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# Plane insights

Commercial Aviation Market Intelligence

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**Shane Matthews, Darren Naughton, David Griffin, Stuti Kalra**  
Strategic & Market Analysis – SMBC Aviation Capital

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## Summary

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The biggest topic in the world is of course, the war in Iran and more specifically, the Strait of Hormuz. At the time of writing (*Apr 23rd*), we are in a tentative Cease-Fire environment but that can all change rapidly.

With a quarter of the globe's oil flowing through this strait, its closure has ramifications throughout all regions and industries. In this edition, we look at how the current price spike compares to previous, noting that while the ultimate peak is important, its longevity is critical. We also look forward via oil futures, noting that markets are pricing in a return to the pre-war prices, but with a \$5-\$10 risk premium. The fuel efficiency savings of new-technology aircraft is likely to lead to more demand for new orderbook slots.

This all impacts the macro-environment where economic expansion is now more muted, inflation is increasing and the interest rate environment is now turning more towards rate hikes rather than rate cuts. All of which will hit passenger and cargo demand.

But it is also a cost story. Looking at airline strategies for dealing with oil spikes there are various tactics an airline can take – not simply boosting the base fare. Adjustments can be made to deployed capacity; ancillary costs can be increased or fuel surcharges implemented – this is not to say that airlines can pass on dollar-for-dollar costs to travellers.

Moving onto assets, upgauging is often mentioned in the narrowbody space, but we observe a similar theme in the widebody market, particularly around the A330 and 787. With this upward movement in capacity there is a natural market for larger narrowbodies such as the XLR to step into.

Finally, we interviewed our Head of Aircraft Trading, Mike Littleton for his insights into the current market. SMBC Aviation Capital continue to acquire assets from the three main supply channels – direct orders, portfolio purchases and Sale Lease-Backs to ensure full access to aircraft throughout a cycle. Demand in the secondary market remains robust for trading, but also the company has been able to increase our assets under management due to the development of aircraft as a discreet investment asset. Investors recognise the need for a specialist platform where size, scale and relationships matter to protect asset value.

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# Macro Environment

The war in Iran has dominated news and geopolitical discourse since the initial bombings at the end of February. While a regional war, the impact is global due to the Strait of Hormuz and its effective closure. The supply oil shock impacts all regions of the globe while the conflict also exposes a deeper

vulnerability – the Middle East’s role as a primary supplier of non-oil commodities. This ranges from fertilizers, key for global food security, to minerals powering the energy transition and beyond.

Turning towards the economy, at the beginning of the year inflation across the OECD had dropped to around 2% and the perception was that inflation had been defeated – until it came roaring back. We cover the oil issue in its own section, but oil spikes offer a double whammy for industry – an increase in input costs along with a reduction in discretionary spending. A rule of thumb states that a sustained \$10 per barrel increase in oil prices adds 0.3-0.4 percentage points to inflation so if oil stays at \$100/ bbl OECD’s inflation may hit 4% or more.

Fears initially centred around inflationary pressures from higher oil prices but fears of stagflation – a mix of inflation and stagnant growth, are increasing. Markets are beginning to price in a ‘higher for longer’ oil backdrop and bond yields have risen, and stock indices have been volatile. All of this feeds through to the OECD projecting a reduction in economic growth across the next twelve months.

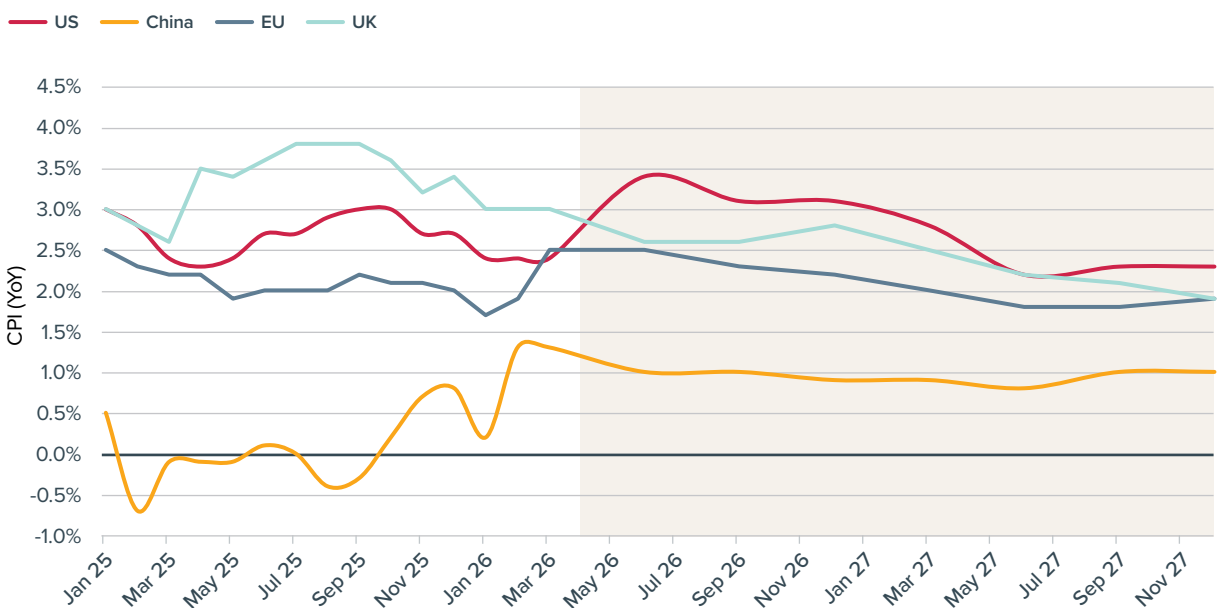
However, all is not negative, as the global economy was in decent shape coming into this oil crisis – for example, real wages were growing at 1% per annum while global corporate earnings rose by 15% in 2025, so there is hope nations can weather the storm for longer.

Figure 1. Major Shipping Lanes in the Middle East



Source: The Economist

Figure 2. Inflation Rates



Source: Bloomberg. Forecast is median value of analyst estimates

## Macro Environment (continued)

This leads us to interest rates. At the most recent Fed meeting, policymakers anticipated a sole quarter-point interest rate cut this year, but markets seem to be leaning towards no cuts across 2026, some even pricing in a rate rise. This assumes that the new Fed chief will continue to follow the traditional policies of his predecessors rather than a more political driven agenda. Meanwhile, the ECB is preparing to raise rates once there is greater understanding around the longevity of the war in Iran.

S&P Global released their Purchasing Manager Index (PMI) in late March which typically offers a glimpse into how US businesses are weathering the initial stages of the war in Iran and unsurprisingly shows some contraction, chiefly in the services industry with manufacturing remaining more resilient.

