



Comrisk 2019

Keynote address

Kim Benni

Global Head of Risk, Middle
Office and Trading Assistants

Alvean Sugar

Cargill & Copersucar JV



ALVEAN

What does risk
management
look like today ?

The rise of the machines

Dystopia or hand-in-hand collaboration ?



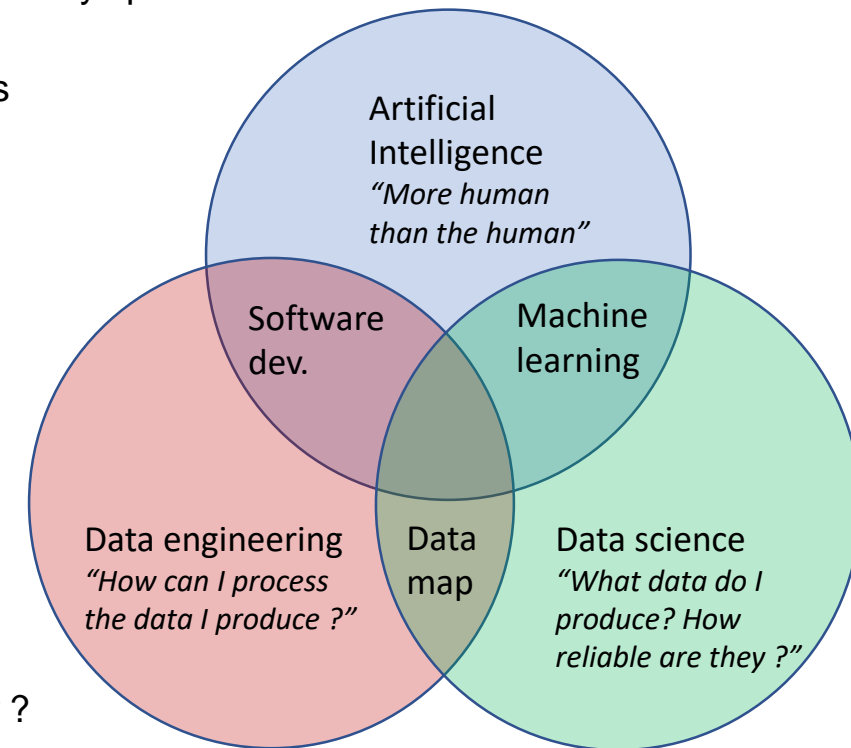
ALGORITHM-BASED FUNDS DRIVE SHORT-TERM MARKETS BEHAVIOUR

- An estimated \$400 bln are invested in quantitative strategies across the commodity space
- Risk-parity asset allocation across bonds/equities spilling over in commodities
- Volatility feedback loop though VaR constraints



DATA ASSISTED DECISION MAKING

- How many people in your team can write code ? Can you ?
- What actionable information do you extract from your data ?
- Could you augment your merchants / traders performance though technology ?



The rise of the machines

Dystopia or hand-in-hand collaboration ?



Radar data
2 pictures per week
Free of charge !

The rise of the machines

Dystopia or hand-in-hand collaboration ?



