

FBX-Settled Container FFAs

Managing Freight Price Risk at Braemar Securities



PETER STALLION

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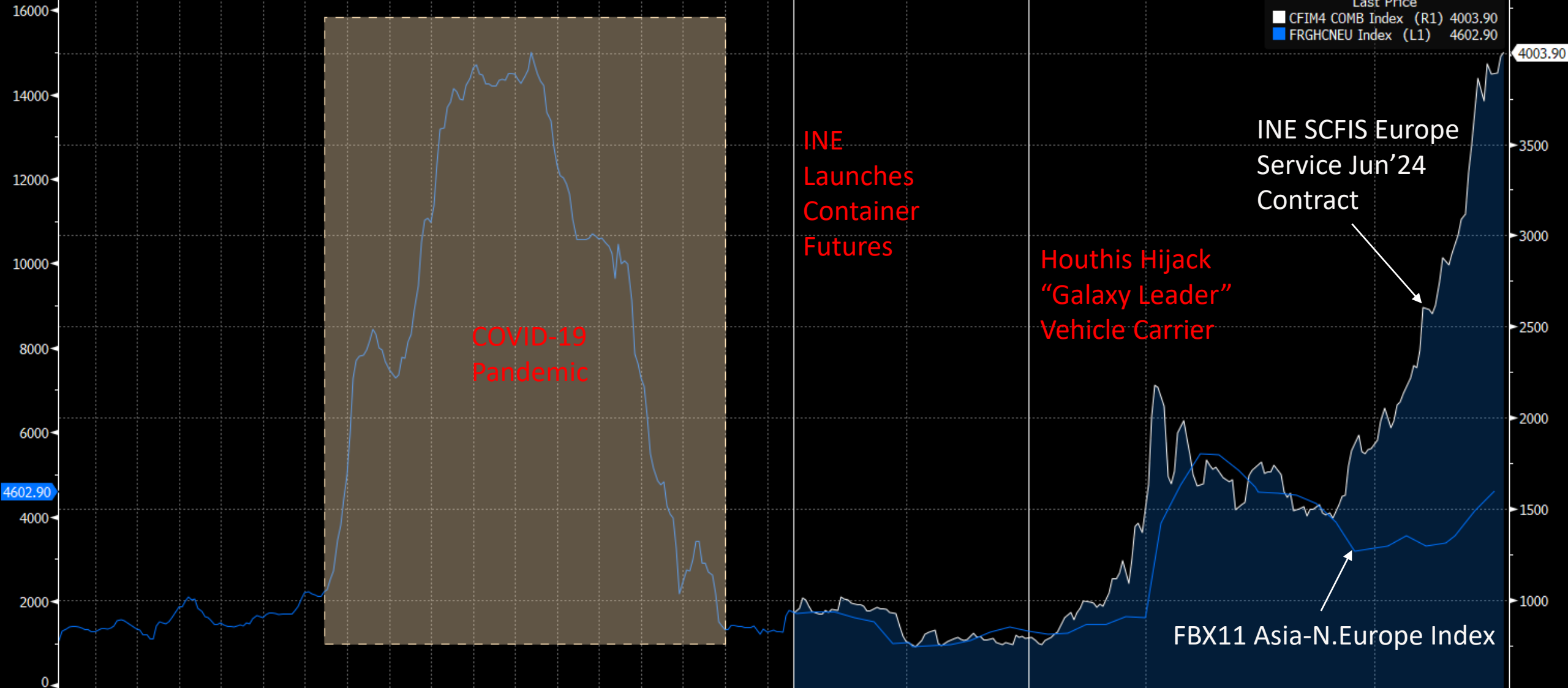
Introducing FBX Container Futures/ FFAs

- Index futures settling in US Dollars, using the Freightos Baltic Container Index (FBX) as a benchmark.
- Administered by The Baltic Exchange, with data from Freightos WebCargo, and regulated by the UK Financial Conduct Authority
- FBX = A route based, all-inclusive spot rate for 40ft container capacity (i.e. FBX11 China/East Asia to North Europe).
- Listed on The Singapore Exchange (SGX) and The Chicago Mercantile Exchange (CME).

Basic Contract Specifications		
Contract Unit	1 Forty Foot Equivalent Unit (FEU)	
Price Quote	U.S. Dollars and Cents per FEU	
Min. Price Quote	1 FEU = \$1.00	
Listed Contracts	Monthly, current year and next 2 years	
Settlement Method	Financially Settled	
Exchanges	SGX, CME	
EXCHANGE LISTED ROUTES	CME	SGX
FBX01 China/East Asia to North America West Coast	✓	✓
FBX02 North America West Coast to China/East Asia	✓	✗
FBX03 China/East Asia to North America East Coast	✓	✓
FBX11 China/East Asia to North Europe	✓	✓
FBX12 North Europe to China/ East Asia	✓	✗
FBX13 China/East Asia to the Mediterranean	✓	✓

