



ICS WEBINAR

BALTIC INDICES FOR DUMMIES

- A closer look at Baltic Indices methodology

February 25, 2021 | 4-5:30PM (GMT+8)

Reminders:

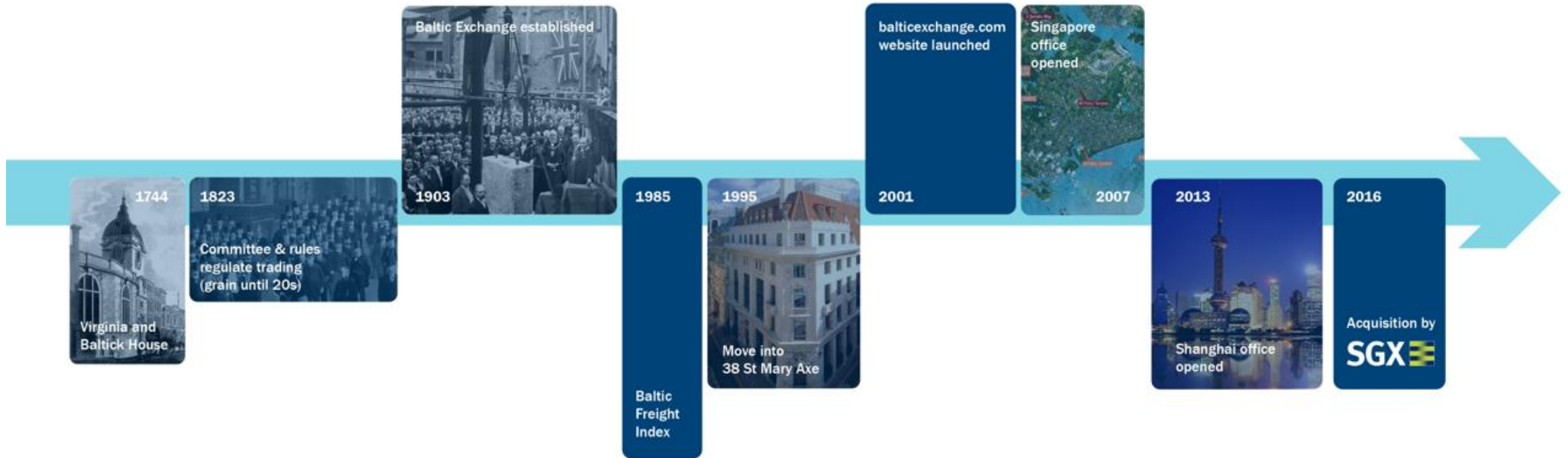
1. Please mute your mic and switch off your video when seminar starts.
2. Please type your questions in the chat box whenever you have.
3. Any feedbacks or questions related to the talk or ICS Singapore, please email to info@ics.org.sg



