



IEA-IEF-OPEC Workshop



Vienna, 15 April 2016

Review of current and potential Asian oil benchmarks

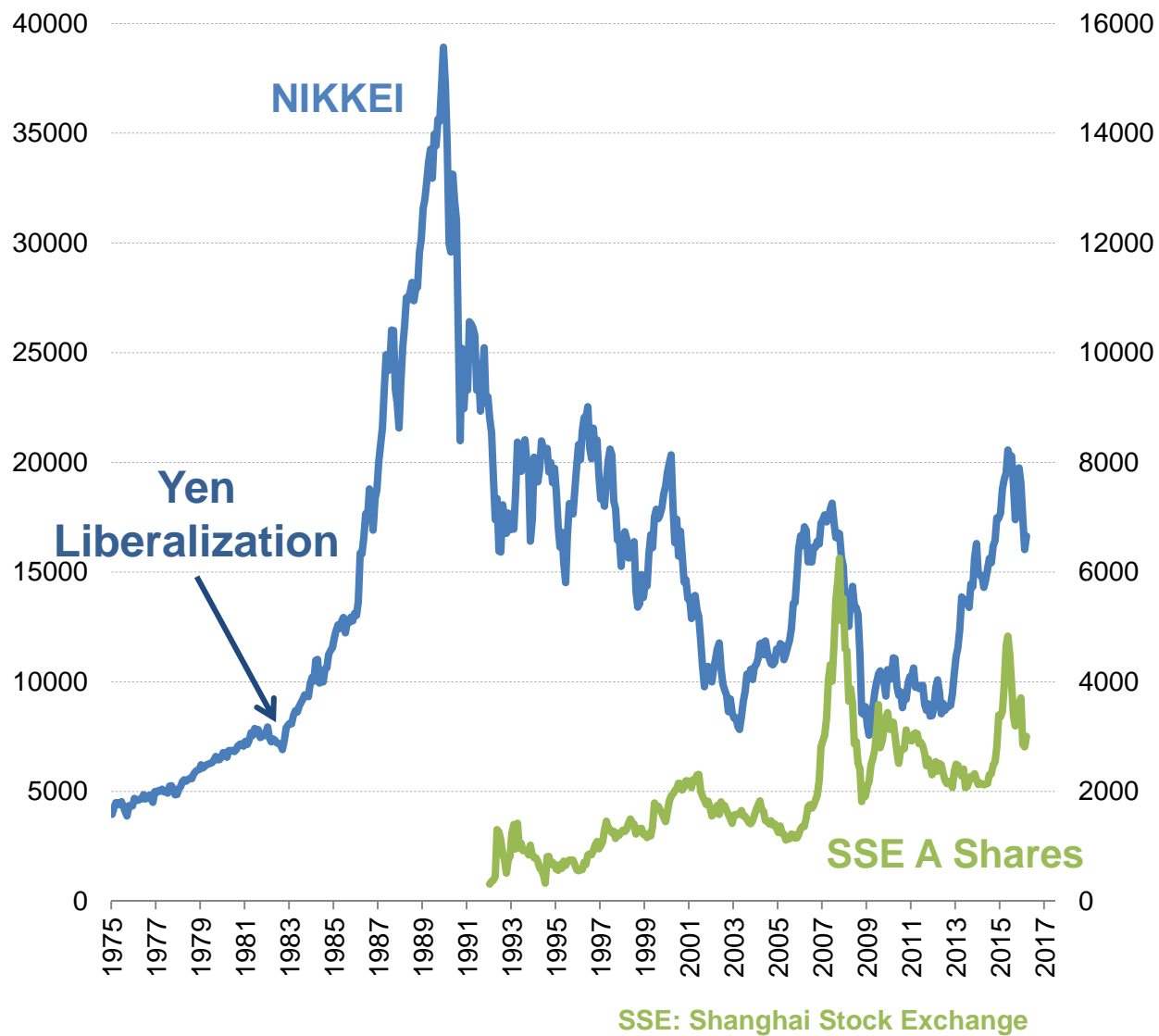
Eric Aboussouan

Head of Commodity Market Research and Trading Analytics

Cargill Energy, Transportation & Metals

Disclaimer

- This material is intended for general distribution and does not take into account any specific investment objectives or the financial situation or particular needs of the recipient, nor is it intended to be nor does it constitute financial or any other advice from or by Cargill.
- This information is subject to change and its accuracy or completeness cannot be guaranteed. Neither Cargill International S.A., nor any of its affiliates, directors, employees, agents or advisers accepts any liability to the recipient or any other person including, without limitation, for any direct, indirect, special, incidental, consequential, punitive or exemplary damages (including, but not limited to, lost profits) arising from reliance upon this material. Unauthorized copying of this material is strictly prohibited without the prior written consent of Cargill.
- All of the content, information made available through this document, is provided on an «as is» and «as available» basis, without representations or warranties of any kind whatsoever.