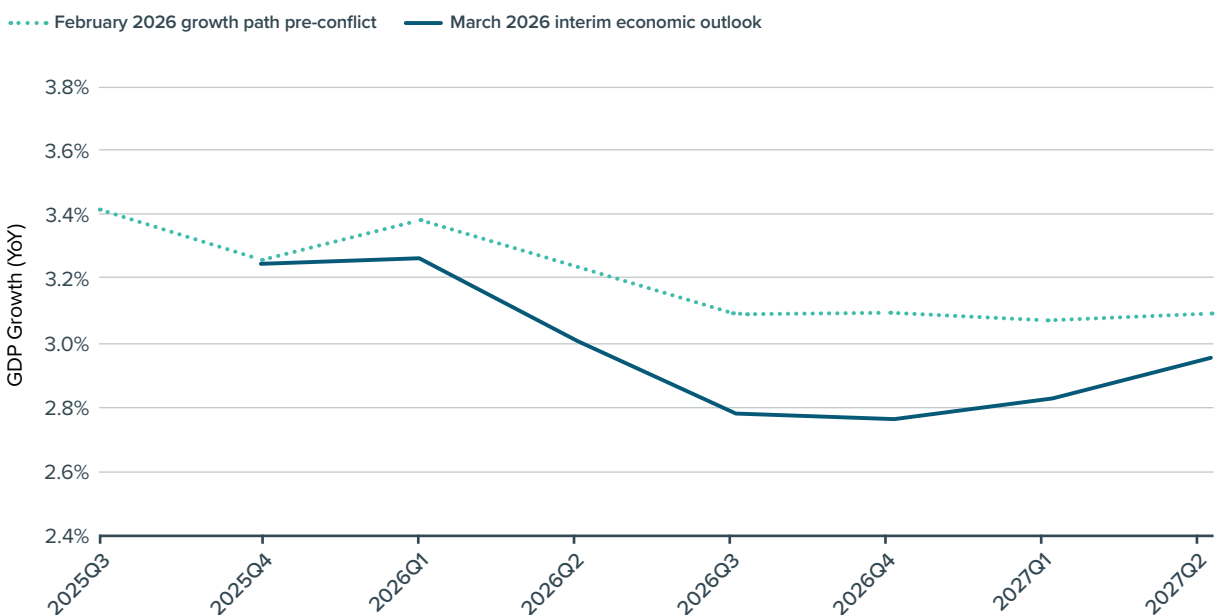
Tariff chaos has gone under the radar due to the war in the Middle East, but a significant moment occurred on February 20th when the Supreme Court struck down Donald Trump’s signature policy. Unsurprisingly, following this ruling Trump immediately invoked another section of a trade act to impose a flat tariff to all imports. However, because of this ruling over 1,800 companies have filed lawsuits to protect their right to a refund. The government collected perhaps \$180bn in tariffs last year – roughly 5% of all profits generated in the nation, or 0.6% of GDP.

The government is now set to refund the initial tariff. This refund when combined with marginally lower tariffs, may add up to a stimulus of 0.7% of GDP according to The Economist.

Moving away from the macro environment into something more niche – the luxury market. As you can see in our Macro Monitor at the back of the paper, we track the performance of the S&P Luxury Index, amongst others. The luxury space has had a strong number of years, but we are seeing a divergence – customers are increasingly more interested in luxury experiences, rather than luxury goods. Core to this is the hotel experience but wrapped around this is premium travel to the destination and luxury activities at the destination.

In aviation we have Revenue per Available Seat Kilometre (RASK) while in the hotel industry they have Revenue per Available Room (RAR) and what is occurring here is consistent increases in luxury and ultra-luxury sectors, for example RAR in the ultra-luxury grew three times more than for the wider hotel sector. As demand for luxury goods fall, and focus turns instead to investment in wellbeing and elite personal experiences this supports premium air travel, particularly for those on the upward leg of the K economy.

Figure 3. OECD Global GDP Projection



Source: OECD

# Oil

Although the Strait of Hormuz is only 35 miles wide, prior to the current war in the Middle East it carried a quarter of the world’s seaborne oil and a fifth of its gas. Since the cessation of that supply, it is creating economic shocks globally, even for those that are not dependent on Gulf oil. Some experts have referred to this event as a “systemic collapse” and it is the most severe shutdown since the Middle East became an oil-producing region in the 1940s. This has led to some governments such as the US, Japan and South Korea releasing strategic oil reserves in an effort to support supply and temper price shocks. While this provides a temporary reprieve, the longer the war persists the more acute the supply shortage will become. Indeed, some airports such as Brindisi in Italy are imposing fuel restrictions.

There is one alternative to getting some oil out of the region. Saudi Arabia has a 1,200km pipeline running from their oil fields in the east to a port at Yanbu on the Red Sea. Crude exports from the region hit just over 3.5 million barrels per day recently, about half of Saudi’s pre-war total. An extremely valuable source of supply at the moment, it is still not risk free as oil will still have to transit Bab al-Mandab where Iran-backed Houthis in Yemen can launch strikes on the oil tankers transiting the strait. Prices are high – but we are more concerned with the actual availability of jet fuel.

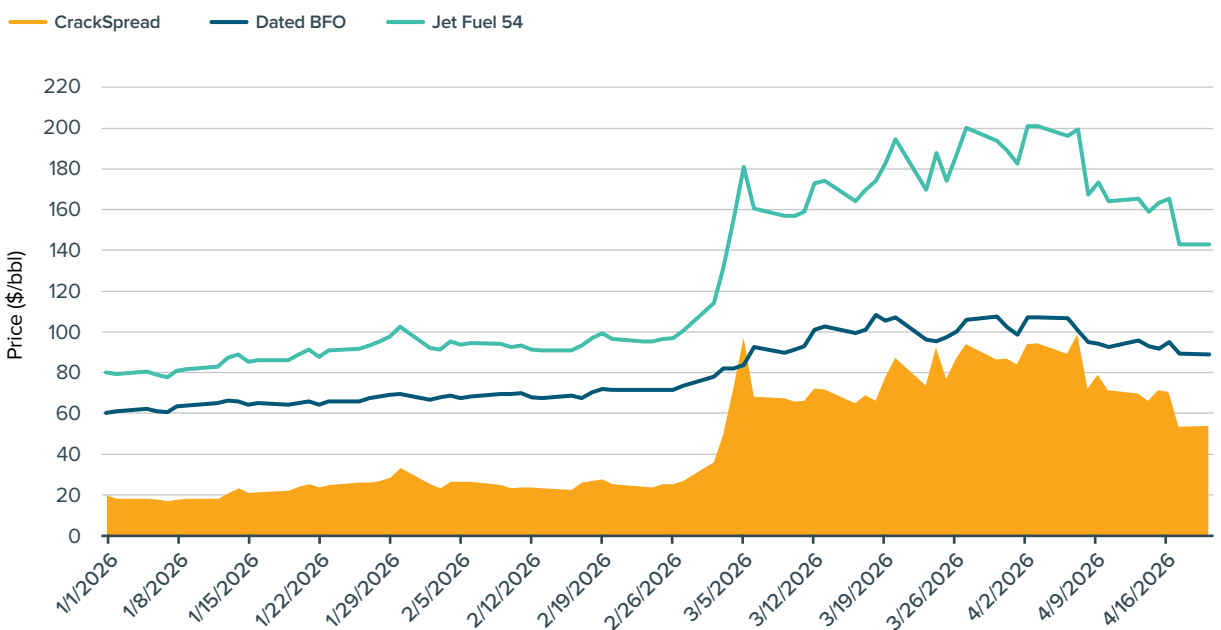
Through the first two months of the year Brent averaged \$67/bbl and the expectation was for a further decline; those expectations disappeared once the first salvos were fired into Iran. While the oil price spiked as expected, it was also volatile as markets reacted to differing scenarios on the length of and magnitude of the war.

Unfortunately for airlines, when there is an oil spike, the crack spread tends to widen also leading to a double hit in price. The crack spread, or cost to refine into jet fuel has recently exceeded \$80/bbl, triple the typical long-term cost, and even exceeding the average price for Brent across 2025. The chief reason behind this is that refineries require heavy (viscous) and sour (high sulphur) oil to blend with their lighter oil to refine into jet fuel. However, this blending fuel is primarily concentrated in the Middle East, which unsurprisingly has seen a significant increase in price from the supply shock.

The US Dollar has also strengthened exacerbating the impact on airlines, while flight times have increased for some routes given air space closures.

While the spot price has been extremely volatile, it is useful to look at oil futures to see where the market is putting its money. Markets see a pretty steep reduction in oil price across the remainder of the year but past this and up until 2033 it sees a structural \$5-\$10 risk premium.