CONFIDENTIAL



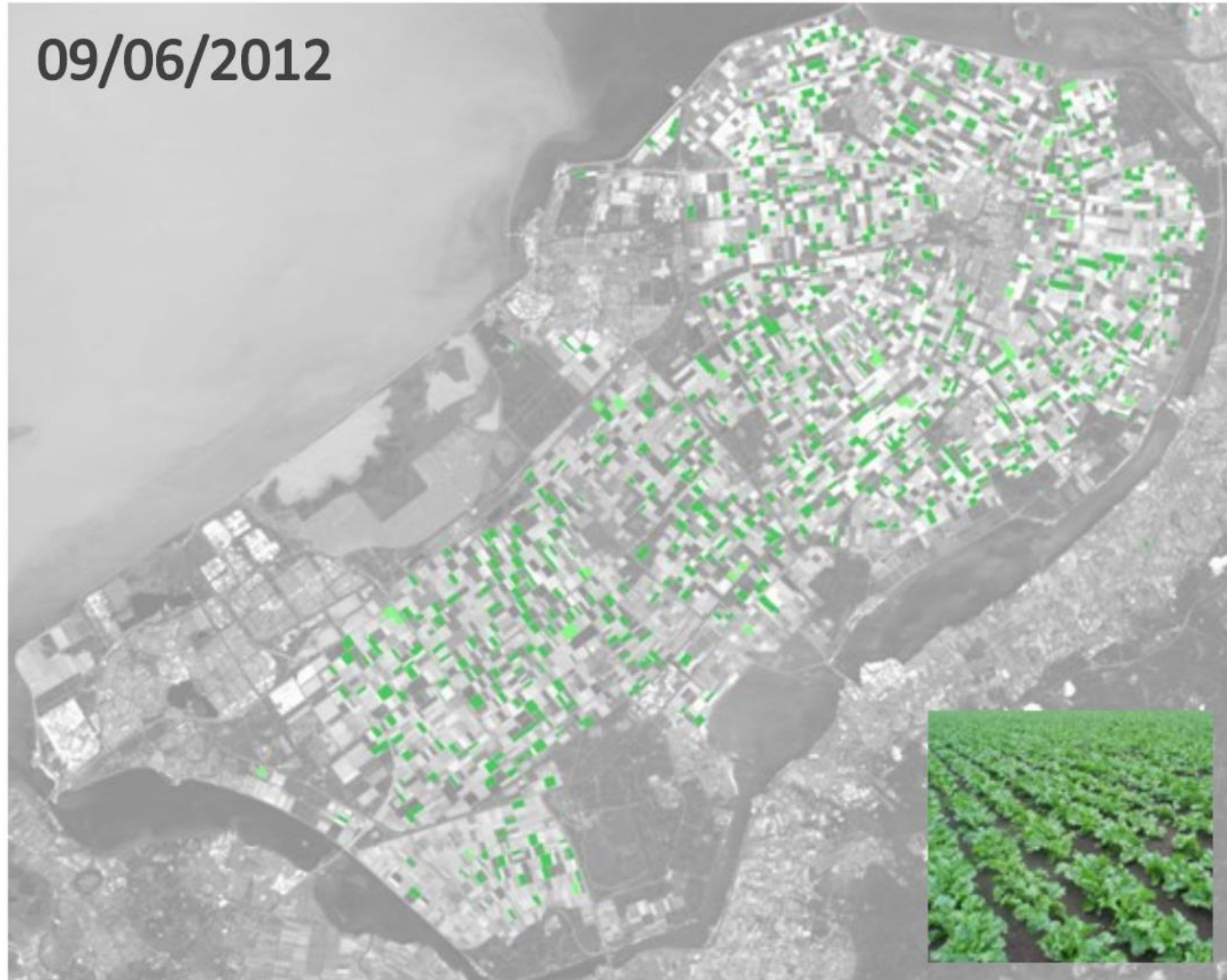
Training a neural network to classify crops

The rise of the machines

Dystopia or hand-in-hand collaboration ?



