

To give you a better idea of what we do.

A sample commodities trade

Energy | Moving Dubai Crude to Singapore

A typical transaction will be buying Dubai Crude and moving it into Singapore, Asia's largest commodity trading hub. So let's assume you are buying a million barrels of oil from ADNOC, the Abu Dhabi National Oil Company. Negotiations have come to an end, contracts have been signed and a bank has confirmed finance.

To pick up the crude and take it to Singapore, you will have to deal with all the logistics and invoicing relevant to the movement of goods from point A to point B. To bring the goods to the named port of destination you have to hire a vessel on a voyage or time charter basis (CFR¹) and contract for insurance against the risk of loss of or damage to the goods during the carriage (CIF²). Because of the cargo you have purchased but not yet sold, you are also concerned about falling prices. To protect yourself against a possible price drop, you can establish a short hedge so any loss incurred in the cash market will be offset by a gain from the hedge in the futures market.

Now, imagine that during the tanker's voyage to Singapore, the price of oil goes up 50 per cent. The value of your cargo will increase but the price increase will also result in a futures loss. Any losses on your futures position may result in a margin call, requiring you to deposit additional funds. To maintain the short hedge until the crude is sold in the cash market you have to cover day-to-day losses. Immediately upon the sale of the physical crude, the risk of falling prices no longer exist and the futures position is no longer needed.



Crude oil is one of the more volatile commodities. During the trip, its value will move up and down.

¹ Cost and Freight

² Cost, Insurance and Freight

As long as you get everything right, at the end of the day, the oil will be discharged into a storage or continue its journey on another vessel.

Further information

You can find further information in our Resource Centre “Publications” which is available online at promercium.com/publications.

Promercium is an independent commodity trading and logistics house.

Every day, we source and supply commodities that enable the world's growth because access to energy underpins economic prosperity.

Find out more at promercium.com



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