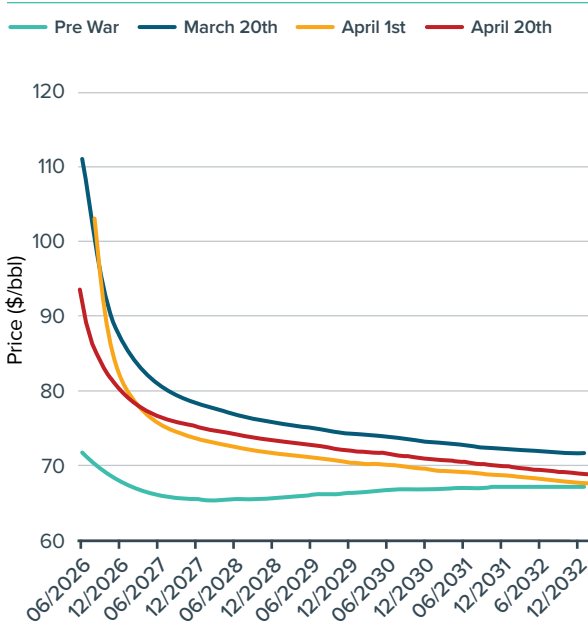
Figure 4. Fuel Price



Source: Bloomberg, Dated BFO Brent & Jet Fuel 54

# Oil (continued)

Figure 5. Oil Future Curves

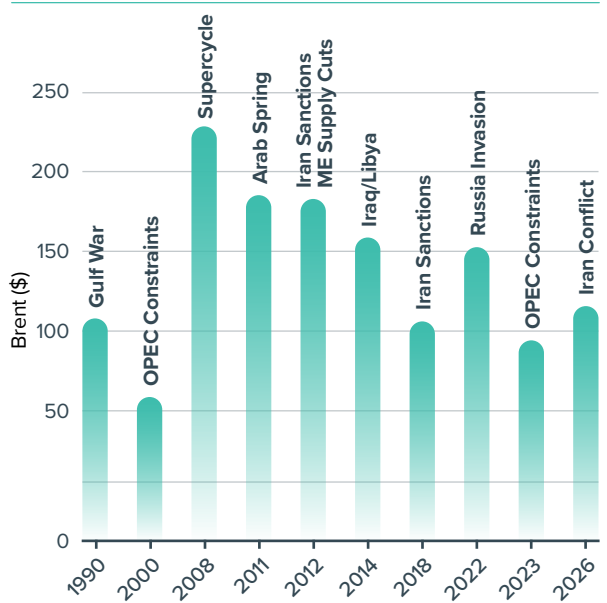


Source: Bloomberg, Dated BFO Brent

We have looked back at the most significant oil spikes since 1990; we also adjusted for inflation to make a more appropriate comparison. Two things stand out, the current spike is not one of the highest, and of the ten we have identified in the chart, eight are related to the Middle East with half either directly or indirectly related to Iran. Finally, while the price is indeed important, it is key to note how long prices remained elevated during each spike and how long it took to recover to trend.

There has been a lot of discussion on airlines and their hedging policies, for example European airlines are typically 50% hedged while US carriers have abandoned hedging. The purpose of hedging is to lock in fuel prices and avoid spikes but varies across regions, airlines and terms. However, over 90% of hedges are indirect meaning that airlines are hedged against Brent or in some cases heating oil futures leaving even hedged airlines exposed to the crack spread. Jet fuel hedging is a less liquid market, more expensive and region-specific. If an airline really wants to do this then they can either use a swap on a jet fuel index such as the Singapore jet fuel, or hedge the crack spread itself.

Figure 6. Oil Price Spikes



Source: Bloomberg, Inflation adjusted using CPI-U

We are very conscious that this spike is different from previous spikes in that the supply disruption will take longer to resolve than some of the previous spikes. There has been significant damage to oil facilities in the region, and they may take years to be repaired. We also note that while Iran has been operating under sanctions, it has still managed to produce and sell circa 3.14mil barrels a day which is about 20% below the peak pre sanctions, so we should not assume that there will be a post war ramp up in Iran output if a peace agreement that include the removal of sanctions is reached.

In a later section we will look at how the airlines are managing these supply and pricing issues.

# Aircraft Supply

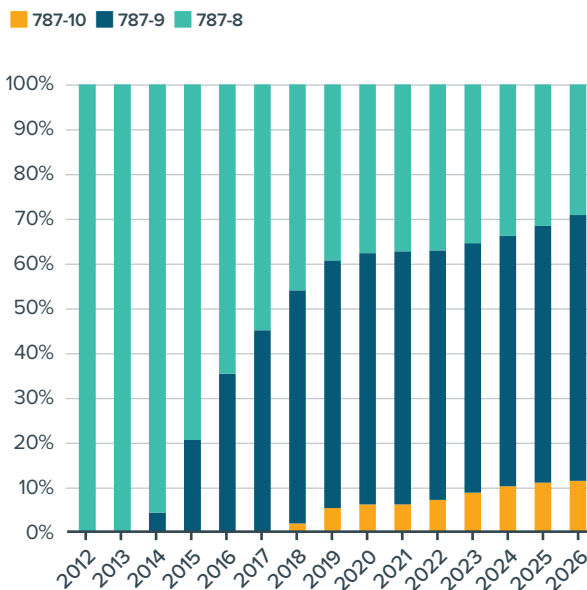
Much is written about the theme of upgauging in the narrowbody market, particularly around the A321neo but this is also applicable to the widebody space.

Firstly, on the 787 we have shown how the installed fleet and the orderbook evolved in tandem. The smallest variant, the -8, dominated in the early years but this was due to this being the first to enter service, three years prior to the -9. If we look at the two 787 charts together, we can see that as airlines were increasingly taking delivery of their -8s, their orderbooks reflected upgauging to the -9. For example, in 2018 the -8 accounted for over half the installed fleet, but only 15% of the orderbook.

The A330 is another good example as we get to see the transition across ceo and neo generations. In 2010 there was roughly an even split between the smaller -200 and larger -300 but the -200 gradually lost share year after year to a point where it only accounts for a third of all A330s in service presently. Despite being the first model to enter service the larger -300 initially proved less popular than the -200. The reason behind this was the -300 was designed to be a medium-range, high-capacity aircraft while the -200 was designed to be a long-haul workhorse but with reduced capacity. The market continued to evolve into greater demand for seats, which led to Airbus significantly increasing the MTOW and subsequently range of the -300 which led to airlines switching to the -300 in greater numbers.

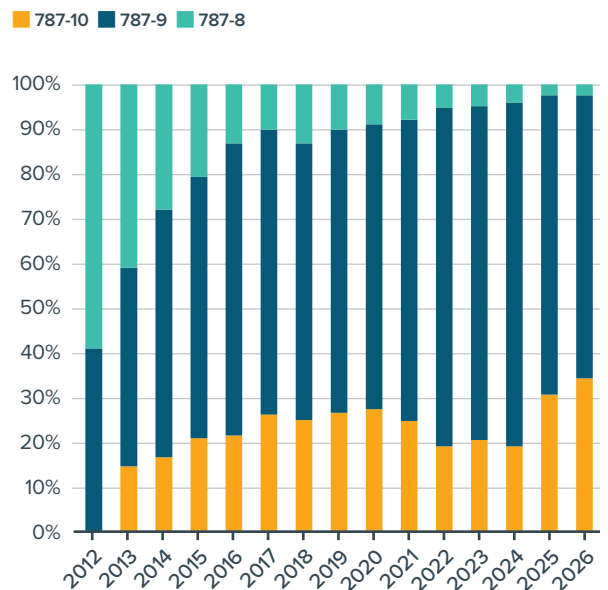
Looking at the A330neo, this can almost be considered a single variant family, such is the dominance of the A330-900. This is driven by the increase in seat count and better per-seat economics all while maintaining strong range. For example, 90% of A330-900neo routes are sub-5,000nmi while the aircraft offers up to 7,350nmi of range further illustrating the point that the market is increasingly driven by capacity, rather than range.

