

The Ghost In The Machine



Q3 EDITION 2025



ADM Investor Services
International Limited

EDITOR'S NOTE

Q3 EDITION

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2025

Corn, Sugar, economy, consumers, automation, AI, power grids, DCRM, shipping, maritime, EUDR, regulation, tariffs, USA

Welcome to the Q3 edition of the Ghost In The Machine, as many risk assets continue to thrive, despite the heightened levels of uncertainty, and above all government policy ambiguities, amid continued trade and geopolitical tensions.

In this issue, there are deep dives into how to manage an often-overwhelming deluge of data, looking at unifying systems, leveraging automation, investing in data quality and prioritizing real time processing amongst other factors. Tagging on to this is a further exploration of power grid readiness for AI data centres and deployment of Data Centre Reserve Management (DCRM) frameworks.

This year's US Corn crop is expected to be one for the record books, but how big is big? While a number of agricultural commodities have come under pressure, Raw Sugar has been trading in a relatively tight range, we take a closer look at what might jolt it out of its reverie. In the maritime sector, Copenhagen is a major shipping hub despite Denmark not being a natural commodity hub; how did this come about, and are there lessons to learn in this era of international trade tensions?

Dry Bulk Shipping earnings have been surprisingly resilient in the face of tensions and disruptions, but investment has lagged and a renewals gap has emerged, with potential implications for costs.

There is a revisit of European Union Deforestation Regulation (EUDR) implementation, and whether it might be delayed yet again as US tariffs add to regulatory compliance stress.

Critical Minerals supply chain concerns are at the top of many developed economy governments list of priorities, as they seek to decouple and de-risk from China's dominance, with the GCC region emerging both as an alternative for processing, as well as a major upstream investor.

Finally, there is a close look at potential headwinds for US Personal Consumption.



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THE GHOST IN THE MACHINE

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US CORN PRODUCTION 2025 **JUST HOW BIG IS BIG?**

Following a rather favourable summer growing season the 2025 US corn crop promises to be one for the record books.

In their Aug-25 report the USDA raised their production forecast 1.037 bil. bu. to 16.742 bil. roughly 750 mil. above expectations and well above the range of analyst's expectations. The already record yields from July-25 at 181.0 bu. per acre were raised to 188.8 bpa, also above the range of analyst's expectations. Prior to this year's August report the largest production and yield increases for the month was in 2016 when production jumped 613 mil. with average yields increasing 7.1 bpa. But probably the most surprising aspect of this year's August report was the 1.9 mil. increase in harvested acres from what was reported the previous month. A quick look back over the previous 15 years there has never been a year where acres increased from July to August, only decreases. Only 2 years witnessed a decline of at least 1.5 mil., that being the drought year of 2012 and in 2019 when acres fell 1.6 mil. Following the report prices quickly fell back below the \$4.00 level while also carving out a fresh contract low. Despite the record production and yield increases, prices managed to quickly recover as markets begin to look forward and ask, 'What's Next ?'.





The old cliché that big crops keep getting bigger isn't always supported by the historical evidence. Since 1990 corn yields have been raised 18 times in the month of August. In 12 of those years, final yields were below the August estimate with the remaining 6 years coming in above the August estimate. Oddly enough the last 6 times corn yields rose in August, final yields were below the August estimate every year by an average of 2.67 bpa. While corn crop conditions remain historically high, several high profile crop tours felt the USDA yield estimate was too high. In addition these tours uncovered disease pressures that may not have been picked up by the weekly surveyors. With the summer growing season coming to an end, weather moving forward will have less impact on this year's final production. The biggest risk at this point would be powerful storms with damaging winds that could cause brittle corn stalks to break making harvest operations more difficult and less efficient. This was contributing factor to corn yields fallings from a then record 181.8 bpa in Aug-2020 to the final yield that year at 174.6 bpa. *Chart 1.*

Based on current crop ratings and estimated ear population data I'm forecasting this year's crop at 16.450 bil. bu. down 292 mil. bu. from the USDA forecast. My average yield forecast at 185.5 bpa is down from the USDA estimate of 188.8 bpa. If I had to lean a direction with this forecast looking forward it would be slightly lower. As of this writing in late August, Dec-25 corn prices are trading close to \$4.10 bu. and in my opinion would reflect a US crop just under 16.5 bil. bu. *Chart 2.*

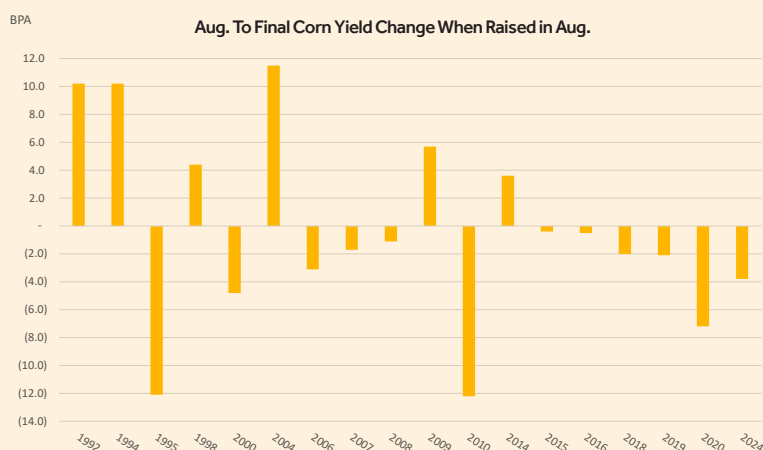


Chart 1. Source: ADM Investor Services, Inc.

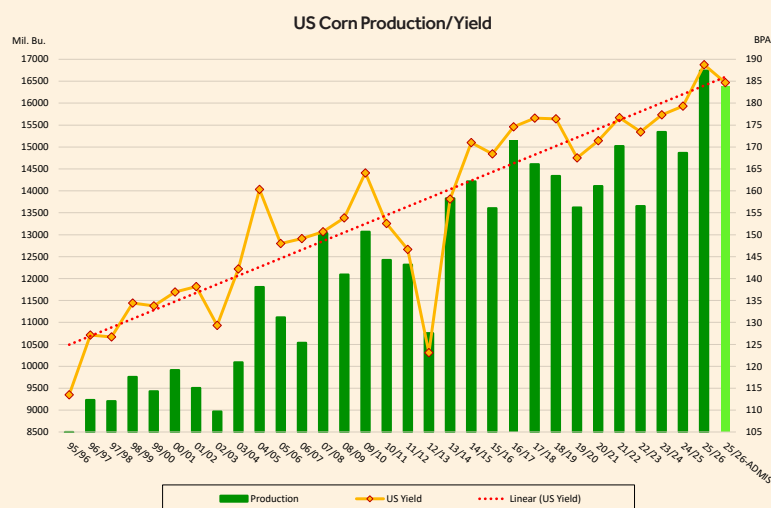
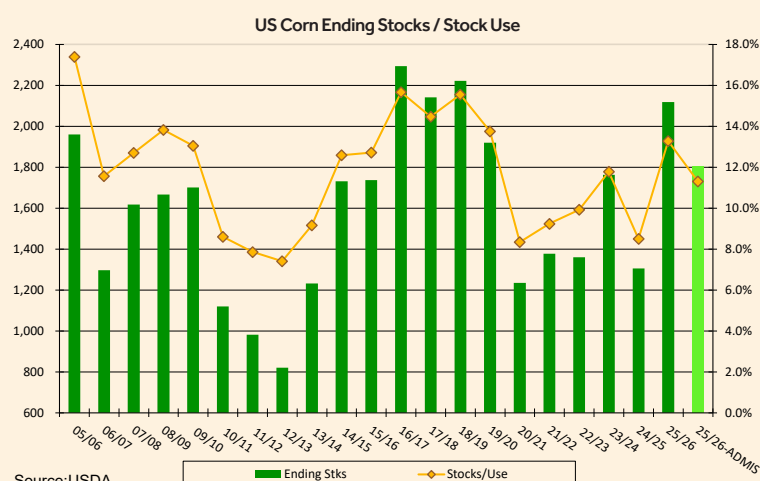


Chart 2. Source: ADM Investor Services, Inc.





On the demand side of the equation the USDA is forecasting record usage at 15.955 bil. bu. still leaving ending stocks at a 7 year high at 2.117 bil. and stock to use ratio at a 6 year high at 13.3%. In order for demand to reach their forecast the USDA lowered the Ave. farm price to \$3.90 bu., also a 6 year low. Over the course of the 2025/26 marketing year this demand will have to prove itself. My initial thoughts in July and early August were that this new crop demand outlook would be difficult to achieve given the massive size of the Brazilian crop. There is still much debate as to the actual size of their recently harvested crop. The USDA held their production estimate unchanged in Aug-25 at 132 mmt, the lowest forecast I've seen and still below their record production from 2 years ago a 137 mmt. Many private estimates are in a range from 137-140 mmt, with one as large as 150 mmt. The difference of 18 mmt is just over 700 mil. bu. of supply from our largest competitor in the global market. While I still feel the USDA is too low with their current forecast, I suspect production will hold between 135-138 mmt. Basis levels in Brazil remain stubbornly high resulting in US corn priced \$5-\$10 ton FOB below Brazilian offers out to Nov-25, which to me would rule out their crop being over 140 mmt. Domestic corn usage in Brazil continues to grow as they expand corn based ethanol production which has definitely benefited the US in the global trade.



Source:USDA

Chart 3. Source: USDA.

