

$$V5AI\ SMI^{TM} = f(\text{Volume fraction, Delivery cost})$$

**VOLUME FRACTION**

A measure of physical and structural capacity. Each corridor's share of total seaborne crude flows. Parcel size VLCC 2.0 mbbl · Suezmax 1.0 mbbl · Long Range 2 (LR2) 0.9 mbbl for products · Fleet position repositioning takes 4-8 weeks · Route frequency how many ships regularly serve the corridor · Terminal throughput sets the volume ceiling per port

**STRUCTURAL SIGNAL**

Price, volume and war-risk are event-driven. SMI measures what does not change overnight: the physical limits and efficiency of the route system.

**LAGS, THEN LEADS**

Price spikes in days. Momentum takes quarters. Scale is what makes the difference.

**DELIVERY COST**

What it costs to move a barrel on each corridor, relative to the most efficient route in the system. Freight = fuel (distance, permanent) + ballast + liquidity premium. Scale compresses the last two – never fuel. Distance Gulf 2,400nm vs Atlantic 5,200nm permanent · Ballast & liquidity compress as trade volume builds

**THE RANGE IS THE RISK**

Four shocks. Four recoveries. Gulf War: 4 quarters. Embargo: 16. Tanker war: 44. Hormuz 2026 is playing out now.

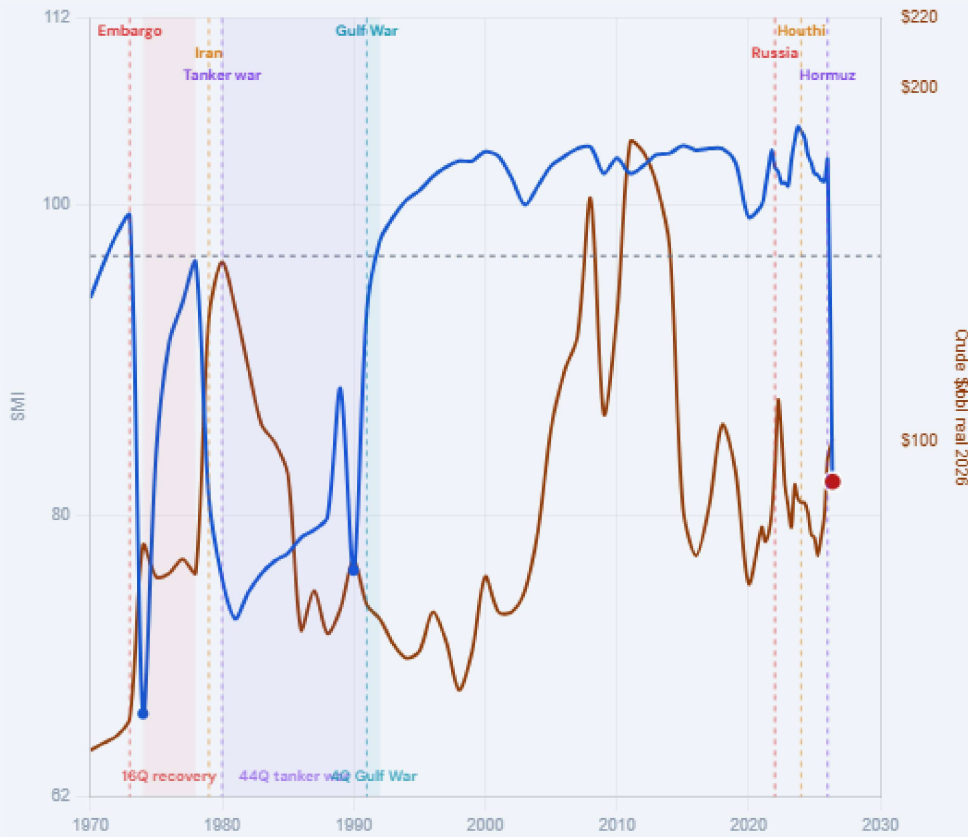
**THE DIAGNOSTIC**

Price is a considered opinion. SMI is a measure of hurt and healing.

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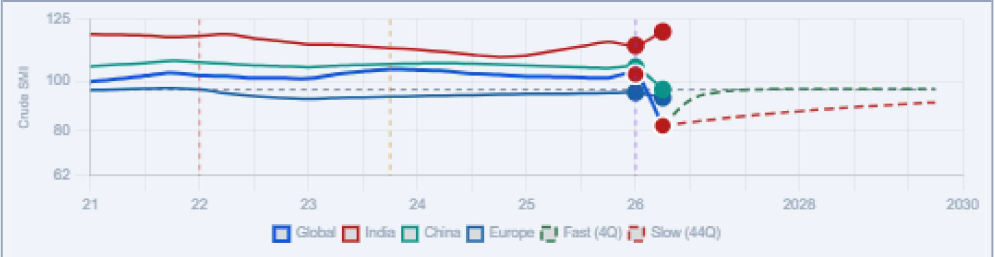
**GLOBAL SMI 1970-2030**

Annual 1970-2020 · Quarterly 2021-2026 · dashed amber = crude real 2026\$/bbl · shaded bands = recovery durations



**CRUDE SMI BY REGION 2021-2030**

Global · India · China · Europe · green dashed = fast 4Q recovery · red dashed = slow 44Q recovery



**AVIATION FUEL SMI BY REGION 2021-2030**

Lower baseline by design: LR2 tankers, smaller parcels, more ports · no recovery projections shown



INDIA	-5 mb/d · Gulf share 52%~28%	CHINA	-11 mb/d · ESPO insulates	EUROPE	Crude resilient · jet exposed
CRUDE AVG	94	CRUDE AVG	89	CRUDE AVG	96
Q2 2026	94	Q2 2026	82	Q2 2026	95
JET Δ	-27	JET Δ	-16	JET Δ	-15
	+0.1		-6.3		-1.4

**INDIA** Unexpected for crude: Atlantic and Russia volumes deepened rapidly even as total imports fell -16%. Crude SMI barely fell. Jet SMI collapsed - India is a net importer of aviation fuel.

**CHINA** Most resilient major importer. ESPO Pacific (no Hormuz or sanctions exposure) grew steadily through 2021-2025 and gained further post-closure. China closest to pre-Hormuz trend of any major importer.

**EUROPE** Crude SMI barely moves, but jet SMI fell 14.5 points and reflects Kuwait Al-Zour supply of 36% of Europe + UK jet imports. Europe closed refinery capacity during the energy transition - the product shock outlasts the crude stability.

**SMI VS CRUDE PRICE**

**SMI lags**

Crude price spikes on fear. SMI deteriorates as routes reconfigure over quarters. Price can recover while SMI stays depressed. The delivery system has not healed until SMI says so.

**THE 2026 GAP**

**82.2 SMI**

Crude prices have partially recovered on bypass news. SMI is still at 82.2 - 1991 Gulf War efficiency. That gap is the story: sentiment has recovered, the delivery system has not.

**FAST RECOVERY (4Q)**

**4 quarters**

Gulf War analogy. Hormuz reopens, routes revert. At \$0.4B/qtr now, recovery within 4 quarters. When SMI recovers before price, the system is healing - not just the news cycle.

**SLOW RECOVERY (44Q)**

**44 quarters**

Tanker war analogy. Route shift becomes structural. Efficiency loss persists for 44 quarters. A depressed SMI means the next shock hits a weakened system.

**WATCH SMI NOT PRICE**

**SMI leads**

1991: crude recovered 3 quarters before SMI. When SMI rises ahead of price, corridors are genuinely deepening. When price recovers first, it is sentiment, not scale.