay belly capacity reconnected to Dubai and Doha — does not exist before Q4 at the earliest, and will not exist at all until Iran's airspace situation resolves.

Africa-Asia: Structural Growth Persisting Through Disruption

With disruption dominating coverage of Asia-Europe and Asia-North America, the Africa-Asia corridor has received relatively little attention despite posting nine consecutive months of year-on-year CTK growth in the IATA data through March 2026. The February reading — +22.6% YoY on Africa-Asia — was not conflict-distorted; it reflects genuine structural demand from time-sensitive commodity exports, inbound capital goods, cold-chain pharmaceutical flows, and Chinese-funded infrastructure project logistics.

The conflict has added a layer of complexity to the Africa-Asia corridor without fundamentally disrupting it. Gulf carriers — particularly Emirates and Qatar — have historically been the dominant operators on Africa-Asia routes via their respective hubs. With both carriers operating at reduced capacity, African shippers have been managing longer transit times and tighter capacity availability on key corridors including East Africa to China and West Africa to Southeast Asia. The structural demand is intact; the capacity temporarily is not at pre-conflict levels.

For freight investors, airlines, and forwarder strategists, Africa-Asia represents the clearest structural growth thesis in the current market: nine consecutive months of double-digit growth, demand driven by secular infrastructure and trade development rather than tariff-cycle pre-loading, and a capacity constraint that resolves with Gulf hub recovery rather than requiring new geopolitical settlement. When Gulf capacity rebuilds, Africa-Asia benefits disproportionately because those are the routes most directly served by Emirates and Qatar belly capacity.

POLICY & TRADE RADAR

- **Section 122 — Federal Circuit stay (12 May):** The US Court of Appeals for the Federal Circuit granted an administrative stay on 12 May, suspending the CIT's 7 May ruling that Section 122 tariffs are unlawful. Collection of the 10% import surcharge continues for all importers while the appeal proceeds. The stay gives the CAFC time to consider the government's full motion to stay. The 24 July statutory expiry remains the hard deadline: even if the government wins its appeal, Section 122 cannot be extended by the President alone beyond that date. Section 301 is the replacement — USTR hearings on structural excess capacity were held 5 May and on forced labour 28 April; determinations expected mid-to-late 2026. For air cargo operators, the practical implication is continuity: no disruption to current tariff-driven demand patterns before July. ([Sandler Travis / Gibson Dunn](#))
- **Section 232 Pharmaceuticals:** Presidential status report due 1 July — 43 days away. The 100% tariff on patented drugs and APIs is effective 31 July for large corporations and 29 September for others. Watch specifically for Indian API producer responses: generics are excluded from the tariff, but the API supply chain that underpins generics production is not. Indian pharma and API manufacturers face a complex set of choices — file for onshoring commitment (20% rate), seek MFN agreement (0%), or face 100%. The filing pattern in June will be a leading indicator of freight lane behaviour on India-US in Q3. ([Thompson Hine](#) [SmarTrade](#))

- EU de minimis: 1 July implementation is 43 days away. The pre-positioning bulge in China-Europe air cargo volumes is at maximum intensity. The post-July correction in low-value parcel volumes will be sharp and visible — operators who have been tracking China-EU tonnage should be building the pre-positioning premium into their forecasting baselines to avoid misreading the Q3 volume correction as structural demand softening. ([Financial Times](#))
- US-China tariff suspension to 10 November: The Kuala Lumpur Arrangement continues. China-NA rates have partially corrected as front-loading urgency reduced — from \$6.40/kg to approximately \$5.48/kg over three weeks. The lane is not normalising; it is finding a lower plateau within a still-elevated cost environment. The 10 November cliff is now 175 days out — within the planning horizon of the largest forwarders and BCOs. The first signs of pre-November positioning demand should become visible in September, before the seasonal peak demand arrives in October. ([White House](#))

THE MIDDLE EAST VARIABLE: HORMUZ ENTERS A NEW PHASE

The Strait of Hormuz situation has shifted from stasis to structured confrontation. Iran is moving to unveil a toll-and-control regime — effectively formalising its authority over transit through the strait by designating routes through Iranian territorial waters, requiring coordination with IRGC naval forces, and signalling the intention to impose fees on commercial vessels. This is not a ceasefire gesture; it is a monetisation strategy for what has become Iran's most significant geopolitical leverage asset.

The US posture has hardened correspondingly. As of 17 May, US Central Command has rerouted 78 commercial ships through alternative corridors and disabled four vessels as the blockade of Iranian ports continues. The US-Iranian dynamic in the strait is now characterised by competing authority claims over the transit route — the IRGC's new navigational map designating a route along the Iranian coastline, versus the US insistence on freedom of navigation through the IMO-designated lanes. Commercial shipping is caught between two a rock and hard place....

For jet fuel and oil prices, the structural implication is straightforward: the Strait of Hormuz is not reopening on a commercial basis while these conditions persist. The toll-and-control regime Iran is formalising is designed to extract economic value from the disruption, not to end it. BIMCO's mine clearance timeline of approximately six months assumes a cooperative geopolitical environment; the current environment is the opposite.

