



Cyprus
University of
Technology

Shipping and Finance

Master's Thesis

Hedging Freight in Futures Markets

Aikaterini Florou

Limassol, December 2018

CYPRUS UNIVERSITY OF TECHNOLOGY
FACULTY [Shipping and Finance]
DEPARTMENT [Shipping, Finance and Commerce]

Master's Thesis

HEDGING FREIGHT IN FUTURES MARKETS

Aikaterini Florou

Limassol, December 2018

Approval Form

Master's Thesis

HEDGING FREIGHT IN FUTURES MARKETS

Presented by

Aikaterini Florou

Supervisor:

Signature _____

Member of the committee:

Signature _____

Member of the committee:

Signature _____

Cyprus University of Technology

Limassol, December 2018

Copyrights

Copyright© Year of thesis submission Student Aikaterini Florou

All rights reserved.

The approval of the thesis by the Department of Shipping, Finance and Commerce does not imply necessarily the approval by the Department of the views of the writer.

Acknowledgements [I would like to thanks my Supervisor Professor Elena Kalotychou for her continuous support in the process of research and writing this thesis and for the motivation that she provides me through her lectures in the field of Risk Management and the Technological University of Cyprus for the access in Clarkson's data base and in a large body of research references. Furthermore, this paper would not be able to be completed without Steven's Van De Schootbrugge and Erik's Gielen support and understandance. Last but not least, I would like to devote this thesis to my family and especially to my mother who always support my decisions and my efforts emotionally and financially.]

ABSTRACT

This thesis purpose is to analyze the freight hedging effectiveness in futures markets. We estimate the Hedge Ratio by using two different approaches. The first strategy is the naïve constant hedge ratio with the Least Squared regression analysis and the second strategy was the GARCH model, in which we estimate a time-varying hedge ratio

Keywords: Risk Management, derivatives, shipping, options, Freight, Hedging effectiveness, Optimal Hedge ratio