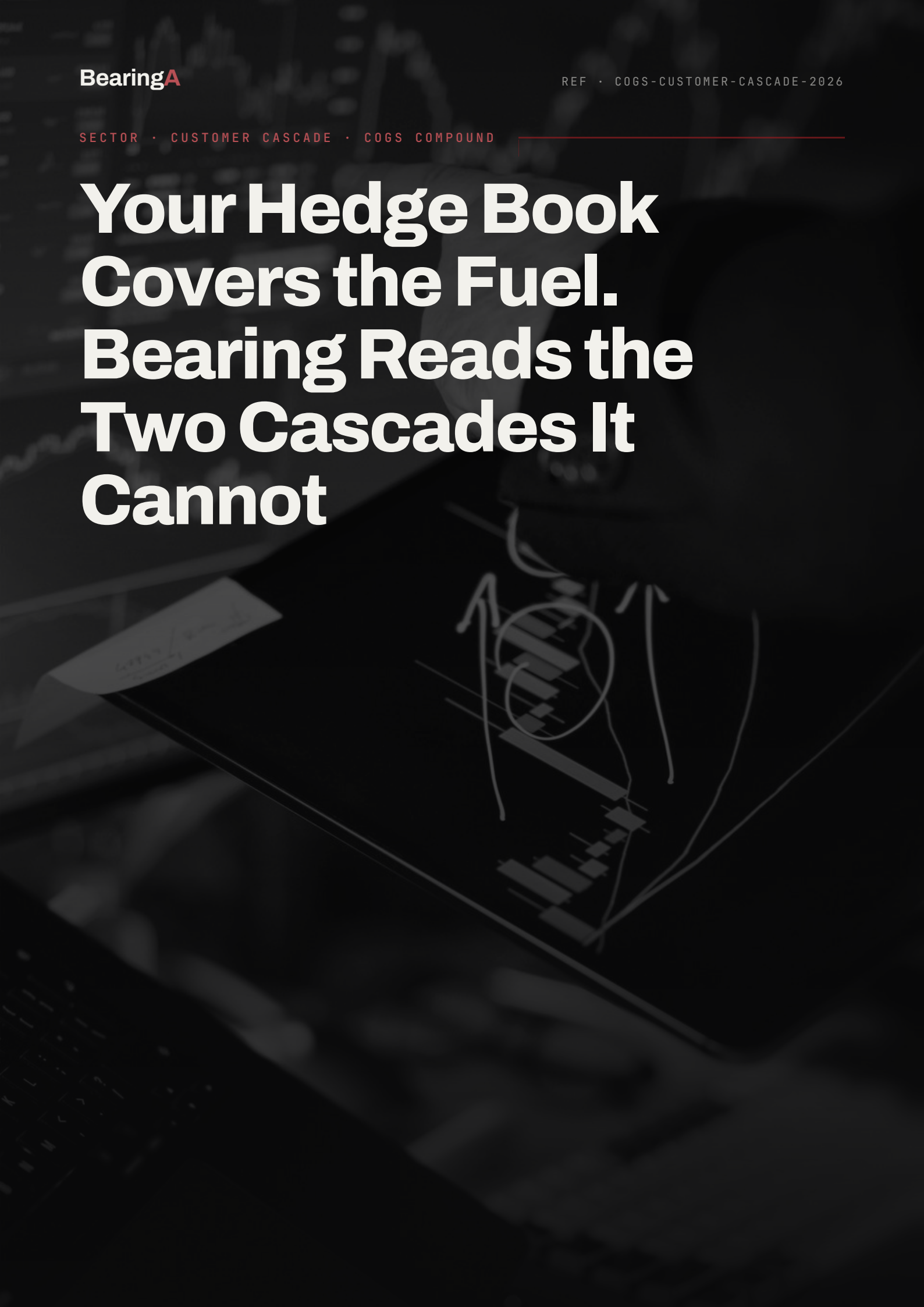


Your Hedge Book Covers the Fuel. Bearing Reads the Two Cascades It Cannot



The exercise, the subject, the anchor, the method.

