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Argus Bunker Indexes (ABIs)

The pricing solution for:

- Physical bunker fuel supply contracts
- Bunker Adjustment Factor (BAF) clauses
- Trading/hedging using derivatives

What are the ABIs?

Argus has worked with shipowners and the bunker industry to create a suite of price indexes for fuel oil and marine gasoil that reflect the physical spot market for **delivered-to-ship** bunker fuels in various ports.

For Singapore the main indexes are:

- ABI Singapore HSFO 380cst - Derivative contract listed on CME
- ABI Singapore LSFO 0.5%S - Derivative contracts listed on APEX and SGX
- ABI Singapore MGO 0.1%S

The Argus Marine Fuels methodology contains details for each assessed port at **www.argusmedia.com**

How are the indexes calculated?

Suppliers and shipowners are supporting the assessment process in Singapore by submitting around 20 deals by 7pm each day. This provides a high quality and high quantity set of data on which to calculate the indexes. The process begins by excluding deals outside the standard specifications of delivery 4-12 days from the trade date, quantity 500-3,000t for fuel oil, 50-500t for gasoil. Price exceptions are discarded and then a volume-weighted average is calculated, representing the average price paid by shipowners for that fuel in the spot market that day.

Any physical trading firm, supplier or shipowner can submit trade data to **singaporebunkers@argusmedia.com**. There is no requirement to be an Argus subscriber and all information will be treated as confidential.

What about other ports?

Argus produces ABIs for dozens of locations globally, but of particular note is Zhoushan where Argus has worked with the port to create the **Zhoushan Bunker Indexes(ZBIs)**:

- ZBI HSFO 380cst
- ZBI LSFO 0.5pc
- ZBI MGO 0.1pc

How can ABIs and ZBIs be used?

Market participants will have to determine for themselves the suitability of these indexes for their business purposes, but potential uses include:

Hedging barging premiums: The ABI Singapore HSFO 380cst futures contract, cleared on CME, could be used to hedge barging premiums by trading the spread to cargoes.

Spreads to crude: IMO2020 may cause the historical crude/bunker correlation to break down. Shipowners using crude futures as a macro hedge may wish to switch hedges into ABI contracts instead because of better correlation with their exposure.
Refiners that sell bunker fuel could buy crude futures/sell ABI futures to hedge the full end-to-end margin generated by their refining and bunkering operations.

Hedging physical exposure to the spot market: Shipowners could buy ABI futures or over-the-counter (OTC) swaps contracts to hedge spot market purchase requirements. Blenders/suppliers could sell ABI futures or OTC swaps contracts to hedge spot market sales.

Intermonth spreads: Parties with access to storage could use intermonth spreads to hedge contango or backwardation.

Hedging physical inventories: Suppliers could hedge the value of inventories in tanks or on barges using ABI futures or OTC swaps.

A pricing reference for ex-wharf physical contracts: In Singapore, ex-wharf physical contracts traditionally reference the cargo market, but with the introduction of ABI derivatives, contracting on an ABI minus basis could make sense. The buyer could have more confidence of selling profitably into the spot bunker market. The seller could hedge the price where ABI futures and OTC swaps are available.

A pricing reference for term bunker contracts: ABIs can be used as a price reference in bunker supply contracts. The price paid would reflect the delivered market price and provide a hedging mechanism where ABI futures and OTC swaps are available.

Performance measurement: The ABI methodology aligns with how bunker purchases or sales staff should be measured, against the average price traded each day, rather than at a single time.

Listed Futures Contracts

Exchange	CME	APEX	SGX
Settlement	Monthly average of ABI Singapore HSFO 380cst	Monthly average of ABI Singapore LSFO 0.5%S	Monthly average of ABI Singapore LSFO 0.5%S
Contract name	Singapore Fuel Oil Bunker 380cst (Argus) Futures	APEX ABI Singapore LSFO 0.5%S Futures	SGX Argus LSFO 0.5%S Singapore Bunker Index Future
Contract code	ABF	LFA	LSFF
Contract size	100 t/lot	10 t/lot	100 t/lot

All the above are hypothetical situations used as examples for discussion purposes only. This material should not be considered investment advice or a recommendation to trade. Market participants are responsible for their own decisions.

ABIs are published in the **Argus Marine Fuels report**. Contact **Singapore@argusmedia.com** to subscribe or request more information.