

# Aluminium P1020A Spot CIF Main Japanese Ports



Methodology and price  
specifications – October 2018

## Mission statement

Fastmarkets is a leading commodity price reporting agency (PRA) covering the metals, mining, minerals and forestry products industries. Our products include Our products include Fastmarkets MB, Fastmarkets AMM, Fastmarkets IM, Fastmarkets RISI, Fastmarkets FOEX and Random Lengths. For more than 100 years we have been providing commodities price reporting services for use by market participants in their day-to-day commercial activities. These services include assessments and indices of commodity prices as well as news, research and commentary on the underlying markets.

Our mission is to meet the market's data requirements honestly and independently, acting with integrity and care to ensure that the trust and confidence placed in the reliability of our pricing methodologies is maintained. We do not have a vested interest in the markets on which we report.

## Introduction

Fastmarkets MB is the leading global provider of pricing intelligence for the non-ferrous metal, steel, steelmaking raw materials, industrial minerals, ferrous and non-ferrous scrap markets, producing price assessments since 1913.

Fastmarkets MB reporters are required to abide by a code of conduct and clear pricing procedures during their market reporting and pricing activities. Fastmarkets is completely independent and has no vested commercial interest in any of the markets it prices.

We are the world's largest dedicated metals price reporting team. We have offices in London, New York, Pittsburgh, Shanghai, Hong Kong, Sao Paulo, Melbourne, Singapore, Mumbai, Dnepr, Istanbul and five other US locations.

The aim of this document is to provide a clear overview of Fastmarkets MB's MJP aluminium methodology and specifications for the prices it assesses.

If you have any questions, please contact the Fastmarkets editorial director Alex Harrison at [aharrison@fastmarkets.com](mailto:aharrison@fastmarkets.com).

## Price discovery and methodology

The aim of this document is to provide a clear overview of Fastmarkets MB's methodology and specification in relation to our Aluminium P1020A spot cif main Japanese ports price assessment.

### Methodology rationale

Fastmarkets MB's base metal pricing team aims to produce independent, transparent, fair and representative price assessments.

Fastmarkets has adopted and developed a clear and rigorous price discovery process and methodology, as described in the present guide, to produce assessments that are a consistent and representative indicator of the value of the market which they represent, for the trading period they measure.

Fastmarkets supports the process of price discovery through its established and independent position in the metals market. Fastmarkets also employs price reporters that are trained to abide by its methodology and code of conduct, and are dedicated to cover specific markets and regions.

Before being able to properly assess the market, we must ensure that we understand the precise nature of the information we are trying to collect. The granularity of a price is essential to defining the market and we must therefore be sure that we have clearly defined the remit associated with price specifications to provide representational coverage of these specific markets.

Fastmarkets reviews its methodology and specifications, and engages in discussions with market participants every 6 months to ensure that its price specifications and assessment techniques remain relevant and as representative of the market as possible.

### Price specifications and reference units

Fastmarkets has defined clear specifications for its Aluminium P1020A, spot cif main Japanese ports assessments, as outlined below, to match the industry standard.

These specifications have been determined in consultation with market participants and are regularly reviewed. All the reference units, such as currencies and volumes used in the assessments, are in line with recognised market conventions and trading practices.

The specifications also have a published minimum volume size accepted.

Fastmarkets aims to collect full details of each transaction, bid and offer, including brand, commercial terms and any other details relevant to value and pricing. The price reporter ensures that the information they collect matches - or can be normalised to - the price specifications.

## Data collection

### Collection window

During the price discovery process, the price reporter aims to discover at the specific level market participants have concluded business, made offers or received bids over a defined time period, or window.

The window for the Aluminium P1020A, spot cif main Japanese ports assessments was determined after considering the number of data points that Fastmarkets can reasonably expect to collect on a consistent basis over the selected period to support the price assessment process, ensuring that the assessment produced is a reliable indicator for the physical market.

The price assessment is published twice a week, on Tuesday and Friday, by 4pm London time and the deadline for data submission is 5pm Singapore time. Data received after this time will not be included in the price assessment.

The data collection window runs from the preceding week's publication until the data submission deadline. Only data points communicated to Fastmarkets within the data collection window will be included in the price discovery process. The published prices are reflective of the levels seen during this stated collection period.

### Minimum data threshold

To provide a representative price for the market, the price reporter aims to collect as many data points as possible within the defined window.