Baltic Indices Explained

Mark Ma, Associate Director, Sales, APAC

- **Our history**
- Our members
- Our services
- A closer look at Baltic indices



- History
- **Our members**
- Our services
- A closer look at Baltic indices

277

years as a business

3,500+

members, across

60

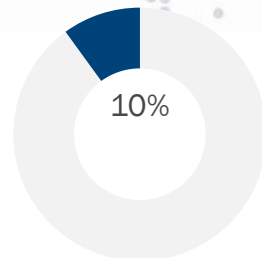
countries

35

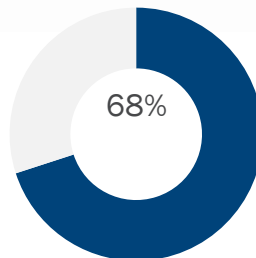
years
publishing indices



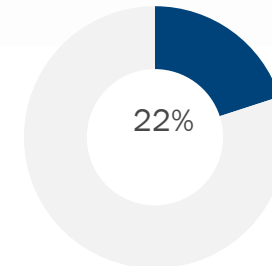
Americas



EMEA



APAC





Shipbrokers

Shipowners

Charterers

Ship operators

Freight traders

Insurance

Legal

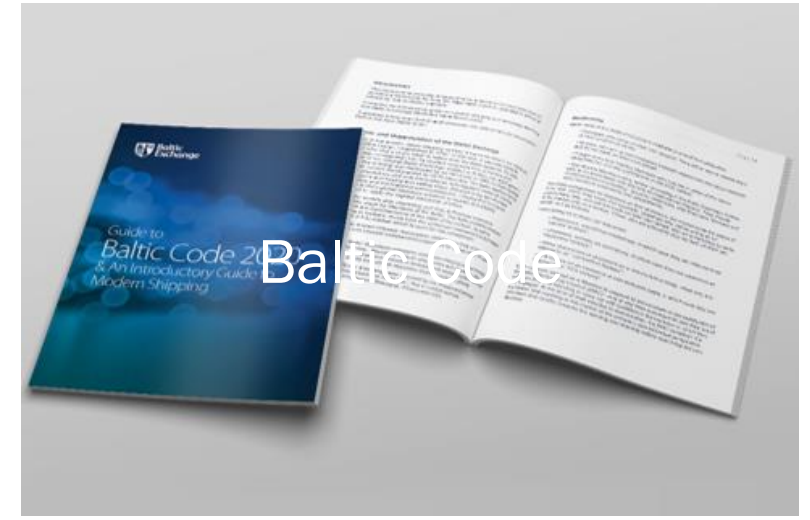
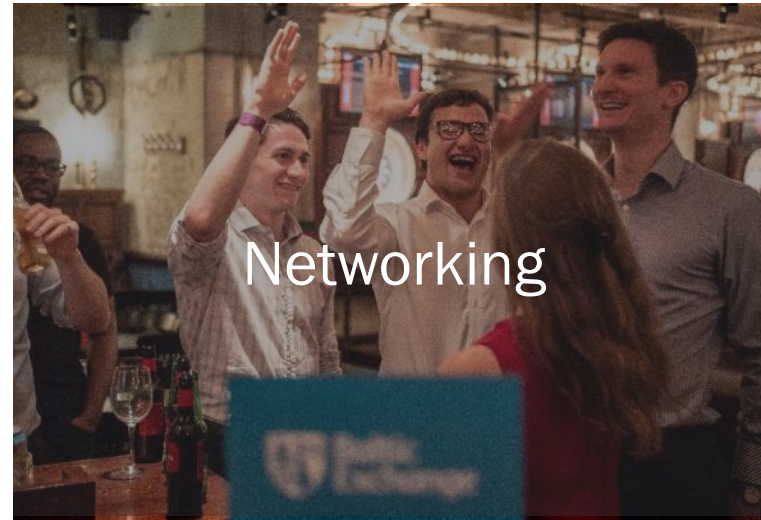
Arbitration

Research

Industry associations

Shipowners	Commodity Players	Financial Institutions
<p>Shipbrokers</p>          	<p>Law Firms</p>      	<p>...and many more</p>          

- Our history
- Our members
- **Our services**
- A closer look at Baltic indices



2018

Launched escrow service

Competitive pricing

30%

discount for members
and their counterparts

50%

discount where a
panellist broker is used

The Baltic provides an independent, secure and efficient escrow service for all major transactions:

- Ship and other asset sale & purchase
- Security payments for chartering (COA/IL fund release)
- Corporate mergers and acquisitions
- Disputed funds, court and tribunal nominated sums



2020

disputes and
debt collection...

\$2.35m

late payments
collected

31

cases successfully
resolved

The Baltic offers a **free and unlimited** dispute resolution resource for members experiencing late payments and commercial disputes.

- Facilitates smooth trade and adoption of commercial standards
- Swift tool for holding defaulting counterparts to account, resolving disputes and recovering debts
- Members can now extend this service to support their non-member clients with debt recovery: a fee of **15% recovered, capped at £15,000** (or join membership).

The emphasis is on maintaining business relationships. Where not possible, those in breach of the Baltic Code may be put on ‘*warning*’ or blacklisted in a ‘*posting*’.

Member access to the warnings/postings via balticexchange.com is used widely for due diligence and avoidance of counterpart risk.



Freight derivatives & shipping risk management

Overview of shipping market risk and how to use FFAs to manage exposure to freight rate volatility and secure earnings or freight costs

Shipping Economics & Investment

The online course provides delegates with a solid overview of the fundamentals of the dry bulk, tanker, gas and container markets and takes a look at everything from cash flow projection to asset allocation.

Ship finance Executive (coming soon in Apr 2021)

The course aims to raise awareness of the substantial benefits and risks of equity and debt finance, to shipping companies looking for capital and to investors looking at shipping as a market with increasing accessibility and potentially strong returns on investment.