While I think the upside potential for corn prices is limited in the near term given a record US harvest is staring us in the face, however I don't think prices have to move significantly lower to drive demand. Ethanol margins remain decent with perhaps some export demand growth from some of the recent trade deals. All-time high cattle prices will eventually pull more cattle into feedlots. I suspect US farmers would be more inclined to sell some of this years harvest above \$4.25 basis Dec-25 futures. Strains on storage capacity this fall however will likely keep basis levels and spreads wide. I think a trade above the mid-July high near \$4.30 would be an indication the cycle lows were established shortly after the August USDA report. *Chart 3.*

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“STRAINS ON STORAGE
CAPACITY THIS FALL
HOWEVER WILL LIKELY
KEEP BASIS LEVELS AND
SPREADS WIDE.”

THE DATA DELUGE: NAVIGATING THE FLOOD AND TURNING DATA INTO A COMPETITIVE ADVANTAGE

In the current digital economy, businesses across all industries are experiencing an unprecedented surge in data generation.

Nowhere is this more evident than in commodities trading, where companies must process vast amounts of real-time market data, geopolitical news, weather reports, supply chain logistics, and regulatory updates - all while making split-second decisions that impact profitability and risk.

This phenomenon, often referred to as The Data Deluge, presents both a challenge and an opportunity. Organisations that fail to manage their data efficiently risk drowning in complexity, inefficiency, and missed opportunities. Meanwhile, those who harness data effectively can transform it into a powerful competitive advantage.

UNDERSTANDING THE DATA DELUGE

The sheer volume of data generated daily in commodities trading is staggering.

Key sources include:



Market Prices & Exchange Data

Tick-by-tick price movements across multiple markets and exchanges.



Fundamental Data

Inventory levels, production forecasts, shipping logs, and energy grid loads.



Unstructured Data

News sentiment analysis, social media trends, satellite imagery, and IoT sensor data.



Regulatory & Compliance Data

Reporting obligations, emissions tracking, and trade disclosure requirements.

With data coming from multiple sources, often in different formats and with varying degrees of quality, traders and analysts face the daunting task of making sense of it all - often under extreme time constraints.

THE RISKS OF POOR DATA MANAGEMENT

Companies that struggle to manage their data effectively face several key risks:



1. Decision Paralysis

Too much data, if not properly structured, can overwhelm decision-makers rather than empower them.



2. Siloed Information

Legacy systems often keep data locked within departments, limiting its usability across the organisation.



3. Data Latency

Delays in accessing and processing data can lead to missed trading opportunities and increased exposure to market risks.



4. Regulatory Non-Compliance

Failure to maintain accurate, auditable records can result in hefty fines and reputational damage.



5. Inaccurate Insights

Poor data quality can lead to flawed models, incorrect forecasts, and costly trading errors.

HOW TO NAVIGATE THE DATA DELUGE

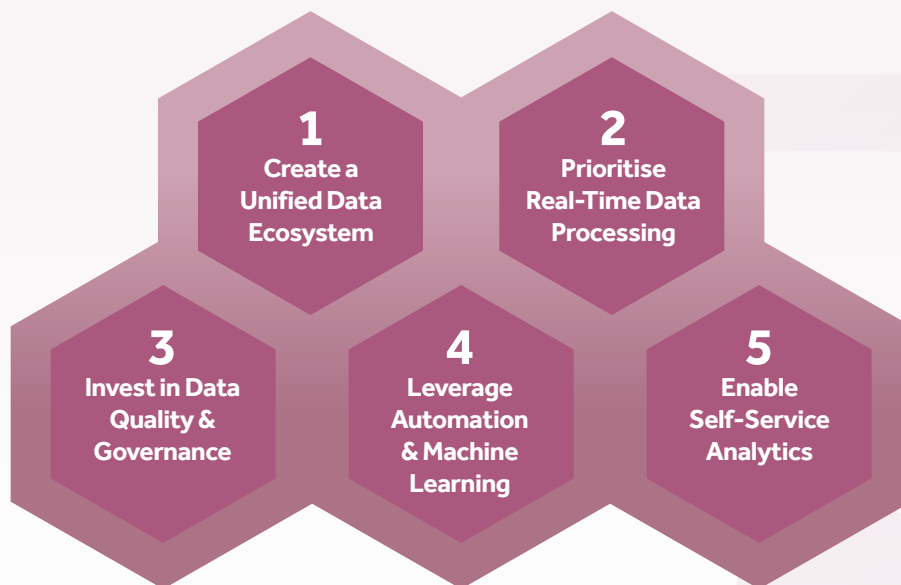
To turn the Data Deluge from a liability into an asset, trading companies need a strategic approach to data management, governance, and analytics. Here's some things to consider:

1. Create a Unified Data Ecosystem

Eliminating silos and integrating data from multiple sources into a single, well-structured platform is critical. Cloud-based architectures, API-driven integrations, and event-streaming technologies can help companies achieve a real-time, consolidated view of their data landscape. But beyond integration, data democratisation is key - ensuring that data is not just accessible, but usable by the right people across the organisation.

Too often, critical data remains locked within specialist teams or outdated systems, requiring manual workarounds that slow down decision-making. By implementing self-service analytics tools, intuitive data visualisations, and role-based access controls, organisations can empower traders, risk managers, and analysts alike to work with the same accurate, real-time data without over-dependency on IT or data science teams.

Democratising data also improves collaboration and transparency - instead of fragmented views and conflicting datasets, teams can align on a single version of the truth, enabling faster, more informed decisions. In today's volatile and fast-moving markets, the ability to access, interpret, and act on data efficiently is a major competitive advantage.



2. Prioritise Real-Time Data Processing

In commodities trading, timing is everything. Market conditions shift rapidly due to price volatility, geopolitical events, supply chain disruptions, and weather fluctuations. Delayed or incomplete data can lead to missed trading opportunities, exposure to unexpected risks, and reduced profitability. Real-time analytics platforms and event-driven processing pipelines are essential to ensuring that traders and risk managers have up-to-the-second insights to inform decision-making.

A real-time analytics platform allows companies to process and analyse streaming data as it arrives, rather than relying on outdated batch processing. This means that market price changes, trade execution data, and external risk factors can be ingested, analysed, and visualised instantly - enabling faster responses to shifts in supply-demand dynamics.

Event-driven processing pipelines take this a step further by ensuring that insights don't just sit idle - they trigger automated workflows, alerts, and trade execution strategies based on predefined conditions.

For example:

- A sudden price spike in oil futures could trigger an automatic hedge or arbitrage opportunity.
- An unexpected weather event affecting LNG supply chains could update demand forecasts in real-time.
- A regulatory update could instantly notify compliance teams and adjust risk models accordingly.

These technologies rely on low-latency data streaming architectures such as Apache Kafka, Spark Streaming, or cloud-native event-driven services, ensuring that data is captured, processed, and distributed across trading desks and risk teams with minimal delay.

Ultimately, the companies that successfully leverage real-time data have a significant edge - they can execute trades with better market timing, adjust strategies dynamically, and mitigate risks before they escalate. In a market where milliseconds matter, real-time decision-making is no longer a luxury; it's a necessity.



3. Invest in Data Quality & Governance

A well-governed data environment is crucial for mitigating compliance risks, ensuring regulatory adherence, and improving analytical accuracy in commodities trading. Given the increasing complexity of reporting obligations (REMIT, EMIR, MiFID II) and growing scrutiny from regulators, companies need to maintain a transparent, auditable, and high-integrity data ecosystem.

Key best practices include:

- **Automated Data Validation**
 - Ensuring that incoming data from multiple sources is checked for accuracy, completeness, and consistency in real time. This reduces the risk of erroneous trades, flawed risk assessments, and inaccurate P&L reporting.
- **Robust Lineage Tracking**
 - Implementing end-to-end data lineage tracking allows companies to trace every data point from source to decision-making. This is critical for demonstrating compliance, identifying discrepancies, and ensuring accountability in audits.
- **Strong Security & Access Controls**
 - Data breaches and unauthorised access can lead to financial loss, regulatory penalties, and reputational damage. Role-based access, encryption, and multi-factor authentication help safeguard sensitive trading and risk data.

- **Standardised Data Models**
 - Harmonising data structures across E/CTRM (Energy/Commodity Trading & Risk Management) systems, analytics platforms, and reporting frameworks ensures data consistency and interoperability across different teams and locations.
- **Proactive Compliance Monitoring**
 - Embedding automated rule-checking and anomaly detection helps companies stay ahead of regulatory changes and catch potential compliance violations before they escalate.

By embedding these best practices into their data architecture, governance frameworks, and daily operations, companies can not only reduce risk but also enhance their ability to extract valuable insights. A strong governance model ensures that traders, risk managers, and compliance teams can trust the data they use for decision-making - turning governance from a regulatory burden into a strategic advantage.

4. Leverage Automation & Machine Learning

Automation helps reduce the manual workload of data processing, eliminating inefficiencies and enabling analysts to focus on high-value tasks such as strategy development, risk assessment, and market insights. In commodities trading, where vast amounts of market data, trade execution records, logistics information, and regulatory updates flow in continuously, manual data handling is no longer viable.



By implementing automated data pipelines, you can:

- Ingest and clean raw data in real time, ensuring accuracy and consistency across trading platforms.
- Standardise and enrich data by automatically mapping different data sources into a unified format, reducing errors and improving usability.
- Trigger event-driven workflows, such as automated alerts for price movements, weather disruptions, or regulatory changes, allowing traders to react immediately.

