



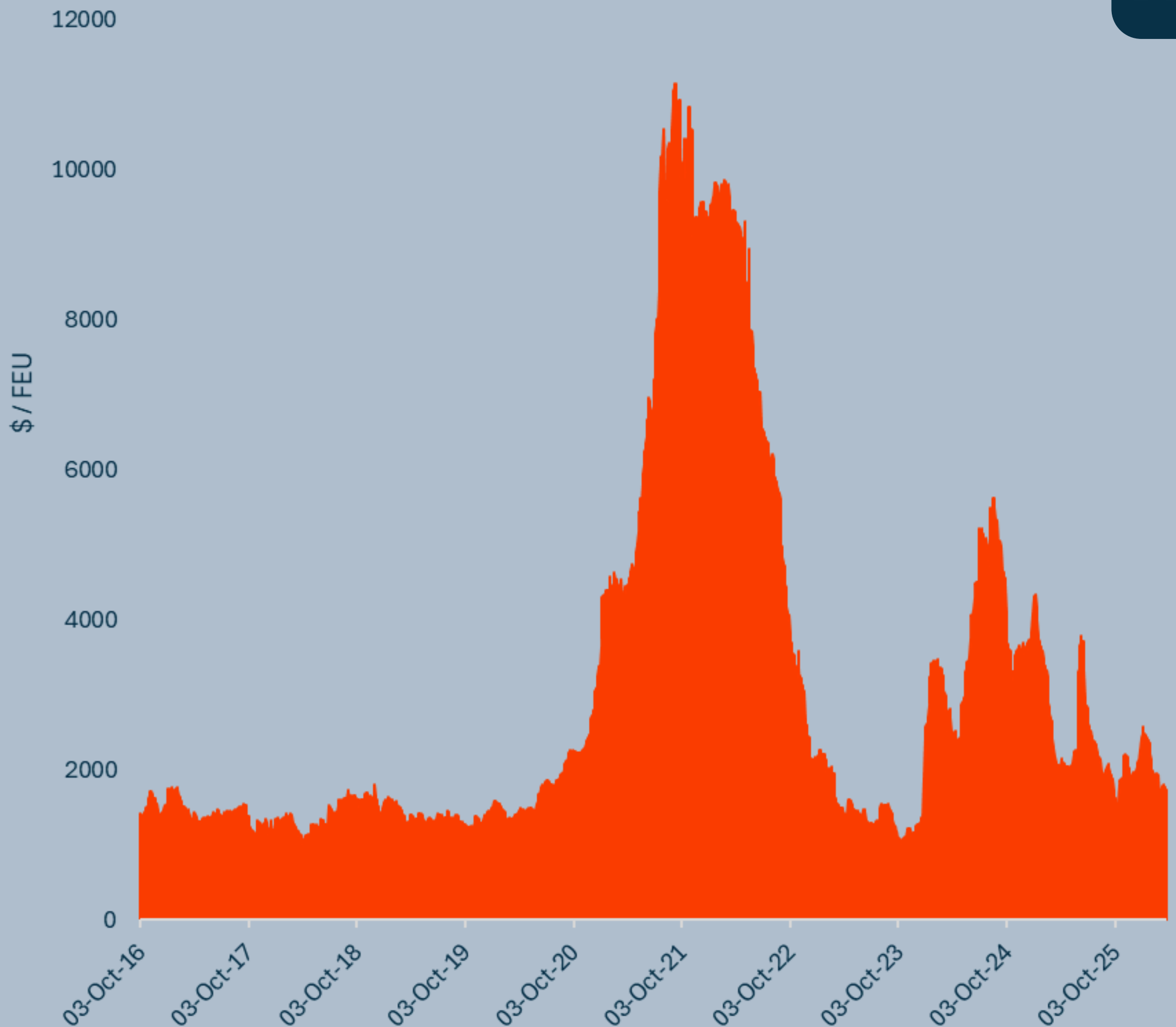
CONTAINER FREIGHT HEDGING GUIDE

FIS

Intro to Hedging



FBX Prices (2016-2026)



Volatility in Container Box Rate

Container freight much like other commodity markets is very volatile, the FBX11 (China-EU) saw highs of 3,653 (17/07/25) and lows of 1,691 (14/10/25) over the last 12 months.

In more developed derivatives markets like Dry Bulk, participants have chosen to hedge physical positions with futures to protect against this volatility.

**COMMON
MISCONCEPTION**
REALITY

“Hedging increases risk”

An effective hedge can help reduce price uncertainty.

“It’s like betting on the market”

If you already own or need the commodity, your “bet” already theoretically exists. Hedging can help lock in purchase or selling price.

“Futures are too complicated”

A hedge works the same way as fixing your mortgage rate or taking out insurance. It helps lock in costs or revenues. Of course, you may not need to and often don’t want to hedge 100% of your exposure.