CONFIDENTIAL



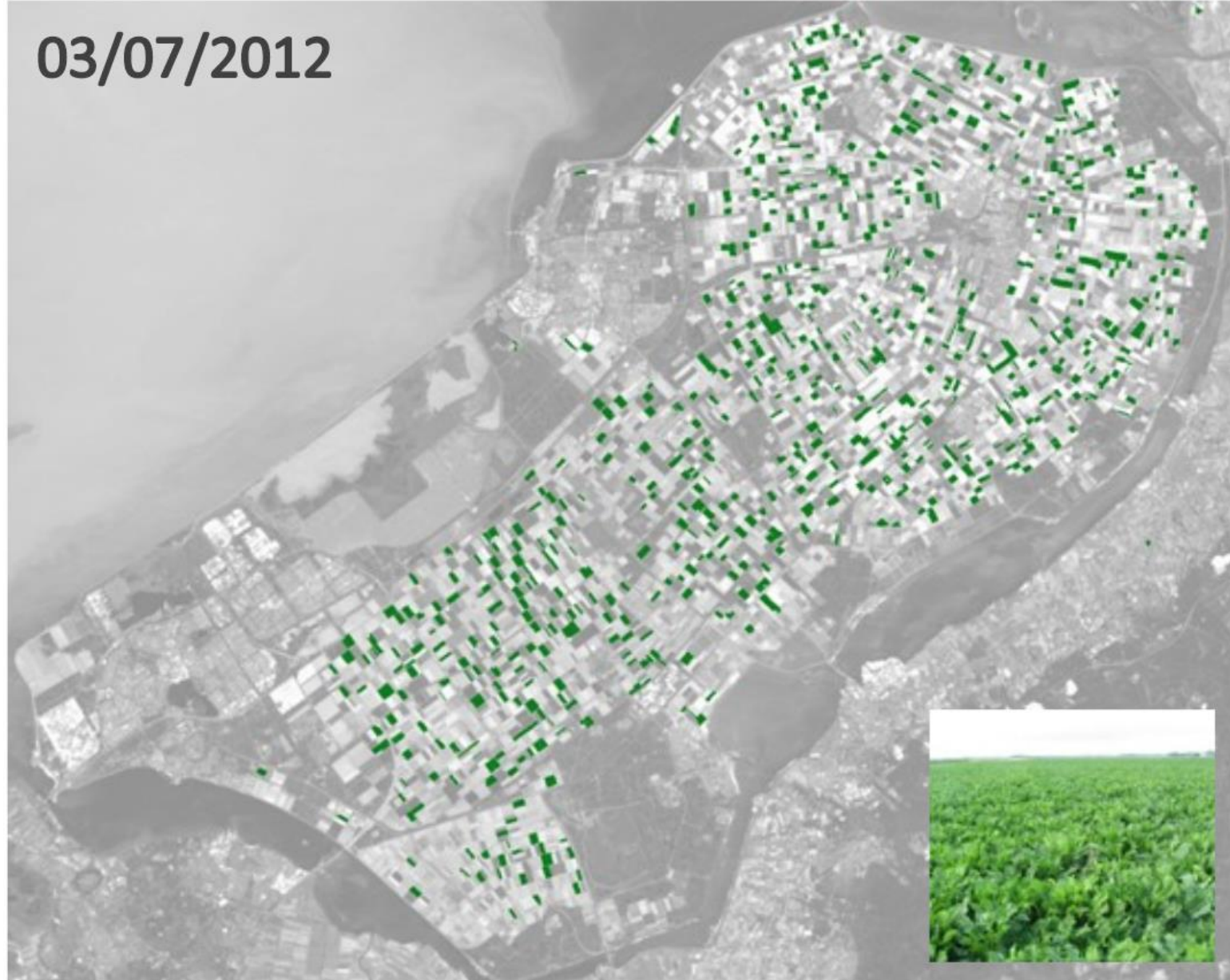
The rise of the machines

Dystopia or hand-in-hand collaboration ?



CONFIDENTIAL

03/07/2012



The rise of the machines

Dystopia or hand-in-hand collaboration ?



CONFIDENTIAL

07/10/2012



Near real time
Anywhere
Customizable

The rise of the machines

Innovation... or not ?



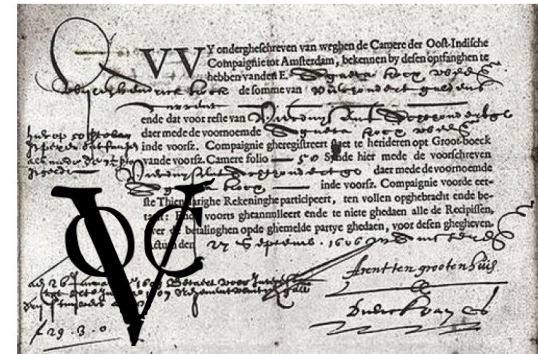
INNOVATION IN COMMODITIES

- Forward contract → Mesopotamia 1800 BC, using clay tablets within clay “envelopes”
- Options → Ancient Greece 600 BC, Thales bought a call on olive-oil crushing capacity of Miletus region
- Trade finance → Medieval Northern Italy 1100 AD, repo agreement and bill of exchange
- Future contract → Netherlands through the West Indies Company / Japan with rice in Osaka
- What will you trade ? How will you reach you counterparties in 10 years ?