Beyond automation, machine learning (ML) models enhance predictive analytics, enabling companies to anticipate price movements, volatility trends, and supply-demand shifts with greater precision. Advanced ML models leverage historical and real-time market data to:

- Identify trading patterns and correlations that might be missed through traditional analysis.
- Optimise hedging strategies by dynamically adjusting positions based on forecasted market conditions.
- Improve risk management by detecting anomalies, stress-testing portfolios, and quantifying exposure in volatile conditions.

By integrating automation and predictive analytics, companies not only improve operational efficiency but also gain a competitive edge in decision-making, turning data from a reactive tool into a proactive asset that drives smarter, faster trading strategies.



5. Enable Self-Service Analytics

Empowering teams with self-service dashboards, advanced visualisation tools, and intuitive query interfaces enables traders, analysts, and risk managers to derive insights without heavy reliance on IT teams. In fast-moving markets, the ability to access, analyse, and act on data in real time can make the difference between seizing an opportunity or missing it entirely.

Traditional data workflows often require manual requests to technology teams for data extraction, transformation, and reporting. This creates bottlenecks, slows down decision-making, and limits agility in responding to market changes.

Modern self-service platforms also enhance collaboration by ensuring that all teams - trading, risk, compliance, and operations - work off the same trusted, centralised data source. Instead of fragmented, department-specific reports, companies can implement role-based access controls and shared

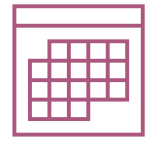
By implementing self-service analytics, you can:



Give traders direct access to real-time market data, allowing them to build their own queries and visualisations without coding knowledge.



Enable risk managers to track exposure, volatility, and margin calls in an interactive, real-time environment.



Allow analysts to drill down into historical trends and run custom models without waiting for IT-driven data pulls.

dashboards to maintain data integrity and governance while still offering flexibility.

Ultimately, self-service analytics is about speed, transparency, and efficiency - giving teams the tools to interact with data dynamically, explore insights on demand, and make faster, better-informed decisions in a high-stakes trading environment.

“ULTIMATELY,
SELF-SERVICE
ANALYTICS IS
ABOUT SPEED,
TRANSPARENCY,
AND EFFICIENCY.”



WHAT COMES NEXT: AI-POWERED INSIGHT AND STRATEGIC FORESIGHT

As trading organisations mature in their data capabilities, the question shifts from "how do we manage data?" to "how do we make data work harder for us?" The next frontier in navigating the Data Deluge is the integration of artificial intelligence (AI) – not merely as a buzzword, but as a foundational technology to unlock insight, drive strategy, and deliver sustained competitive advantage.

AI and machine learning algorithms excel at identifying patterns in complex, high-volume datasets – precisely the type of data environment that defines commodities trading. While human analysts bring context, intuition, and market knowledge, AI brings scale, speed, and a level of pattern recognition that would be impossible to achieve manually.

By training on years of historical trading data, including price movements, geopolitical events, weather anomalies, and macroeconomic signals, AI systems can begin to infer relationships that might otherwise remain hidden. These models can then be used not only to understand what has happened in the past, but to anticipate what might happen next – offering traders a strategic edge in a highly volatile market.

Examples of AI-enabled decision support include:

- **Trend Detection and Forecasting**
– AI models can detect subtle shifts in sentiment or price patterns ahead of broader market recognition, enabling pre-emptive positioning or reallocation of capital.
- **Anomaly Detection**
– Systems can monitor live trading data and flag deviations from historical norms, highlighting potentially fraudulent activity, operational errors, or emerging risks.
- **Strategy Backtesting and Optimisation**
– Traders can use AI to simulate strategies across decades of historical data, fine-tuning parameters based on performance under a wide range of conditions.



- **Behavioural Clustering**
– Algorithms can classify counterparties, instruments, or market conditions into behavioural groups, guiding dynamic risk strategies or bespoke product structuring.

Importantly, these models need not operate in isolation. Human-machine collaboration is the real sweet spot. AI becomes the co-pilot – monitoring thousands of data streams in parallel, surfacing opportunities, and flagging risks – while traders remain in control, applying judgment, experience, and contextual awareness to validate and act on the insights.

As AI systems evolve, we can expect to see:

- Reinforcement learning being used to optimise execution strategies in real time.
- Natural language processing (NLP) mining news, reports, and disclosures for sentiment, intent, and risk signals.
- Generative AI creating scenario models, decision trees, or even code snippets to accelerate new ideas from concept to execution.

In short, AI will shift data analysis from a largely retrospective exercise to a forward-looking, continuously adaptive discipline. As trading becomes increasingly automated and digital-native, the winners will be those who

fuse human intelligence with artificial intelligence – blending art and science to outpace their competition.

THE FUTURE OF DATA IN COMMODITIES TRADING

The volume and complexity of data will only continue to grow, making a proactive approach to data management essential. Companies that embrace modern data architectures, automation, and advanced analytics will not only survive the Data Deluge but thrive in it – gaining a significant competitive edge in an increasingly complex and fast-paced market.

In the world of commodities trading, data is not just an asset; it's the foundation of every strategic decision. Companies that invest in the right tools and strategies today will be the ones leading the market tomorrow.

To find out more about how Digiterre helps Energy and Commodities clients tackle their complex data challenges, drop me a line.

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PROFITS TODAY, PRESSURES TOMORROW: DRY BULK'S RENEWAL GAP

Dry bulk shipping is living through a paradox. Despite a subdued global economy, freight earnings across sizes remain robust.

Yet beneath this resilience lies a structural weakness: contracting of new ships has slowed, orderbooks are thinning, and the fleet is steadily aging.

Firm markets should encourage investment in new ships. This time, owners are hesitant. Shipyards are prioritising higher-value segments such as LNG carriers, tankers and car carriers, leaving few slots for bulkers before the late 2020s. At the same time, uncertainty over future fuels makes committing to a new ship construction a gamble. Extending the life of older vessels remains profitable in the short term, but it risks exposing owners to escalating costs and declining competitiveness.

This cautious approach is creating a renewal gap. Unless ordering accelerates, the supply of younger, compliant ships will tighten in the years ahead. For commodity traders, that translates into a freight market where transportation costs are more likely to rise than fall. *Figure 1.*

AN AGING FLEET WITH LIMITED RENEWAL

The global dry bulk fleet continues to age, with a growing share of vessels approaching the end of their economic life. At the same time, second-hand markets have grown more expensive, reflecting scarcity and uncertainty. Owners may be extracting value from existing tonnage, but replacement is falling behind.

This imbalance is manageable for now, while earnings remain strong. Yet, it points to a constrained future. A fleet that ages faster than it is renewed will reduce effective capacity and increase the value of modern ships that can meet regulatory and charterer requirements. *Figure 2.*

“EXTENDING THE LIFE OF OLDER VESSELS REMAINS PROFITABLE IN THE SHORT TERM.”

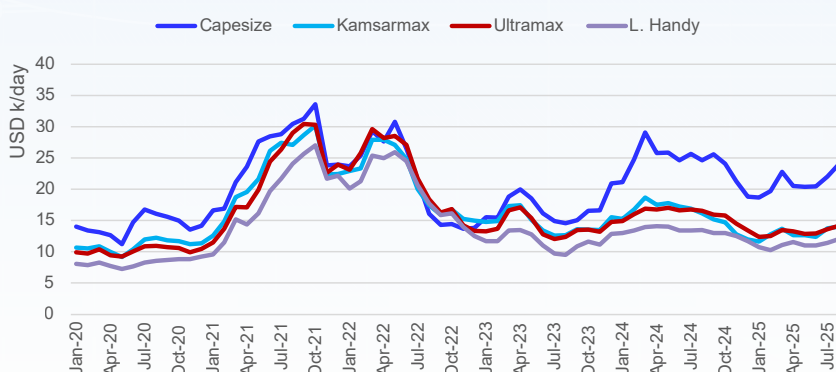


REGULATION EMBEDDING COST

Overlaying these dynamics is a tightening regulatory framework. The International Maritime Organization has committed to net-zero greenhouse gas emissions by 2050, with interim checkpoints in 2030 and 2040. Regional measures are already shaping the economics of trade. The EU Emissions Trading System extended to shipping in 2024, imposes a cost of carbon. FuelEU Maritime meanwhile requires the gradual integration of lower-carbon fuels and supports the use of wind-assisted propulsion.

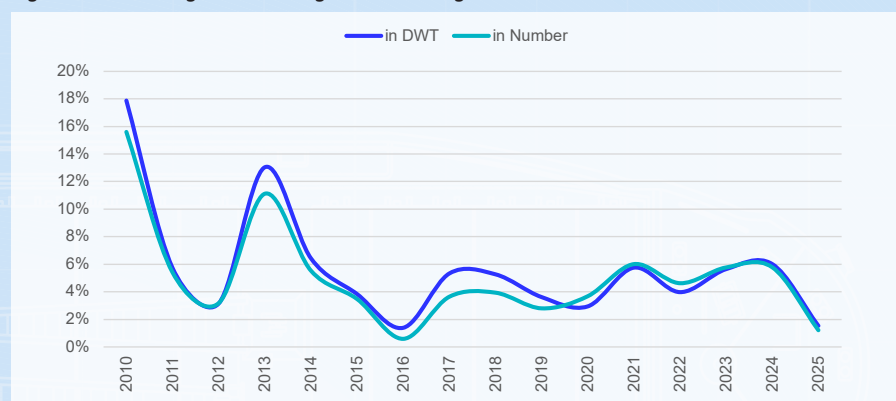
Enforcement is also becoming stricter, using satellite monitoring and charterer-driven performance assessments. This gradually creates a growing divide between compliant, efficient ships and older vessels that struggle to compete. For charterers and traders, the implication is straightforward: carbon costs are now embedded in freight economics and will increasingly shape delivered commodity prices.