**“The Power
of
Free
Markets”**

Source: Reuters

www.cargill.com

CONFIDENTIAL. This document contains trade secret information. Disclosure, use or reproduction outside Cargill or inside Cargill, to or by those employees who do not have a need to know is prohibited except as authorized by Cargill in writing. © 2013 Cargill, Incorporated. All rights reserved.



The Future of China Futures Markets

China has already two extensive exchange platforms

SHANGHAI FUTURES EXCHANGE (SHFE)

COPPER	ALUMINUM
ZINC	LEAD
NICKEL	TIN
GOLD	SILVER
REBAR	WIRE ROD
HRC	FUEL OIL
BITUMEN	RUBBER

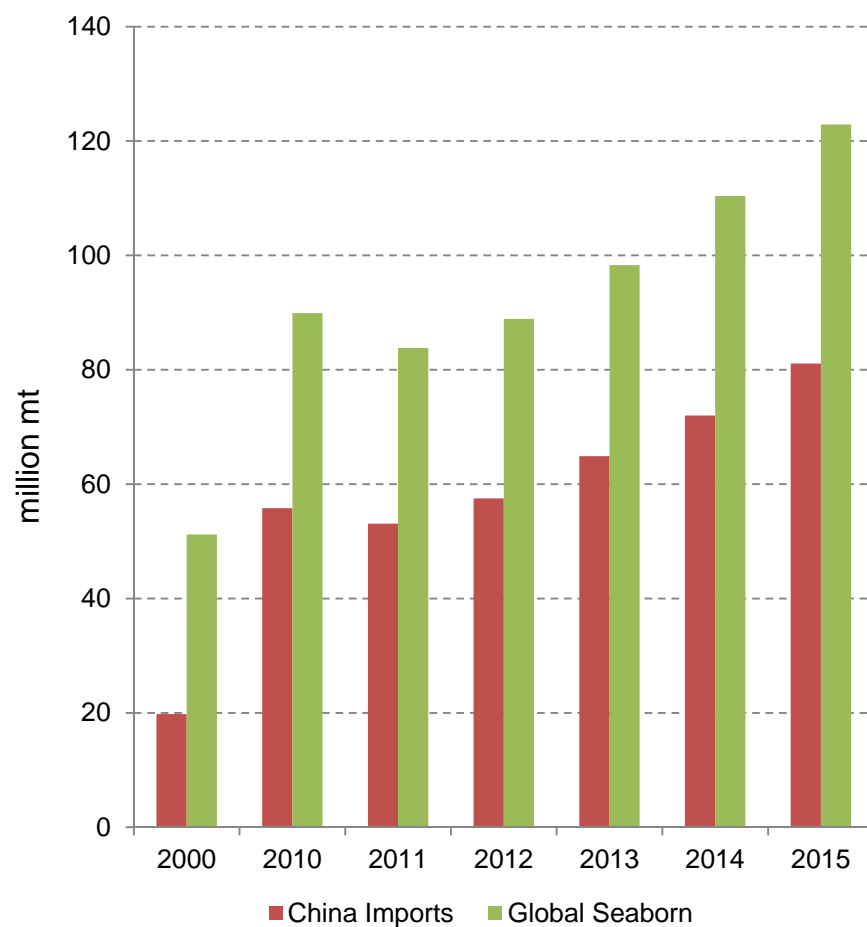
DALIAN COMMODITY EXCHANGE (DCE)