NEW ENTRANTS IN THE COMMODITY SPACE

- Non commodity actors looking at disrupting the relationship-based commodity sector
- Freight first → Alibaba One Touch, Amazon Freight Forwarding
- Commodities second → Hard drives, DRAM & flash memories trading as commodities



Political risk is on the rise

Feels like the Cold War !



IMO2020

- Reduction in Sulphur content of marine fuels as of Jan 2020
- Limited price impact given current availability of ships



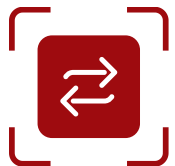
BREXIT

- Where are your derivative accounts, insurers & brokers located ? → Ability to use their services
- Has your country of incorporation a tax treaty with the UK ? → Avoiding double-taxation



PROTECTIONISM

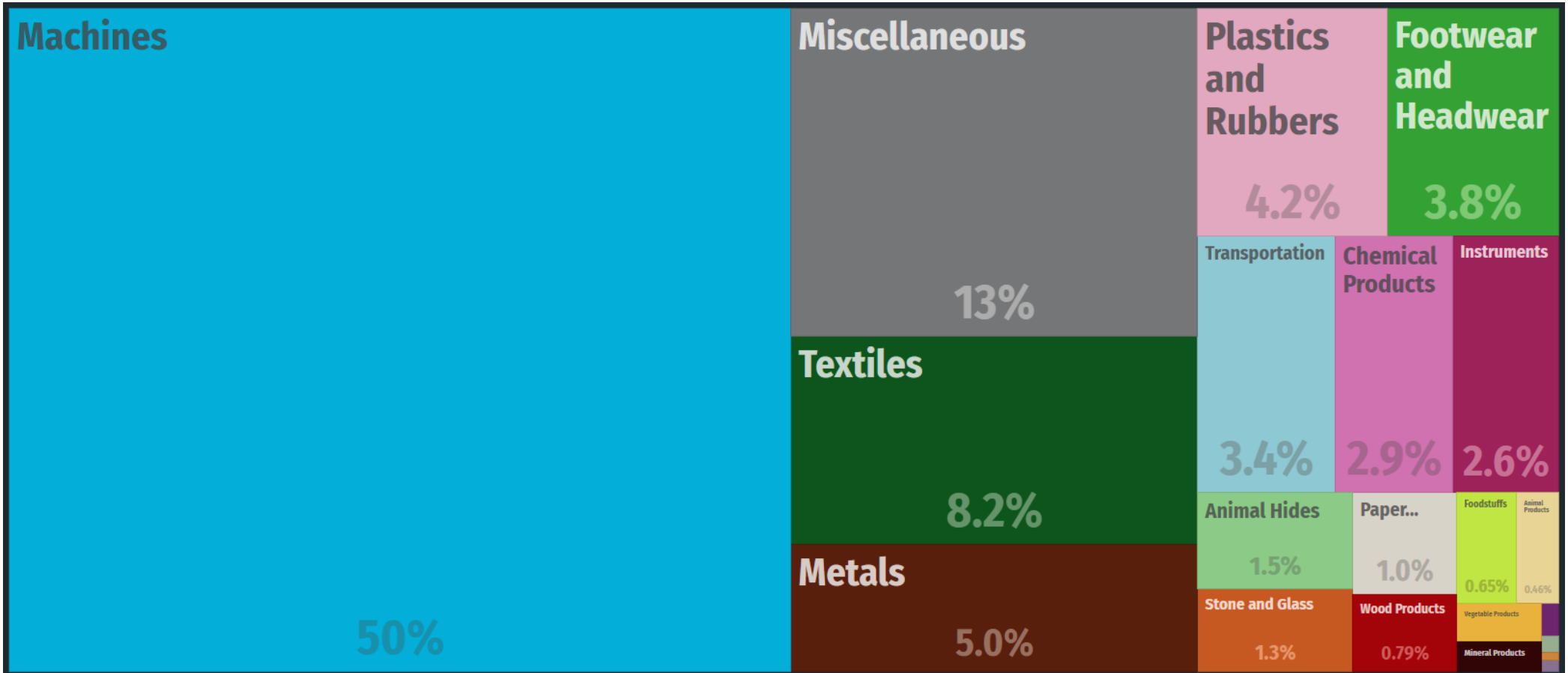
- Trade Tariffs → Price disruptions + Smuggling + Impact on FX and Interest rates
- Populism → Unpredictable legal/tax framework
- Sanctions → Barriers to trade + “Fear, Uncertainty and Doubt”



