



SIMPSON | SPENCE | YOUNG

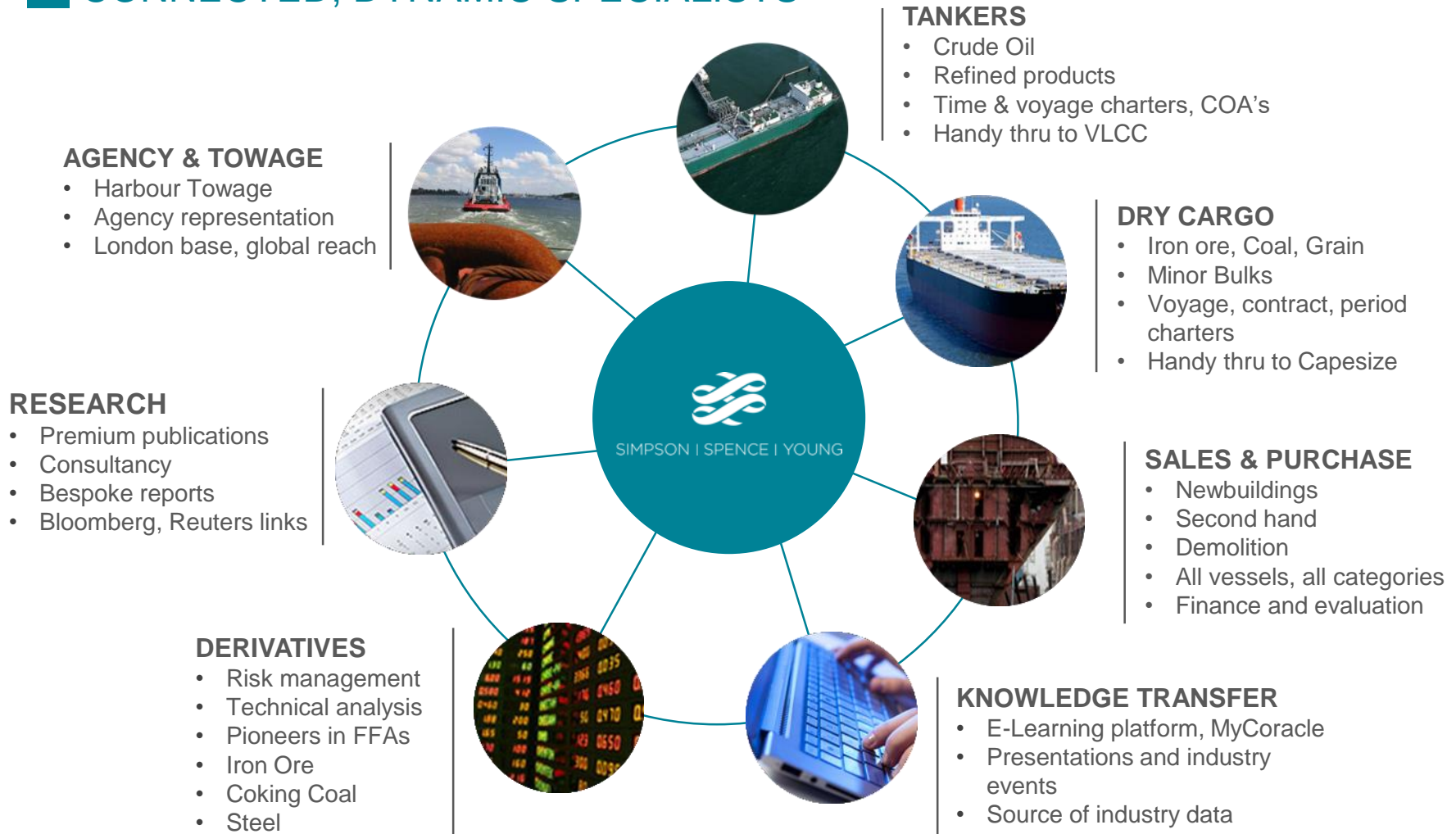
**SSY Futures Ltd**  
**Iron Ore, Coking Coal & Steel Derivatives**

SSY Futures Ltd are authorised and regulated by The Financial Conduct Authority and are NFA members in the United States. The content of this presentation is for information purposes only and does not constitute a recommendation or solicitation to trade.