“Hedging limits profits”

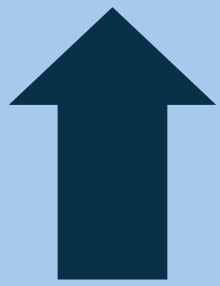
It can help protect cash flow and margins, letting you plan confidently and invest in your core business.

“We’ll just take market prices as they come”

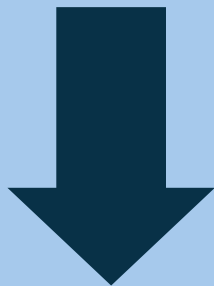
Leaving yourself unhedged is still a position, it’s choosing to stay exposed to variations in market conditions.

HEDGING ≠ SPECULATION

If you hedge currency or insure your assets, why wouldn’t you hedge your commodity?



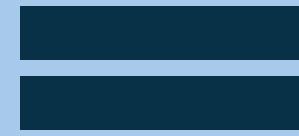
Container Box
Price



Physical
Cashflow

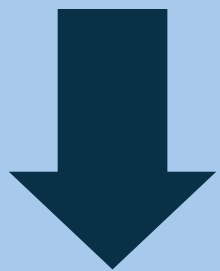


Derivatives
Cashflow

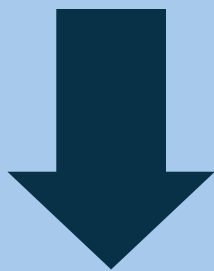


Net Hedge

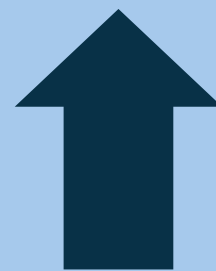
PROTECTING AGAINST RISING PRICES



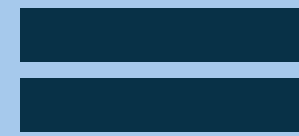
Container Box
Price



Physical
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Derivatives
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Net Hedge

PROTECTING AGAINST FALLING PRICES

HOW HEDGING WORKS

- Container freight rates prices can be very volatile.
- Hedging helps lock in a future price to protect against unwanted market moves.
- You use derivative contracts (like futures or options) that closely represent your physical exposure.
- A trade involves taking a position in the futures (paper) market.
- When hedging, you take the opposite position to your physical exposure.
 - If you benefit from falling freight rates → you are short → you buy derivatives.
 - If you benefit from rising freight rates → you are long → you sell derivatives.
- Taking the same position as your exposure increases risk, rather than hedging it.



How do Container Derivatives Work?

- Trades are typically negotiated in a voice-brokered market (price, route, period, size).
- Contracts are cash-settled (no physical delivery).
- Trades are cleared to reduce counterparty risk.
- Contract sizes are in FEU (40ft equivalent units) or TEU (20ft equivalent units) containers.
- Settlement is based on the monthly average of the relevant index.
- Multiple indices exist (e.g. SCFI and others, depending on the route/contract).
- Contracts trade across CME, SGX, ICE, and Euronext (launching soon).
- Contracts are not fungible across exchanges.



BENEFITS OF CONTAINER FREIGHT HEDGING

- Cost stability and predictable cash flow help mitigate price volatility, making budgeting and financial planning more reliable and accurate.
- Hedging reduces the impact of sudden price shocks, allowing operations to continue smoothly even in volatile markets.
- Stable revenues provide confidence for long-term investments in infrastructure, or development projects.
- Effective risk management enables you to be confident in pricing markets accurately for your clients, allowing you to more accurately estimate profits

Hedging Scenario

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Let's say you are an importer of white goods from China to Europe.

You expect to purchase 250 container boxes next quarter.

Today, the market price for a container box on that route is \$1,760.

With the increasing geopolitical tension going on, you are worried that prices may rise before you purchase.

You have decided to hedge. You buy an FBX 11 contract today at \$1,760 per FEU, locking in your price in advance.

Three months later, the cost of a box has risen to \$2,696.

Without the hedge, you'd have paid $250 \times \$2,696 = \$674,000$, a painful hit to your margins.

But because you bought futures at \$1,760, your hedge gains \$936 per FEU. That's an extra \$234,000 (minus any associated fees), which offsets the increase in price in the physical market.