*The 2026 SSM thematic prescribes both the shock and the depletion.
Everything downstream is your composition.*

i	CYCLE	Passenger + cargo
ii	BRENT	Hormuz compound · Day 84
iii	JET FUEL	\$150–200/bbl since late-Feb closure
iv	COMPOSED	+35–40% vs pre-Hormuz

01

One configuration, two axes, two cascades the hedge book does not reach.

The cycle under read is the Hormuz compound at Day 84, Brent at \$150–200 per barrel since the late-February 2026 closure of the Strait; jet fuel approximately 35–40% above the pre-Hormuz baseline. The configuration's transmission through fuel cost is symmetric across every carrier, the exposure the hedge book is structured for. The configuration's transmission through demand and substitution is asymmetric, and unhedged.

The buyer this read addresses is the CFO or COO at a €5–40B revenue carrier whose hedge book covers input cost symmetrically, and whose two-axis P&L re-prices asymmetrically against the same configuration. The methodology composes against the residual exposure the hedge book structurally does not cover.

Eight major carriers have filed three structurally distinct strategic responses against the same configuration in Q1 2026 disclosures.

The divergence is the methodology validation, published. The remainder of this read decomposes the asymmetric exposure surface against the operator's axis-level reality, and surfaces where the operator's existing managerial frame structurally misses the exposure that is actually moving through the P&L.

02

Your hedge book covers fuel. Eight carriers tell you what it does not cover.

The decision still open at your calendar window is not whether to hedge. It is whether your capacity allocation across passenger and cargo composes against the asymmetric exposure your peer group's strategic divergence is implicitly mapping, and whether your Q2 earnings-call narrative names the read or leaves it to the analyst questions.

Your hedge book covers approximately 80% of your 2026 kerosene at the structure your fuel team already operates against, the substrate your Q1 print has already filed. The question is not whether your hedge holds, it is which side of your two-axis P&L re-prices first against the same configuration.

The Hormuz compound transmits through fuel cost symmetrically across every carrier, the exposure your hedge book is structured for.

The same configuration transmits asymmetrically across your two revenue axes via two distinct cascades the hedge book does not cover.

Your passenger axis faces a customer-side demand reset operating 2–6 weeks ahead of fuel cost at cycle start, full reset landing 12–18 months from activation against the Q3 2012–13 European flag carrier precedent.

Eight carriers operating three strategic responses against the same compound configuration is your methodology validation, published.

Cut capacity , Lufthansa, Delta, United, implies a bet that customer-side compression is coming. Surcharge , Air France-KLM, Qantas, JAL/ANA, implies a bet that customers absorb fuel pass-through.

Cut fares to stimulate demand , Etihad, implies a bet on capturing redirected demand. Each strategic response is implicitly a read against one cascade or the other.

03

What your hedge book covers. The substrate you already operate against.

Your fuel team is already operational against this exposure. Brent at \$150–200 per barrel since the late-February 2026 closure of the Strait of Hormuz; jet fuel approximately 35–40% above the pre-Hormuz baseline; the IEA's six-week European jet-fuel supply warning is in your fuel committee's read already. The hedge book is your structural defence against this transmission.

The methodology adds nothing at this layer. Your fuel team's read is the operational substrate; the hedge book is the structural defence; the residual hits your fuel-cost line and runs through to your Q1 P&L on the timeline you already model.

PHM's contribution at this exposure altitude is zero, and acknowledged as zero. The methodology's contribution begins where the same configuration transmits through axes the hedge book is not structured for.