The carrier position update as of 19 May:

Carrier / Location	Current Status	Extended Deadline
Lufthansa Group (Dubai)	Suspended	13 September 2026
Lufthansa Group (Abu Dhabi, Riyadh, Muscat, Amman)	Suspended	24 October 2026
Singapore Airlines (Dubai)	Suspended	2 August 2026
Cathay Pacific (Dubai/Riyadh — passenger)	Suspended	30 June 2026
Cathay Pacific (Dubai/Riyadh — cargo freighter)	Suspended	31 May 2026
Turkish Airlines (Dubai — passenger)	Resuming	9 June 2026 — widebody belly restored at DXB
Japan Airlines (Doha)	Suspended	31 May 2026

Carrier / Location	Current Status	Extended Deadline
SWISS (Dubai)	Suspended	May 2026 (latest extension)
Emirates SkyCargo	Rebuilding — UAE fully open	Reinstating frequencies from May 2
Ethiad Cargo	Rebuilding — UAE fully open	Reinstating frequencies from May 2
Qatar Airways Cargo	~60% freighter freq., ~70% belly	Full recovery Iran-dependent
Kuwait FIR	Reopened 26 April	Central corridor not yet viable
Iran Tehran FIR (west)	Closed	No reopening timetable

Q4 2026: THE COMPOUNDING THESIS

The Q4 risk scenario deserves explicit treatment rather than a footnote. Several independent forces — each significant on its own — are converging in a 90-day window that spans October, November, and December 2026. Their simultaneous activation has no direct precedent in the modern air cargo market.

Force	Direction	For Q4 rates
Gulf capacity recovery continues	Easing	Negative: more supply from UAE/Qatar hub rebuild
Iran west FIR remains closed	Tightening	Positive: routing detours persist, fuel burn elevated
Seasonal peak demand (Oct-Dec)	Tightening	Positive: normal +15-25% demand uplift on Asia-origin lanes
US-China tariff truce expires 10 Nov	Tightening	Positive: front-loading cycle adds pre-cliff demand in Sep-Oct
Section 232 pharma (31 Jul)	Mixed	Pre-tariff build in Jul-Aug; post-tariff correction Sep onward
EU de minimis (1 Jul)	Easing	Negative: post-July China-EU low-value parcel correction
Freighter fleet growth constrained	Tightening	Positive: no meaningful supply addition through 2026
Jet fuel still 80-100% above pre-conflict	Tightening	Positive: cost floor sustains rate floor regardless of demand

The forces in the table above are independent in origin but not in effect. They interact. The tariff-truce cliff (10 November) generates pre-loading demand in September and October — precisely when the seasonal peak demand is also building. Together they produce a demand concentration that the current supply environment cannot absorb without material rate escalation. The seasonal peak in a normal year generates a 15-25% demand uplift above Q3 baseline on Asia-origin lanes; the tariff-pre-loading effect in March-April 2026 generated a comparable or larger spike in a single month. In Q4, both mechanisms fire simultaneously.

The supply side cannot self-correct. Freighter fleet growth is constrained by production delays; no meaningful new capacity arrives before Q4. Gulf hub recovery — even in the optimistic scenario where Lufthansa returns in September, Qatar Airways rebuilds its belly network through the summer, and the Iran west FIR reopens — cannot fully restore the pre-conflict capacity architecture before October. The fuel cost floor is structural, not conflict-duration.

The de minimis correction (post-1 July) provides partial relief on China-EU: parcel volumes will fall sharply, freeing belly capacity on that corridor. That relief is corridor-specific — it does not address the Asia-North America constraint that matters most under the tariff-cliff scenario.

The scenario where Q4 2026 rate levels exceed the March 2026 conflict-shock peaks is not the base case. It requires the tariff suspension to lapse without successor framework, Gulf recovery to remain incomplete, and seasonal demand to arrive on schedule. None of these is individually improbable. Together they constitute the tail risk that

operators, freight investors, and airline commercial teams should be stress-testing their Q4 positions against now — not in September.