Discounted price for employees of Baltic member firms
Email: academy@balticexchange.com for further details

- Our history
- Our members
- Our services
- **A closer look at Baltic indices**

Reliable indicator of market conditions

Pricing transparency

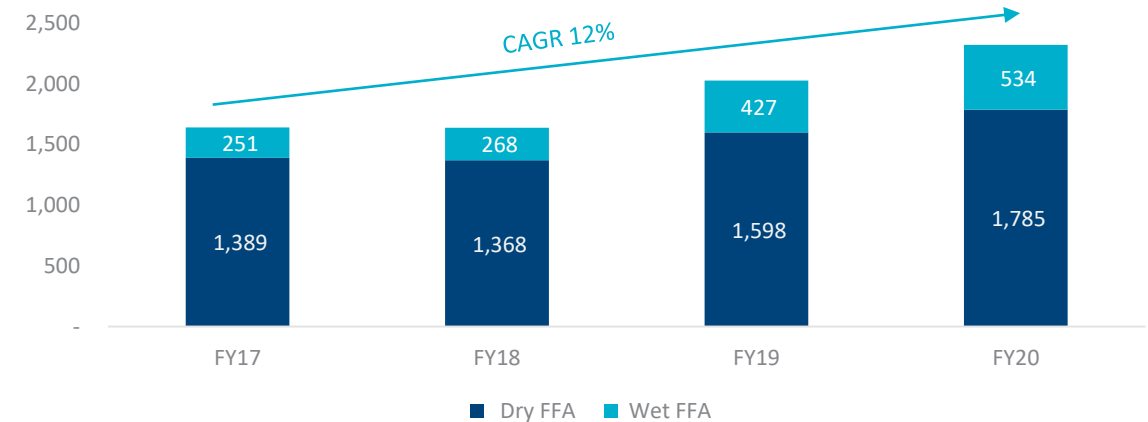
Benchmarking and statistical analysis of freight rates

Settlement mechanism for derivative freight contracts

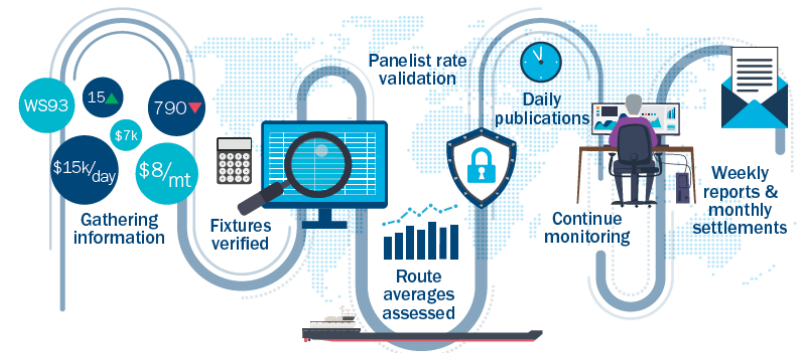
Baltic Dry Index (BDI)



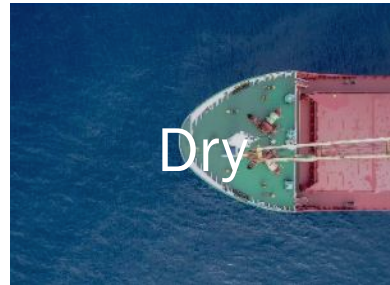
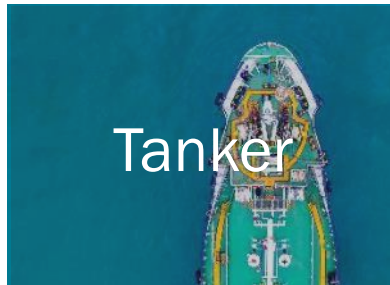
FFA Volume (# of lots '000)



- Baltic Exchange works with the **Baltic panelist brokers** to submit assessments for index production
- Panelist brokers are:
 - Baltic members
 - Recognized as competent and professional ship brokers who are active in the route they assess
 - Not exclusive representatives of principals
- Panelist broker make the assessment of the route based on **Baltic standard vessels**, and using their professional judgement based on various factors including recent fixtures and current negotiations
- There are **minimum of 5 panellist brokers** reporting for each route, and Baltic takes the average of all assessments to produce the index



Index markets



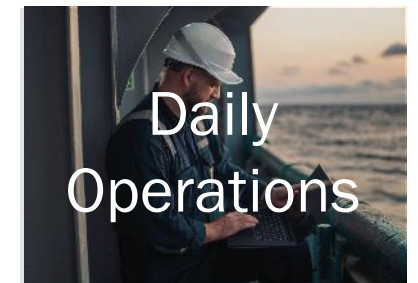
Earnings



Assets



Costs



- Baltic Exchange has been authorised as a Benchmark Administrator under EU Benchmark Regulations (BMR) by the UK Financial Conduct Authority since March 2020.
- Enables financial institutions, including freight derivative traders using European clearing houses, to reference use Baltic Exchange data for settlement purposes.
- Gives users assurance of strong governance, robust and transparent benchmark methodologies and clear accountability.