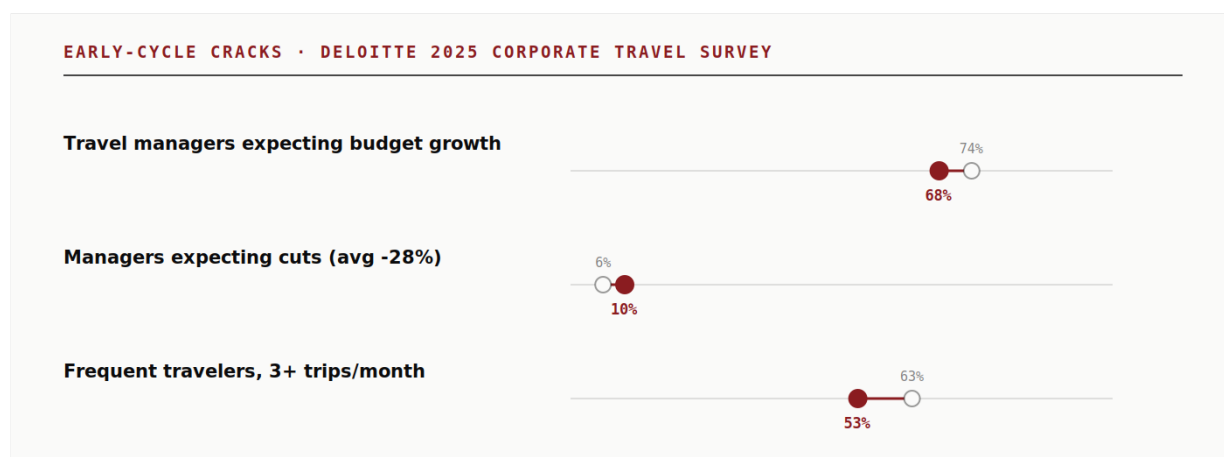
Two cascades. Two opposing transmissions. One configuration.

04

The customer cascade your hedge book does not cover.

Your premium long-haul corporate book is structurally exposed to a cascade that lands before your fuel cost does. The financial-services accounts, the consulting firms, the pharma travel desks, the technology customer-engagement budgets, each vertical reads its own compound exposure independently, and each resets travel budget when the cascade lands in its own COGS line. Your exposure is not to one customer; it is to the integrated read of compound transmission across your named customer base .

The early-cycle cracks are visible in named signal substrate already. The Deloitte 2025 corporate travel survey records the read moving: only 68% of travel managers expect budget growth in 2026, down from 74% ; 10% expect cuts averaging -28%, up from 6% ; frequent travelers (10+ trips/year) expecting three or more trips per month, 53%, down from 63% .



The Reuters analyst Doganis, formerly an Olympic Airways and easyJet director, names the cascade in your peer-group's voice: "Airlines face an existential challenge.

The COVID structural legacy compounds your cascade base. Your premium long-haul corporate travel remains approximately 15–20% below the 2019 baseline for corporate accounts. The COVID compound established the working-from-anywhere pattern and the virtual-meeting substitution that reduced structural travel intensity per dollar of customer revenue.

The cascade base composes against the post-COVID fiscal-monetary substrate. What anchors the structural compression beneath the working-from-anywhere pattern is not the pandemic itself but the substrate composition that followed.

The 2020–2021 fiscal regime, unfunded transfers at scale, partial-to-zero fiscal support for the resulting debt service, produced a ~13% upward shift in the US price level relative to pre-2019 trend that the recent canonical literature treats as permanent, not transitional .

The cascade also composes against the industrial-reconfiguration substrate operating in parallel. Your premium long-haul customer base, financial services, consulting, pharma, technology, is simultaneously absorbing the cost of a multi-year US industrial reshoring cycle the canonical analysis frames as ~\$2T capital expenditure across the supply chain , concentrated in electronics (40%), chemicals (30%) and metals (20%).

(a) Cut unprofitable short-haul capacity selectively through October, protect hub feed for premium long-haul connections, accept absolute revenue loss to defend per-route margin.

This is the Lufthansa-Delta-United structural read, not a generic capacity cut. (b) Hold premium long-haul fare structure on routes with named corporate-customer concentration (financial services, consulting, pharma), accept some load-factor compression to preserve yield.