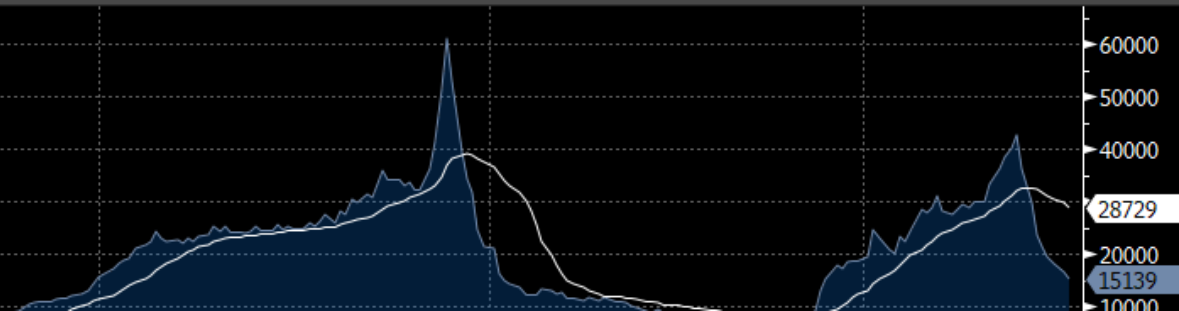
Trading INE Futures vs FBX Futures

- **High Correlations** between the SHFE SCFI-S Europe Service Index and FBXII China/East Asia to North Europe (subject to basis risk/ time of study)
- Counterparties can take advantage of **arbitrage** between INE SCFIS Europe Service Futures and FBX futures listed on The SGX and The CME.
- Hedging is available on both INE and FBX
- FBX Futures are US Dollars per Forty Foot Equivalent Unit (FEU) based / INE SCFIS Futures are Points/RMB based



CFIM4 COMB Index - Open Interest 15139

Source: Bloomberg



FBX01 Asia-USWC							
	Trader	Qty	Bid	Ask	Qty	Trader	Change
May-24			4900	5500			+425
Jun-24			4800	5200			+225
Jul-24			4750	5300			+225
Q3(24)			4700	5300			+350
Q4(24)			4000	5200			+175
Q1(25)			3500	4500			+350
Q2(25)			3400	4200			+200
Cal(25)			3300	4400			+150
Cal(26)			3000	3400			0

FBX11 Asia-N.Europe							
	Trader	Qty	Bid	Ask	Qty	Trader	Change
May-24			5700	5900			+50
Jun-24			5650	5800			+25
Jul-24			5600	5800			+25
Q3(24)			5600	5750			+25
Q4(24)			5350	5550			+25
Q1(25)			4500	5300			+50
Q2(25)			4200	4800			+250
Cal(25)			3500	4500			0
Cal(26)			2700	3400			0



Flexible Price Management

1. **Hedging Spot Exposure:** Container FFAs have been used to offset the impact of the volatile change in spot prices.
2. **Hedging Index-Linked Contracts:** FFAs can be used to lock in the price of an index-linked contract.
3. **Swapping Fixed Prices for Index-Linked Prices:** FFAs can be used to swap a fixed price contract to a floating price (and vice versa).
4. **Hedging the fluctuation of annual contracts:** Market conditions influence the year-on-year price of annual contracts, which can be hedged using FFAs.
5. **Arbitrage:** Container futures listed on the INE offer support for trading on the SGX/CME.

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Experience

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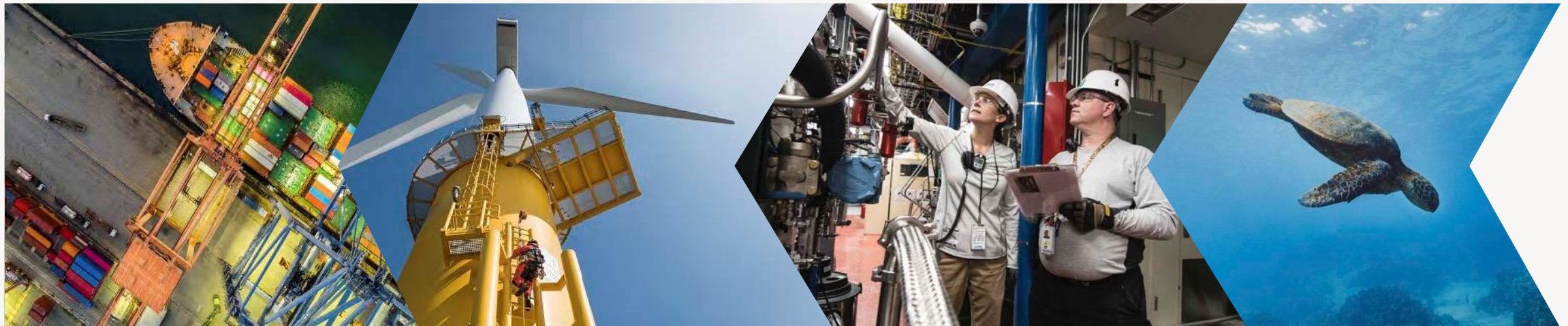
Collaboration

By sharing knowledge and resources across desks, our inclusive workforce anticipates our customers' needs and provides prompt, informed solutions.

Values

We are committed to proactive, measurable ESG initiatives and the facilitation of climate-smart shipping.

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