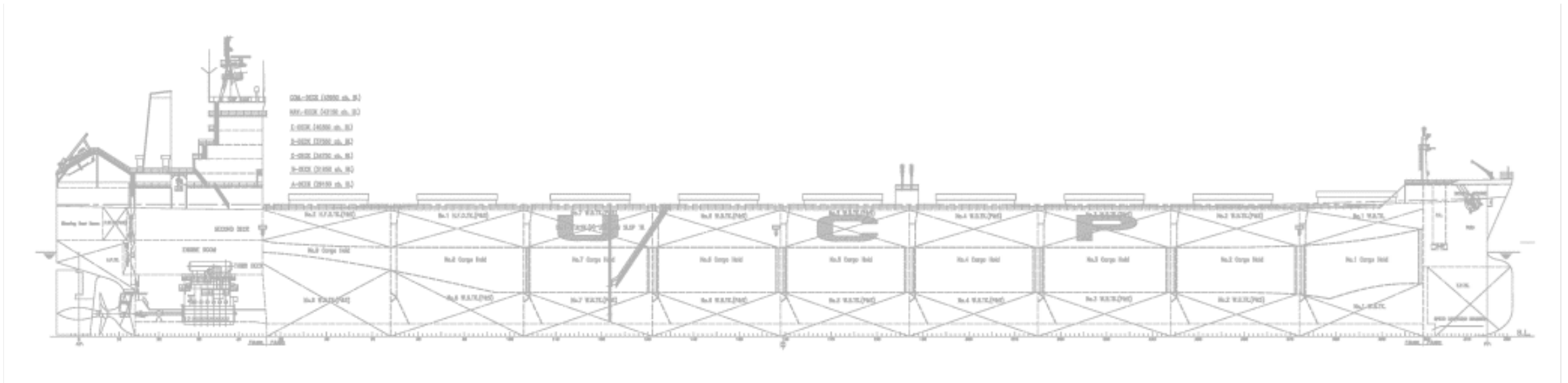
“Users of our index administration services can be assured of our strong governance, robust benchmark design, transparent methodologies and clear accountability. Our high standards of design and governance uphold confidence in the global shipping freight benchmarks that we produce.”

Mark Jackson
Chief Executive
The Baltic Exchange

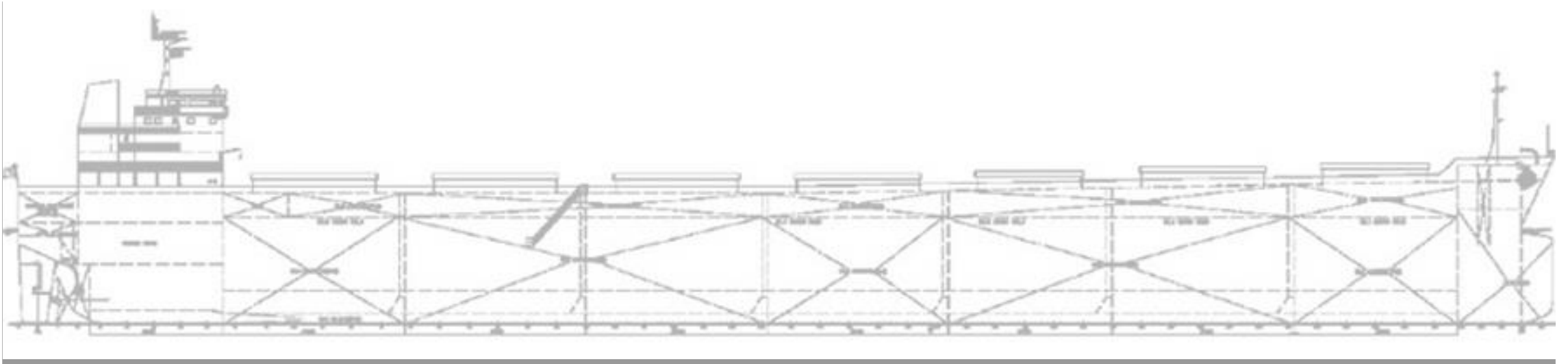
Criteria for selecting routes:

- Trade volume
- Transparency
- Standard terms

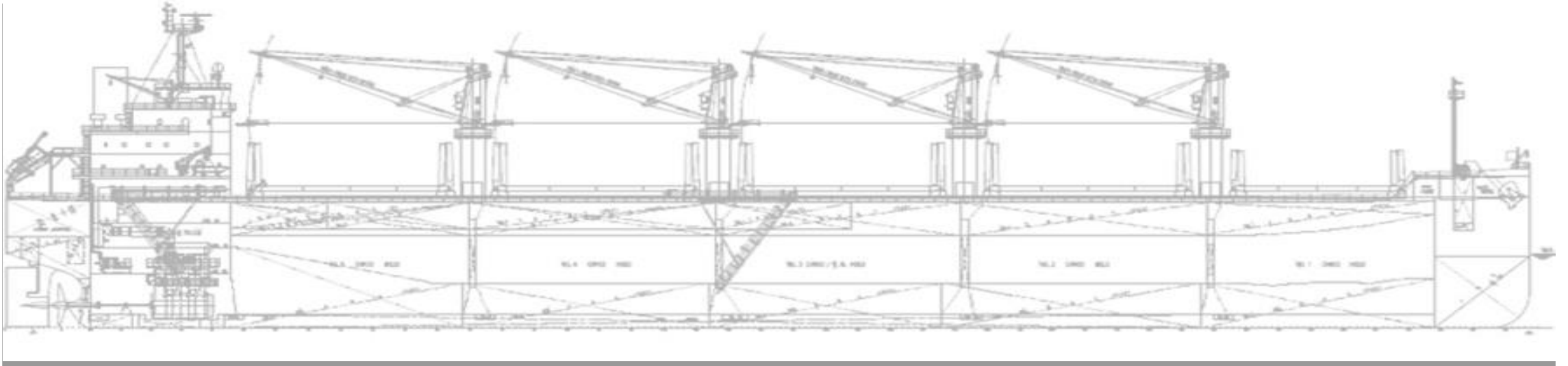




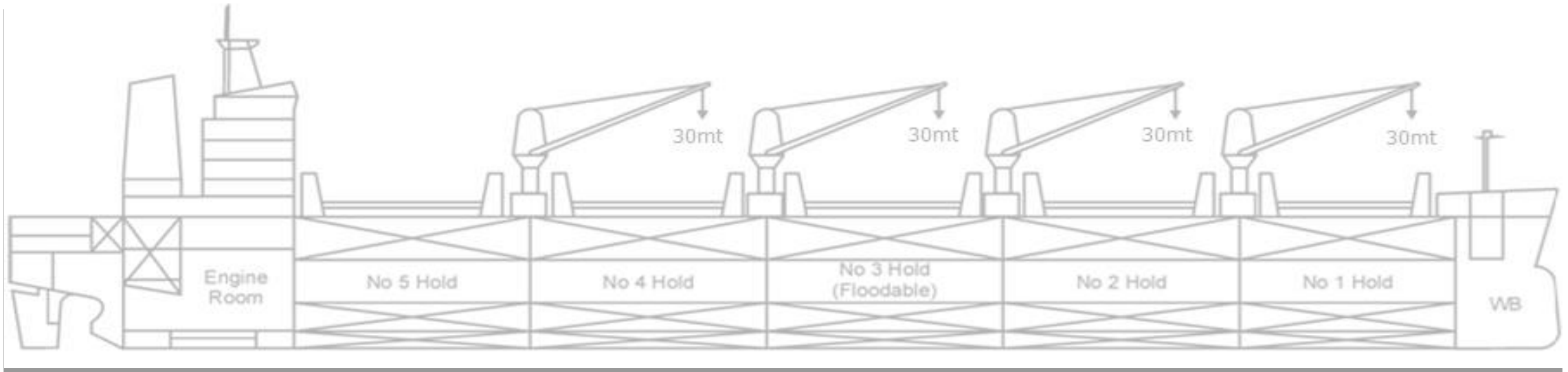
- 180,000mt dwt on 18.2m Summer Salt Water (SSW) draft
- Max age 10 years
- Length Over All (LOA) 290m, max width (beam) 45m, Tons per Centimeter (TPC) 121
- 198,000 cubic meters grain
- 14 knots laden / 15 knots ballast on 62mt fuel oil (380cst), no diesel at sea
- 12 knots laden / 13 knots ballast on 43mt fuel oil (380cst), no diesel at sea.



