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Seatrade Maritime News

YOUR DAILY INSIGHT INTO THE SHIPPING WORLD

The evolving brave new world of global freight markets



Marko Kraljevic, partner, Clyde & Co



By [Barry Parker](#) from New York

The brave new world of dry bulk shipping and the relationship with commodities and freight was in focus at Capital Link's recent Global Commodities, Energy & Shipping Forum.

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The opening speaker, Marko Kraljevic, partner at lawyers Clyde & Co, talked about the successes of trading companies that have chosen not to transform themselves into natural resources producers. Krajevic commented: “ It’s not about the pure trading...and the margins on trades....it’s about the logistical solutions that they offer.....that is actually where their value is.” Interestingly, no raw material companies were represented on the BRS-led panel- which followed Kraljevic . Instead, each of the participants was presently, or previously with a trading house. Jones alluded to a generally poor performance, post 2008, for traditional shipowners, and praised the trading style, saying: “the only way to get through this crisis is to be doing what you all do.”

Each of the panelists, whose companies had unique “trader” strategies for managing freight risk, offered views on the importance of new derivatives tools – which are used in conjunction with physical charters. George Wells, a top freight executive at Cargill, described how forward positions in “paper” can be implemented more quickly, and can hold a position (after selling a long-term contract of affreightment, or “COA”), while a period time chart is put into place.

From RWE, a buyer and seller of coal, panelist Ravi Khosla described the challenges of securing freight to back sales of coal to varied destinations. Another panelist, Vitol’s Thomas Semino said, “nowadays, paper is more liquid” when compared to executing long-term charters.

Another panel, led by the Baltic Exchange’s Robin King, its head of marketing, revealed different aspects of how freight risk is managed. Panelist Ardalan Sappino, FFA trader with SwissMarine, pointed to increasing liquidity in the dry FFA’s, as both owners and charterers wish to hedge, along with growing turnover in the options markets (options on forward freight positions).

In the tanker space, Michael Reardon, manager of global strategy and freight trading at oil products marketer Phillips 66, called liquidity “good but not great”, and pointed to success stories in the “TC14” route (refined products exports from the US Gulf to North Europe) which has seen growing participation. Broker Chris Reilly, Managing Director at BRS Futures, said that liquidity has basically been a “good news story”, adding that a positive development in recent years has been the entry of American funds that want exposure to shipping into the market.

King’s panel had a lively discussion when the subject turned to changes in Baltic indices and route specifications, as changes occur in underlying trade and ship hiring patterns. The back and forth revealed the trade-offs between responding quickly to market shifts versus a more deliberate approach that attracts traders with longer term time horizons. The Baltic’s Robin King said that his organisation is continuing to closely watch the dry and tanker markets, and that its indices will “continue to evolve”.

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