

Dry bulk futures market attracts new investor interest

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The recent downward trend in the size of contracts trading in the dry bulk freight futures market, is attracting the interest of investors wishing to trade the dry bulk market.

Previous transaction sizes of around 170 lots per trade, meant speculative investors wishing to trade dry bulk freight futures would have to commit up to US\$2,5 million per trade, and pay daily margins on the contract value. This has kept barriers to entry too high for most investors and newcomers to the drybulk derivatives market.

With lot sizes down to just 5 lots (1 lot = 1 day), investors trading through Nordic investment bank Carnegie, commit as little as US\$75,000 per trade, making an entry to the market much easier.

"We have seen a real boost in interest from investors in this, since Imarex launched trading in small dry bulk lot sizes this summer", says Tor Svelland, head of Freight Derivatives at Carnegie.

The interest has been met by enthusiasm from the market, as the dry bulk derivatives market is crying out for new participants to start trading.

"With transactions being done down to just 5 lots, our clients know that they can get their trades done - active dry bulk traders are snapping up these deals, we're very excited," says Svelland.

Many investors and newcomers to the market are large physical dry bulk shipping companies, with no previous trading experience in derivatives. Their ability to start trading smaller contracts to test the waters, is breaking down the barriers to entries which have kept so many from the dry bulk futures market.

Previously, investors were limited to trading in the tanker derivatives market when placing a bet on where the market was going, because the tanker derivatives market is a liquid market for contracts down to 5 lots (1 tanker lot = 1000 metric tonnes).

The recent trend for dry bulk means that sector of the market is now open to a large group of investors which have been excluded from trading in dry bulk futures before.

The added benefit of trading directly via a reputable bank in a cleared market, is fuelling the interest, and traditional dry bulk derivatives participants are being invited by Imarex to participate in building the market further.

To trade small dry bulk lots through Carnegie, please contact Tor Svelland on tel: +47 2200 9391 , or to speak with an Imarex Exchange Broker directly, please call Kim Krohg in Oslo on tel: +47 2389 4220 or Arne Petter Kolderup in Singapore on tel: +65 6720 0050.

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2005.08.08 14:21