ISSUE #13 | WEEK OF 7 JULY, 2026

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BAI40 LHR: +1.8% YoY	**June tonnages: +9% YoY**	**BAI00: -5.0% WoW, +31.3% YoY**
Week to 29 June — -5.3% WoW; structural vs seasonal gap opens for first time post-MOU	WorldACD Week 26 — H1 chargeable weight +5% YoY; June spot $3.71/kg, +43% YoY	Week to 29 June — first significant weekly decline; jet fuel -16% MoM continues to feed through

THE VIEW FROM HERE

The global Baltic Air Freight Index fell -5.0% week-on-week — the largest single-week decline since the conflict began — leaving it at +31.3% year-on-year. The UK's index, BAI40 LHR, which this newsletter has tracked as a structural indicator since Issue #11, compressed to +1.8% year-on-year — from a post-MOU floor that was argued to sit at +20-25% YoY. That argument needs to be tested against the data.

Has the MOU risk premium has now fully unwound— the ceasefire holding through June has progressively compressed the forward uncertainty component that was embedded in LHR outbound rates? The structural floor argument was always that two components existed: a risk premium and a structural component (Tehran FIR payload penalty plus non-GCC belly absence). The risk premium has drained faster than anticipated. The second explanation is seasonal: the week to 29 June contains the trough of the summer demand cycle on Transatlantic routes, which are a significant component of the LHR outbound composite. The TAC commentary confirmed "rates from Europe were falling overall WoW on busy Transatlantic lanes." The structural drivers — the 47-minute Tehran FIR bypass overhead, the continued absence of British Airways, KLM, and Lufthansa from Gulf routes — have not changed.

The honest assessment for Issue #13 is that the structural floor is real but the level needs revision. BA to Dubai is now suspended to 25 October. KLM to Dubai extended to 23 August. EASA CZIB R14, issued 1 July, maintains the same scope as R13 and expires 8 July. The France NOTAM LFFF F1446/26, also issued 1 July, runs to 26 August — the first multi-week extension since the conflict began, which is itself an institutional signal. The reinstatement sequence has not started. What may have changed is the market's pricing of the probability that it starts soon with spot rates reflecting this.

DEMAND PULSE

- BAI00: -5.0% WoW, +31.3% YoY (week to 29 June) — largest weekly decline since conflict began: The global index has fallen from its post-MOU floor at +37.3% YoY to +31.3% YoY in one week. The TAC commentary attributes the move to the ceasefire extension and a continuing plunge in jet fuel prices. The decline is real but requires context: the index remains "still slightly above the very highest levels of the last three peak seasons." The direction of travel has changed; the absolute level has not corrected to pre-conflict norms. (TAC Index — 30 June 2026)

- BAI80 Shanghai: -4.0% WoW, +37.0% YoY — still the highest YoY performer: Despite the weekly decline, Shanghai remains the highest year-on-year performer in the basket, above Hong Kong (+34.1% YoY) and Chicago (+34.9% YoY). China-outbound rates were "actually up yet again WoW both to Europe and the US" in TAC commentary — the index WoW decline reflects the full composite including spot correction, not the forward contract book. The transpacific front-loading signal has not reversed. (TAC Index — 30 June 2026)
- WorldACD Week 26 (22–28 June): June global tonnages +9% YoY — the volume story is strong: Global chargeable weight grew +9% YoY in June and +6% YoY across Q2, with H1 2026 at +5% YoY. Asia Pacific June tonnages reached +10% YoY; MESA +11% YoY; North America +9% YoY. The global spot rate averaged $3.71/kg in June at +43% YoY, down from +49% YoY in May — the rate of YoY gain is compressing even as absolute rates hold elevated. China-Europe volumes fell -8% WoW in Week 26; Hong Kong-Europe -9% WoW. WorldACD noted no front-loading ahead of EU de minimis — lessons from the US 2025 experience have been applied, and low-cost digital filing solutions now exist. (WorldACD Weekly — Week 26, 6 July 2026)
- Jet fuel: continuing decline, now feeding through to rates: Brent crude fell below $74/barrel in the week to 26 June (-9% WoW). Jet fuel fell below $117/barrel (-2% WoW). The TAC commentary is explicit that "a continuing plunge in jet fuel prices" is a primary driver of the rate correction in the week to 29 June. This is the mechanism that buyers at Shanghai conference last week were anticipating — they were correct on the direction but the structural capacity argument remains intact on the Q3-Q4 horizon. (WorldACD Weekly — Week 26, 6 July 2026)

TRADE LANE INTELLIGENCE

Two trade lanes this week that illustrate the divergence between volume and rate signals in the post-MOU adjustment period.