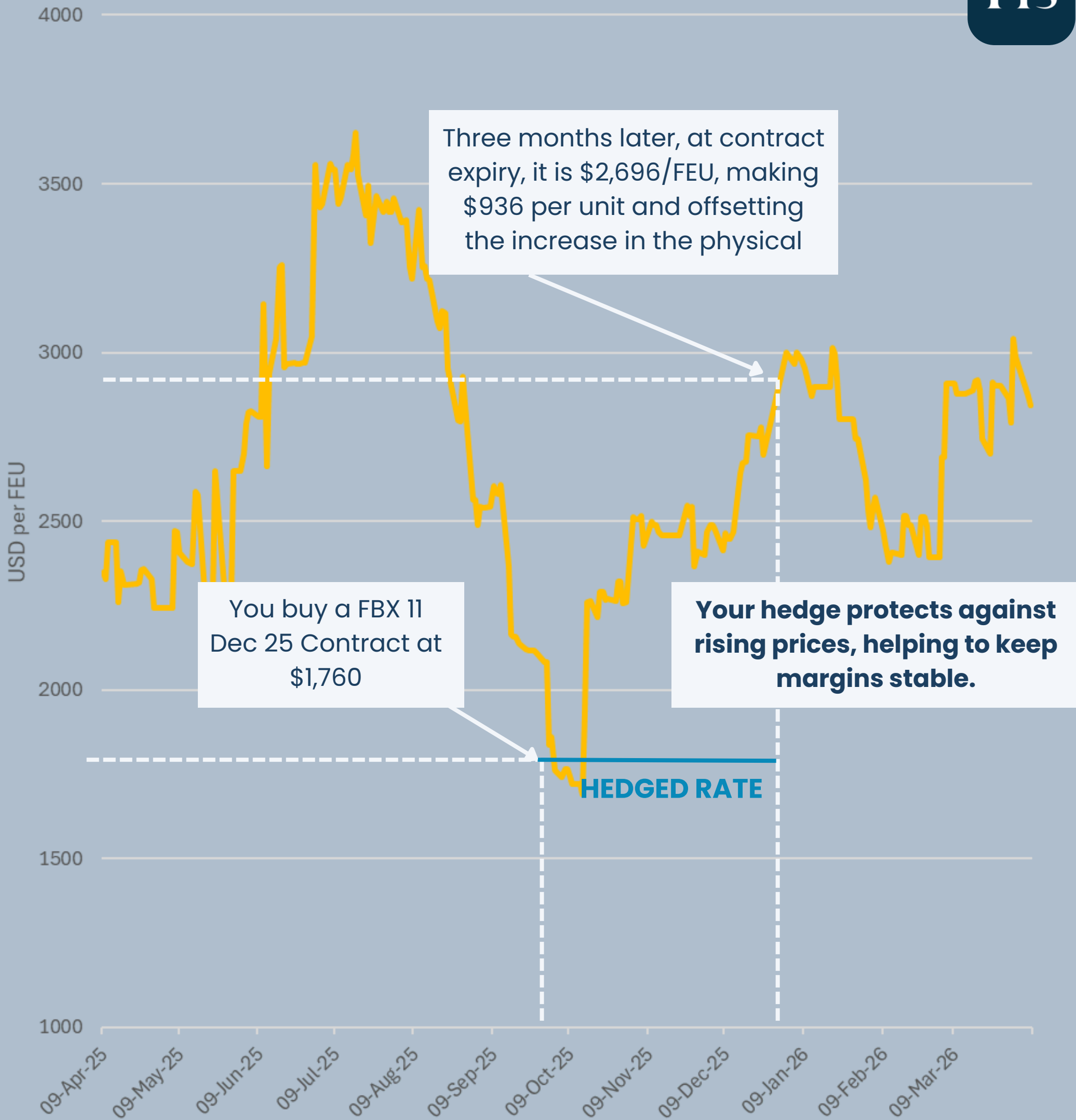
In total, the boxes will cost \$440,000 (minus any associated fees), the same as if the price had never moved.

You didn't need to predict the market you simply used futures as price insurance, giving you certainty and protecting your business from volatility.

SCENARIO

STEPS TAKEN

FBX11 Prices



HEDGING SCENARIO

FBX11 Prices with Illustrative Hedge Placement

Note: Although hedging mitigates risk, it does not eliminate risk



HEDGING SCENARIO

FBX11 Prices with Illustrative Hedge Placement

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What you need to do before you can start trading

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Set up with a GCM (General Clearing Member)

- Provide company documents required by the GCM.
- Link accounts to a clearing partner for settlement.
- You need this BEFORE you can set up on an exchange

Set up with Exchange

- Open trading account(s) for container freight hedging.
- Provide basic company documents required by the exchange.

FIS KYC & Compliance

- Can be done alongside being set up of GCM and exchange.
- Complete our KYC form.
- Documents required will vary based on companies' risk profile.

Trading Authority & Documentation

- Sign client agreement(s) with us and the clearing member.
- Assign authorised traders or signatories.

Risk & Margin Setup

Agree on margin requirements and risk limits.

Funding / Capital Setup

- Set up bank instructions for deposits/withdrawals.
- Confirm settlement process for trades.

Why Partner With FIS



Best price discovery: we meet our clients' needs at highly competitive prices.



Confidentiality: we protect the identity of the company and the trade.



Reaching buyers and sellers: comprehensive client base with close relationships.



A Bigger Picture: regular workshops, conferences and networking events globally.



Excellent relations with key clearing houses: central clearing reduces counterparty risk exposure.



In depth market analysis: daily technical and market reports.

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