

IMAREX launches DRY BULK options market

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International Maritime Exchange ASA (OSLO BØRS: IMAREX) will shortly open for trading in the world's first cleared dry bulk freight options contract.

The new cleared freight options contracts will be for Panamax bulk carriers and will be based on the daily PM4TC (daily basket index of 4 panamax time charter routes) from the Baltic Exchange in London. The contracts will be available for trading through IMAREX with clearing through NOS, from the 1st April 2006.

In essence, the new panamax freight option contract is an insurance policy against extreme movements in freight rates for Panamax bulk carriers. The panamax market frequently sees short term volatility at over 60%, making a good case for panamax freight options.

As a result, freight options are a natural choice for dry bulk shipping.

"Shipping is naturally and options market - everything is about options in shipping," says Morten Erik Pettersen, Director of Business Development at Imarex. "It's all about options, options and options, and many of the largest players in this market are quite active," he says.

Dry bulk options are experiencing healthy growth and Imarex sees a clear opportunity for freight principals to use the new options to hedge their dry bulk freight exposure. This is done securely and anonymously by dealing directly on the electronic Imarex trading screen.

Because of their nature, options also drive liquidity in the freight futures market.

"As Imarex is the world's only regulated freight derivatives market, this is a perfect fit for us," Pettersen comments.

Those that write (sell) options usually want to protect their risk, in a similar way that an insurer will aim to limit his risk by re-insuring his risk when selling an insurance policy.

In the freight derivatives market, this is done by taking an opposite position to that of the freight option, usually in the freight futures market.

"We see a good upside for our now liquid panamax freight futures screen here," he says, adding: ".. both option sellers and buyers can hedge their exposure in both freight futures and options at Imarex at the click of a button - that's really unique!"

The process of using futures to limit the risk of an option, is known as delta-hedging. The Delta measures the sensitivity of the price of the option to changes in the PM4TC daily index.

"This is a great model for Imarex and for our customers," says Pettersen, adding "...it's the perfect scenario for confident freight trading principals."

A dry bulk freight option is essentially a financial contract giving an investor the right (but not the obligation) to buy (call) or sell (put) a fixed amount of freight - from as little as 5 days of time charter, at a specified rate within a limited time period of one to twelve months.

To support trading in cleared panamax freight options Imarex will hold education seminars for customers in the coming months.

For more information on trading, clearing and education on panamax freight options, please contact:

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