China–Europe: Volume Holds, Rate Corrects

The China-Europe trade lane presents the sharpest illustration of the current market dynamic. China-Europe volumes fell -8% WoW in WorldACD Week 26, and Hong Kong-Europe fell -9% WoW — but both series remain significantly elevated year-on-year. The correction is not a demand collapse; it is the absence of EU de minimis front-loading that the market had expected to see. WorldACD's analysis is clear: unlike the pre-US-tariff surge of 2025, there was "little sign of air cargo front-loading" ahead of 1 July. The reason is structural: low-cost customs filing solutions developed in response to the US experience now cost "a few cents per item" versus "several dollars" in 2025, removing the cost incentive to pull volumes forward.

The commercial implication is that the de minimis volume correction on China-Europe will now be a genuine first-week-of-July event rather than a pre-anticipated adjustment. E-commerce consultant Derek Lossing has forecast a 10-35% decline in EU air shipments in the weeks after enforcement. The dip-and-recover pattern that Atlas Air's Richard Broekman described in June remains the base case — but the dip may be sharper than it would have been had there been more pre-loading. Rates on China-Europe lanes were "up WoW" in TAC commentary despite the volume decline — reflecting the contract book holding even as spot softens. The July rate data, not the June rate data, is the first real signal.

India–USA: The Section 232 Pharma Lens

The India-USA air cargo trade lane acquires a specific policy lens from 31 July 2026, when Section 232 pharmaceutical tariffs take effect for the 17 large companies listed in Annex III of the April 2 proclamation. The headline 100% tariff rate is misleading for this trade lane: India's primary pharmaceutical export is generic drugs, which are fully exempt under the proclamation. India-origin generics (the largest category of India-US pharmaceutical air freight) remain at 0% duty. The 100% rate applies to patented drugs and active pharmaceutical ingredients from companies without onshoring or MFN pricing agreements.

The commercial implication for air cargo is that the Section 232 front-load signal on India-US — if it exists — will be in patented branded drug APIs, not generics. The rate signal to watch is India-to-US spot in late July. If the 100% tariff drives accelerated API shipments ahead of 31 July, it will be visible in BAI spot data from India. The broader India-US rate trajectory is also supported by US-India bilateral framework negotiations: the White House-India joint statement (February 2026) included a commitment to "negotiated outcomes with respect to generic pharmaceuticals," which reduces the downside risk for the generics lane. What the July data will confirm or challenge is whether any patented-drug front-loading materialises in the 72 hours before enforcement.

POLICY & TRADE RADAR

- US-Iran MOU — 60-day window, 19 days in; nuclear talks resume 11 July: The 60-day toll-free Hormuz transit window confirmed in the MOU text expires mid-August. Iran has stated it will "definitely" charge Hormuz fees after the 60-day period. Nuclear talks resume 11 July following the state funeral period for Supreme Leader Khamenei. The transit fee dispute — Iran seeking joint Omani management authority and per-vessel toll — remains the structural friction point. Mid-August is the expiry; an extension of the window is possible but not signalled. (Times of Israel / India Today — 1–4 July 2026)
- EU de minimis — no front-load; enforcement begins: In force from 1 July 2026. WorldACD Week 26 data confirms no pre-July front-loading on China-Europe or Hong Kong-Europe trade lanes — unlike the US 2025 pattern. Italy's national €2 handling fee has been suspended to 1 October following Confetra warnings of a potential 50% loss of Italian air cargo traffic to Liège, Frankfurt, and Schiphol. The UK £135 threshold remains intact to approximately 2029. (WorldACD / TrasportoEuropa — 6 July 2026)
- Section 232 pharma — 24 days to first enforcement: The 100% tariff for Annex III large pharmaceutical companies takes effect 31 July 2026. Generics fully exempt — India's primary export to the US is not affected at the headline rate. EU, Japan, South Korea, Switzerland at 15%. The rate signal to watch is India-to-US spot on patented API categories in the final week of July. No major pharma onshoring announcement confirmed as of 7 July. (TariffKit — Section 232 Proclamation, April 2026)