Because commodity markets differ in liquidity level at different periods, Fastmarkets typically does not set a minimum number, or threshold, of price points to be gathered on which to base the assessment.

A pricing session typically includes concluded transactions, bids and offers, data submitters' market assessments or deals heard. Several separate sources from a cross section of the market (producers,

consumers, traders) and Fastmarkets ensures that there is no key submitter dependency.

This means that one data submitter cannot account for a significant proportion of the data, defined as 50% of the data points collected during a pricing session. Should 50% or more of the data on which to base the assessment be provided by a single source, the price reporter will continue to collect data points from market participants until no data submitter accounts for 50% of the data.

### Data contribution

Any market participant actively involved in the physical Aluminium P1020A, spot cif main Japanese ports market may become a data submitter following a review by Fastmarkets of its activities. The aim is to ensure that submitters have sufficient visibility and understanding of the market to be able to provide reliable price data.

Fastmarkets aims to engage a broad and balanced range of physical market participants in the provision of data, including producers, consumers and traders who are selling or buying Aluminium P1020A, spot cif main Japanese ports.

We expect that data submitters taking part in the pricing process are authorized to report market data on behalf of their organisations.

Fastmarkets's Data Submitter Policy provides guidelines to ensure the high level of data quality and integrity that we expect from contributing organisations providing pricing data. The Policy can be found on Fastmarkets's website or is available upon request.

Fastmarkets encourages data submitters to provide all their pricing data, especially all their concluded transactions, and not be selective. Only transactions that have been concluded at arm's length and data that match the price specifications – or can be calculated back to meet the specifications – will be included in the assessment.

Price reporters generally speak to, and collect data from, front office staff directly involved in the commercial activity of buying and selling. They also welcome organisations to submit pricing data from authorised back office functions under predefined confidentiality agreements.

The price reporter collects data primarily by telephone, but also by email, digital messenger services or direct

face-to-face submission.

All data supplied to Fastmarkets is kept strictly confidential and stored in our secure online pricing database system MInD (Metals Information Database).

Fastmarkets may sign data submitter agreements (DSA) with any data provider, if requested to do so, in order to maximise the number of data points collected for inclusion in the assessment process. Any data received subject to DSA will be used in the pricing assessment but not be published.

For new data submitters, Fastmarkets follows the procedure for adding new sources into Fastmarkets's price database system (MInD).

## Data analysis

### Assessment using specifications and expert judgment

Once data collection is complete, Fastmarkets reviews the data points applying its methodology and its expert judgement to set the price range to reflect the representative spread of prices at which business has been transacted, offered or bid, or indicated in the absence of business.

Before making an assessment, the following factors must be considered:

- 1 Is the information received credible? If questionable: have we seen signed contracts (preferable), or has it been confirmed on both sides of the deal?
- 2 If credible: were all the prices in a similar range?
- 3 Were all the deals reported of a similar size?
- 4 Do the reported deals all have the same terms and specifications?
- 5 Did all the sources indicate the market was headed in the same direction? If not, why not?
- 6 It is not unusual for different sources to report slightly different numbers but it is important, as far as possible, to understand why they are different.
- 7 In the absence of trade, what are the prevailing bids/offers in the market? Did the source provide firm bids/offers or indicative numbers?
- 8 What are the positions of the contributors?
- 9 Are we confident of the delivery window?
- 10 Has an adequate sample been obtained which correctly represents the market?

Once the above factors have been considered, Fastmarkets will produce a price assessment and set the

price following below guidelines.

Fastmarkets does not treat all collected information equally, but has a justification and rationale for how each piece of information obtained has been used. Greater weighting is given to actual concluded transaction data (buy and sell), but other data is also used. Bids, offers, deals heard and data submitter's own assessment of the market especially in the absence of actual business are then given importance when assessing the market and setting the price range.

Sometimes offers can be too high and not tradeable so they will be discarded, similarly low bids could be discarded as no one willing to sell at that level, in such an example the deal hears and assessments could play a bigger role in absence of actual deals. In another example, bids higher than last week's price could signal a rising market and offers lower than last week's price could signal a falling market.

The reporter will look at each data point individually and in relationship to all data in current and prior pricing sessions before setting the price after removing anomalous data.

To determine the credibility of data submissions Fastmarkets MB adheres to a stringent data submission policy that is designed to ensure the highest standards of reliability.

When no actual transactions can be collected, extra predefined steps are applied during the price assessment process.