Figure 7. 787 Installed Fleet Evolution



Source: Cirium Fleets Analyzer, SMBC Aviation Capital analysis

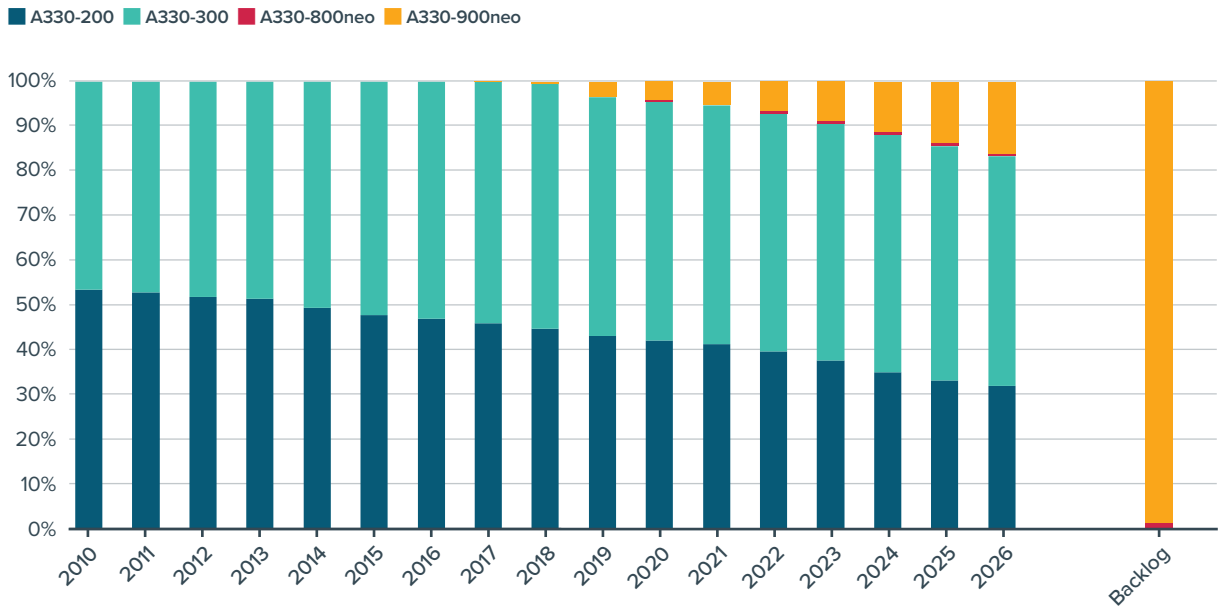
Figure 8. 787 Orderbook Evolution



Source: Cirium Fleets Analyzer, SMBC Aviation Capital analysis

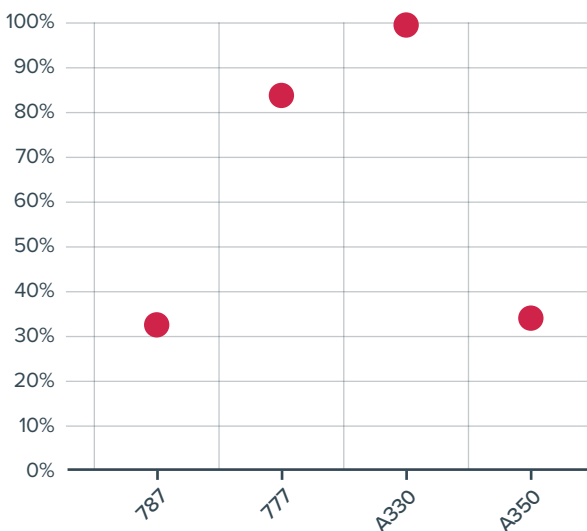
## Aircraft Supply (continued)

Figure 9. A330 Installed Fleet and Backlog



Source: Cirium Fleets Analyzer, SMBC Aviation Capital analysis

Figure 10. Largest Variant Share of Orderbook



Source: Cirium Fleets Analyzer, SMBC Aviation Capital analysis

For the 787 and A350 the heart of the market remains their mid-point offering, the -9 and the -900 (recall that the A350 was initially planned as a three-type family with a smaller -800) while the 777X and A330neo are heavily weighted to their larger offering.

In summation, all new-tech widebodies are capable of flying very long routes, with airlines making their decisions based on capacity and cost per seat with a continued trend in upgauging to larger variants.

This upward movement in capacity now leaves a gap in the market where large narrowbodies such as the XLR can step into markets previously served by the smaller variants of widebodies. We will cover the XLR in more detail in the next edition of Plane Insights.

# Storage & Retirements

In previous editions, we discussed the downward trend for stored aircraft across both single and twin-aisle aircraft and how excess storage rates are approaching what can be considered negligible.

Looking at today's stored fleet there are two distinct peaks, aircraft under the age of seven and aircraft older than 28. For the younger aircraft, the majority are PW powered A320 family aircraft which are stored due to the well-publicised powder metal issue. In fact, 85% of all stored aircraft aged seven or under are PW1000G powered, the majority of which are on the A320neo, but now over 200 A321neos are also stored. However, positive to note that this number is declining as more engines are passing through the MROs and being cleared. Combined with the arrival of the Advantage variant we see good momentum behind Pratt & Whitney. Only around 3% of stored aircraft in this age cohort are twin-aisle aircraft.

Almost 40% of all stored aircraft are above the average age of retirement. While this does not necessarily mean that all will be retired as some may be parked due to airline schedules, maintenance work or conversion, a fair assumption is that the majority will be.

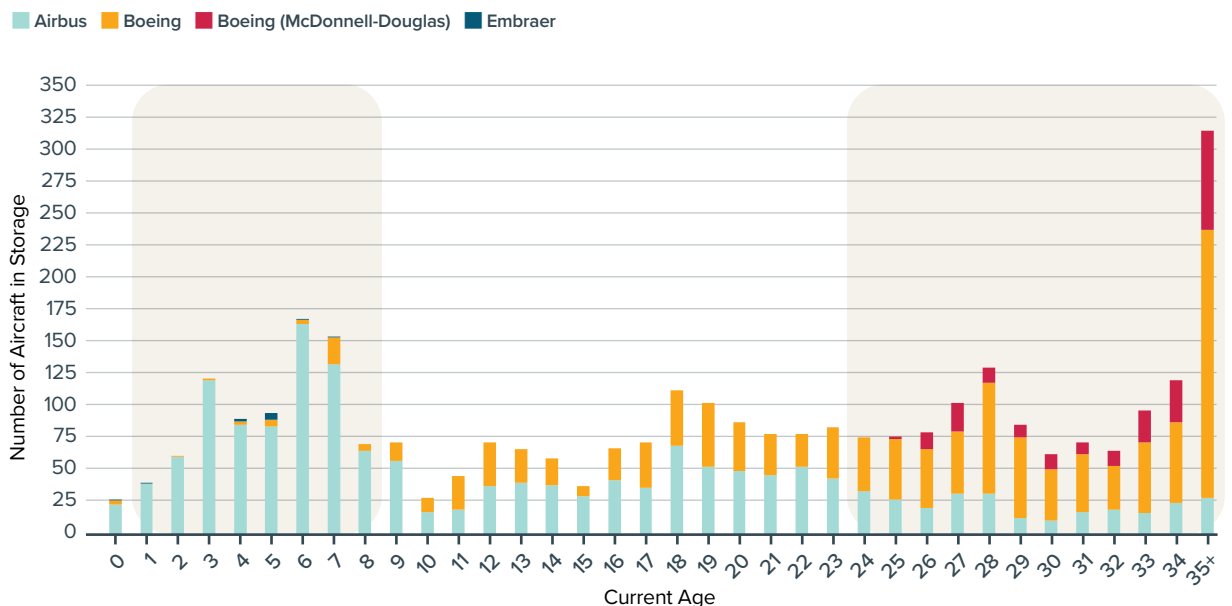
Similarly, aircraft around the age of 10-12 and 16-18 reflect typical lease terms for first and second leases and would be undergoing a transition to new operator.

Overall, a net reduction versus last year when considering the typical Useful Economic Life (UEL) of the asset. Noticeably a pop up for aircraft aged seven; these are heavily A320neo family aircraft, while the increase for aircraft age 28 or older are just aircraft being stored prior to retirement, for the majority. There are also almost 100 MD-11s which have been grounded since the November 2025 crash.

We have previously looked at retirements through various lenses and in this edition, we decided to pivot to a different perspective. Using data from Cirium Fleets Analyzer we analysed purchases by MROs and End-Of-Life companies, firstly to identify the trend and secondly to provide a forward view on the supply of Used Serviceable Material (USM).

