

FOR THE EFFECTIVE MANAGEMENT OF ALL BUSINESS RISKS IN SHIPPING

Freight Derivatives & Shipping Risk Management

LONDON 10-11 October 2011
SINGAPORE 16-17 January 2012
LONDON 7-8 February 2012

COURSE LEADERS

Dr. Amir Alizadeh and Prof. Nikos Nomikos



The
Baltic
Exchange

- Using derivatives for freight risk management
- Hedging bunker risk
- Dealing with ship price fluctuations
- Managing credit, foreign exchange and interest rate risk
- Measuring and comparing effectiveness of the instruments

Shipping markets are becoming increasingly risky as fluctuations in freight rates and ship prices have increased substantially in recent years. This calls for prudent control of freight rates, ship values, bunker price, credit, foreign exchange and interest rate risks, which are all part of the shipping investment and day to day operating activities.

The aim of this innovative Shipping Risk Management course is to raise market awareness of risks involved in shipping businesses and how various physical and derivatives instruments can be used to control such risks efficiently and effectively.

The module is delivered over two days by experts in the areas of shipping and commodity risk management. Using a variety of real life examples, the course demonstrates how risk can affect cash flows from operating activities along with an in-depth analysis of theoretical and practical aspects of risk management instruments in shipping. By attending this course participants will learn how to analyse and measure the impact of financial risks involved in shipping investment and operations, and how to select and execute effective strategies to minimise or eliminate such risks, stabilise their cash flow and maximise the return on investment more efficiently.

Who should attend?

The scope of this course is wide and its applications can be useful not only to shipowners, ship-operators, shipmanagers and shipbrokers, but also to those involved in ship finance activities, bunker suppliers, researchers, consultants and shipping funds investors.

The Course Module

- Characteristics of freight markets and markets for ships;
- Market segmentation and sectoral differences in shipping markets;
- Sources of risk in shipping finance and operations;
- Risk analysis and comparison of risks across different shipping sectors;
- Measuring and estimating Value at Risk (VaR) in shipping investment and operations;
- Introduction to derivative markets and pricing derivative instruments;
- Hedging ship price fluctuations using Forward Sale & Purchase Agreements;
- Using derivatives for freight risk management;
- Hedging bunker risk using bunker forward and swap contracts;
- Using derivatives for hedging financial risk (foreign exchange & interest rates);
- Credit risk measurement and management; use of credit derivatives.

The Course Leaders

The course leaders, Dr Amir Alizadeh and Prof. Nikos Nomikos, are both internationally recognised academics in the fields of shipping and commodity finance, and risk management. Their theoretical and applied research work has been published in leading academic and professional journals and they also provide consultancy services to the industry on different aspects of commodity and shipping risk management.

The Course Methodology and Materials

The course will be presented through a mixture of lectures, presentations, group discussions, case studies and computer-based exercises. Full and comprehensive study notes will be provided which will offer a valuable source of reference during and after the course.



Day One

- **Introduction to Shipping Risk**
Types of shipping contracts
Sources of risk in shipping
Market segmentation and sectoral differences in the shipping industry
Comparison of risk across different shipping markets
- **A Primer on Risk Management**
Introduction to derivative instruments
Forwards, Futures, Options and Swaps
Differences between “Exchange-Traded” & “Over-the-Counter” instruments
Credit Risk and Clearing
- **Freight Rate Risk Management**
Freight market information
The practicalities of trading FFAs
Documentation and settlement
Electronic trading
FFA trading and hedging examples for spot, time-charter and tanker routes
FFAs and forward freight curves
Exercise on Freight risk management
- **Freight Rate Options**
Freight rate options
Option terminology
Using freight options for hedging
Option trading strategies
Freight options pricing
- **Financial Risk Management in Shipping**
Interest rate risk in shipping
Financing examples & sources of interest rate risk
Instruments to manage interest rate risk
Hedging interest rate risk using forwards and futures
Interest rate caps, floors and collars
Interest rate and currency swaps & swaptions
- **Case Study on Shipping Risk Management**
Integrating all aspects of shipping risk
Presentation of the case
Using spreadsheets to solve the case
Discussion on the case
- **Ship Price Risk Management**
Portfolio theory
Diversification and risk-return optimisation
Baltic Sale and Purchase Assessment (BSPA)
Baltic Demolition Assessment (BDA)
Sale & Purchase Forward Agreements (SPFA)
- **Vale at Risk (VaR) in Shipping**
Estimating volatility - daily vs yearly
Measuring and estimating VaR; Single-asset vs multi-asset portfolio
VaR Methodologies
Examples of estimating VaR of FFA portfolios
- **Credit Risk in Shipping**
Probability of default vs Loss given default
How to measure credit risk; qualitative vs quantitative methods
Credit risk and credit ratings
Credit risk measurement in shipping
Credit derivatives and credit risk management in shipping