Price reporters are encouraged to keep the price unchanged until actual transactions back up a change to ensure our price is intrinsically linked to concluded business in the market.

As a general rule, larger deals carry more weight but Fastmarkets tries to ascertain what sort of discount a large lot size carries or what sort of premium a smaller deal would carry.

Fastmarkets will compare the information received with a single source with the information given by the same source in the last pricing cycle. This way, if a source consistently gives low or high numbers, Fastmarkets can still use the data without it unduly influencing its assessment.

## Data normalization

Occasionally, Fastmarkets receives price data for material that is considered off specification when compared to our base specification – for instance, different material quality, delivery terms or delivery location, different cargo size or payment terms. In such cases, when appropriate, Fastmarkets normalizes data to its base specifications.

A typical example is a data point that is adjusted due to Incoterms (international commercial terms) being different from Fastmarkets' specifications.

Another example is a price that is either net-back or net-forward due to payment terms different from Fastmarkets MB specifications. Payment terms are based on typical commercial practice.

Transactions that are conducted on different payment or credit terms can be normalised, taking into account discounts, interest rates and standard commercial terms.

Fastmarkets MB's price specifications also define the minimum lot size accepted. When volume information is available, this is also taken into consideration in the assessment process.

For instance, typically a deal with a bigger volume will carry more weight in the price reporter judgement than a smaller volume transaction. However, price reporters will also consider, for instance, to normalise or discard a price reported for a deal with an abnormally large or small volume.

Normalization also allows Fastmarkets to capture and normalize factors other than chemical and physical properties, such as values associated with individual brands.

Full details of data inputs prior and post normalisation are stored in Fastmarkets's electronic database MInD and may be accessed at any time for internal review and auditing purposes.

## Criteria for discarding pricing data

Fastmarkets will use its expert judgment to exclude outlying or unrepresentative numbers, and discount or discard prices that it believes may otherwise be questionable and unreliable.

Outliers will be investigated, and suspected attempts to unfairly influence the price assessments may result in the data provider being warned or excluded.

When a transaction appears questionable or well outside the range reported by other market participants, Fastmarkets may seek confirmation of the claimed deal by requesting to see contracts or other signed paperwork before inclusion of the data in the price assessments. If this is refused, Fastmarkets will seek to corroborate the information it receives by matching trades. So if a seller tells us he has sold a certain amount at a certain level, we then try to speak to the buyer involved in the transaction to confirm the transaction.

If this is not possible, the data supplied may be excluded from the assessment process.

Fastmarkets reserves the right to exclude data that is not fairly presented or is believed may be an effort to distort the price assessments.

## Data publication

### Peer review process

All Fastmarkets price assessments are set by a first reporter who is well versed in that specific market, peer reviewed by a second reporter, and always signed-off and approved by a senior reporter or editor prior to publication.

This peer review process, which takes place in Fastmarkets's MInD system and is fully auditable, is in place to make sure that pricing procedures and methodologies are correctly and consistently applied and to ensure integrity and quality of the published prices.

Price reporters are formally trained in the price discovery process and must abide by a written Code of Conduct and pricing procedures.

### Publication

At the end of the peer review process, Fastmarkets publishes its price assessments via MInD and onto its website and price book.

The Aluminium P1020A , spot cif main Japanese ports assessment is reported as a range, which reflects where the bulk of the business has been or is likely to be concluded.

In order to enhance market transparency and to provide evidence of data inputs that support the price discovery process, Fastmarkets may publish trade logs

for its Aluminium P1020A , spot cif main Japanese ports assessments, while maintaining full counterparty confidentiality, pricing data and volume received from data contributors.

Fastmarkets MB's Aluminium P1020A , spot cif main Japanese ports assessment is published Tuesday between 3-4pm London local time. They are not published on England and Wales holidays. Price assessments that are due to be published on UK public holidays will instead be published on the closest working day that precedes or follows that date.

<b>2019</b>	1 January	New Year's Day
	19 April	Good Friday
	22 April	Easter Monday
	6 May	Early May bank holiday
	27 May	Spring bank holiday
	26 August	Summer bank holiday
	25 December	Christmas Day
	26 December	Boxing Day

\*source: [www.gov.uk](http://www.gov.uk)

### Price correction policy

The publication of incorrect pricing levels can occasionally happen for reasons that may include technical, input errors or incorrect application of the methodology.