Figure 1: Dry Bulk Vessel Period Rates



Source: Bureau Veritas

Figure 2: Contracting as a Percentage of the Existing Fleet



Source: Bureau Veritas, Clarksons

RETROFITS AS A BRIDGE

Retrofits are being deployed to extend competitiveness. Wind-assisted propulsion, energy-saving devices and hull optimisation can improve efficiency with relatively short paybacks. Such measures buy time, but they cannot replace the need for new tonnage. More capital-intensive technologies, such as fuel conversions or carbon capture, are limited to younger ships. The fundamental challenge of slow renewal therefore remains.

FINANCE AS A FILTER

In that context, financing is becoming one of the decisive forces shaping renewal. Initiatives such as the Poseidon Principles have linked lending frameworks to decarbonisation objectives, steering capital toward projects that support transition. Owners with credible strategies and charter support can still secure competitive terms, but smaller operators often face higher costs or limited access.

This selective allocation of finance is delaying investment decisions. Renewal that might have otherwise been spread across the decade risks being compressed into a narrower window, amplifying the potential for a supply squeeze later on. For traders, this means less flexibility in fleet growth and greater likelihood of higher transportation costs.

IMPLICATIONS FOR COMMODITY TRADERS

For the trading community, the state of the fleet is more than an industry issue. It directly affects the cost and reliability of transport. Three implications stand out.

First, premiums for compliant tonnage are widening. Younger ships with proven efficiency will command higher rates, particularly in regulated trades. Second, carbon costs are becoming an unavoidable component of freight, ensuring that delivered costs remain firm even if spot rates soften. Third, with renewal lagging, the market's elasticity

is reduced. Freight rates will react more sharply to demand shocks, creating greater volatility in transport costs. *Figure 3.*

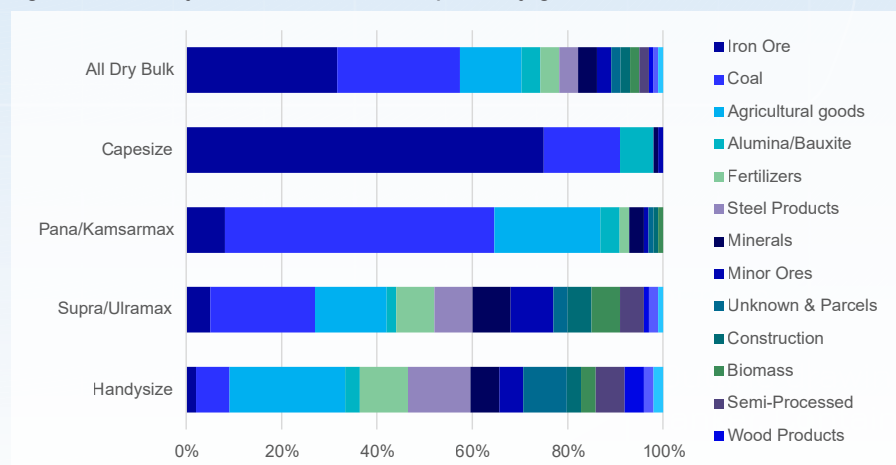
Dry bulk shipping is experiencing a profitable present, with resilient earnings despite weak economic growth. But slow fleet renewal, tightening regulation and selective finance are reshaping the outlook. Retrofits can help extend competitiveness, but they cannot substitute for new ships.

Unless contracting accelerates, the supply of younger, compliant bulkers will tighten, and freight costs will rise. For commodity traders, the message is clear: today's markets may look balanced, but beneath the surface the cost of moving dry bulk commodities is already trending upward.

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Figure 3: Commodity Mix – Volume Share of Completed Voyages in 2024



Source: MB Shipbrokers



As a leading classification society, Bureau Veritas Marine & Offshore supports owners and operators in addressing the challenges of renewal and compliance. Through its Future Shipping Team, BV brings expertise in regulation, technology and finance to help evaluate pathways — from retrofits to new fuels — and provide assurance in a market where transportation costs are increasingly shaped by efficiency and carbon exposure.





THE GCC: A NEW HUB FOR CRITICAL MINERALS?

An overriding impression that I have had from many of the conferences that I have been fortunate to speak at and attend over the past year is the increasing attention on the GCC (Gulf Co-operation Council) region.

For many a decade, the region was excluded from any co-operative projects with the developed world related to mineral resources exploration, mining and processing. But rising geopolitical and trade tensions, the brutal exposure of a lack of supply chain resilience in many sectors, the very dominant position of China across the value chain, and the region's own desire to develop its capacities in its non-oil economies (above all non-energy resources and manufacturing) has prompted a rethink. The latter ambition is enhanced by its geography and above all its access to local investment capital, as well as its proven reliability as a partner in the energy sector, which it can leverage as it moves forward into this arena. That said, this is a development which remains in its infancy. What follows are a few by no means exhaustive thoughts about some key considerations, which effectively follow on the article on the Myths of Deglobalization in the Q2 edition of The Ghost In The Machine.

As the war in Gaza has amply demonstrated, peace and security in the wider MENA region remains a high risk, which appears unlikely to change materially in the foreseeable future. But bear in mind that even through the 1984 to 1987 Iran-Iraq 'tanker war', OPEC continued to function effectively, and despite the recent bombing of key Iranian nuclear facilities, and the various exercises to remove senior members of Hamas, Hezbollah and the Iranian leadership, a broader regional escalation has been avoided thus far. Perhaps as importantly, the objections from long standing vested interests' barriers, or generic and very understandable security concerns have largely fallen by the wayside, as is often the case when necessity becomes the mother of invention, as the old adage goes. As an aside, this is also increasingly true of European attitudes to sourcing energy supplies from Africa.

“BUILDING RESILIENT SUPPLY CHAINS REQUIRES TIME, EXPERTISE, AND INTEGRATED PLANNING BEYOND INITIAL INTENTIONS AND CAPITAL ACCESS.”

Intention, the relatively ready access to capital and the broader desire of Europe and North America to 'de-risk' their over dependency on China, and in so doing diversify their supply chains are all positives. But they are certainly not sufficient on their own. Even a rudimentary understanding of supply chain risks highlights the need to develop local technical expertise, as well as developing reliable upstream supply, and ensure downstream demand, while ensuring that distribution channels are resilient and secure. As importantly it takes a lot of time to put this in place, and a great deal of planning expertise with regards to ensuring all the various parts of the supply chain and distribution channels are properly integrated. Many projects are still at a largely conceptual stage, and there will also be numerous climate and environmental hurdles and challenges to address, which fast developing technology will help to overcome, but will likely create delays in the implementation process.



The GCC governments have been keen to promote themselves as reliable partners, as well as 'neutral' or 'non-aligned' in geopolitical terms, but it will still require a great deal of careful diplomacy to manage some of the potential objections. China's dominance of critical mineral processing is well documented, for example it controls 90% of rare earths refining, and 70% of lithium and cobalt processing, and in many cases dominates the related supply and manufacture of advanced technology and equipment, not only for processing, but also the supply of renewable energy. The latter will be critical given a likely very sharp increase in power demand from the industrial sector, as well as environmental regulation considerations from consumers, above all in the EU.

“GCC'S NEUTRALITY IS CHALLENGED BY CHINA'S DOMINANCE IN CRITICAL MINERALS AND ADVANCED TECHNOLOGY SUPPLY ESSENTIAL FOR FUTURE ENERGY AND ENVIRONMENTAL NEEDS.”

Per se, there is and will be a need to develop robust partnerships and joint ventures with China both to access its advanced technologies, as well as obviate potential tensions as the GCC in effect challenges China's dominance. It should be added that it will take many years, if not decades before the region makes a small dent in that dominance. By that stage, China will more than likely have diversified and widened its related export demand base for related products and see the competition from the GCC region as also being complementary. Greater tension may emerge from the increasingly concerted effort to source and secure upstream resources, already evident for instance in Saudi Arabia's stake in Brazil's Vale and partnership with China Geological Survey to explore the 'Arabian Shield'. Likewise, UAE sovereign wealth funds or state backed entities have agreed or are in negotiations about joint mining ventures in the likes of DR Congo, Zambia and other African countries, in some cases partnering with US investment companies.



For Europe and the USA, the considerations are rather different. They will to an extent be wary of replacing a dependency on China with the GCC region. On the other hand, outright 'onshoring' of processing or refining of raw materials comes up hard against barriers on energy costs (above all Europe) or being able to produce competitively locally on a long-term non-subsidized basis, let alone regulatory or trade (tariff and non-tariff) hurdles. Ultimately whatever European or North American governments would like to happen in terms of restoring some of their previous resource processing and manufacturing has, and will have to contend with commercial realities, as the private sector will bear the burden of funding such investments. As such there is a substantial opportunity for the GCC economies to develop and grow in this sector, even if perhaps not on the scale of their pivotal role in the energy sector.

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DCRM: A NEW LENS FOR AI GRID READINESS

The Wrong Tool for the New Load

In my last post, I compared how the U.S., China, and Europe are racing to scale their power systems for AI. Each is approaching the challenge with different strategies, constraints, and assumptions. The narratives are compelling, and the policy commitments are ambitious. But grand plans mean little if the infrastructure can't keep up.