CORN	STARCH
SOY BEAN	SB MEAL
SB OIL	LLDPE
PALM OIL	EGG
PVC	COKE
COKING COAL	IRON ORE
FIBER BOARD	BLOCK BOARD
PP	

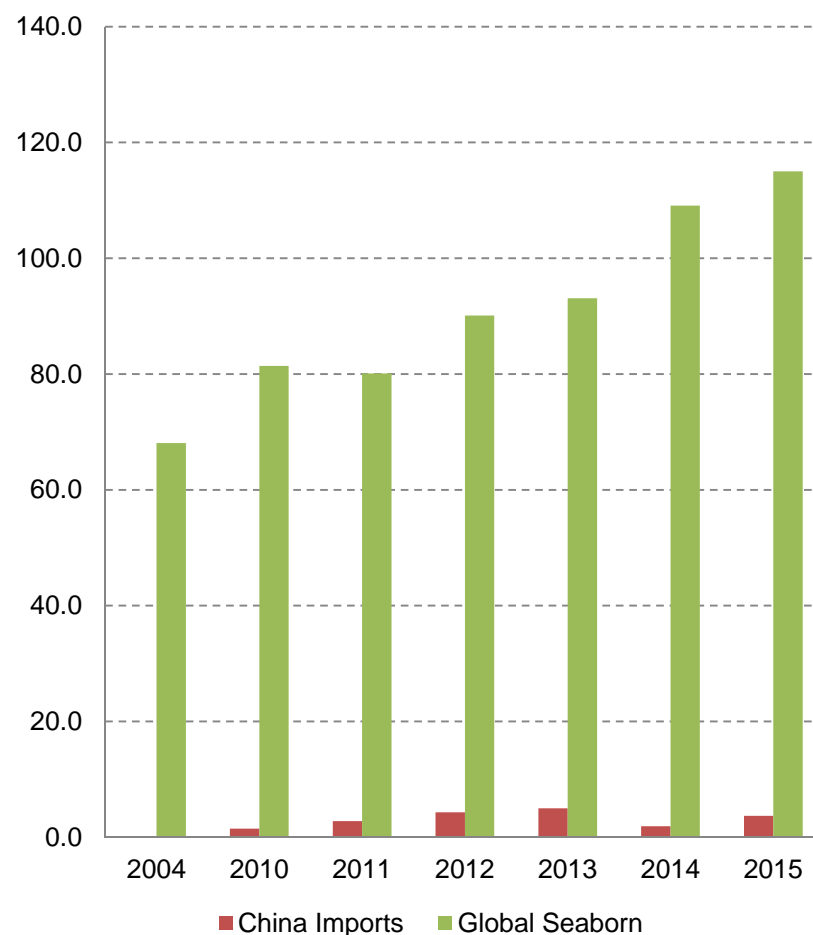
2014: RBM 42tr in trading volume