- Tsuneishi Economic Standard Ship 82,500 mt dwt (TESS-82) on 14.43 m Summer Salt Water (SSW) draft
- Max age 12 years
- Length Overall (LOA) 229m, beam 32.25m, TPC 70.5
- 97,000 cubic meters grain
- 13.5 knots laden on 33mt fuel oil (380cst) / 14 knots ballast on 31mt fuel oil (380cst), +0.1 MGO at sea
- 11.5 knots laden on 22mt fuel oil (380cst) / 12.5 knots ballast on 23mt fuel oil (380cst), +0.1 MGO at sea



- 58.328 mt dwt on 12.80m SSW draft (summer salt water)
- Max age 15 yrs
- Length overall (LOA) 189.99m, beam (vessel width at the widest point) 32.26m, TPC 57.5
- 73,360 cubic meters (cbm) grain, 70,557 cbm bale
- 5 holds, 5 hatches (see illustration above)
- 4 x 30mt cranes with 12cbm grabs (see illustration above)
- 14 knots laden on 33 mt fuel oil / 14 knots ballast on 32 mt fuel oil (380cst), no diesel at sea
- 12 knots laden on 24 mt fuel oil / 12.5 knots ballast on 23 mt fuel oil (380cst), no diesel at sea

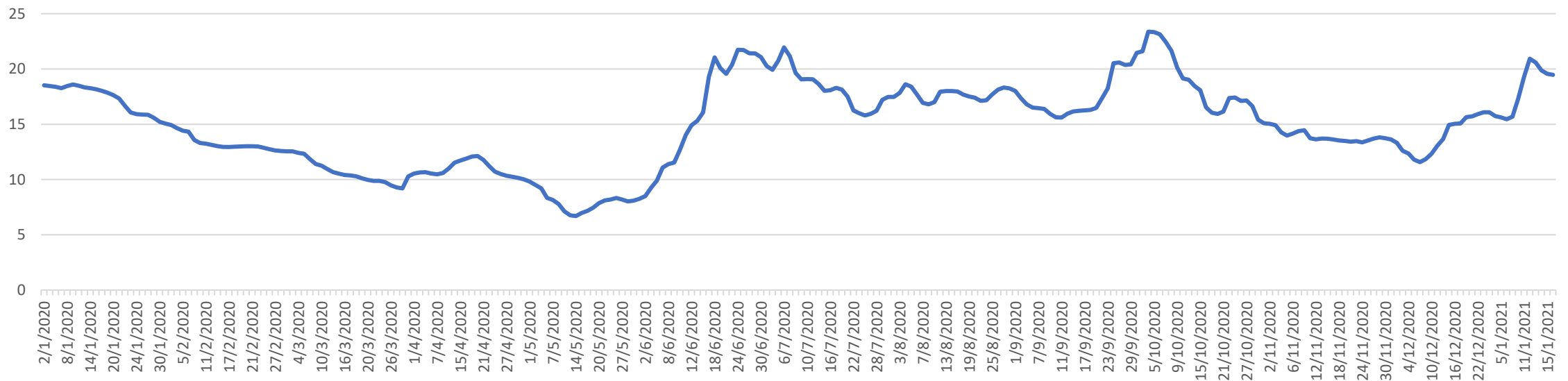


- Singledeck self trimming geared bulk
- Max age 15 yrs
- 38,200mt dwt on 10.538m SSW draft
- LOA 180m, beam 29.8m, TPC 49
- 47,125 cbm grain, 45,300 cbm bale
- 5 holds, 5 hatches
- 4 x 30mt cranes
- 14 knots average laden/ballast on 26mt/24mt fuel oil (380cst), + 0.1 MDO at sea
- 12 knots average laden/ballast on 18mt/17mt fuel oil (380cst), + 0.1 MDO at sea

- The Baltic Dry Index (BDI) is the successor to the Baltic Freight Index (BFI) and came into operation on 1 November 1999.
- The calculation until 28 February 2018 was based on an equally weighted average of the Capesize, Panamax, Supramax and Handysize Time Charter Averages which was then multiplied by a multiplier of 0.10907849.
- For the creation of BDI we now use the following formula:
$$((\text{Capesize 2014 TCavg} * 0.4 + \text{PanamaxTCavg} * 0.3 + \text{Supramax10TCavg} * 0.3) * 0.1)$$

Where TCavg = Time charter average.