Purchases increased year-on-year until hitting the peak of 160 units in 2024. 2025 saw a c.10% drop primarily due to a reduction in supply as airlines extended aircraft in service and lessors signed longer term extensions, there is also the possibility of a lagging effect in the data. We also saw the number of players in the space tick up, from just over 30 in 2021 to 45 in 2024.

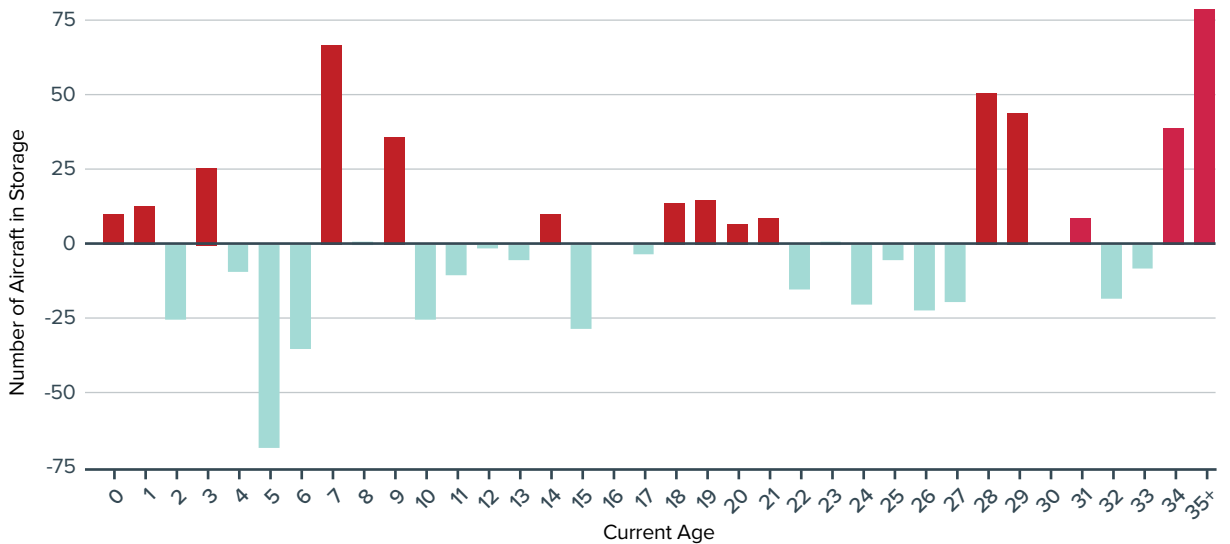
Figure 11. Current Stored Aircraft by Age



Source: Cirium Fleets Analyzer, SMBC AC analysis

## Storage & Retirements (continued)

Figure 12. Change versus 12-months prior

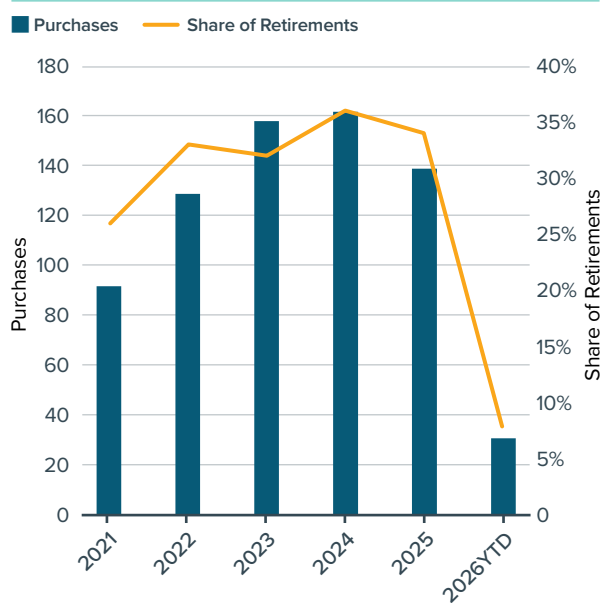


Source: Cirium Fleets Analyzer, SMBC Aviation Capital analysis

Unsurprisingly, the main assets purchased are the A320neo family, followed by the 737NG but also a substantial number of 777s, mainly classics and A330s. It is worth noting that not all of these are immediately ready for Part-Out, a number remain on short-term or green-time leases.

Secondly, we looked at the number of asset purchases by these entities as a share of all aircraft retirements and what we can see is that it hovers around one-third level. This illustrates that not all retirements will lead to an increase in spare parts, many are just sent to the desert, or scrapped. Cirium estimates another year of low retirements in 2026, to date there are just over 30 assets sold so will need more sales to match prior years.

Figure 13. Purchases by Part-Out and End-of-Life Companies



Source: Cirium Fleets Analyzer, SMBC Aviation Capital analysis

# Air Travel

There is a number that airline executives watch just as closely as load factors or ticket sales: the price of oil. The current surge is just the latest in a familiar cycle - echoing 2008, 2011, and 2022, where oil shocks ripple through the industry and ultimately land on the passenger, directly or indirectly, partially or fully.

The airlines have built up a playbook over the years to handle these spikes. Interestingly, there is no one strategy as different airlines have different client bases and also face slightly different challenges. In the US for example, there is no real shortage of Jet Fuel but in Asia fuel shortages are being reported.

United's CEO, Scott Kirby, put a precise number on what happens if oil stays where it is: "If oil prices stayed where they are today, that's \$11 billion of expense for us. And that would require prices to be up 20% to break even."

However, passing that increased cost over to customers is not that straightforward although history suggests that airlines have been reasonably successful at passing on at least some of the fuel price increases to customers in the form of higher overall yields. IATA data suggest that for every \$1 increase in oil airlines were able to increase yields by 25c, a little less than the average 30% that fuel accounts for in their cost base.

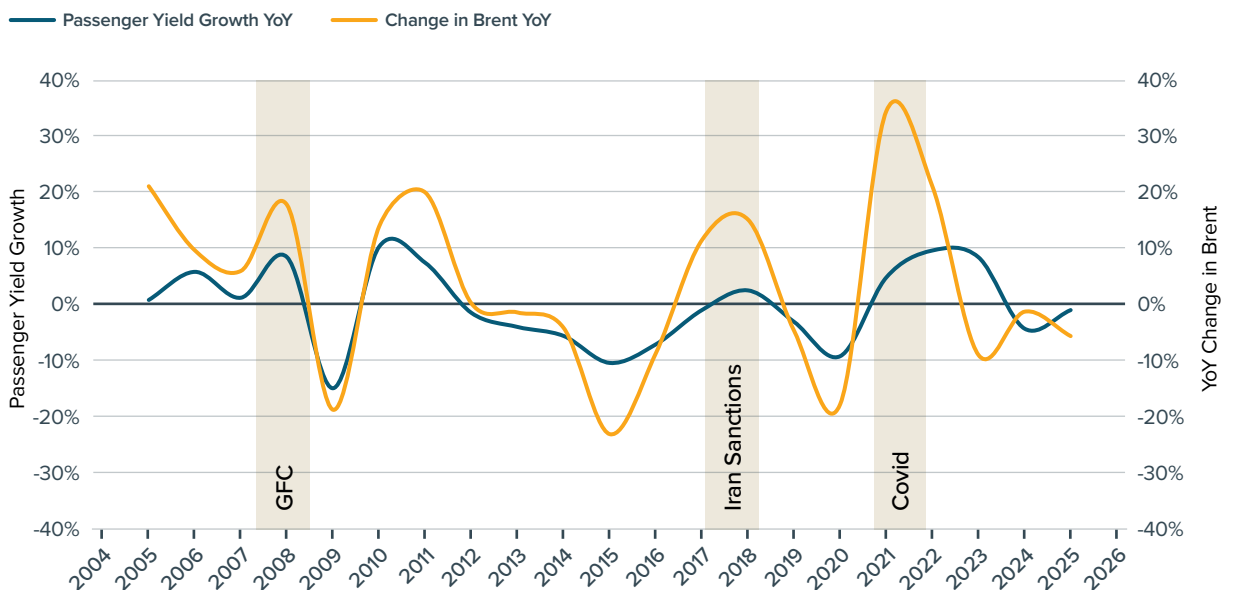
But airfares are not a function of cost alone; they are also affected by demand and many of the factors that drive demand for oil also drive economic activity and the demand for air travel.