CAPITAL & STRATEGY SIGNALS

- Non-GCC carrier suspensions — no movement post-EASA R14: KLM Dubai extended to 23 August (from 9 August as of last week). British Airways Dubai to 25 October — the July 1 restart date formally abandoned after EASA R14 unchanged. Lufthansa/SWISS Dubai 13 September; broader Gulf/Middle East to 24 October. Cathay Pacific Dubai/Riyadh to at least 31 August. No non-GCC carrier has resumed any Gulf route since the conflict began. The restoration sequence — EASA clearance, insurance reassessment, slot and route approval — has not been initiated. (KLM Newsroom — 6 July 2026)
- US-China tariff cliff — 126 days: The KL Arrangement expires 12:01am EST 10 November 2026. BAI80 Shanghai at +37.0% YoY and North America carriers at +10.5% CTK YoY in May are the standing read on a transpacific front-load that has been building since 12 May. The China-outbound rate signal in TAC Week 29 June was "up WoW both to Europe and US" even as the composite index fell — the contract book on transpacific is firming independently of the spot market adjustment. (TAC Index — 30 June 2026)
- Atlas Air / Air Atlanta Icelandic — SPA Q3 close: The 49% minority stake agreement signed 28 May remains pending regulatory approval for Q3 2026 close. ACMI surge capacity positioning for the transpacific and Europe-Asia peak season is the strategic rationale. No regulatory update published as of 7 July. (ch-aviation / STAT Trade Times — May 2026)

THE JTD DOT

The market repriced last week. The question is whether it repriced the right thing.

The BAI00 fell -5.0% week-on-week. Jet fuel has fallen. The ceasefire has held. The risk premium embedded in freight rates since February has been draining, and the week to 29 June showed that drain accelerating. BAI40 LHR compressed from +22.2% YoY to +1.8% YoY in a single week. That is a rate market telling you that the forward uncertainty has mitigated — but not that the structural constraints have resolved.

British Airways Dubai is suspended to 25 October. KLM Dubai to 23 August. The EASA CZIB has now run through 14 consecutive revisions with the same scope. The France NOTAM just issued a seven-week extension to 26 August — the first multi-week horizon since the conflict began. Nuclear talks resume 11 July. The 60-day Hormuz window expires mid-August. The structural case for Q4 rate tightness does not depend on the risk premium. It depends on capacity, load factor, and the front-load calendar. All three remain in position.

Watch the EASA R15 language this week. Watch the first two weeks of July de minimis volume data from CDG, Liège, and Schiphol. Watch whether BAI40 LHR recovers or holds near the seasonal trough. The dots are still connecting — but the picture has changed shape.

DATA SOURCES

Source	Coverage This Issue
TAC Index / Baltic Exchange — 30 June 2026 (week to 29 June)	BAI00 -5.0% WoW, +31.3% YoY; BAI20 Frankfurt -1.3% WoW, +27.9% YoY; BAI30 HK -6.6% WoW, +34.1% YoY; BAI40 LHR -5.3% WoW, +1.8% YoY; BAI50 Chicago -6.9% WoW, +34.9% YoY; BAI80 Shanghai -4.0% WoW, +37.0% YoY
WorldACD Weekly — Week 26 (22–28 June 2026), published 6 July 2026	June global tonnages +9% YoY; H1 chargeable weight +5% YoY; global spot $3.71/kg +43% YoY; China-Europe volumes -8% WoW in Week 26; no EU de minimis front-loading detected; MESA capacity +1% YoY; Asia Pacific June tonnages +10% YoY
EASA / Safe Airspace — 7 July 2026	CZIB 2026-03-R14: issued 1 July, valid to 8 July 2026. Same scope as R13: Do Not Operate Iran, Iraq, Lebanon; Exercise Caution UAE, Saudi Arabia, Bahrain, Kuwait, Israel, Jordan, Qatar, Oman. R15 decision due 8 July. France NOTAM LFFF F1446/26: issued 1 July, valid to 26 August 2026 — first multi-week extension since conflict began.
KLM Newsroom — 6 July 2026	Dubai suspended to 23 August 2026 (extended from 9 August). Riyadh/Dammam: current status as of 6 July. No non-GCC carrier has resumed Gulf operations.
The National / Reuters / VisaHQ — June 2026	British Airways Dubai suspended to 25 October 2026. Original July 1 restart abandoned after EASA R14 unchanged. Bahrain, Amman, Abu Dhabi also suspended through October.
Times of Israel / India Today / Chosun — 1–4 July 2026	US-Iran MOU: 60-day Hormuz toll-free window confirmed. Iran states it will "definitely" charge Hormuz fees after 60-day period. Nuclear talks resume 11 July following Khamenei funeral. Mid-August is window expiry.
TariffKit / TariffLens — Section 232 Pharmaceuticals	100% tariff effective 31 July 2026 for Annex III large companies. Generics fully exempt. EU/Japan/Korea/Switzerland at 15%. India 100% on patented drugs, 0% on generics. September 29 for all remaining companies.
Straits Times / TrasportoEuropa — July 2026	EU de minimis: no front-loading detected in Week 26 data (contrast with US 2025 experience). E-commerce consultant Derek Lossing: EU air shipments expected to fall 10-35% in weeks after enforcement. Italy national handling fee suspended to 1 October following Confetra warnings of 50% Italian air cargo traffic loss.