Despite all the announcements and forecasts, we still lack a clear way to measure how prepared each region actually is to support AI-driven growth. There is plenty of data on grid capacity, interconnection queues, and projected load growth, but no metric that captures the real-world constraints of hyperscaler compute demand. Existing planning tools were not designed with this type of concentrated, high-load infrastructure in mind. They often assume diversified demand profiles and overlook the geographic and temporal clustering of data centers.

Power system operators run detailed resource adequacy

simulations, but these are slow, opaque, and built for general reliability planning, and not for understanding how hyperscalers stress the grid. These models typically assume geographic load smoothing and treat emerging compute clusters as secondary effects. Even reserve margin targets, which are often used as shorthand for grid "readiness," fail to account for spatial bottlenecks, deliverability constraints, and speculative capacity additions that may never reach commercial operation.

After working through multiple planning datasets, it became clear that while the information existed, it was siloed, backward-looking, or structured in a way that masked the actual constraint: firm, deliverable capacity available to support large-scale, constant, compute-intensive loads.

That gap led to a fundamental question: **how do we compare actual readiness, grounded in infrastructure, not just policy direction, across regions in the AI energy race?**



INSIDE THE DCRM FRAMEWORK

The Data Center Reserve Margin (DCRM) was created to answer that question. It is a diagnostic framework designed to directionalize risk and test whether the physical grid can realistically support projected AI-driven demand.

- It borrows from the logic of traditional reserve margins but modifies it to focus specifically on data center load and its unique characteristics:
- AI data center demand is often modeled as flat and constant but in reality, training/inference clusters display sharp, gigawatt-scale spikes and dips
- Concentrated siting, often near cheap land and power, which stresses local substations and transmission
- Growth timelines that outpace infrastructure permitting and buildout cycles
- Interconnection queues filled with speculative projects that may never materialize, yet are still counted toward planned capacity

The structure of the metric is simple:

$\text{DCRM} = \text{Adjusted Headroom} - \text{Projected AI Load}$

Where **Adjusted Headroom** represents capacity available to absorb new demand after real-world constraints are applied, and **Projected AI Load** reflects emerging compute demand, including both forecasted and known hyperscaler growth.

To calculate these components, DCRM applies a series of conservative adjustments grouped into three core constraint categories:

1

Capacity Reliability

Not all capacity is created equal. DCRM discounts resources that are speculative, delayed, or lacking firm commitments. The metric prioritizes capacity that is either operational or demonstrably reliable, acknowledging that nameplate values often overstate true availability.

2

Physical Deliverability

Even reliable capacity may not be accessible to load centers. DCRM adjusts for physical constraints such as transmission bottlenecks, substation saturation, and locational mismatches that prevent power from reaching high-growth data center zones. This ensures headroom reflects not just how much power exists, but how much can realistically be delivered.

3

Load Characteristics

AI-driven demand is not just larger, it is structurally different. DCRM accounts for whether load aligns with system peak periods, whether it can be shifted or interrupted, and how much additional hyperscale growth is likely to materialize beyond what utilities currently forecast. Although many system operators (including ERCOT) currently treat these loads as flat and inflexible in their planning processes, this assumption is increasingly debated. As SemiAnalysis has noted, AI training clusters can introduce volatile, gigawatt-scale fluctuations in usage, challenging the conventional base-load framing. These adjustments reflect both the temporal stress and the speculative nature of emerging AI load.

Each adjustment corresponds to one or more of the five readiness dimensions outlined in the **AI x Energy Race** matrix: **capacity, reliability, transmission, timing, and growth trajectory**.





ERCOT NORTH: A CASE STUDY IN CONSTRAINT

ERCOT North was chosen as a test region for applying the Data Center Reserve Margin (DCRM) model. Not because it is uniquely at risk, but because it offers the right conditions to test the metric's directional behavior: concentrated hyperscale growth, known transmission constraints, and the richest set of publicly available planning data.

As a focal point for data center and LFL development, ERCOT North is already showing signs of locational strain. Substations near high concentrations of wind, solar, or low-cost gas that were once attractive due to proximity to generation are now facing saturation, as multiple projects compete for limited interconnection capacity. At the same time, statewide reserve margins remain healthy on paper. This makes it a perfect test case for a model designed to isolate whether local infrastructure can actually keep up.

Leveraging May 2025 ERCOT data, DCRM shows that **ERCOT North can safely absorb up to 4.59 GW of new AI-scale data center load** under base conditions. Based on typical campus-level loads ranging from 100 to 200 MW, this capacity could support roughly 16 to 33 new hyperscaler campuses. However, **this margin narrows quickly under stress**, highlighting the region's sensitivity to additional high-demand loads.

WHERE THE MARGIN MOVES

To test how different constraints interact, I varied three key levers in the DCRM framework:

Deliverability (D):

How much of the available power can physically reach high-demand areas, considering grid bottlenecks.

Coincidence Factor (CF):

Whether AI demand overlaps with peak grid stress or can shift to off-peak hours.

Risk Derate (V):

How much capacity drops (or demand rises) under extreme weather or unexpected outages.

Each reflects a different constraint: physical infrastructure, load behavior, planning uncertainty, and weather-driven uncertainty. While delta base load (ΔB) isn't varied directly, it emerges as a key output of this analysis, shifting as these levers interact.

The scenarios in the table below explore how combinations of these factors shift the reserve margin:

Scenario	D	V	CF	ΔB (GW)	Condition	DCRM (GW)
A	0.85	0.05	1	0	Transmission-constrained, mild weather	4.586
B	0.9	0.1	1	0	Base Case - normal operations	4.596
C	1	0.15	1	6	Optimal transmission, elevated climate risk (summer heat wave)	3.577
D	0.9	0.1	0.9	0	Moderate load flexibility	4.619
E	0.9	0.1	0.8	0	Enhanced load flexibility	4.643
F	1	0.05	0.8	0	Best case -- optimal conditions	5.484
G	0.85	0.15	1	5	Extreme weather, constrained transmission (winter storm Uri)	2.973
H	0.9	0.15	0.9	5	Extreme weather, moderate flexibility	3.483
I	0.85	0.15	0.8	5	Compound stress with load flexibility	3.301

Source: data above has been generated by bespoke model built by author Aishwarya Mahesh.

Deliverability remains the dominant constraint. In ERCOT North, much of the new AI-driven demand is landing in areas that depend on imported power. Raising the deliverability factor (D) from 0.85 to 1.00 increases DCRM from 4.586 GW (Scenario A) to 5.484 GW (Scenario F), which is nearly 1 GW swing without adding any new capacity. This reflects what we're seeing on the ground: even when generation exists somewhere on the grid, getting it to a data center campus at the right time is often the limiting factor.

Peak coincidence acts as a conditional relief valve. When data center load overlaps less with system peak (through AI-aware scheduling or flexible workload shifting), the grid absorbs more without needing to expand. Reducing CF from 1.0 to 0.8 (Scenario B to E) adds ~50 MW of headroom. In high-performing scenarios that affect compounds, Scenario F, with low coincidence and strong delivery, stretches the DCRM ceiling to nearly 5.5 GW. It suggests that real-world strategies like scheduling inference overnight or batch training workloads off-peak could meaningfully ease stress if grid flexibility and incentives are aligned.

Climate events compress the margin from both ends. In scenarios like G and C, the grid faces a double hit: available supply drops (high V), while baseline demand rises due to heat-driven cooling needs ($\Delta B = 5,000\text{--}6,000$ MW). Even with full coincidence, that extra base load eats into available headroom fast, pulling DCRM down to as low as 2.973 GW. This mirrors what's already happening in summer peak alerts where firm capacity may exist, but volatility + urban cooling demand crowd out growth.

What this reveals is a system with very little structural slack. No single constraint pushes it past the threshold, but together, they bend the margin rapidly. DCRM behaves like a constrained slack function, quantifying how much capacity remains once the system accounts for delivery limits, demand timing, and weather-driven volatility. Instead of a binary verdict, it shows how close the system is to tipping, and what kinds of stress combinations matter most.

FINAL THOUGHTS

ERCOT North may not be the most at-risk region, but it captures the core insight behind DCRM: when AI-driven demand, transmission constraints, and planning uncertainty converge, the margin for error narrows quickly. Under base assumptions, DCRM shows the region can absorb up to **4.59 GW** of new AI-scale data center load, a figure that may appear sufficient, but already mirrors volumes in the interconnection queue.



In other words, the strain is already materializing. Traditional reserve margin metrics assume power flows freely across space and time. DCRM makes explicit what those models miss, which is that electrons don't move freely, and new loads won't politely arrive off-peak.

COMING UP: THE GLOBAL STRESS TEST

In the last Power Bytes note, I made the case that the AI race is increasingly shaped by physical systems, not just ambition or capital. This note delivered on the next step: introducing DCRM, the tool built to expose where those physical limits are forming. And after testing it on ERCOT North, we can finally apply it to the question it was built for. In the next piece, I'll use DCRM to assess the U.S., China, and Europe, comparing how much strain each system can absorb, how infrastructure is pacing (or not) with AI expansion, and where the structural gaps are largest.

If you'd like to dive deeper into the DCRM framework or following the AI × energy space/working in the sector, I'd be happy to connect — you can find a time [here](#).

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COPENHAGEN'S MARITIME EDGE: OPENNESS IN A PROTECTIONIST AGE

Denmark does not enjoy obvious geographic scale, yet Copenhagen operates as a global shipping hub with top three shipping companies within both container, oil and dry bulk markets. Despite Denmark's lack of significant natural resources, Copenhagen is a global shipping hub, home to leading firms in container, tanker and dry bulk. Strong institutions, deep networks, and talent explain the result. What has created this success, and in this age of geopolitical fragmentation, what might others learn from Copenhagen as a case study?