JANUARY 2020

# THE SCOPE OF OUR EXPERTISE

## CONNECTED, DYNAMIC SPECIALISTS



# SIMPSON SPENCE YOUNG

---

- Established 1880
- Largest privately owned shipbroker in the world
- Worldwide network of 15 offices
- Represented on all major shipping committees & indices.
- Expertise in:-

- Dry Cargo
- Tankers
- Futures
- Research and Consultancy
- Sale and Purchase
- Agency and Towage

SSY Futures Ltd  
30 Derivatives Brokers  
In London, Singapore & NY

Team of 12 analysts  
on dry bulk, tanker and  
gas markets



SIMPSON | SPENCE | YOUNG

SSY FUTURES LTD

JANUARY 2020

# SSY Futures Ltd - Scope of Business

---

- SSY FUTURES LTD is a wholly owned subsidiary of Simpson Spence Young. It is a financial services company authorised and regulated by the UK FCA and in the United States is an NFA member. It's core businesses include futures and options on:
  - **Dry Bulk Forward Freight Agreements**
  - **Iron Ore**
  - **Coking Coal**
  - **Steels**
  - **Base Metals**
  - **Energy**

# Derivatives Trading in the Steel Complex

---

## International Market

- Mainly Cleared
- SGX lead with CME and others competing
- Cleared Swaps, Futures & Options on both available
- Voice broked with hybrid screens available
- Trade based participants
- Professional /corporate traders only.

## China

- Exchange Traded
- DCE Market Leader
- Exchange Traded Futures
- Screen based
- Retail Participants
- RMB Currency Base

# Leading Futures Contracts in the Steel Complex

---

## **Iron Ore 62 % Fines CFR China**

Clearing: SGX Asiaclear

Lot Size: 100 Metric Tonnes

Index: The Steel Index

## **Australian Coking Coal FOB AUS**

Clearing: SGX Asiaclear

Lot Size: 100 Metric Tonnes

Index: The Steel Index

## **Hot Rolled Coil US MidWest**

Clearing: CME Clearport

Lot Size: 20 Short Tons

Index: CRU

# Why use Iron Ore, Coking Coal & Steel Derivatives?

---

## HEDGE

**manage physical market exposure & cash flow**

**flexible and easy to conclude compared to physical market**

**ability to trade-out of contracts prior to settlement**

## SPECULATE

**access to volatility and profit potential**

**regulated markets with trusted mechanisms**

**cleared market with efficient use of capital**





SIMPSON | SPENCE | YOUNG

# FROM EXECUTION TO CLEARING

JANUARY 2020

# Australian Premium Hard Coking Coal FORWARD CURVE – 27<sup>th</sup> November 2019

TSI PHCC FOB AUS					
	SPOT		135.10	1.50	▲
PERIOD	BID	OFFER	MID	CHANGE	
Nov 19	132.00	134.00	133.00	0.00	◀
Dec 19	138.00	140.00	139.00	-0.50	▼
Jan 20	143.00	145.00	144.00	-1.50	▼
Feb 20	147.00	149.00	148.00	-1.50	▼
Mar 20	149.00	151.00	150.00	-0.50	▼
Q4 19	139.17	141.17	140.17	-0.16	▼
Q1 20	146.33	148.33	147.33	-1.17	▼
Q2 20	151.00	153.00	152.00	-1.50	▼
Q3 20	148.50	150.50	149.50	-1.00	▼
Q4 20	147.00	149.00	148.00	-0.50	▼

# ELEMENTS OF A COKING COAL FUTURES CONTRACT

---

- **Buyer /Seller** - physical exposure / market view
- **Contract Type** - FOB Aus / CFR China
- **Period** - month / quarter / year
- **Quantity** - number of metric tonnes
- **Contract Price** - level traded
- **Clearing** - SGX / CME