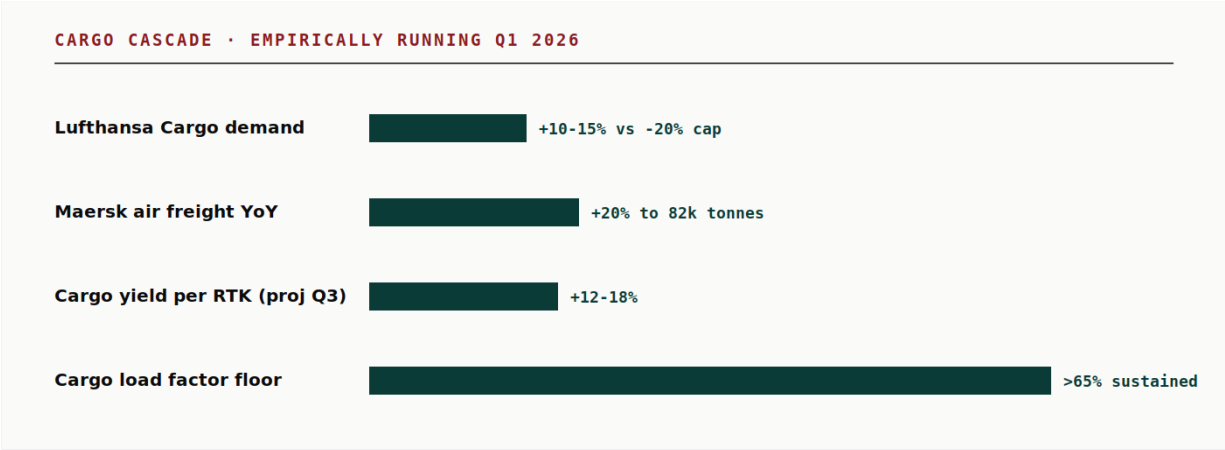
Confirming the move lands, Q2–Q3 premium long-haul load factor holds within ± 2 pp of pre-Hormuz baseline despite the capacity cut; yield per seat rises 4–8% on protected premium long-haul; corporate-account booking velocity from named verticals holds within 5% of pre-Hormuz pace.

05

The substitution cascade the same configuration produces inversely.

Your cargo division is already reading the inverse cascade in its quarterly load-factor and yield numbers. The Hormuz compound disrupts global container shipping, approximately 100 container ships, roughly 10% of the global container fleet, were caught in Hormuz-area backups in early 2026 per Reuters and the Bertling Air Freight Market Report. The supply-chain compression that compresses your passenger book expands your cargo book. The same configuration. Opposite transmission direction. The cascade is empirically active, not theoretical.

The cascade is empirically active, not theoretical. Lufthansa Cargo demand jumped 10–15% even as air capacity contracted approximately 20% following activation.



Maersk Q1 2026 air-freight volumes rose 20% year-on-year to 82,000 tonnes, the company names sea-to-air conversion as a primary driver.

International cargo load factors averaged 51.6% in Q1 2026, up year-on-year. Your cargo capacity that exists is being absorbed; your cargo demand that exists is not being fully captured.

The compounding AI cycle composes against your cargo capacity envelope. Your cargo network is reading a structurally distinct cycle in parallel, AI-related cargo demand.

Maersk reports approximately 100 AI-related product categories with 22% year-on-year demand growth in January–February 2026, concentrated on Far East Asia–North America routes.

Semiconductors, servers, computing equipment. Structurally independent of the Hormuz compound but landing in the same cargo capacity envelope at the same time.

The 2020 COVID legacy reads your cargo precedent. The 2020 calibration anchor is the most precisely measured cargo cascade in the corpus, Lufthansa Cargo generated record profits during 2020–22 as the COVID compound compressed passenger and triggered an analogous (different-mechanism) sea-to-air substitution wave.

Your current Hormuz cascade is empirically smaller in magnitude but structurally analogous.

(a) Maximise belly cargo capacity on protected long-haul passenger routes, your short-haul capacity cut releases route economics on long-haul where belly cargo composes against the substitution demand.

(b) Lock contract pricing into Q3–Q4 against the expected substitution-cycle normalization, the 2020 COVID precedent resolved as container shipping rerouted; the current cycle resolves more slowly given the war-economy substrate sustaining mechanism, but the resolution arrives.

Confirming the move lands, cargo yield per RTK rises 12–18% from pre-Hormuz baseline by Q3 2026; cargo load factor sustains above 65%; external cargo customer mix shifts toward time-sensitive verticals (semiconductors, pharma, automotive parts under disruption); Lufthansa Cargo's published quarterly numbers track in the same direction as yours.