HISTORY

Modern containerisation started with the converted tanker *Ideal X* sailing from Newark to Houston in 1956, an inflection point that drove a new logistics system and later reshaped port cities and carriers worldwide, including Denmark's (*Levinson 2006*). Maersk grew from a 1904 family enterprise into a leading liner operator and moved decisively into containers. Its first fully containerised service sailed on 5 September 1975 from Port Elizabeth with 385 containers on *Adrian Maersk*, a milestone that aligned the firm with the box revolution and set up later scale moves such as the acquisition of Sea Land's liner business in 1999, cleared by the European Commission on 6 October 1999 (*Maersk 2025*).

Dry bulk remained anchored in Danish houses that predate containers. NORDEN, founded in 1871, evolved into a major dry cargo operator with global chartering reach and risk systems grounded in Copenhagen talent pools (*NORDEN 2025*). J. Lauritzen traces roots to 1884 in Esbjerg and built a long presence in tramp, reefer and specialised segments,

later repositioning its portfolio while retaining Danish governance and networks (*J. Lauritzen 2025*).

Tanker shipping has similar depth. TORM, founded in 1889, is an established products tanker owner and operator with a Copenhagen platform and international listings that tie Danish management to global capital (*TORM 2025*). Hafnia emerged as the world largest tanker operator after its merger with BW Tankers, reinforcing Copenhagen based commercial and technical skills in the oil trades (*Hafnia 2019*).

POLICY

The shipowners association was founded in 1884, leading the way for a nation of collaborators. A tonnage tax of 0% adopted in 2001 which reinforced long term domiciling of management and ships (*European Commission 2018*). By 2019 Danish flagged gross tonnage reached 21.3 million and rose further in 2021, while Danish operated tonnage remains far larger, reflecting the cluster's managerial reach beyond the flag alone (*Danish Shipping 2020; Safety4Sea 2022*).



ECOSYSTEM

Theorists argue that clusters succeed when cumulative advantages persist across firms and time. The literature points to agglomeration benefits and path dependence, in which early success attracts more activity and knowledge flows, creating a self-reinforcing loop in productivity, innovation, and firm creation (*Porter 1998; de Langen 2002; OECD 2014*).

- **Capital and finance:**

Danish owners rely on global capital, yet a Copenhagen base helps with syndicated debt, lease structures, and sale and purchase decision making that benefit from trusted advisers. Exchange listings and international banking sit alongside Danish foundations and family control, which supply patient capital for counter-cyclical orders. This mix fits an industry with volatile freight cycles.

- **Networks:**

Daily information exchange across owners, charterers, and brokers is the engine. Proximity eases price discovery, counterparty assessment, and vessel allocation. Institutions like BIMCO in Copenhagen codify practice in contracts and clauses that reduce transaction costs for the whole market, while also anchoring high frequency interaction through working groups and training that feed local capability (*BIMCO 2025*).

- **Regulation and tax:**

Flags and taxation shape location choices. The DIS framework and tonnage tax created predictable rules that allowed managers to scale from Copenhagen and keep senior functions local even as fleets trade globally. The World Bank's work on port city interfaces underscores how consistent policy and governance lower coordination costs and align local and global interests (*World Bank 2025*). Denmark's regulatory approach also engages with frontier topics such as autonomous ships and safety, keeping the cluster close to rule making and compliance learning.

- **Education and research:**

Copenhagen Business School's maritime platform and DTU's naval architecture and maritime engineering programmes feed talent into chartering, analytics, and technical management. The Maersk McKinney Møller Center for Zero Carbon Shipping, established in 2020, brings firms and researchers together on fuel pathways, safety, and regulation, which accelerates diffusion of new knowledge across the cluster and into operations (*Maersk 2020; CBS 2024; DTU 2025*).

- **Professional services:**

The cluster hosts P&I correspondents, legal specialists, auditors, and dedicated maritime consultants. These services scale with the fleet and create tacit knowledge that is hard to replicate at distance. Data and digital tools. Chartering and operations now use satellite data, weather routing, fuel and emissions analytics, and predictive maintenance. Co-location speeds adoption, since operators compare notes and vendors iterate with demanding users.

- **Labour supply:**

Denmark trains sea officers and engineers with high safety and quality standards, while Copenhagen attracts international analysts, traders, and technical staff. English language use and a transparent work culture reduce frictions for foreign hires.

- **Culture and quality of life:**

People go where life is good. Copenhagen offers safety, transport, childcare, and a compact city that shortens commutes. This matters for senior managers and young hires who will stay if the city works well.

CONCLUSION

Copenhagen can best be described as a loose network. The city has anchors in large firms, but its strength lies in independent owners, shipbrokers, service firms, and institutions such as BIMCO, Copenhagen Business School, Danish Technical University, the zero carbon centre that enable open

collaboration as well as the foundations that own many of the larger shipowners guarantee that money are cycled into the system repeatedly ensuring a industry-wide competitive advantage. Policy sustain predictable tax and regulatory rules, invest in education and applied research, and keep immigration channels open for scarce skills. All boxes which Copenhagen tick.

Other cities such as Geneva, Dubai, Singapore, are hubs in their own rights for other trades. The question is whether we in the future will see more hubs emerge in a deglobalized world, or whether benefits of both scale and scope will reinforce the ecosystems who are current market leaders?

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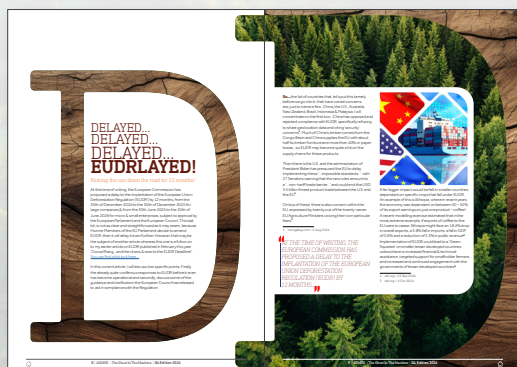
THE CONTINUING SAGA... OF EUDR!

EUDR + US Tariffs = Potential Overload!

YES! This is the 3rd time I am writing about EUDR (European Union Deforestation Regulation), a piece of EU legislation, that should have been implemented at the end of 2024 and is now scheduled to be implemented at the end of 2025... except...it may NOT be...again!

The original EUDR legislation set out, as the name implies, to try and make the EU a deforestation product free area. I covered this in my original article in the Q1 2024 edition of the 'Ghost' – 'Cocoa Rising...and the chaos & race to the EUDR Deadline!'. [here's the link to it](#)

However, as 2024 progressed it became clear that many EU companies as well as those supplying countries to the EU, would not be ready to implement the necessary portions of the legislation in time for the end of 2024 deadline. So...after much debating and wringing of hands, etc... the can was kicked down the road...to the end of 2025. I also covered this in my piece for the Q4 2024 edition of the 'Ghost' – 'Delayed... Delayed...Delayed...EUDRlayed!'. [here's the link to it](#)



THE WORLD WAS GIVEN AN EXTRA 12 MONTHS TO GET ITSELF READY FOR EUDR...SO WHAT HAVE WE SEEN DONE?

Well, in some cases, quite a bit and in others... not much! Only as recently as early July this year, it was reported that a major company, Mondelez International, wished to have the regulation delayed by another 12 months ⁽¹⁾ as has Lavazza, the big Italian coffee maker ⁽⁴⁾. The delay was due to what seems to be an Achilles Heel of the legislation and one I had previously written about, smallholder cocoa farmers struggling to comply with the bureaucracy and the modern technology elements needed in the fulfilment of the regulations.

However, it was also reported that others in similar industries in the food chain, such as Nestle, Danone & Ferrero are ready and keen to go ahead with EUDR and wish to stick with the end of 2025 deadline...and these area companies, in the same sector – cocoa ⁽¹⁾!

Additionally, in the cocoa industry Nestle, Ferrero, Tony's Chocolonely & Barry Callebaut wrote in a joint letter that some stakeholders are repeatedly attempting to '...delay, revise, or even appeal...' EUDR ⁽¹⁾. Even dairy giant Danone has signed onto this with their desire for EU institutes to preserve the ambition and timeline of EUDR. They all acknowledge the challenges smallholder farmers will face in complying and the due diligence involved...but they still wish to go ahead as planned.

As you can imagine, this is causing some considerable friction in all industries as the deadline at the year approaches. Additionally, many will remember last year, when the premium of EUDR products over other products collapsed overnight, when the EU decided to kick the can down the road...and all the costs that involved.

“...EUDR ON ITS OWN WAS A BURDEN...BUT NOW WITH THE US TARIFF DEMANDS...”



OIL PALM



WOOD



SOYA



COCOA

EUDR



COFFEE



CATTLE



RUBBER

MILLIONS OF SMALLHOLDER PALM OIL FARMS IN INDONESIA LACK EUDR CERTIFICATION

To give an idea of the magnitude of some of the situation, in Indonesia, about 41% of their palm oil plantations, so that is about 6.7 million hectares, are managed by independent smallholders and research has found only about 1% are certified for traceability and legality for EUDR ⁽²⁾...but there is more.

In discussions I've had with some industry sources, one of the major issues that keeps cropping up, is the geo-mapping and how it can be carried out and monitored. I was given the following example. On a smaller scale, you may have a smallholder with a 2 hectare farm growing coffee, who is non EUDR registered and he has a chat with another neighbour of a 2 hectare farm growing the same product who is EUDR registered, quietly suggesting that they mix some of his non EUDR product in with the EUDR product...and then split the difference! This, you can argue, is possible but you would imagine it would be on a small scale.