China Physical & Futures Markets

Soybeans



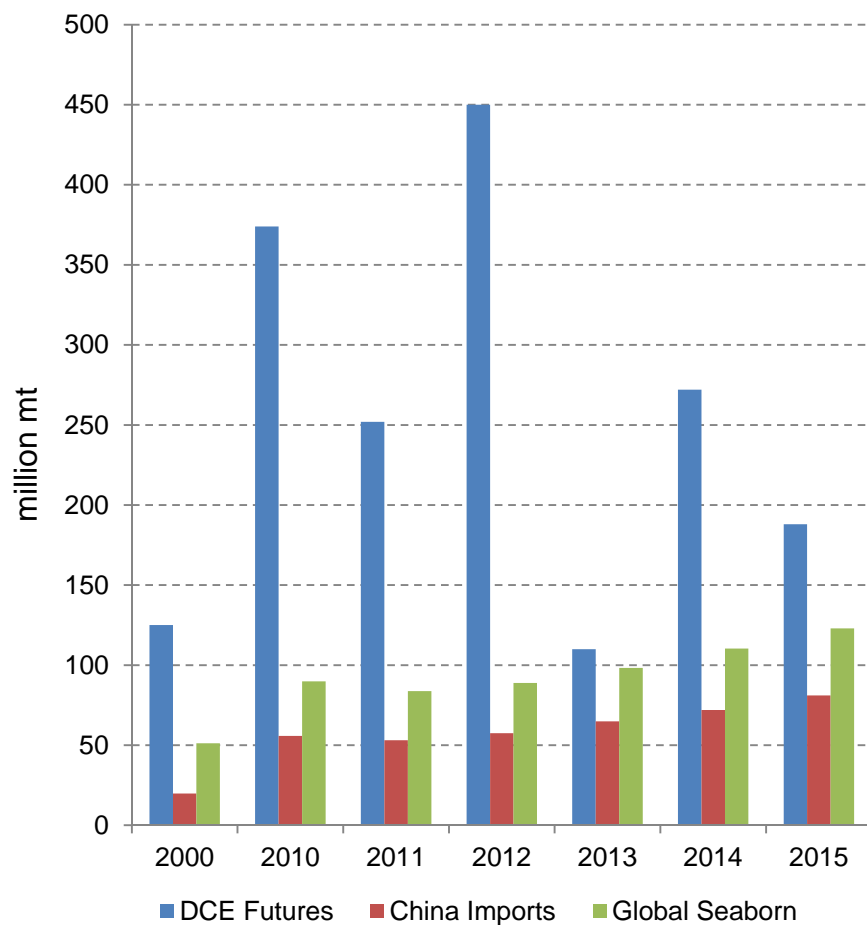
Corn



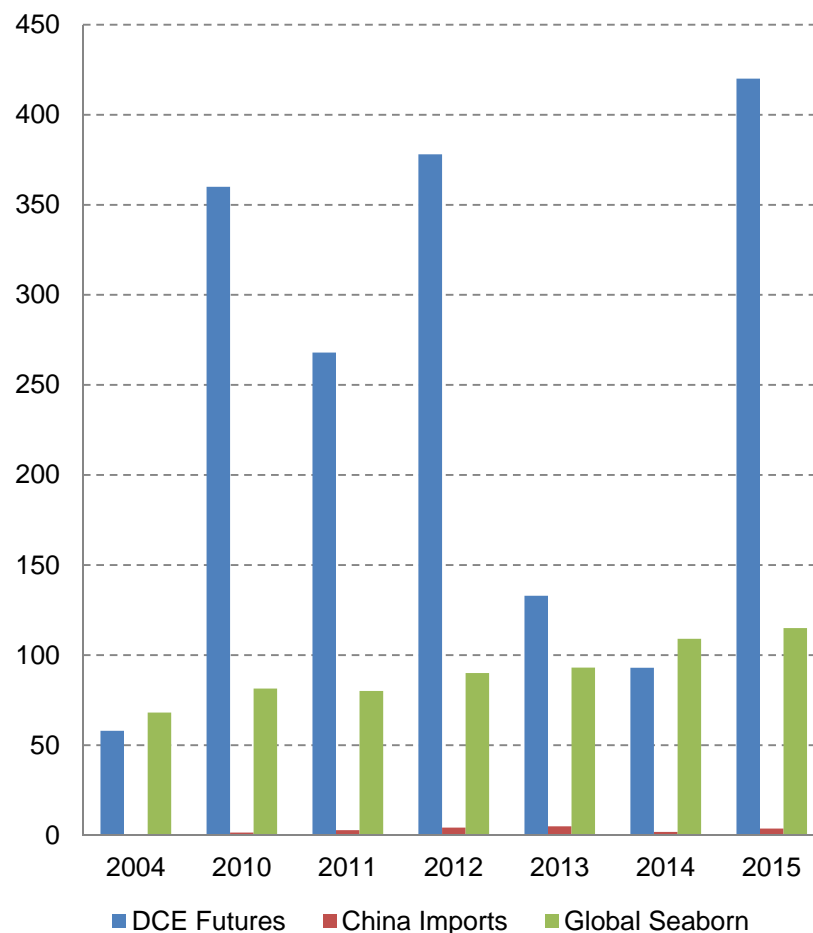
Source: DEC, Cargill

China Physical & Futures Markets (2)