Day Two

- **Bunker Risk Management**
Fundamentals of the bunker market
Importance of bunker risk management in shipping
Use of bunker derivatives to hedge bunker risk
Forward bunker contracts; trading and hedging
Bunker swaps; hedging and pricing
Options on bunker prices
Exercise on Bunker Risk Management

Run since 2005,
this course has previously
been attended by representatives from:

Augustea Shipping Services
BNP Paribas
Eastport Maritime
Foresight
GFI-ACM
Ispat Industries
J. Lauritzen USA
M2M Management
NorthEdge Risk Services
PT BCA Tbk
A Bilbrough & Co
Aalborg Portland
ABN Amro Futures
Aegean Baltic Bank
Alfred C Toepfer International
AM Nomikos
Amarante Shipping
Aquila Maritime Management GMBH & CO KG
ArcelorMittal Treasury
Archer Daniels Midland
AWB Ltd
AWB Singapore
Bank of Ireland
Bank of Nova Scotia
BHP Billiton
BHP Billiton Marketing Asia Pte Ltd
Bibby Line
BP
BP Shipping
Brave Maritime
Business Intelligence Group
Calyon Asia Shipfinance
Cape Tankers
Castalia Fund Management (UK)

CC Maritime
Clarksons
Clipper Bulk
Clipper Group A/S
Coal & Oil Company
ConocoPhillips International Inc.
Constellation Energy
Conti Reederei
Copenship
Copersucar
CSAV Norasia Liner Services
CSL Asia Shipping
CSL International Inc.
D'Amico Dry
Dae Yang Shipping Co
DC Energy
Dome Chartering
DVB Bank
Dynamo Tankers
Eitzen Bulk
Emarat Maritime
Emirates Ship Investment Company
Enel Trade
Energy Argus
Equinox Maritime
Excel Maritime Carriers
Fednav
Fitch Risk
Fokus Bank
GE Transportation Finance
Genshipping
Gestion Maritime
Getax Ocean Trades
Glencore

Global Harvest Trading
Glory Ship Management
Golden Ocean Management
Great Eastern Shipping Co
Grindrod
Harmony Shipping/Harmony
Commodities
Heidmar
HF Navigator
Hochu Petroleum
Holbud
Holman Fenwick Willan Singapore LLP
HSBC
HSH Nordbank
John F Dillon
Klavness Asia Pte Ltd
Kreditbanken ASA (Osloavd)
Leros Management
Lykiardopulo
Maersk Tankers
Maritime 24
Maritime and Port Authority of Singapore
Masterbulk
McTaggart Shipping & Management
Mercator Lines (Singapore) Ltd
Merrill Lynch Commodities
Midship Marine
Mitsui OSK Bulk Shipping (Europe)
Mittal Shipping
Motia Compagnia di Navigazione

MT Maritime Management
MUR Shipping
Murmansk Shipping
National Bank of Fujairah
Navico International
Nexus Management
NIBC Bank
Nidera Handelscompagnie
Norden
North of England P&I Assoc
Nuon
NYK Bulkship (USA)
Ocean Tankers
Oceania Impex
Odin Marine Pacific Basin
Olam International
Oldendorff Carriers
OSG Ship Management
Pacific Rim Shipping
Phoenix Bulk Carriers
Poten & Partners Inc
Prime Marine
Qaware Ship Management
RAG Trading
Redpath Sugar
Reuters
Rio Tinto
Rio Tinto Shipping (Asia)
Royal Bank of Scotland
RWE
San Miguel Corporation
Scanmills
Scottish Power
Seasure Shipping

SGX
Shell
Sims Metal Management
Singapore Exchange
SK Corporation
SK Shipping Co. Ltd
Societat Naviera Ultragas
Standard Chartered Bank
Staitol
Summit Maritime
Tailwind Shipping Pte Ltd
Taipan Shipbrokers
TBS Shipping Services
Teekay
The Lion Group
Thoresen & Co. (Bangkok) Ltd.
Torm
Torvald Klavness
Total Gas & Power
Tradition Financial Services
Trafigura
Transglobal Chartering
Triworld
United Arab Shipping Company
Veson Nautical Corporation
Viterra
Wallem Commercial Services Ltd.
Waterfront Chartering
West Asia Maritime
Western Bulk
Worldscale
Zim