CAPITAL & STRATEGY SIGNALS

- Lufthansa Group September 13 Dubai decision: The extension to September 13 is not just an operational decision — it is a statement about the Lufthansa Group's geopolitical risk assessment. The carrier has 120+ aircraft in its cargo and passenger fleet that would normally connect Frankfurt, Munich, Zurich, Vienna, and Brussels to Dubai and the broader Middle East. That capacity is being absorbed into direct Europe-Asia services and alternative Middle East routings. The commercial return to Dubai, when it comes, will reshape the rate environment on Frankfurt-Dubai and Brussels-Dubai corridors that are currently running at premium levels. ([Lufthansa Group / Loyalty Lobby](#))
- Istanbul as structural alternative: Turkish Airlines and Istanbul airport have absorbed a material share of the capacity displaced from Gulf hub transit since February. Istanbul's position — geographically between Europe and Asia without conflict exposure — has made it the default transit option for carriers unable to route through Dubai or Doha. The commercial question for hub infrastructure investors: how much of this displacement is permanent? Some portion of the forwarder relationships and routing agreements built in the past twelve weeks will persist beyond the conflict resolution, particularly for lanes where Istanbul transit offers a competitive time and cost profile versus Gulf hub connection.
- Saudi Arabia cargo infrastructure: Riyadh Cargo continues operational build, and the geopolitical environment is accelerating its relevance. Saudi airspace has operated as the primary southern bypass since February; the operational experience accumulated by GACA and Saudia Cargo over this period is not hypothetical. Vision 2030's logistics ambitions — Riyadh as a global cargo hub, King Salman International Airport with 120 million passenger capacity by 2050 — have been given real-market validation through the conflict's routing dynamics. Watch for any Riyadh Air commercial launch announcements, partnership agreements, or GACA fifth-freedom traffic right extensions in the coming months. ([Aviation Week](#))
- Spot procurement behaviour: The 52% spot-rate share of total air cargo volumes in March (Xeneta) represents a structural shift in how shippers are procuring capacity. Normally, 30-35% of volumes move on spot versus contract. The elevated spot share reflects a market where contract rates have diverged from spot reality and where shippers have moved to tactical procurement rather than forward commitments. The implication for forwarders and carriers: the contract renewal cycle in H2 2026 will take place against a backdrop of elevated spot rates and uncertain Q4 demand. Contract negotiations in Q3 will be complex. ([Xeneta](#))

THE JTD DOT

The market is not recovering. It is restructuring. Those are not the same thing, and conflating them leads to commercial decisions that will look poor in hindsight.

Recovery implies reversion to a prior state. The Gulf hub architecture, the Iran overflight network, the Europe-Middle East-Asia routing that carried roughly a quarter of global air cargo — these are not returning to their February 2026 configuration any time soon. Lufthansa's September 13 decision confirms what the Hormuz toll-and-control regime confirms from a different angle: the structural disruption is measured in quarters, not weeks.

Restructuring implies a new architecture is forming. Istanbul is building new transit relationships. Riyadh Cargo is establishing operational credibility on lanes that previously ran through Dubai and Doha. Direct Europe-Asia services are deepening on corridors that previously relied on Gulf connection. Africa-Asia is

growing structurally on routes that are largely Gulf-carrier-dependent. The capacity architecture that emerges from this period will not be identical to the one that preceded it.

The Q4 compounding thesis is the forward expression of that restructuring. Operators, carriers, and freight investors making H2 2026 decisions based on a recovery timeline are exposed. Those building on a restructuring assumption — elevated costs, fragmented capacity, and policy-driven demand spikes through year-end — are working from the right foundation. There is still time to adjust. Q3 begins in six weeks.

DATA SOURCES

Source	Coverage This Issue
TAC Index / Baltic Exchange — May 8 analysis	BAI00 +37.2% YoY wk to 4 May; April MoM +23.09%; hub-level breakdown; capacity 15% below normal
TAC Index — LinkedIn May 7 bulletin	BAI40 Heathrow +91.8% YoY; BAI80 Shanghai +42.4%; BAI30 HK +37.2%; BAI50 Chicago +15.3%; jet fuel +101.3% YoY
Freightos — April 28 update	Corridor rates wk 28 Apr: China-NA \$5.48/kg; S.Asia-Eur \$4.60/kg; SEA-Eur \$5.40/kg; SEA-NA \$6.41/kg
Xeneta / WorldACD — May 4 analysis	Three-year spot rate high in April; 52% of volumes on spot in March; South Asia peaked wk 12 April
Radiant Logistics / Reuters — Carrier status tracker	Cathay: Dubai/Riyadh passenger to June 30, cargo freighter to May 31. SIA: Dubai to August 2
Loyalty Lobby / Facebook — Lufthansa Group	Lufthansa Group Dubai pushed to September 13; broader ME network to October 24
Al Jazeera / IRGC — Hormuz toll regime (17 May)	Iran unveiling toll-and-control regime; US rerouted 78 ships, disabled 4 vessels; blockade of Iranian ports continuing
CNN — Strait of Hormuz traffic analysis (29 Apr)	154 vessels crossed in March (pre-war: ~3,000/month); traffic at ~5% of pre-war levels; 800 vessels stranded
Sandler Travis — CAFC Section 122 stay (13 May)	CAFC administrative stay entered 12 May; Section 122 collection continues; response to full stay motion due within 7 days
Gibson Dunn — Section 122 CIT analysis	2-1 split; balance of payments vs trade deficit distinction; plaintiffs-only injunction; Section 301 replacement on track
Gulf News — Turkish Airlines Dubai return (18 May)	IST–DXB passenger services resume 9 June 2026; widebody equipment; DWC cargo freighters operational throughout suspension
USTR — Section 301 investigations	16 economies: excess capacity investigation (hearing 5 May). 60 economies: forced labour investigation (hearing 28 Apr). Both targeting mid-to-late 2026 determinations
Thompson Hine SmarTrade	Section 232 pharma: status report due 1 July; 100% tariff effective 31 July (large corps)
Aviation Week — Arabian Air Cargo Ambitions	Riyadh Cargo operational; Saudi Vision 2030 logistics hub strategy; fifth-freedom and bypass lane development

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