Soybeans

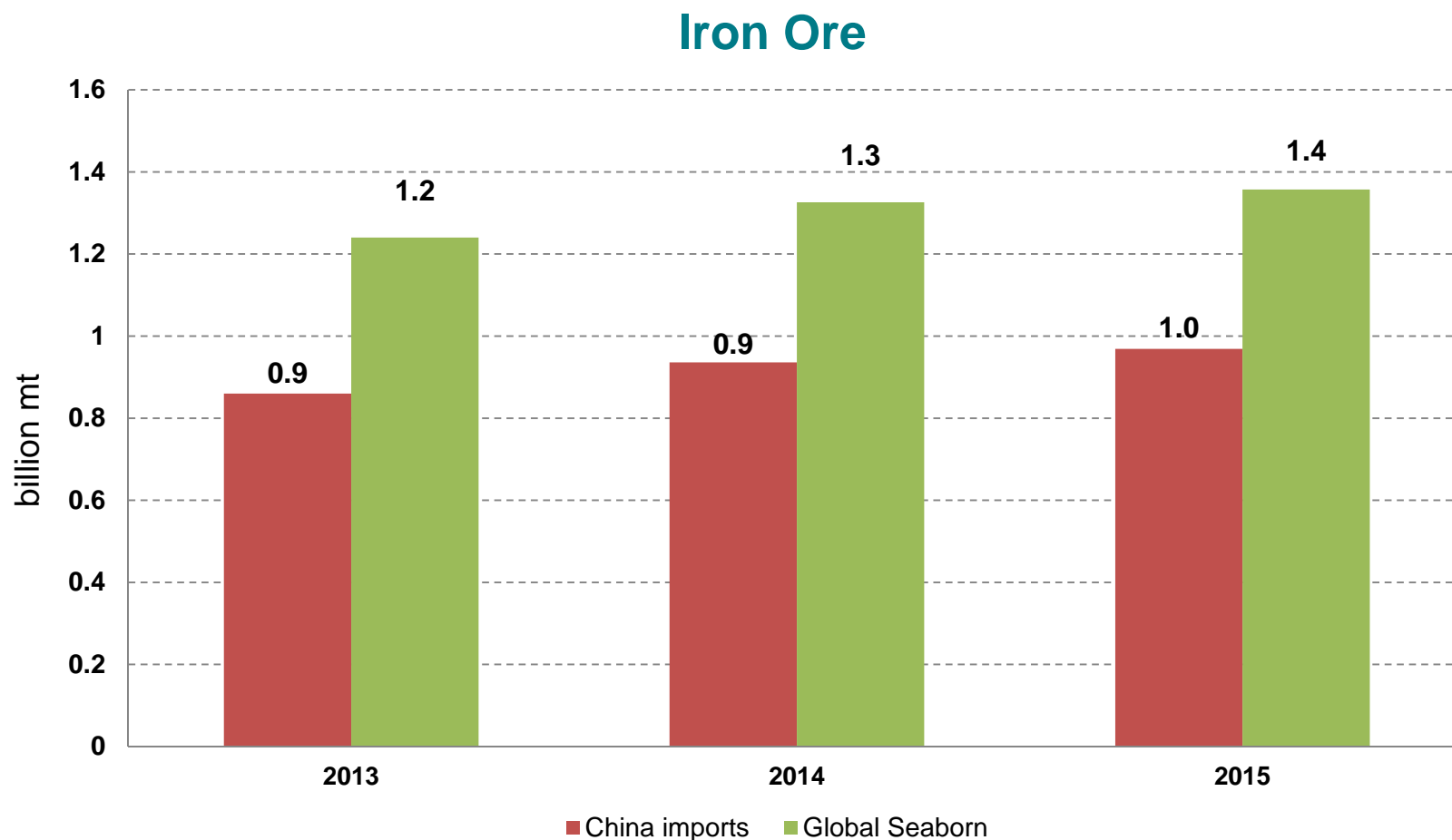


Corn



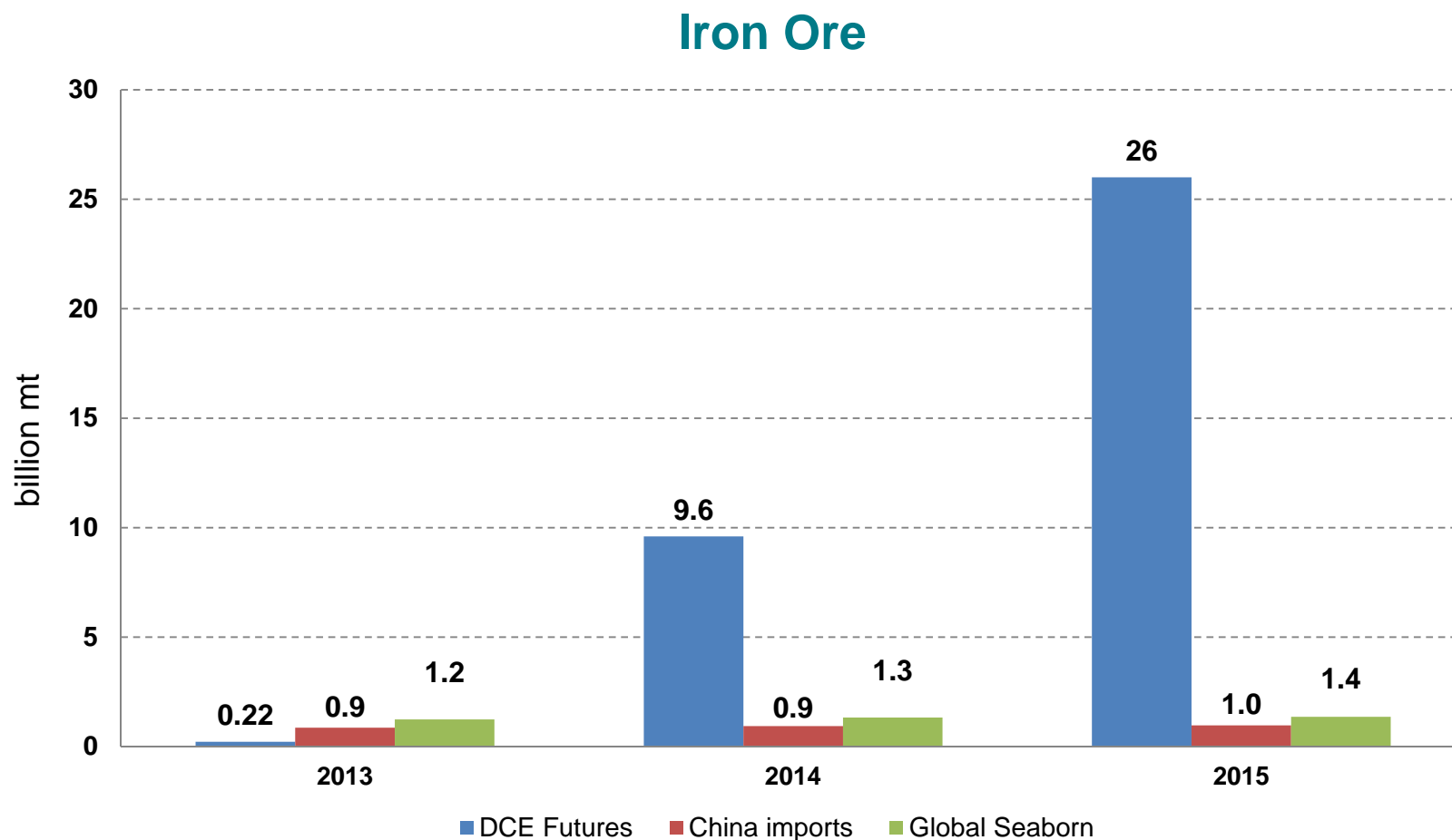
Source: DEC, Cargill

China Physical & Futures Markets (3)



Source: DEC, Cargill

China Physical & Futures Markets (4)



Source: DEC, Cargill

What about Crude Oil Futures?

“CHINA IS TOO LARGE TO BE IGNORED”

- **Fast and deep deregulation of the China physical crude oil market**
- **Significant player in the international market. Growing importance of Chinese SPR**
- **Potential to become a major domestic and international trading and distribution hub (Shandong region) – both crude and products**
- **Of a high Political and Strategic importance to China - More influence on pricing**
- **In need of a high efficient and regulated pricing mechanism for the country / region**
- **China Oil Futures Exchange (INE) is becoming a reality**

Challenges & Opportunities

- RMB denominated futures – Overseas entity have option to use USD denominated contract at fixed exchange rate.
- Physical Delivery in bonded storage – limited storage capacity
- Seven deliverable grades
- Rules of contract still based on Chinese “norms”
- Size of the contract - 100 bbls or 500 bbls
- Retail domestic speculative tool versus well accepted international exchange
- Price Discovery versus Physical Delivery
- Current overall volatile China / Macro environment

“Under the leadership of the China Securities Regulatory Commission, and owing to the support by all partner entities, the Shanghai Futures Exchange has prospered and excelled. In particular, SHFE has, with down-to-ground attitude and entrepreneurial spirits, taken good care of the market participants’ interests, made most of the challenges and opportunities, and served the economy in much greater depth and breadth.

The five years to come will be a promising and productive period of time because it implies great potential for China’s growth. Therefore, SHFE will embrace the guidelines that were set down by the 18th Chinese Communist Party Congress with a view to contributing more to the mission that a well-to-do society is to be established by 2020 in China. The Strategic Plan as this is made for SHFE to get further engaged in the endeavors of reforms and opening-up, the exercise of stronger self-regulation, the maintenance of a transparent, equitable and just market, the insurance of the market integrity and functions, and the satisfaction of the investors’ legitimate interests and benefits.”

Source: SHFE Strategy extract from SHFE official website

