

Brokers back earlier indices publication to boost Asian trade

Geoff Garfield

London

A proposal has been made to bring forward publication of the daily Baltic Exchange freight indices to increase derivatives trading in Asia.

The move was discussed this week at a meeting in Singapore of the Freight Market Users Informa-

tion Group (FMUIG). The idea of introducing a new supramax iron-ore route on a voyage basis from India to China was also floated.

It is argued that close to 50% of liquidity already comes from Asian users and much of the growth will continue to come from places like China.

But by the time the Baltic indices are published at 1pm in London, it is 8pm in, for example, Singapore. It has been suggested that publication should be brought forward to 11am. Supporting the idea is John Banaskiewicz of London and Singapore-based derivatives broker Freight Investor Services (FIS), which says earlier assessments would encourage more activity in Asian time zones.

He says London brokers including Clarksons, Simpson, Spence & Young (SSY) and Arrow already

have offices in Asia feeding information back to London early in the day.

Meanwhile, the India-China supramax iron-ore proposal would be a trial route to calculate the voyage rate on the back of the time charter. It will need to be discussed first with panellists.

A time-charter route from the east coast of India to China already exists but many traders and steel mills want to know what the actual freight rate per tonne is, while banks and others trading iron ore need to work out the free-on-board (fob) price, says Banaskiewicz, who attended the FMUIG meeting.

"It would help more people look at iron-ore derivative markets, as that is a cargo and freight contract and a lot of the spot business is from India," he said.

Earlier this year, FIS teamed up

with major clearing house LCH. Clearnet to develop an iron-ore derivative with delivery in China. It runs parallel, for example, to SGX AsiaClear, the Singapore Exchange over-the-counter (OTC) facility offering iron-ore swaps.

A sense of urgency has crept in to bolster freight-derivatives volumes.

Dry-bulk forward-freight agreement (FFA) volumes so far this year are said to be down around 50% from 1.5 million lots to 740,000, according to FIS. Notional value of the market was claimed recently to have fallen from \$155bn last year to \$40bn this year.

"We are desperately trying new ways to get more people back into the FFA market," said Banaskiewicz. "This may be a way to get the steel market, the iron-ore guys and the traders more involved."



JOHN BANASKIEWICZ: The FIS broker supports the plan

Photo: Irene Ang