06

One configuration. Three transmissions. Two axes.

Hedged transmissions read as in-frame teal . The customer-side cascade reads as oxblood , what the operator does not see. The substitution cascade reads as cream , the inverse exposure the same configuration produces on the cargo axis.

The hedge book covers fuel cost symmetrically across both axes. The customer cascade compresses passenger demand against premium long-haul corporate verticals; the substitution cascade expands cargo demand against sea-to-air conversion. Same configuration. Opposite transmission direction. The matrix maps the operator's two-axis P&L against the three transmissions the same compound produces.

2026 kerosene hedged via derivatives; residual flows symmetrically.

Lufthansa-disclosed structural defence · €1.7B residual in 2026

Premium long-haul corporate demand reset, 12–18mo from activation.

Cascade leads fuel cost by 2–6 wks at cycle start · cracks visible Q2 in named verticals

No inverse substitution pathway against the passenger book.

Defensive composition only · capacity cut against approaching cascade

07

Your peers are filing three different reads.

Reading the passenger-axis cascade. Cuts capacity defensively before the demand reset lands. The hedge book covers fuel; the capacity cut is the operational defence against the demand-side cascade. Reads as preparing for the Q3 2012–13 precedent at higher magnitude.

Same read as Lufthansa. Cut capacity, protect margin per route, accept the absolute revenue loss to defend per-seat profitability. Premium-heavy fleet allocation suggests betting that premium passengers absorb fares while economy compresses.

Same read. Premium-heavy strategy with secondary European city expansion ("long, thin" routes targeting steady business-class demand). Bets on premium concentration over economy volume.

Reading the cascade differently. Bets fuel-cost pass-through holds before the customer-side demand reset compresses bookings. Holding capacity means the customer-demand cascade is the unhedged exposure. Risk: if the cascade lands while capacity is held, load-factor compression is the consequence.

Same read as Air France-KLM at higher per-unit surcharge. Bets on premium long-haul price-inelasticity holding through cycle. Australian premium long-haul (corporate financial services, resources) is the implicit customer concentration the bet rests on.

Same strategic family. The government-formula structure constrains the response shape but the implicit bet is the same. Asian premium long-haul concentration on financial services and pharma corporate accounts suggests the same customer-vertical exposure logic as European flag carriers.

Different bet entirely. Reads the hedge book itself as the structural defence. The methodology aligns: the hedge book covers fuel; SIA's open question is whether the customer-demand cascade compresses through the hedge envelope before it resolves. The customer cascade exposure remains.

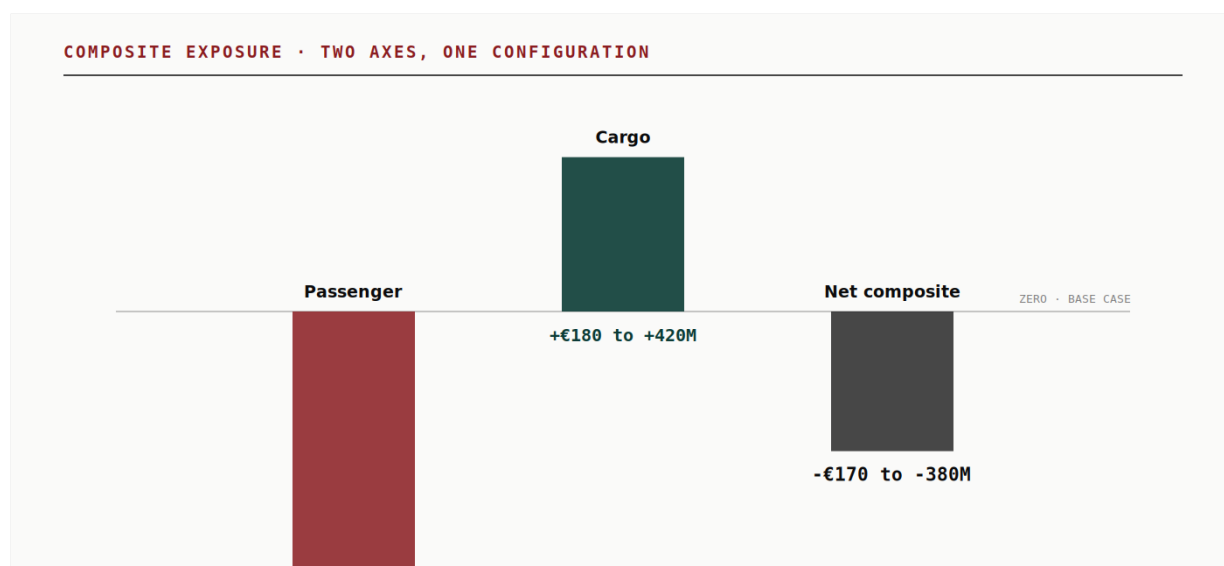
The strongest methodology validation. Etihad reads the demand-side cascade as the central exposure and acts inversely, cutting fares to capture demand redirected from carriers raising prices. Methodologically: Etihad is naming the demand-side cascade as the central read.