Route:	Tubarao to Qingdao
Cargo:	160,000mt or 170,000mt iron ore, 10% more or less in owner's option, free in and out.
Laydays/cancelling:	20/35 days from index date. Scale load/30,000mt Sundays + holidays included discharge. 6 hrs turn time at loading port, 24 hrs turn time at discharge port.
Max vessel age:	18 years.
Commission:	5% total



Route	Route value	Weighting	TC contribution
C8_14	15163	25%	3790.75
C9_14	29725	12.5%	3715.625
C10_14	16396	25%	4099
C14	14577	25%	3644.25
C16	3720	12.5%	465
Cape 5TC			15715



Baltic Dry Index (BDI)

5

Headline
indices

BDI
BCI
BPI
BSI
BHSI

4

T/C
Averages

37

Major dry
bulk routes

Acropolis Chartering
Arrow Chartering
Ausea
Banchemo-Costa
Barry Rogliano Salles
Braemar ACM
Chinica Shipbrokers
Clarksons Platou
Doric Shipbrokers

26

Global
panellists

EA Gibson Shipbrokers
Fearnleys
Galbraith's
H Vogemann
Hai Young
Hartland Shipping
Howe Robinson Partners
I & S Shipping
Ifchor

Daily

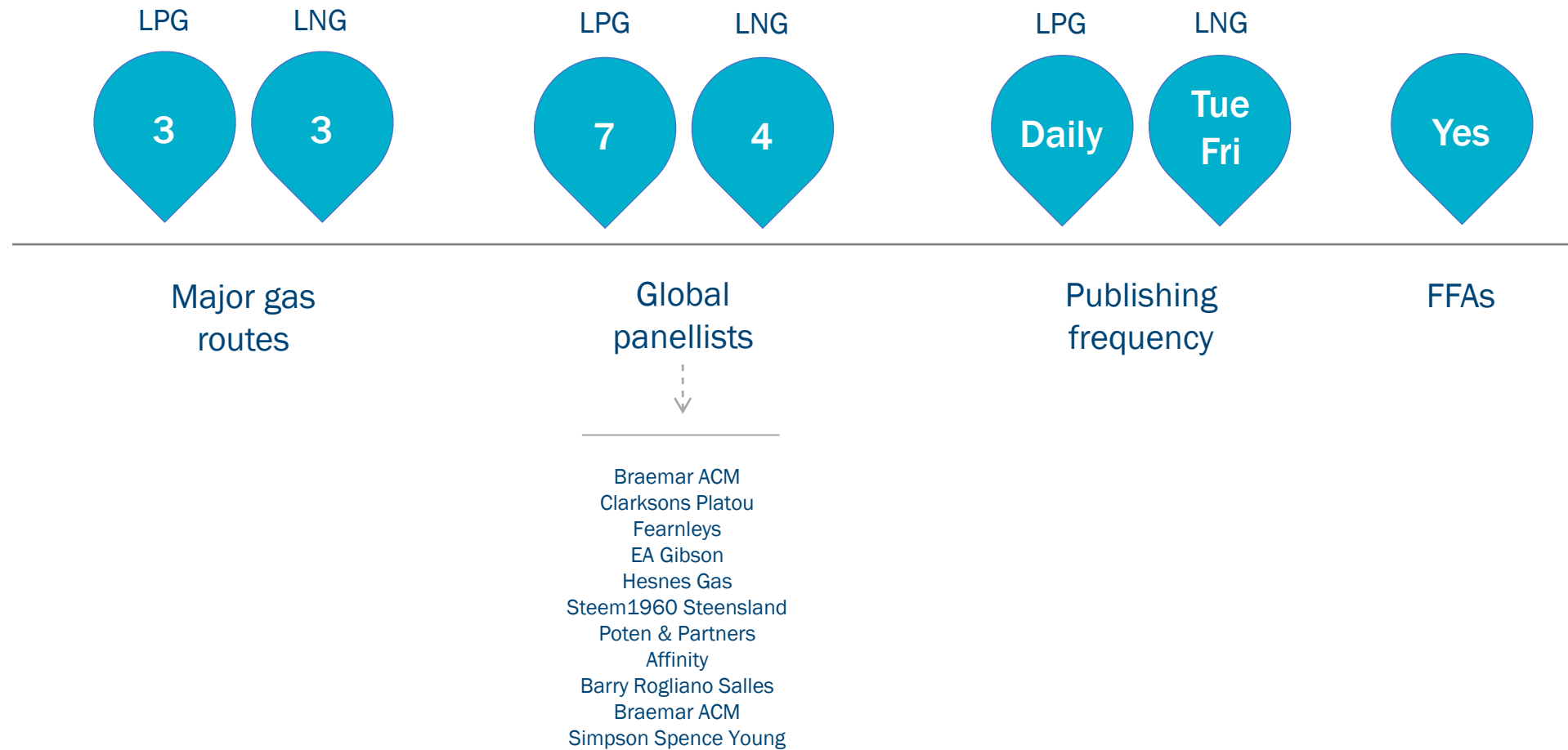
Publishing
frequency

Interocean
John F Dillon & Co
Lightship Chartering
Optima International
Rigel Shipping
Simpson Spence Young
Thurlestone Shipping
Yamamizu Shipping Co