A quick perspective on tariffs

Welcome to the jungle !

What did China export to the United States in 2017 ? \$477 bln

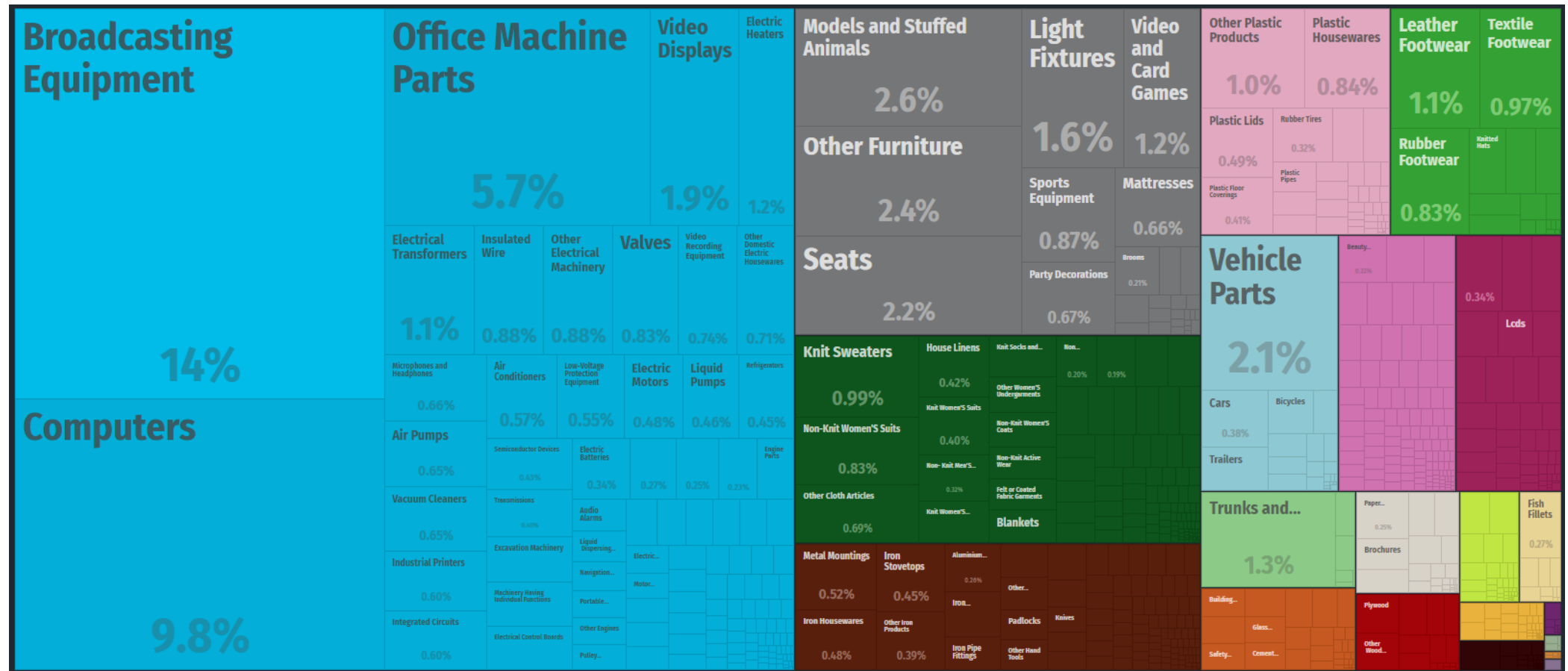


➔ Let's dive deeper !