Airlines cannot simply pass on higher fuel costs if the traveller is unwilling to pay. This is particularly true for the most price-sensitive customers, such as those on the base fare at Low-Cost Carriers (LCC's). Instead, they rely on a more sophisticated playbook - one that reshapes how passengers pay rather than how fares appear.

Airline strategies may include not just increasing the base fare but also reducing capacity on marginal routes, introducing fuel surcharges or increasing the cost of ancillaries.

Airlines may adjust how prices are presented rather than increasing base fares outright. Because fares are easily compared across booking platforms, airlines may avoid headline increases and instead introduce or expand fuel surcharges and ancillary fees. Cathay Pacific has consistently used fuel surcharges during recent spikes, with these charges forming a meaningful share of long-haul ticket prices. A Dublin to Hyderabad itinerary, for instance, can carry up to \$250 surcharge on top of a \$750 base fare.

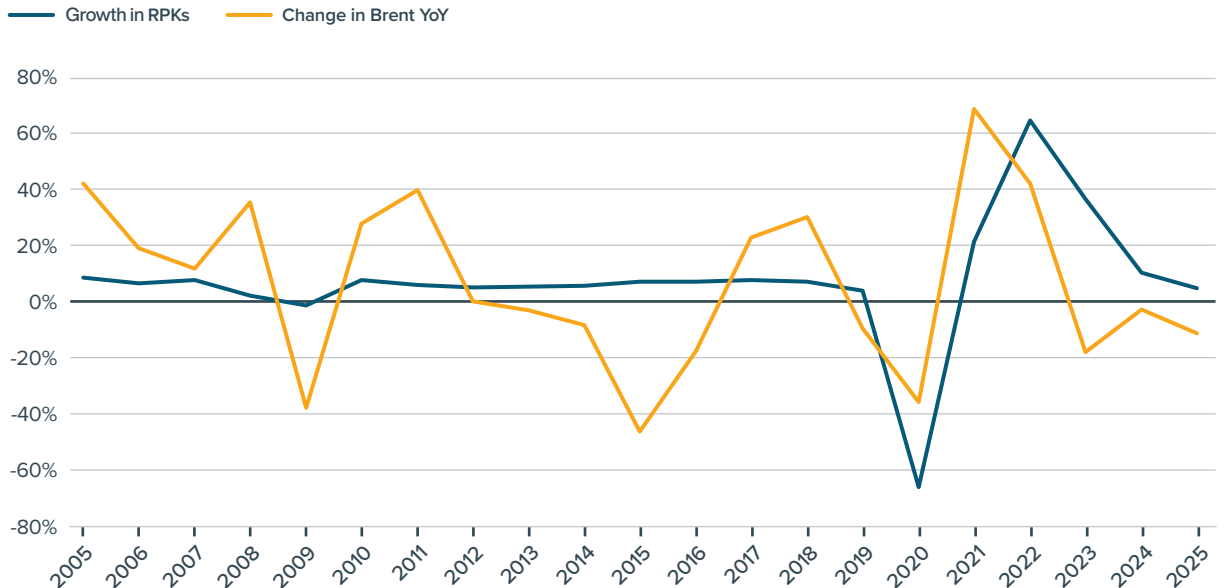
Figure 14. Airlines can pass on fuel price increases



Source: IATA, SMBC Aviation Capital analysis

## Air Travel (continued)

Figure 15. Traffic resilient despite oil price volatility



Source: Cirium Fleets Analyzer, SMBC Aviation Capital analysis

Some airlines lean more heavily on ancillaries. JetBlue and Southwest for example have increased baggage fees. Southwest \$10 a bag increased for checked luggage could generate \$110-150m a month in additional revenue. Full-service carriers such as Delta continue to expand paid seat selection, upgrades, and onboard services. The strategy can work well; the airline gets higher total yield per passenger without altering the base fare.

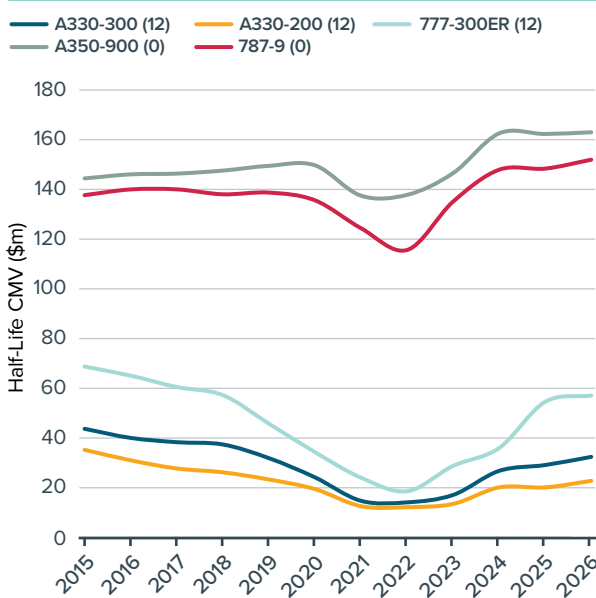
In parallel, when pricing flexibility is limited, airlines turn to capacity. For example, Air New Zealand has recently adjusted its network in response to the current oil spike. Reducing frequencies, withdrawing from marginal routes, or redeploying aircraft allows carriers to lower fuel consumption while tightening supply. We would also expect to see airlines increase utilisation on the more efficient aircraft where possible.

Increasing oil prices doesn't always translate into lower traffic growth either. Traffic which we've noted before is tremendously resilient often continues to grow despite oil price increases albeit sometimes less than forecast at the start of the year. Traffic growth was remarkably consistent in the years post the Global Financial Crisis despite volatility in oil prices. During and after Covid outside factors drove the close correlation between oil and traffic growth

The lesson is consistent across cycles, airlines do not solely absorb oil shocks, they look to redistribute them. However, all of these strategies depend on one critical variable - demand resilience. As long as passengers continue to fly, airlines retain the flexibility to recover higher fuel costs through a combination of pricing structure, capacity control, and ancillary revenue.

# Appraiser Market Values & Lease Rates

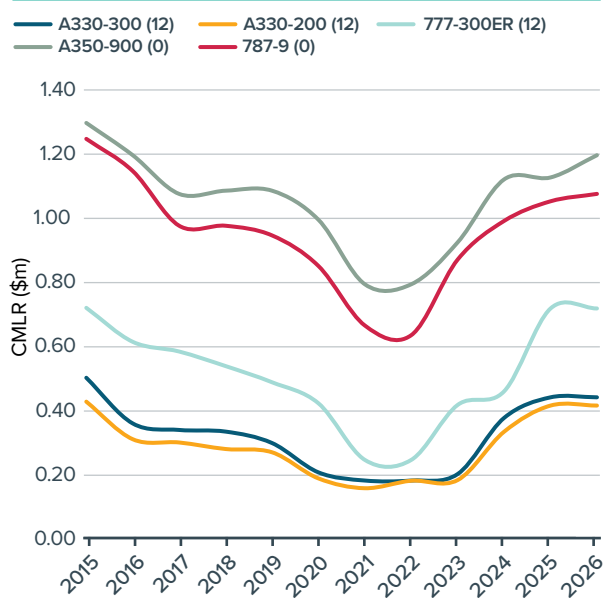
Figure 16. Appraiser CMV – Twin-Aisles



Source: Cirium Ascend – Constant Age

In the previous edition of Plane Insights, we took a snapshot of the current environment for twin-aisle aircraft in terms of appraiser values and lease rates, in this edition we look at how these have evolved since pre-Covid and the recovery since. The charts are based on historical data from Cirium Ascend and are on a constant age basis, the new-tech aircraft are age 0 while the current-tech are age 12. Firstly, on the current-generation aircraft market Values have increased by a quarter since the trough of Covid but have also seen a 13% increase since pre-Covid.