Yes

FFAs





8

Vessel
types



Tankers	Dry bulk
VLCC	Capesize
Suezmax	Panamax
Aframax	Supramax
MR	Handysize

5
years

Age
profile

11

Global
panellists



Arrow Chartering (UK)	Lorentzen & Stemoco
Banchero-Costa	MJLF & Associates Inc.
Barry Rogliano Salles	Optima Shipbrokers
Compass Maritime	SSY Valuation Services
Fearnleys	Yamamizu Shipping
Golden Destiny	

Weekly

Publishing
frequency

9

Assessment
types



Tankers	Dry bulk
30,001 & above	20,001 & above
15,001-30,000	9,001-20,000
7,000-15,000	5,000-9,000
(del. Bangladesh, India, Pakistan)	(del. Bangladesh, India, Pakistan)

5

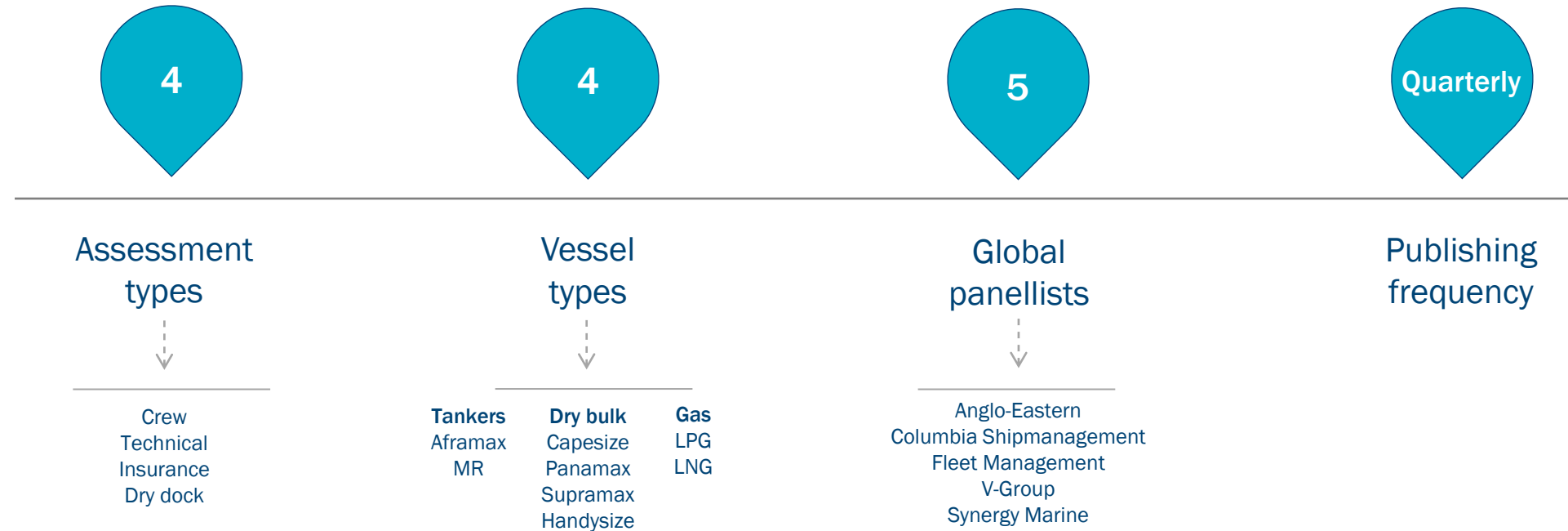
Global
panellists



Clarksons Platou
Compass Maritime
Optima Shipbrokers
JV Shipping
Simpson Spence
Young

Weekly

Publishing
frequency





Cover approx. 80% of
global trade and including
the most commonly used
seaborne surcharges

FBX00	FBX Global Headline
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
FBX04	North America East Coast to China/East Asia
FBX11	China/East Asia to North Europe
FBX12	North Europe to China/East Asia
FBX13	China/East Asia to Mediterranean
FBX14	Mediterranean to China/East Asia
FBX21	North America East Coast to Europe
FBX22	Europe to North America East Coast
FBX24	Europe to South America East Coast
FBX26	Europe to South America West Coast

1

Global
Headline Index

BAI Index

6

Outbound Indices

Origin:
Hong Kong / London / Singapore / Frankfurt / Chicago / Shanghai

17

Individual Routes

Destinations:
China / Europe / North America / South East Asia / USA

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Thank you