# COKING COAL FUTURES CASH SETTLE AGAINST THE AVERAGE DAILY PRICE PER MONTH

---

BUYER: STEEL PRODUCER

SELLER: MINER

TYPE: FOB AUS PHCC

RATE: \$150mt

QUANTITY: 25,000mt / month

PERIOD: July, Aug, Sept '19

SETTLEMENT: Avg of all index Days

SETTLEMENT DATE: Last Day of each Month

Market Rises

July settlement = \$160mt

Sett Val = \$160 – \$150

X 25,000mt = \$250,000

BUYER PROFITS

Market Falls

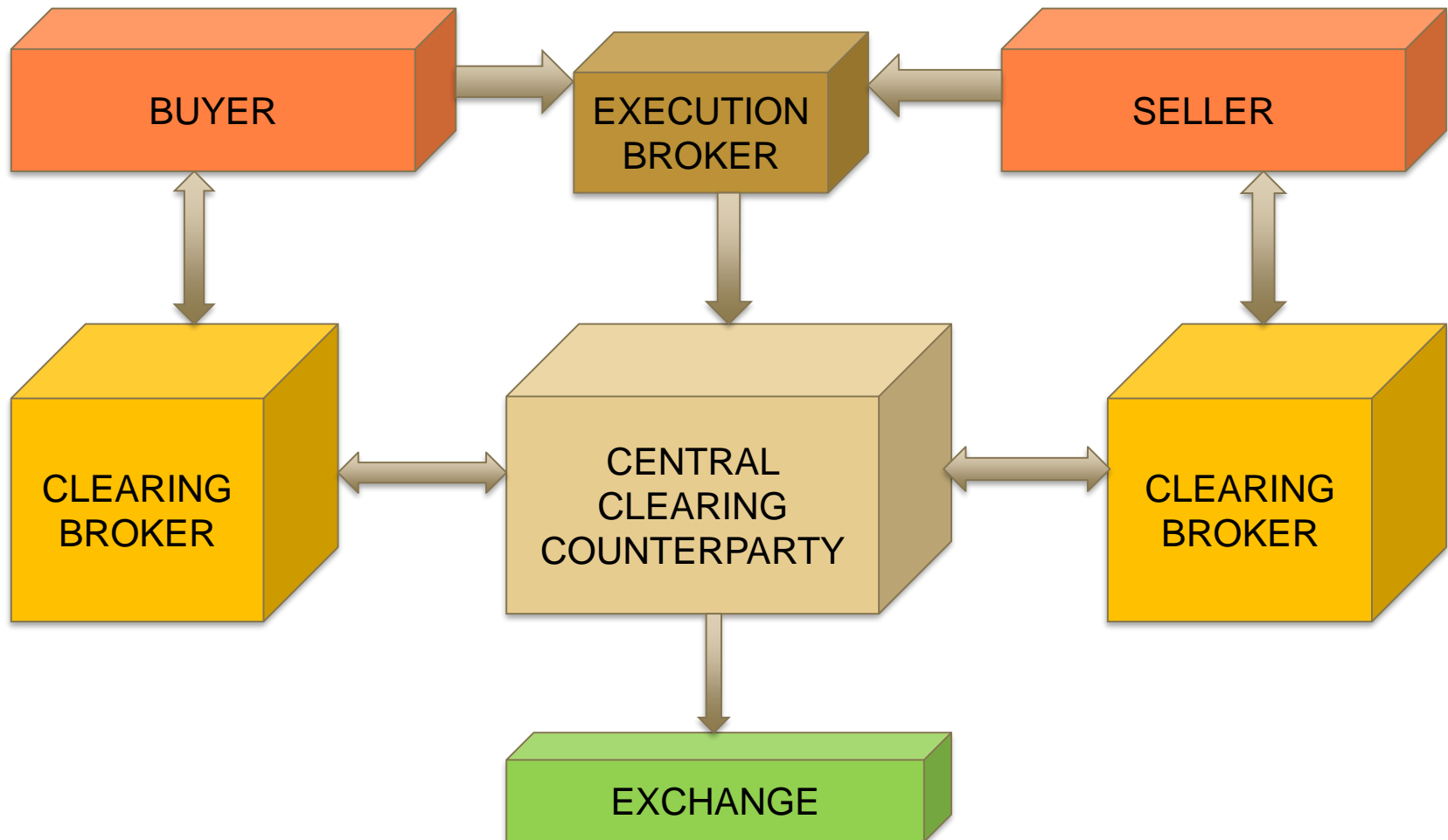
Aug settlement = \$140

Sett Val = \$140 – \$150

X 25,000mt = (\$250,000)

SELLER PROFITS

# CLEARING WITH BLOCK FUTURES



# THE COST OF CLEARING COKING COAL

## CURRENT INDICATIVE SGX ASIACLEAR PRICING

---

Clearing Example: Initial margin requirement.

Aus. Hard Coking Coal Q2 '20 position 10 lots a month:

Front Month Initial Margin \$1430

Discounted Forward Maintenance Margin for Q2

= \$1300 X 30 lots = \$39,000

+/- Variation margin, marked to market each day.

Margins Rates Correct on 2nd January 2020

Initial Margin Rates are subject to change  
without notice in volatile markets

1 Lot = 100mt



SIMPSON | SPENCE | YOUNG

# ADDING VALUE

JANUARY 2020

# Trading Strategies

---

Beyond the core broking service there are a number of strategies brokers can assist with :

- Integrating Derivatives in Physical Trading Strategies
- Inter-Market Spreads – i.e. Iron Ore vs Coking Coal
- Time Spreads – i.e. Coking Coal Q3 vs Q4
- Options Strategies
- Integrated Futures / Option Strategies





SIMPSON | SPENCE | YOUNG

# MARKET VOLUMES

JANUARY 2020

# SGX Coking Coal Futures

## Coking Coal Futures (FOB Australia) Volumes & Open Interest





SIMPSON | SPENCE | YOUNG

London T: +44 20 7977 7500

Singapore T: +65 6854 7126

E: [futures@ssy.co.uk](mailto:futures@ssy.co.uk)

[ssyonline.com](http://ssyonline.com)