



Come fly with me

- The airline sector is arguably the purest expression of the re-opening trade. There are hopes next month's G7 may reach an agreement on travel corridors & vaccination certificates which will help rescue the northern hemisphere's summer holiday season.
- Alongside such political factors, bottom up analysis remains critical. Some carriers are promoting free flights for the vaccinated; others are successfully adapting from passengers to cargo in order to boost revenues. But it is notable in the curated [Airlines Watchlist](#) below that every single carrier Qi models - in US, Europe & Asia - is in a strong macro regime.

Model Name	ST/LT	Asset Class	Confidence(%)	Val Gap	Val Gap (σ)
LHA	LT	Equity	94%	-2.38%	-0.18
AF	LT	Equity	92%	-1.91%	-0.11
QAN AU	LT	Equity	81%	-0.25%	-0.03
SIA SP	LT	Equity	91%	-0.19%	-0.01
IAG	LT	Equity	91%	1.23%	0.07
EZJ	LT	Equity	84%	2.68%	0.14
RYA	LT	Equity	79%	2.04%	0.18
LUV	LT	Equity	94%	3.43%	0.24
DAL	LT	Equity	93%	7.51%	0.56
UAL	LT	Equity	89%	8.63%	0.62
AAL US	LT	Equity	92%	11.33%	0.65

- The other standout is how close to model fair value every single carrier is. They are all essentially within 0.5 sigma of model. **Macro matters for airlines & currently they are behaving in line with macro fundamentals.** Watch the relevant macro factors for the next big move.
- While model confidence is uniformly high, there is a wide dispersion of macro regimes. [Lufthansa](#) is a high beta inflation play with crude oil & inflation expectations accounting for around a third of model explanatory power.
- A desire for credit spreads to remain tight dominates all four US airlines – [SouthWest](#), [Delta](#), [United](#) & [American](#). Asian carriers [Quantas](#) & [Singapore](#) have the most diverse range of drivers but display a notable bias to domestic economic & financial conditions.

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