A quick perspective on tariffs

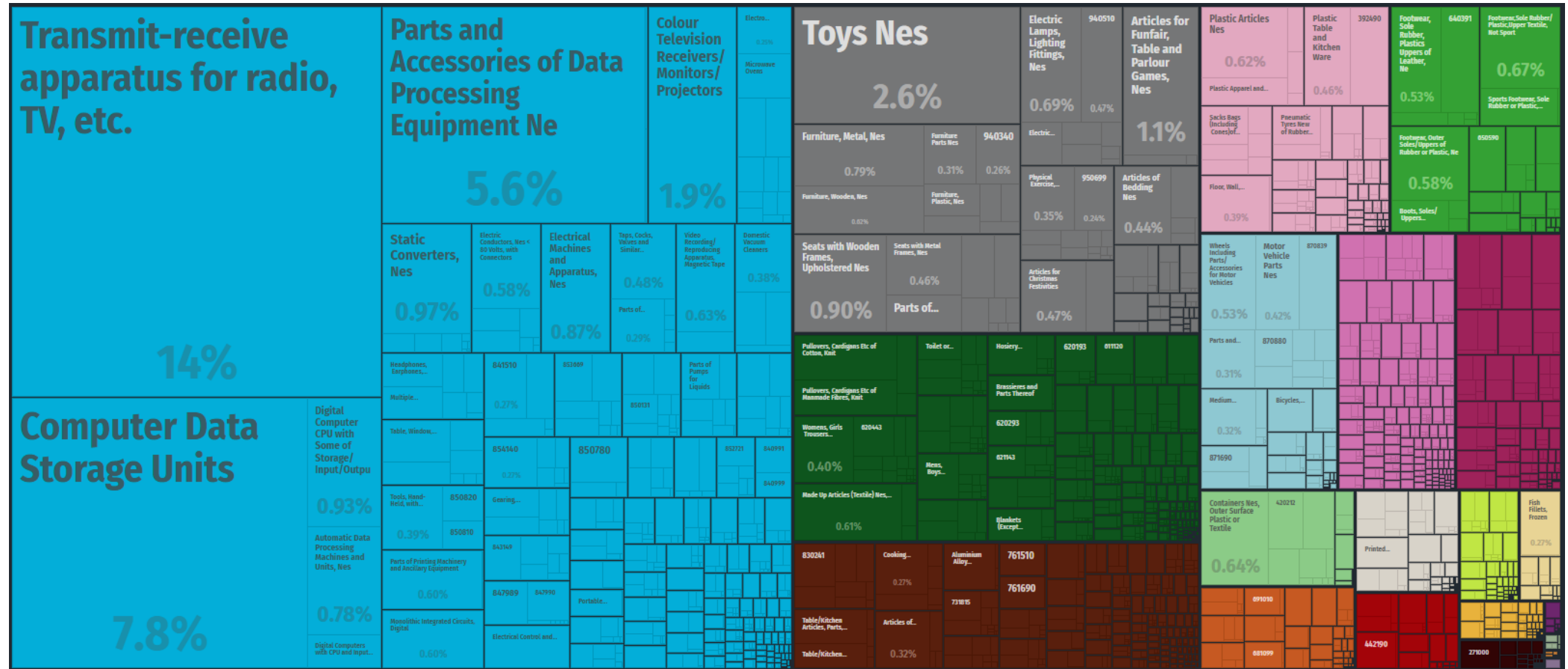
Welcome to the jungle !

What did China export to the United States in 2017 ? \$477 bln



Welcome to the jungle !

What did China export to the United States in 2017 ? \$477 bln



➔ HS customs code switch and smuggling



Thank you !

kim.benni@alvean.com
+41 79 797 55 94