Figure 17. Appraiser CMLR – Twin-Aisles



Source: Cirium Ascend

Unsurprisingly, during the Covid downturn airlines opted to retain their latest generation aircraft in service, as much as possible, while storing their more jet fuel intensive assets, or opting to retire them completely. During this time certain investors also opted to sell down their assets, often at distressed rates. This led to a much greater reduction in Market Values, but we have seen them come roaring back. Versus 2022, on average the three types are up 134%, but are also up a little since pre-Covid. Fundamentally this is driven by a capacity constraint – twin-aisle routes are re-opening and expanding but new supply from the OEMs continues to drag, leading to airlines extending aircraft, deferring retirements or leasing in supplemental lift.

Stepping across to lease rates and we see an even greater recovery. Current-Tech Market Lease Rates are up 120-190% on 2022 and around 50% on 2019 driven by demand for lift, and limited supply from lessors due to elevated extension rates. Similar story on New-Tech where the 787, A350 and A330neo have increased by 60% since 2022, and 15% since 2019 leading to an increase in Lease Rate Factor.

# Trading Market

In this edition we are focusing on the trading market, and have brought in our Head of Aircraft Trading, Mike Littleton, to give his perspectives on the current market.

Before we get to Mike’s thoughts, we take a look at the data to get a perspective on how the market has recovered since the trough in 2020. We focus on two areas – sales with lease attached and sale off-lease which is where the operating airline buys the aircraft that is under an operating lease agreement.

Evidently, lessor trading has recovered strongly and 2025 saw volume exceeding that experienced in 2018. Benchmarking against 2020, sales in 2025 were 3.3 times higher with further increase forecast for 2026. Coming out of Covid and into the recovery period, there was an uptick in appetite from airlines to purchase aircraft off lease as they looked to rebuild their balance sheets, but this seems to have peaked in 2024 but should remain stable.

As the installed fleet grew at around 2.5% per annum over this time period it is useful to look at the volume of trades as a function of the installed fleet, rather than solely looking at units. Trading of aircraft with lease attached increased from a trough of 1.1% of the fleet to 3.3% in 2025, exceeding that of 2018. Sales to airlines also trended up, getting close to the 1% mark.

If we step into the single-aisle trading market and focus on the assets we see that trading of new-tech aircraft, the MAX, neo and A220 is steadily increasing. In 2018 they accounted for around 5% of single-aisle trades but this has gradually ramped up, accounting for almost a third over the past three years. Over this time span the neo has out-traded the MAX by over three to one, but that is mostly a function of its greater installed fleet rather than market appetite. This results in the average age of traded aircraft dropping from around 14 years old in 2022 down to just over 11 in 2025.

### How are you positioning your portfolio given current aircraft supply constraints and OEM delivery delays?

On the surface nothing has changed as we continue to grow our asset base. As a business, we look to acquire assets from the three main supply channels namely direct orders, SLB and portfolio purchases so we are not overly dependent on any one channel unlike some other lessors at specific times during the cycle.

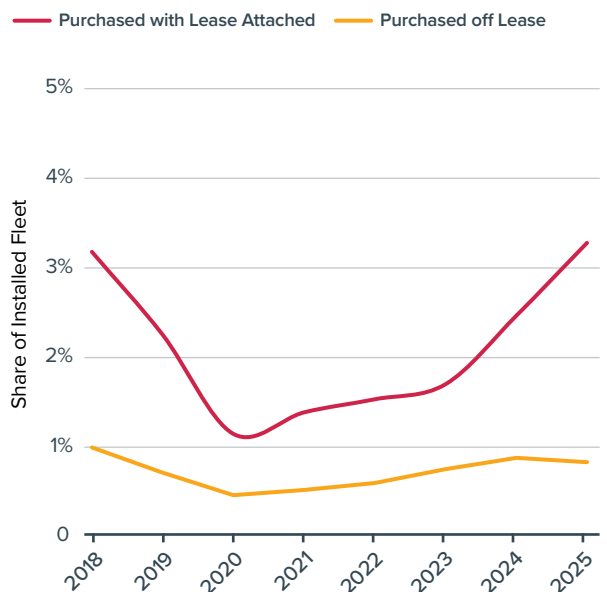
So, while we have faced delays in our order book in recent years, we have purchased +\$3bn worth of assets in the secondary market from other lessors to replace those delayed assets, in addition to the inorganic growth from acquisition of Goshawk.

Figure 18. Trading Market by Volume



Source: Cirium Fleets Analyzer, SMBC Aviation Capital analysis

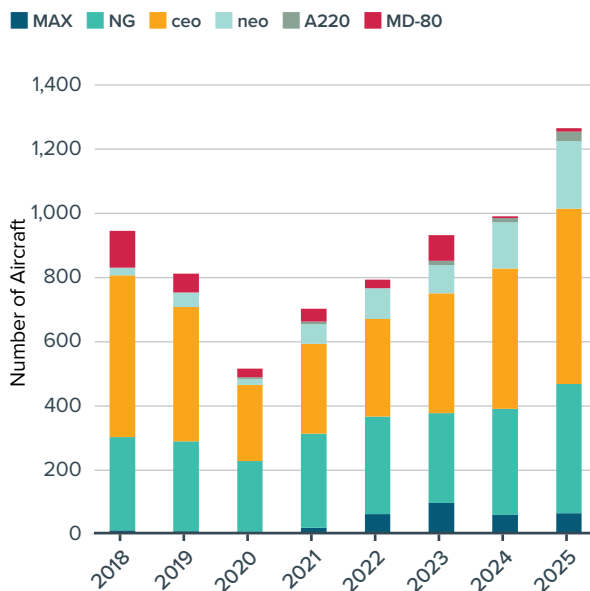
Figure 19. Sales as a Share of the Installed Fleet



Source: Cirium Fleets Analyzer, SMBC Aviation Capital analysis

## Trading Market (continued)

Figure 20. Single-Aisle Sales by Asset Type (All Sales)



Source: Cirium Fleets Analyzer, SMBC Aviation Capital analysis

These purchases have allowed us to maintain a young fleet but also allowed us to source aircraft for onward sale to both our trading partners and investor clients who are keen to grow their portfolio.

### Does secondary aircraft market demand remain intact for now, despite on-going geopolitical issues and conflicts?

I do like to remind my colleagues that in every single transaction, investors buy cashflows. The current turmoil will have changed some people's view on the expected rental flow from certain airlines so some investors may pull back in the short term. We have not seen any material pull back in the demand to purchase the aircraft that we own and manage.

I have no crystal ball to say how long the current conflict in Middle East continues, whether it is short term in weeks or longer term over months, but we continue to monitor this with active dialogue with our trading partners. I would note that the OEM delays and engine constraints continue to boost residual values and extended economic life for some older assets, despite the volatility in oil price. We are also seeing continue interest from our airline customers in taking the more fuel-efficient NEO and MAX aircraft into their fleets.

### What do you view as key elements of successful trading decisions in today's market?

Firstly, I have to acknowledge that we have recently sold our 800th aircraft, which is a huge achievement for this business since we started selling back in 2005. For me, this success is based on two key things – a disciplined approach in how we source and purchase aircraft and secondly building strong relationship with all our customers from airlines to trading partners to investors.

Our disciplined approach to purchasing from multiple channels has ensured that we have a highly liquid portfolio which appeals to the majority of trading partners, and to the financiers that fund them in these purchases.

Any owner of aircraft must have a clear exit plan in their mind and a real understanding of the day one and final day economics. During ownership of an aircraft you must have, or be serviced by, a platform that has deep relationship across airlines and trading partners so that when best laid plans change you have a servicer that can navigate these changes and protect your investment.

### SMBC has grown its Aircraft under management portfolio in recent months, can you explain some of the rationale behind this?