08

Your asymmetric exposure. The composite read.

Your two-axis exposure profile composes against the same configuration in opposite directions. Your passenger book faces customer-side compression (cascade approaching activation, full reset on a 12–18 month horizon); your cargo book faces substitution-driven expansion (cascade empirically running, normalization expected by Q4). The hedge book covers fuel symmetrically across both.

(a) Match capacity allocation to cascade timing, cut passenger capacity now against the approaching cascade, maximise cargo capacity now against the active cascade, accept the inverse pull on fleet utilisation across the two axes. (b) Time the actions to the cascade phasing, the passenger reset and the cargo normalization sit on different clocks.



The methodology's claim: the cargo upside captured plus the passenger compression defended together produce a net composite outcome at least €250M better than either single-axis read produces alone .

The composite band of –€170M to –€380M is what the two-axis composition reads against a single-axis baseline, conditional on cascade timing, fleet capacity, and the earnings-call narrative landing ahead of the analyst questions rather than behind them.

09

What this read is not.

Not a hedge recommendation. The fuel hedge book is the operator's domain. The methodology operates against the residual exposure the hedge book structurally does not cover.

Not a route-by-route IRR analysis. The asymmetric exposure surface is composed at the axis level. Route-by-route economic decisions compose against the operator's network economics, not against this read.

Not a fleet-financing or capital-allocation recommendation. The Boeing 777F delivery constraint is a capacity-side input to the cargo cascade; capital allocation against fleet expansion composes against the operator's strategic plan.

Not a regulatory-compliance read. EU ETS, SAF mandates and EU261 passenger rights are operational compliance domains. The methodology composes against compound geopolitical configurations.

Not a substitute for the operator's CFO/COO judgement. The methodology produces asymmetric-exposure surfacing substrate. Integration into capacity allocation, hedging decisions and customer-engagement strategy composes against the operator's judgement.

10

A Bearing Customer-Side Cascade Read.

This artefact is a Bearing COGS Customer-Side Cascade Read , the deployed institutional product, composed at flag-carrier altitude for the CFO or COO whose hedge book covers input cost symmetrically and whose two-axis P&L re-prices asymmetrically against the same configuration. The operator's question is axis-anchored: which side of my two-axis P&L re-prices first, in which direction, and is the exposure that moves through the COGS line already in my managerial frame.

Every load-bearing claim drills to source. The cycle is the Hormuz compound at Day 84; the published behaviour anchoring the read, Lufthansa Group's 80% hedge and €1.7B residual, the eight-carrier strategic-response divergence, Lufthansa Cargo and Maersk's sea-to-air conversion, the Deloitte corporate-travel survey, is publicly disclosed and citable.

The fiscal-monetary and industrial-reconfiguration substrates beneath the passenger cascade are named honestly as the structural anchors the customer-side compression does not revert without.

The read does not manage the hedge book. It surfaces the two cascades the same configuration produces across the two revenue axes, the customer-side compression and the sea-to-air expansion, that the hedge book is not structured to reach, and grounds each against the published behaviour of the operator's own peer group.

