



# Hedging 101 for Forwarders

Managing Rate Risk with  
Euronext CFF

April 2026



# Why Freight Forwarders Carry Rate Risk

The gap between buy-side commitments and sell-side pricing creates daily exposure

## **You Buy Capacity at One Price. You Sell It at Another.**

- Forwarders pre-book container space through carrier platforms to guarantee availability
- But customers typically book at the prevailing spot rate — creating a timing mismatch
- If market rates fall after you've locked in capacity, you carry the loss
- Long-term customer contracts expose you to repricing risk when carrier rates move

## **Common Objection: "We pass rate risk to our customers"**

- Not entirely — you hold inventory risk between purchase and sale
- You carry repricing risk on any long-term customer agreement
- Futures let you lock that gap — protecting margin on every shipment



# The Volatility Reality

Container freight rates have been anything but predictable

- Shanghai to Rotterdam: \$1,500/FEU in early 2020 → \$14,000+ by late 2021 → back below \$2,000 in 2023
- Red Sea crisis 2024: rates surged again — SCFI averaged 2,496 points (+149% year-on-year)
- Cape of Good Hope rerouting added 10+ days to Asia-Europe voyages, absorbing 2M TEU of capacity
- Trans-Pacific spot rates swung between \$2,500 and \$4,500 per FEU in a single quarter
- US tariff announcements in 2025 created yet another wave of uncertainty and front-loading

## **The Pattern Is Clear**

- Freight rate volatility is structural — driven by geopolitics, capacity cycles, and demand shifts
- UNCTAD: "Freight rate volatility has become the new normal"
- The question is not whether rates will be volatile — but whether you will manage that volatility



# What Are Container Freight Futures?

A simple, regulated tool to lock in future freight rates

**A futures contract is a standardised agreement to buy or sell at a fixed price on a future date**

## **In Container Freight Terms:**

- You agree today on a freight rate for a specific future month
- At expiry, the contract settles against the actual market index (XSI®-C)
- The difference is paid or received in cash — no containers move
- If you locked in \$3,000/FEU and the market goes to \$5,000 — you receive \$2,000/FEU
- That gain offsets the higher rate you pay in the physical market

## **Key Principle: You don't move containers. You manage price risk.**

- Your physical shipping operations remain unchanged
- The futures position acts as a financial overlay — insuring your margin against rate moves



# How CFF Works for Forwarders

Practical applications for your daily operations

## **Scenario 1: Protecting Pre-Booked Capacity**

- You book 100 FEU of space at \$4,000/FEU for August delivery
- Sell CFF August contracts to lock in your selling price — if rates fall, your futures gain offsets the margin loss

## **Scenario 2: Hedging Long-Term Customer Contracts**

- You've quoted a fixed rate to a retail client for the next 6 months
- Buy CFF for those 6 months — if carrier rates rise, your futures gain covers the increased cost

## **Scenario 3: Competitive Pricing Advantage**

- Use the forward curve to offer customers guaranteed rates beyond the current spot market
- Differentiate from competitors who can only quote week-to-week
- Win longer-term contracts with rate certainty your competitors cannot match



# Hedging in Practice: A Walkthrough

Step-by-step example of a forwarder hedge using CFF

## Example: Forwarder Hedges 200 FEU of Asia-Europe Exposure for August

### Step 1: Identify Exposure

- You expect 200 FEU of Shanghai→Rotterdam shipments in August at current spot ~\$3,500/FEU

### Step 2: Buy CFF FENE August Contracts

- Buy 40 lots (200 FEU ÷ 5 FEU per contract) of FENE August at \$3,500/FEU

### Step 3: August Arrives — Rates Have Spiked to \$5,000/FEU

- Physical market: You pay \$5,000/FEU → extra cost of \$300,000 vs. plan
- Futures: CFF settles at \$5,000 → you receive  $(\$5,000 - \$3,500) \times 200 \text{ FEU} = \$300,000$

**Result: Net effective rate remains ~\$3,500/FEU. Margin protected.**

Note: If rates fall, you pay on the futures but save on physical — the hedge works both ways.



# Exchange for Swaps (EFS)

Off-screen trading for participants who prefer broker-negotiated execution

## What Is EFS?

- Exchange for Swaps allows you to negotiate a trade off-screen with a broker, then register it on Euronext for central clearing
- You get the comfort of broker-assisted execution with the safety of exchange clearing

## Why EFS for Forwarders?

- Familiar workflow — similar to how you negotiate rates with carriers today
- No need to learn screen trading software immediately — start with voice, transition to screen later
- Trade still clears through Euronext — eliminating counterparty risk

## Available Freight Brokers

- Braemar, Clarksons, Poten, SSY — freight brokers you may already work with
- They can offer CFF alongside their existing OTC freight services



# Getting Started: Clearing and Account Setup

From decision to first trade in as little as one week

## **Step 1: Select a Clearing Member**

- Active clearing members for CFF: StoneX, Marex — with BNP Paribas and Citi onboarding
- No ISDA required — standard exchange rules apply

## **Step 2: Complete KYC and Open an Account**

- Standard documentation — typically completed in 1-2 weeks
- Most forwarders qualify for MiFID II ancillary activity exemption

## **Step 3: Fund Initial Margin**

- Deposit initial margin with your clearing member (typically a percentage of notional)
- Margin is returned when the position is closed or settles

## **Step 4: Place Your First Trade**

- Via screen trading (electronic order book) or EFS (broker-negotiated)
- Euronext provides a dedicated onboarding guide — contact [freight@euronext.com](mailto:freight@euronext.com)



# The Forward Curve: Your New Pricing Tool

18 months of rate visibility for commercial strategy

## What Is a Forward Curve?

- The CFF forward curve shows the market's expected freight rate for each of the next 18 months
- Published daily — visible on Bloomberg, Refinitiv, and Xeneta

## How Forwarders Can Use It

- Quote customers with confidence — the curve tells you where the market expects rates to be
- Identify contango (rising) or backwardation (falling) — adjust your capacity strategy accordingly
- Prepare for peak season pricing decisions months in advance
- Provide rate visibility that differentiates you from competitors relying on spot-only information

**Before people trade futures, they reference futures. The curve is the tool that changes conversations.**



# Liquidity and Market Quality

Committed market makers ensure tradeable prices from Day 1

## **Dedicated Liquidity Provider Programme**

- Committed market makers provide two-sided pricing on FENE and FEUW from Day 1
- Target: 70%+ presence during regular trading hours (07:00–18:19 CET)
- Bid-ask spread target: under 4% of mid in Q1, narrowing to under 2.5% by Year 1 end
- LP performance monitored weekly and shared transparently

## **What This Means for You**

- You will see live bid and offer prices on screen when you are ready to trade
- No need to search for a counterparty — the market makers are there for you
- As more participants join, natural liquidity will supplement the LP programme



# Next Steps: How to Begin

Your roadmap from today to your first hedge

## 1. Request a Clearing Member Introduction

- Contact [freight@euronext.com](mailto:freight@euronext.com) — we will connect you with StoneX or Marex

## 2. Download the First Trade Guide

- Step-by-step operational guide: clearing member selection → account setup → margin funding → first order

## 3. Schedule a Product Demo

- Book a 30-minute session with our freight team — we'll walk through the platform and your specific use case

## 4. Start Monitoring the Forward Curve

- Even before you trade, use the curve as a reference point in your pricing decisions

**This is not a sales pitch. If you carry freight rate risk, this is a risk management tool built for you.**



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