

SUNDAY SPOTLIGHT

SEAINTEL MARITIME ANALYSIS

CTS AND SCFI RATE INDICES HIGHLY CORRELATED

SCFI is a leading indicator for CTS developments

This week saw Maersk Line publically state that they were signing contracts where the freight rates were adjusted according to developments in the CTS freight rate index. This is an interesting development as this is the first time the market learns of actual index-linked contracts being signed on a larger scale.

The past 6 months have seen other market participants promote the use of similar index-linked contracts based on the SCFI index.

The interesting question the SealIntel Sunday Spotlight decided to analyze is therefore: to which degree is the CTS and SCFI indices correlated?

significant amounts of detail on the index definitions ensuring conclusions drawn have a factual basis.

When we analyze the data, the conclusion is very clear. The CTS and SCFI indices are more than 95% correlated.

What is perhaps even more interesting is that the SCFI index turns out to be a leading indicator for the CTS index, with a 1 month lead time. When the SCFI is viewed as such a leading indicator, the correlation between SCFI and CTS increases to 98%.

As the majority of cargo moves on contract, and not on spot, the

CTS is clearly a good indicator of the rates paid on the majority of

As this is a matter of great cargo in a particular month.

ANALYSIS VERSUS CONJECTURE

We have seen much public debate in the past 6 months concerning whether certain indices were more "correct" than others. Proponents of the SCFI index point to their data being based on input from spot shippers with a good feel for market conditions here and now. Proponents of the CTS point to their data encompassing all types of customers and contracts.

SCFI is being criticized for having too narrow an input base. CTS is being criticized for being a carrier-only index.

This is where the clarity of numbers comes to the fore. The indices are highly correlated, although each illuminate

SCFI SPOT RATES AND
CTS INDEX ARE 98%
CORRELATED

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