



# Freight Hedging: A CFO's Guide

Managing Rate Risk  
with Listed Derivatives

April 2026



# Quantifying Unmanaged Freight Exposure

The financial impact of freight rate volatility on corporate results

## The Scale of Container Freight Exposure

- Global container shipping market: ~\$120 billion annually
- For a mid-size European importer (3,000 FEU/year), freight cost at \$3,500/FEU = \$10.5M
- A 100% rate increase (as seen in 2021 and 2024) doubles this to \$21M — a \$10.5M unplanned cost
- Freight volatility passes directly through to COGS and EBIT margin

## Why This Is a CFO Issue

- Earnings guidance accuracy — freight surprises are a top driver of budget misses for importers
- Cash flow predictability — sudden margin calls from suppliers when rates spike
- Investor confidence — unmanaged variable costs erode shareholder trust
- Competitive disadvantage — peers who hedge will have more stable pricing to offer customers



# P&L Impact: Hedged vs. Unhedged Scenarios

What hedging would have meant in recent rate cycles

## Scenario: 5,000 FEU Annual Volume, Baseline Rate \$3,500/FEU

### Unhedged — Rates rise to \$6,000/FEU:

- Freight cost: \$30M (vs. \$17.5M budget) → \$12.5M overrun

### Hedged (50% at \$3,500) — Rates rise to \$6,000/FEU:

- Physical cost: \$30M | Futures gain: +\$6.25M → Net cost: \$23.75M
- Budget overrun reduced from \$12.5M to \$6.25M — a 50% reduction in exposure

### Hedged (50% at \$3,500) — Rates fall to \$2,500/FEU:

- Physical cost: \$12.5M | Futures cost: -\$2.5M → Net cost: \$15M
- Still below budget — you keep most of the downside savings

**Hedging reduces the worst-case outcome while preserving most of the upside.**



# How Container Freight Futures Work

The mechanics explained for finance professionals

- Buy futures contracts at a fixed price for a future delivery month
- At expiry, contracts cash-settle against the XSI®-C index (no physical delivery)
- Daily mark-to-market with variation margin (gains/losses settled daily)
- Initial margin posted as collateral (typically a percentage of notional value)

## Financial Characteristics

- Lot size: 5 FEU | Minimum tick: \$1/FEU (\$5 per contract)
- Notional value example: 100 contracts at \$3,500/FEU = \$1.75M notional
- Initial margin: typically 10–15% of notional (varies by clearing member and market conditions)
- Margin returned when position closes or settles



# Cash Flow: Margin Requirements and Funding

Understanding the working capital implications

## Initial Margin

- Deposited with your clearing member at trade initiation — typically 10–15% of notional
- Example: 200 contracts at \$3,500/FEU = \$3.5M notional → ~\$350K–\$525K initial margin
- Returned in full when the position is closed or settles at expiry

## Variation Margin (Daily Settlement)

- Daily mark-to-market: if the futures price moves against you, you post additional margin
- If the price moves in your favour, you receive cash
- This creates a daily cash flow — plan for potential margin calls of 2–5x initial margin

## Cash Flow Impact Assessment

- Margin outflows are temporary — they are offset by eventual physical market savings or gains
- Ensure dedicated credit line or ring-fenced cash for margin — do not use operational cash flow



# Hedge Accounting Under IFRS 9

Cash flow hedge accounting treatment for container freight futures

## **Cash Flow Hedge Accounting (IFRS 9)**

- CFF contracts meet IFRS 9 requirements as a hedging instrument
- Effective portion of gains/losses recorded in OCI (Other Comprehensive Income)
- Reclassified to P&L when the hedged freight cost is recognised — matching timing
- Ineffective portion flows through P&L immediately (typically small)

## **Requirements for Hedge Accounting**

- Formal designation and documentation at inception
- Economic relationship between hedging instrument and hedged item
- Hedge effectiveness testing (prospective and retrospective)
- Big 4 co-authored guidance paper in preparation — providing precedent for auditors



# Comparison: Futures vs. Fixed-Rate Contracts

How listed futures complement existing procurement tools

## **Fixed-Rate Carrier Contracts**

- Subject to GRI adjustments, peak season surcharges, and renegotiation pressure
- Carriers may refuse to honour in extreme markets (as seen in 2021)
- Limited visibility — typically 3–6 months maximum

## **Container Freight Futures**

- Guaranteed by Euronext Clearing — counterparty risk eliminated
- 18-month forward visibility — far beyond typical carrier contract terms
- Liquid and transparent — enter or exit positions at any time during market hours

## **Best Practice: Use Both Together**

- Futures complement physical contracts — hedge the unprotected portion of your annual volume
- Use the forward curve to benchmark carrier proposals during tender negotiations



# Implementation: Clearing Member Setup

The operational pathway from approval to execution

- Select a clearing member: StoneX, Marex (confirmed), BNP Paribas, Citi (onboarding)
- KYC and account opening: standard documentation, 1-2 weeks typical
- No ISDA or bilateral CSA required — exchange rules replace bilateral documentation
- MiFID II ancillary activity exemption: most physical hedgers qualify — no need for full MiFID authorisation
- Trading access: via clearing member's platform (screen) or EFS (broker-assisted)
- Reporting: daily position and margin statements from clearing member

**Euronext provides a dedicated onboarding contact for corporate hedgers — [freight@euronext.com](mailto:freight@euronext.com)**



# Risk Controls and Position Limits

Built-in safeguards for corporate treasury participation

- Central clearing by Euronext Clearing (CCP) — guaranteed contract performance
- Daily mark-to-market with variation margin — no accumulated hidden exposures
- Position limits set by Euronext — preventing excessive market concentration
- MiFID II regulated market — full transparency and investor protection
- AFM oversight — the Netherlands Authority for Financial Markets supervises Euronext Amsterdam

## **Internal Controls Recommended**

- Define maximum hedge ratio (e.g., never exceed 75% of forecast volume)
- Require dual authorisation for trade execution
- Monthly reporting to risk committee with mark-to-market P&L
- Annual hedge effectiveness review per IFRS 9



# Financial Impact Modelling

Scenario analysis for your specific freight profile

**[Customise with your company's specific freight profile]**

## Input Parameters

- Annual container volume: [X] FEU
- Primary routes: [FENE / FEUW / NEFE / NEUE]
- Current spot rate: \$[X]/FEU | Forward rate: \$[X]/FEU
- Proposed hedge ratio: [X]% | Hedge horizon: [X] months

## Scenario Outputs

- Base case (rates flat): Net cost impact of hedge: \$[X]
- Upside case (rates +50%): Budget savings from hedge: \$[X]
- Downside case (rates -30%): Hedge cost: \$[X] (offset by physical savings)
- Maximum margin requirement estimate: \$[X]



# Recommended Actions

Practical next steps for the finance team

## **Immediate (This Month)**

- Quantify company-specific freight exposure using actual shipping data
- Brief the audit committee on IFRS 9 hedge accounting eligibility

## **Short-Term (Next 4 Weeks)**

- Request clearing member introduction from Euronext (freight@euronext.com)
- Draft hedging policy for board/risk committee approval

## **Medium-Term (Next Quarter)**

- Execute pilot hedge: 25% of one quarter's volume on one route
- Establish monitoring and reporting framework
- Scale the programme based on results and organisational comfort



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