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## **Baltic Exchange made changes in calculating BDI**

*Friday, 03 Jul, 2009*

Maritime Global Net reported that the Baltic Exchange has made changes to the way it calculates the Baltic Dry Index in a move it says is designed to help boost derivative trading. The new BDI calculations will now be made by taking the average time charter rates only of the Baltic's capsize, panamax, supramax and handysize indices. Voyage routes will no longer feature in the calculations.

Mr Jeremy Penn CEO of Baltic Exchange said that the change was a significant one as it will enable financial market players to develop and trade derivative products on the index with greater ease and understanding.

He added that "There has been considerable interest from the wider investment and commodity trading community in the BDI in recent years. Mutual funds, hedge funds and traders have an interest in exposure to dry bulk freight and may also wish to trade it in conjunction with shipping company equities. However, their interest is often in a more general exposure to dry freight rather than in the very specific existing liquid derivative contracts. By re selecting the index so that it consists entirely of components which are already relatively liquid in the derivatives market, we believe we are making this process considerably easier. It will enable market makers to offer pricing and hedge resultant positions easily."

It may be noted that the Baltic Exchange has made the first significant structural changes to the Baltic Dry Index calculations since January 2007, in a bid to open up freight derivatives trading to banks and other financial institutions. From July 1st 2009, the BDI will be calculated solely on the average time charter.

(Sourced from [www.mgn.com](http://www.mgn.com))

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