I suppose we have always managed aircraft for investors, typically over previous decades these would have been mostly Japanese investors. And we continue to build our Japanese client base annually working in collaboration with SMFL and our other shareholders.

However, the case for aircraft as a discreet investment asset has continued to develop with new investors now attracted to the fact that these are hard assets denominated in US Dollars. The fact that the market recovered after the serious disruptions we saw during the Covid outbreak has further underscored the relative maturity and resilience of leased aircraft as an asset.

Post Covid we are seeing many investors recognise that this is an asset type which requires a specialist platform where size, scale and deep relationship really matter to the protection of the asset value. Platforms are expensive to develop or acquire and so we have been able to put a value proposition to a number of investor partners who want to deploy capital into this market. And we will continue to seek additional strategic investors over the coming years that complement our business.

# SMBC Aviation Capital Macro Monitor

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
<b>Economic Growth</b>									
US GDP	Yellow	Orange	Green	Yellow	Orange	Red	Green	Green	Orange
China GDP	Red	Green	Orange	Green	Green	Yellow	Red	Orange	Yellow
Euro Area GDP	Red	Yellow	Orange	Green	Green	Green	Red	Yellow	Yellow
<b>Economic Expansion</b>									
PMI – Manufacturing	Red	Yellow	Orange	Yellow	Green	Yellow	Yellow	Orange	Green
PMI – Services	Yellow	Green	Orange	Yellow	Green	Red	Orange	Yellow	Green
PMI – Exports	Green	Green	Yellow	Yellow	Green	Red	Orange	Orange	Green
Money Supply (M2)	Red	Red	Orange	Yellow	Yellow	Green	Green	Green	Green
New House Starts (US)	Green	Yellow	Green	Orange	Green	Red	Red	Yellow	Green
Global Supply Chain Pressure Index	Orange	Red	Green	Orange	Yellow	Green	Yellow	Yellow	Green
US Unemployment Rate	Green	Green	Yellow	Yellow	Yellow	Orange	Orange	Red	Orange
<b>Stocks</b>									
S&P 500	Red	Red	Orange	Yellow	Yellow	Yellow	Green	Green	Green
Nikkei 225	Yellow	Yellow	Yellow	Orange	Red	Orange	Yellow	Green	Green
<b>Inflation</b>									
US CPI	Red	Red	Green	Yellow	Orange	Green	Orange	Yellow	Green
China CPI	Red	Yellow	Red	Yellow	Green	Green	Green	Red	Yellow
Euro Area CPI	Red	Red	Yellow	Yellow	Orange	Green	Green	Yellow	Green
<b>Oil</b>									
Brent Price	Red	Red	Orange	Yellow	Yellow	Green	Green	Green	Yellow
Jet Fuel Price	Red	Orange	Green	Yellow	Yellow	Green	Green	Yellow	Orange
Crack Spread	Red	Yellow	Green	Green	Yellow	Green	Orange	Red	Red
<b>Commodities</b>									
Aluminium	Green	Yellow	Green	Yellow	Yellow	Green	Yellow	Orange	Red
Gold	Green	Green	Green	Green	Yellow	Orange	Orange	Orange	Red
Titanium	Green	Green	Green	Green	Red	Yellow	Orange	Orange	Red
<b>Interest rates</b>									
5YR Treasury Rate	Orange	Red	Green	Yellow	Yellow	Yellow	Green	Green	Green
10YR Treasury Rate	Yellow	Red	Green	Yellow	Yellow	Red	Yellow	Green	Green
5YR Swap Rate	Orange	Red	Green	Yellow	Yellow	Yellow	Green	Green	Green
10YR SwapRate	Orange	Red	Green	Yellow	Yellow	Yellow	Green	Green	Green
Yield Curve (10Y-2Y)	Red	Red	Orange	Orange	Yellow	Green	Green	Green	Green
EFFR	Red	Red	Red	Orange	Yellow	Yellow	Yellow	Green	Green
ECB Rate	Red	Red	Red	Orange	Yellow	Green	Green	Green	Green
<b>IG Index and VIX</b>									
IG Index (bps)	Red	Yellow	Orange	Green	Orange	Orange	Green	Green	Yellow
VIX	Green	Green	Yellow	Green	Red	Red	Yellow	Orange	Red
<b>Currency</b>									
DXY	Orange	Orange	Yellow	Orange	Red	Green	Green	Green	Green
USDEUR X Rate	Green	Green	Yellow	Green	Green	Orange	Red	Red	Red
JPYUSD X Rate	Yellow	Red	Green	Yellow	Yellow	Green	Green	Red	Red
<b>Luxury/Premium Demand</b>									
S&P Luxury Index	Green	Orange	Red	Red	Yellow	Orange	Green	Green	Green
<b>Air Traffic</b>									
Air Traffic (YoY)	Green	Yellow	Yellow	Yellow	Yellow	Orange	Red	Orange	Red
Air Cargo (YoY)	Green	Green	Green	Green	Orange	Red	Orange	Yellow	Yellow
<b>Market Values</b>									
SA Current Tech MV	Red	Yellow	Yellow	Yellow	Yellow	Orange	Orange	Yellow	Orange
SA New Tech MV	Red	Orange	Orange	Orange	Yellow	Yellow	Green	Green	Green
TA New Tech MV	Red	Red	Red	Orange	Yellow	Green	Green	Green	Green
<b>Market Lease Rates</b>									
SA Current Tech MLR	Red	Orange	Orange	Orange	Orange	Yellow	Yellow	Yellow	Yellow
SA New Tech MLR	Red	Orange	Yellow	Yellow	Yellow	Green	Green	Green	Green
TA New Tech MLR	Red	Red	Orange	Orange	Yellow	Green	Green	Green	Green

Sources: Bloomberg, IATA, Cirium, IBA, mba, Avitas

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# About the authors

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## **Shane Matthews**

Shane is Head of the Strategic and Market Analysis Team leading a team of six analysts who have responsibility for SMBC Aviation Capital's proprietary models, databases and market analysis. He joined the company in 2005 as a credit risk analyst covering customers in Asia Pacific. Shane spent 10 years as an equity analyst covering airlines with NCB Stockbrokers and HSBC Securities in Singapore. He holds a Bachelor of Commerce Degree and a Masters in Business Studies in Banking and Finance from University College Dublin.

## **David Griffin**

David is SVP Strategic and Market Analysis. He initially joined SMBC Aviation Capital in 2021 as a member of the Commercial Analysis team, with responsibility for assessment and evaluation of company transactions. In 2023 he joined the SMA team where he covers market and asset analysis along with broader industry research. Prior to joining SMBC Aviation Capital, David was a Valuation Consultant with Cirium Ascend. David holds a Bachelor's Degree in Aeronautical Engineering and a Master's in Business Management, both from the University of Limerick. He is also an ISTAT Certified Appraiser.

## **Darren Naughton**

Darren is SVP Strategic and Market Analysis. He joined SMBC Aviation Capital in 2004 as a Residual Value Risk Analyst before joining the credit risk team covering airlines in Europe and North Africa. In 2014 he joined the Strategic and Market Analysis team with responsibility for industry analysis, forecasting and portfolio risk management. Prior to joining SMBC Aviation Capital, Darren worked in the semiconductor industry and has an Engineering Degree and an MBA from Trinity College Dublin.

## **Stuti Kalra**

Stuti is an AVP in the Strategic and Market Analysis team at SMBC Aviation Capital. She joined the company in January 2024 and focuses on market and asset analysis, as well as broader industry research. Prior to joining SMBC Aviation Capital, Stuti worked as a Valuation Analyst at Kroll and began her career in Audit with EY. She holds a Master's in Finance from University College Dublin.

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## Queries

### **Investor**

**Shane Matthews**  
Head of Strategic & Market Analysis

E: [shane.matthews@smbc.aero](mailto:shane.matthews@smbc.aero)

### **Media**

**Conor Irwin**  
SVP Communications

E: [conor.irwin@smbc.aero](mailto:conor.irwin@smbc.aero)

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