EUDR ARBITRAGE

Well...let's look at another situation. The EU has designated 4 countries as 'high risk' under EUDR. They are Belarus, Myanmar, North Korea & Russia with a about 50 countries as 'standard risk' including Brazil, Indonesia & Malaysia and 140 as 'low risk' including all the EU, UK, US, Canada, Japan, Australia, South Africa and interestingly China ⁽³⁾. The reason I see China is interesting, is that

it has been suggested that we may see smuggling as a form of EUDR arbitrage where, for example, lumber cut in Russia could be transhipped through China as the levels of due diligence needed under EUDR for China are simplified including origin, risk assessment and mitigation measures. This situation may also apply to other 'high risk' countries in other products and begs the question of how will the EU deal with such situations.

Before we even get to that stage, it is worth noting that last time, back at the end of 2024, the move to postpone EUDR was barely pushed through as there was at the time, a strong move to reopen the whole debate on what is EUDR and its coverage. Back then, many left-of-centre and environmentalist Members of the European Parliament (MEPs) wished to make a more stringent EUDR and were, if I recall correctly, just barely held off by more centrist colleagues. This time, that desire will still be there...but we have an additional force that may tip the balance in an odd alliance. Many right-of-centre and pro-business MEPs are also against EUDR because of the polar opposite belief that the regulation goes too far.

These forces could seemingly come together to possibly derail EUDR completely, a situation that would not help many of the big companies out there as overall, many have prepared for EUDR in a timely manner and wish it happen after all the preparations they have undertaken. The singular feature I've seen from the new right-of-centre opponents is to have a 3rd category for EUDR of 'no risk' or 'negligible risk'.

Palm Oil Plantations in Indonesia (in million hectares)

Certified
Smallholder Area

0.4%

Uncertified
Smallholder Area

40.6%

Other
Plantation Area

59%



Source: AgTechNavigator.com (11th August 2025)



Worker harvesting oil palm fruit in Kalimantan.

This is seen by many as a subtle blow to EU sanctions against Russia ⁽⁴⁾...but the Agriculture Ministers from 18 EU governments, mainly from Central and Eastern Europe but interestingly governments also from Finland, Ireland, Italy, Luxembourg, Portugal & Sweden are in this grouping.

A FEAR OF OVERLOAD

However, a new factor has developed this year, that is now also impacting on EUDR's possible implementation...and it has come from outside the EU. The recent US tariffs on international trade has caused stress to companies already trying to cope with the intricacies of EUDR and many have made representations to their respective governments that whilst having to deal with the necessities of EUDR on its own was a burden...now with the US tariff demands, the additional demands of having to deal with US tariffs at the same time is bringing a fear of overload. EUDR on its own was a burden... but now with the US tariff demands on top...well...it could be too much for some.

So where has this left us and what lies ahead? Well, informed sources have suggested that it is about 60:40 in favour of EUDR...but not in its present form. A new 'EUDR Lite' may come through without all the full whistles and bells. This ties in with the ideas from the grouping of 18 EU states mentioned earlier. IF...on the other hand, this EUDR Lite does not go through...well...then, as I have heard one person say '...otherwise...it's the lawyers!'

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⁽¹⁾ Foodnavigator.com (7th July 2025)

⁽²⁾ AgTechNavigator.com (11th August 2025)

⁽³⁾ EU Commission, Green Forum, Country Classification List

⁽⁴⁾ Foodnavigator.com (15th July 2025)



Source: <https://duediligence.design/european-commission-released-eu-deforestation-country-classifications/#:~:text=On%2022%20May%202025%2C%20the%20European%20Commission%20released,Implementing%20Act%20on%20the%20Commission%E2%80%99s%20Green%20forum%20platform.>



SLEEPY SUGAR MAY WAKE UP WHEN IT IS LEAST EXPECTED!

Agricultural commodities are under some pressure this year, as supply and demand fundamentals are a little more robust than before.



Within agries, there are some exceptions like coffee and cocoa, with stocks at low levels and no real surplus seen yet. Happy to chat about it—just call us!

When it comes to sugar, we ended 2024/25 (April–March) with a small deficit (around 2 mln m/t), and we may be heading toward a small surplus in 2025/26, perhaps around 2 mln m/t.

Investors, also “called” Specs, have been running short positions in sugar—but not all!

Sugar No. 11 (raws) is where liquidity is greater, and that’s where the shorts are. Specs (excluding Index Funds) had a 6.7 mln m/t (132k lots) net short as of August 26, due to a very large gross short of 12.1 mln m/t (344k lots)—70% of the largest gross short ever. They seem comfortable with their positions—until they’re not!

Sugar No. 5 (refined) has liquidity, but not to the same extent. That said, Specs have a large net long position—one of the highest: +/- 2 mln m/t as of August 26, 2025. The highest net long was in February 2020 at 2.8 mln m/t. Money Managers have the largest gross long (52,490 lots or 2.6 mln m/t), which is why the net long is quite large.

Quite often, traders are long when Specs are short—but of course, not all traders, and not necessarily on their own account. They may be carrying longs/shorts on behalf of producers or consumers.

Sugar No. 11 has been trading sideways, around 16 cts for the past 2½ months. Consumers are taking advantage of setbacks when they show up, securing some cover/pricing, etc. Producers seem less active and are looking for “better” values.

So, one may see that sugar is not a small business—and the stakes are high!

BRAZIL CENTRE-SOUTH (CS) CANE HARVEST

Brazil Centre-South (CS) cane harvest has reached 60% of the expected crop (around 590–600 mln m/t), and crushing is still down YoY by 6.6% (25 mln m/t of cane). Despite the sugar mix being up by 3.38% (more juice going to sugar

than ethanol vs. last year), due to 4.50% lower ATR (lower sugar content), sugar production is down 4.67%, or 1.1 mln m/t.

Brazil’s sugar exports as of end-August 2025 may be down 500–600k m/t vs. last year. With lower carry-over and reduced sugar production so far, sugar stocks are down about 2 mln m/t YoY.

Brazil exported 4.3 mln m/t less sugar during November 2024 to March 2025, which helped avoid running out before the new crop began. Now, exports are back to similar levels, but stocks are lower—Brazil is the one keeping the market in check.

We estimate most producers have priced their 2025 volumes, with only 10–15% left to go—mainly in Brazil.

ASSESSING HOW MUCH CANE WILL BE CRUSHED

Brazilian millers are still assessing how much cane they’ll be able to crush (cane availability and weather), as well as how ethanol prices perform vs. sugar. Currently, hydrous ethanol is worth around 16 cts, and anhydrous around 17.75 cts (basis 96 pol).

India is expected to net-produce 30–31 mln m/t (after sugar–ethanol diversion), about 5 mln m/t more than last year and 1–2 mln m/t above domestic needs. The harvest typically starts in November. By end-October, India may have less than one month of sugar in stock. So, the market sees potential for 1–2 mln m/t of exports—if the government allows it. These would likely be refined/white sugars.

Thailand may also see a better crop—estimated at 98–105 mln m/t of cane vs. 93 mln m/t last year. With similar CCS (sugar content), Thailand could produce 800k–1.3 mln m/t more, likely destined for export. Given the strength of No. 5 vs. No. 11 (white premium), Thai millers will aim to maximize refined sugar production and exports.

Elsewhere, we expect gains in Russia, losses in the EU and Pakistan, and relatively stable crops in Central America and Mexico—with minor gains in the USA.

So, sugar is moving from a half-empty to a half-full cup. Last year’s deficit didn’t impact supply much—India had

“*SO, SUGAR IS MOVING FROM A HALF-EMPTY TO A HALF-FULL CUP*”

a poor crop but wasn’t exporting much (800k m/t out of a 1 mln m/t quota), and ended up consuming its stocks. Brazil also had a poor crop but started with higher stocks. Those are gone now.

MORE EXPORT POTENTIAL

This year, we have a bit more export potential (Thailand and possibly India—mostly whites), but Brazil can’t afford to export more than last year, at least until May next year.

Global sugar consumption isn’t changing much, despite higher GDP and population growth. That’s because GDP growth isn’t evenly distributed, older generations aren’t eating more sugar, and younger generations in many growing nations aren’t financially better off.

Sugar stocks are down in most countries, with few exceptions. The global trading flow—down about 4 mln m/t this year—is unlikely to fall further next year, and may even bounce back.

As we know, sugar is volatile. Prices fluctuate due to global supply and demand. It attracts speculative traders betting on future movements. It’s a global commodity involving multiple countries and markets. It’s seasonal, with production and pricing tied to harvest cycles. It’s also regulated in some countries through policies and tariffs.

Sugar No. 11 (raw sugar) represents around 80% of global sugar trade, and Brazil accounted for 78% of that in 2024 (and 19% of the white sugar trade flow).

At this stage, not much is expected—and not much is happening. Specs are heavily short on No. 11 and long on No. 5 (relative to normal flows), with some risk tied to large upcoming crops and potential political interventions.

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SOMETIMES...THE LESS NOTICED IS THE MOST IMPORTANT IN U.S. GDP!

The hush coming from Personal Consumption...
is probably the thing we should notice
most closely

US GDP fell in Q1; it was -0.5%,
quarter on quarter annualized basis.
It happens!