To minimise the inconvenience to our subscribers, Fastmarkets aims to investigate each error as soon as it becomes aware of it and to publish a correction promptly on its website through a pricing notice with an explanation of the reason for the correction.

Fastmarkets will publish a correction of a price only where it has established undeniably that there has been an error. Fastmarkets price assessments are produced based on the best data available at the time of the assessment. It will not retroactively change a price based on new information or additional submission of data received after a respective pricing session has closed.

## Methodology and price specification review process

### Methodology review and pricing notices

Fastmarkets aims to continually develop and periodically review its methodologies in consultation with industry participants, with the objective to adopt product specifications and trading terms and conditions that reflect and are representative of typical working practices in the metals industry.

Any change to the methodology and/or price specifications are implemented following a consultation process which starts with Fastmarkets posting on its website an advanced pricing notice providing clear details and a timeframe for the changes proposed. The objective of the consultation process is to give market participants sufficient time and opportunity to provide feedback and views about the change proposed.

A Pricing Notice will include the outline of the proposed change; the rationale, motivation, for proposing such a change; a clear timeframe; the date by which any feedback must be submitted and the method for submission; the date on which, if the change goes ahead, it will be implemented.

At the conclusion of the consultation process, Fastmarkets will review all feedback and subsequently publish a Pricing Notice to communicate its decision and to provide also a summary of the comments received (maintaining confidentiality where it was requested) and our responses to those comments. Market participants who provide feedback on the proposed changes should ensure they clearly state if their comments are intended to be confidential.

The minimum required time to allow for feedback will vary depending on what Fastmarkets believes the impact of the considered change would be for the market.

Changes to the existing methodology will either be classed as 'material' or 'immaterial'. 'Material' changes are those that may result in fundamental changes to the published price once implemented. These include specification changes or index structural changes. 'Immaterial' changes are those that will not result in a different price level once implemented. Typically a material change will require a three-month consultation period.

For more details on the formal review of the methodology and the consultation process to propose changes to the methodology, refer to Fastmarkets's Methodology Review and Change Consultation Process available on Fastmarkets's website.

### Queries and complaints

Fastmarkets encourages engagement from the market on its pricing principles and methodology. The company actively promotes transparency around its pricing procedures and is committed to responding to requests for further information and clarification on a timely basis.

There are multiple channels for interaction with the pricing team including email, telephone and instant messenger services.

If a subscriber has an issue with the published prices, then they may contact the pricing team. In the event that the response is not satisfactory the issue may be escalated to the internal compliance department. For more details refer to Fastmarkets's Complaint Handling Policy available on Fastmarkets's website.

Fastmarkets takes all queries and complaints seriously and will seek to provide an explanation of the prices wherever possible. It is important to note, however, that input data remain confidential and cannot be provided to third parties.

## Become a contributor to the price discovery process

Fastmarkets continually seeks to increase the number of market sources willing to take part in the price discovery process. The main condition Fastmarkets requires from contributors is for them to be active participants in the spot market.

The Fastmarkets Data Submitter Policy provides guidelines defining the high level of data quality and integrity that Fastmarkets expects from contributing organisation providing pricing data. Market participants that wish to provide pricing data and be part of the price discovery process should first read the Data Submitter Policy, which is available on request or on the Fastmarkets's website.

All data sources are subject to review before their data submitted is fully taken into account in the pricing process. The aim is to make sure that submitters are trustworthy and have sufficient visibility and understanding of the market to be able to provide viable price data.

If you want to become a contributor to Fastmarkets's pricing, or have questions or comments about the methodology and price specifications, please contact Fastmarkets's base metals team.

## Specification

### JAPAN

Assessment:	<b>Aluminium P1020A, spot cif main Japanese ports (MJP)</b>
Grade	P1020A or 99.7 % minimum Al purity (Si 0.10% max, Fe 0.20% max) in line with LME specifications
Quantity:	Min 100 tonnes
Location:	CIF main Japanese ports at Yokohama, Nagoya and Osaka, premium on top of LME cash prices
Timing:	4-6 weeks
Unit:	USD/tonne
Form:	Ingot, T-bar, sow
Payment terms:	Cash against documents (2 days after bill of lading date)
Publication:	Twice weekly, Tuesday and Friday by 4pm London time
Notes:	Excluding metal from LME warehouses and metal subject to international sanctions. Assessed by the Fastmarkets MB bureau in Singapore

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