Available for capacity-allocation and earnings-narrative discussion at the CFO / COO's discretion · Bearing · BearingA · 23 May 2026

SOURCING

Every claim in this read traces to a primary source at the live web read. Sources are dated, versioned, and indexed continuously.

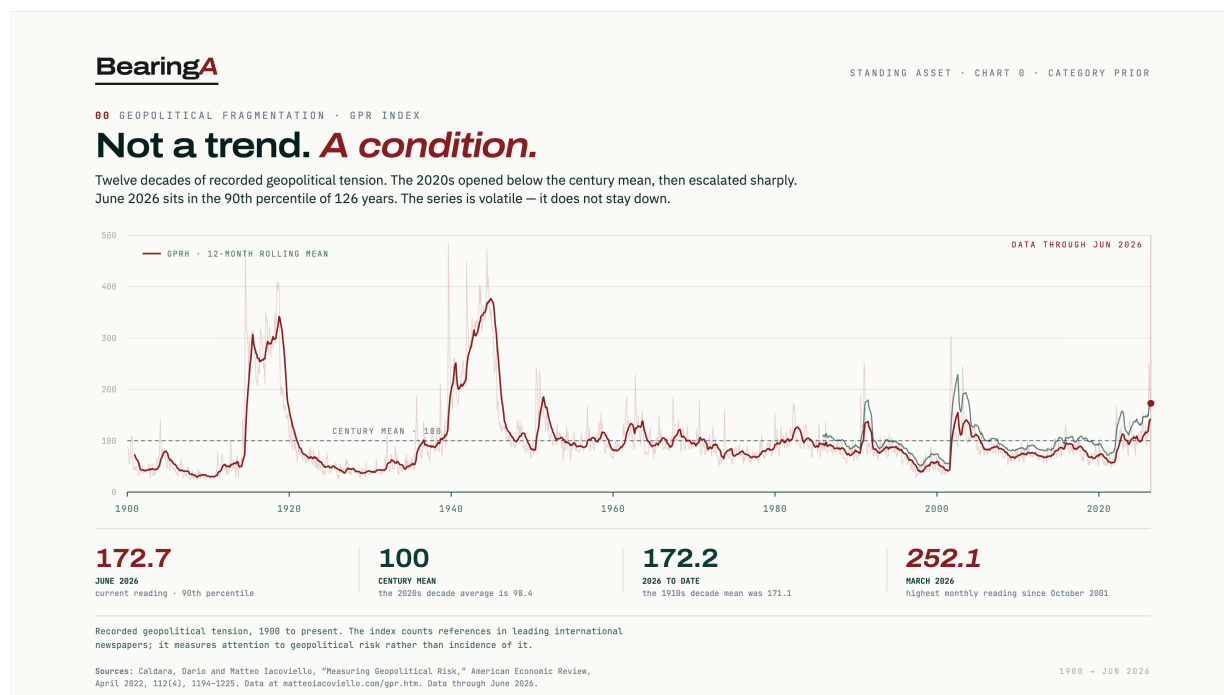
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CONTACT

bearinga.com/reads/cogs-customer-side-cascade
bearinga.com
sheeringa@bearinga.com

Primary sources cited at the live web read. Every claim in the body text traces to the exhibits below or to a source indexed in the BearingA corpus.



STANDING ASSET · CHART 0 — GEOPOLITICAL FRAGMENTATION, 1900–JUN 2026. 90TH PERCENTILE OF 126 YEARS.

ABOUT BEARINGA

BearingA

BearingA is a Ukrainian company. Headquartered in Kyiv. Operating across Kyiv and Amsterdam. Building and running the engine continuously since March 2024, through every geopolitical configuration the period has produced.

The compound geopolitical configurations the engine reads for institutional clients are, in Kyiv, operational conditions navigated daily while what reads them is being built. Not encountered first in the corpus. Navigated first. The reads compose with first-hand reference.

We are proud of Ukrainian resistance. Proud of the mental strength of the people building under these conditions. Proud of the depth of analytical talent operating here. This is where BearingA was built and this is where BearingA will remain headquartered.

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