GDP is negative every once in a while...but sometimes that sort of result is not particularly upsetting. For instance, in the last decade and a half the GDP was negative on a one-off basis in three different quarters, with no foreshadowing on the way into the quarter and no hangover on the way out. For one thing it could be a first quarter-thing. Aside from the last two recessions, the Pandemic and Great Recession, the last three stand-alone negative GDP results were all in Q1 and so too is this latest example. Maybe it's the changing of the calendar that plays havoc with seasonal adjustments; but then again, it's not every year that Q1 GDP is weak. Additionally, the reasons for a negative result may have very little to do with a halt in businesses investing in the economy or with consumers no longer consuming. The latest quarterly result is a perfect example of that. President Trump was clear as a bell that he was going to raise tariffs soon after he was back in the Oval Office. Within a few weeks of his return Trump directed his staff to look into the details of trade barriers imposed by foreign countries and develop reciprocal tariffs to level the playing field. Then April 2, Liberation Day, was added to the event calendar. *Chart 1.*



Chart 1. Source: Bloomberg Finance L.P.

PERSONAL
CONSUMPTION
ACCOUNTS FOR
ABOUT SEVENTY
PERCENT OF
THE GDP.



FOREWARNED IS FOREARMED

Forewarned is forearmed and businesses jumped into action to beat the deadline and get products into the country before the tariffs went into effect. In the first three months of 2025 US Imports averaged \$407 billion per month; the amount is unprecedented. *Chart 2.*

Of course, there is the Export offset to the Imports, but the volume of goods heading out of the country simply could not keep pace with the goods coming in. In the first three months of the year the US Trade Balance averaged a monthly deficit of \$130 billion. The next largest three-month average trade deficit is less than \$90 billion. *Chart 3 overleaf.*

There was no intention to sell all these imports right away; businesses not only wanted to beat the tariffs for sales in the week's following April 2, but also for seasonal periods later in the year, such as back to school, Halloween, etc. So not everything went right to the shop shelves, but a lot of the imported goods went directly to the storeroom. GDP inventory accumulation was huge in Q1, up at \$160 billion at a seasonally adjusted annualized rate; notably large. *Chart 4.*



Chart 2. Source: Bloomberg Finance L.P.

So, on the one hand there was a record setting trade deficit in Q1, which takes away from the GDP growth calculation and a quite large increase in inventories, which adds to growth. As it turns out these were the two largest factors for the Q1 GDP; each pulling in the opposite direction.



Net Exports was a drag of 4.61% on the GDP as a whole, while Inventory Accumulation was a benefit for the Q1 GDP of 2.59%. Personal Consumption was up in the quarter, so was Fixed Investment and that combination reduced the GDP loss resulting from the sum of the Net Exports and Inventories.

Neither of the components that were the most spectacular movers in Q1 are likely to follow through in the same direction in Q2. *Chart 5.*

Certainly, a sharp reversal seems the almost assured for the Net Exports. The US Trade deficit in April was \$61 billion, that's less than half the monthly average seen in the first three months of the year. Therefore, with a couple months of data yet to go, there is a really good chance Net Exports are a big help to Q2 GDP.

Inventories will probably not add to the accumulation at the same rate as it did in the first three months of the year, but whether or not this component is significant in the same manner it was in the opening quarter is an open question. Overall the second quarter growth is anticipated to be above trend/strong. So, Q1 GDP is easily forgiven, because the Q2 result should send the negativity right down the memory hole.

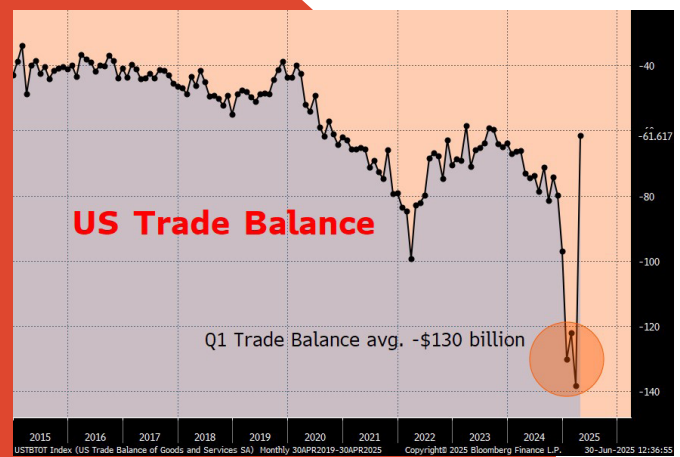


Chart 3. Source: Bloomberg Finance L.P.



Chart 4. Source: Bloomberg Finance L.P.

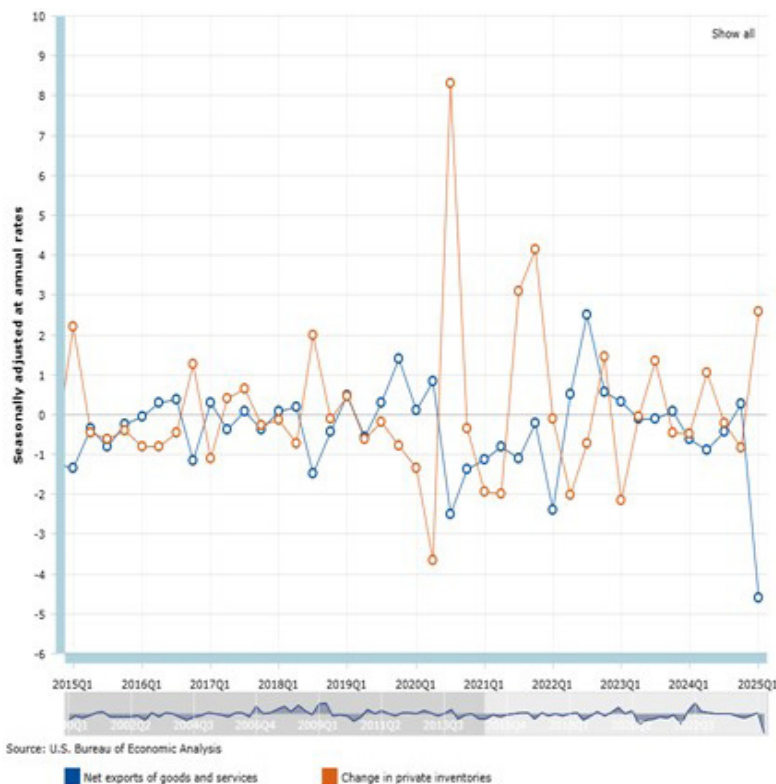


Chart 5. Source: U.S. Bureau of Economic Analysis.



“
FOREWARNED
IS FOREARMED...
”

...but...The Point...

PERSONAL CONSUMPTION ACCOUNTS FOR ABOUT SEVENTY PERCENT OF THE GDP.

In the first quarter this key component was +0.5%. Not including negative results during, or just after, the Pandemic and Great recessions, this is the second lowest result in more than thirty years; Q2 2011 was +0.4%. Furthermore, no Personal Consumption result in the recession of 2001 was as low as Q1 2025. Personal Consumption added just 0.31% to the GDP calculation. Using the same caveats as above, there is only one quarter, Q1 2011, which added 0.30%, that had a lower contribution, all the way back to 1991. I'm a little surprised that there was not a pre-tariff surge in consumption. But in any case, there is not much a lift so far in Q2. It is worth noting that Retail Sales is negative on a month-on-month basis in April and May, -0.1% and -0.9%, respectively. Personal Spending rose two tenths from the month before in April, but was a tenth lower on the month in May. *Chart 6.*

Personal Consumption is the most important component of the GDP. Just because other components made most of the noise in the first quarter, the hush coming from Personal Consumption is probably the thing we should notice most closely.

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Chart 6. Source: Bloomberg Finance L.P.



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<https://alternativeinvestorportal.com/events/gtr-commodities-2025-geneva/>

COMMODITIES PEOPLE ENERGY TRADING WEEK, LONDON

25-26 SEPTEMBER,
<https://europe.energytradingweek.com/>

GULF INTELLIGENCE THE 12TH ENERGY MARKETS FORUM

1-2 OCTOBER, Fujairah, UAE
<https://www.thegulfintelligence.com/en/gi-calendar-future/future/the-13th-energy-markets-forum-2025>

PERRET ASSOCIATES GENEVA ENERGY FORUM

16 OCTOBER,
<https://www.perretassociates.com/>

ENERGY TRADING WEEK AMERICAS, 29-30 OCTOBER, Houston - tentative"

TFG GENEVA: CHALLENGES AND OPPORTUNITIES WITHIN TRADE & COMMODITIES, GENEVA

6 NOVEMBER, 9am -5pm CEST (Geneva)
<https://www.tradefinanceglobal.com/tfg-geneva-challenges-and-opportunities-within-trade-commodities/>

GLOBAL GRAIN GENEVA

11-13 NOVEMBER,
<https://www.fastmarkets.com/events/global-grain-geneva-2025/>



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Head of Technical Analysis
& Senior Markets Analyst

INTERNATIONAL ASSOCIATION OF OPERATIVE MILLERS (IAOM) EURASIA CONFERENCE & EXPO

3-6 SEPTEMBER, Istanbul, Turkey
<https://www.iaom.org/event/iaom-eurasia-conference-expo-september-3-6-2025/>

ENERGY TRADING WEEK CONFERENCE

25-26 SEPTEMBER, London
<https://europe.energytradingweek.com/>

26TH INTERNATIONAL FEDERATION OF TECHNICAL ANALYSTS ANNUAL CONFERENCE

26-28 SEPTEMBER, Frankfurt, Germany
www.ifta.org

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11 OCTOBER, Zagreb, Croatia
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30TH ANNUAL WORLD ETHANOL & BIOFUELS CONFERENCE

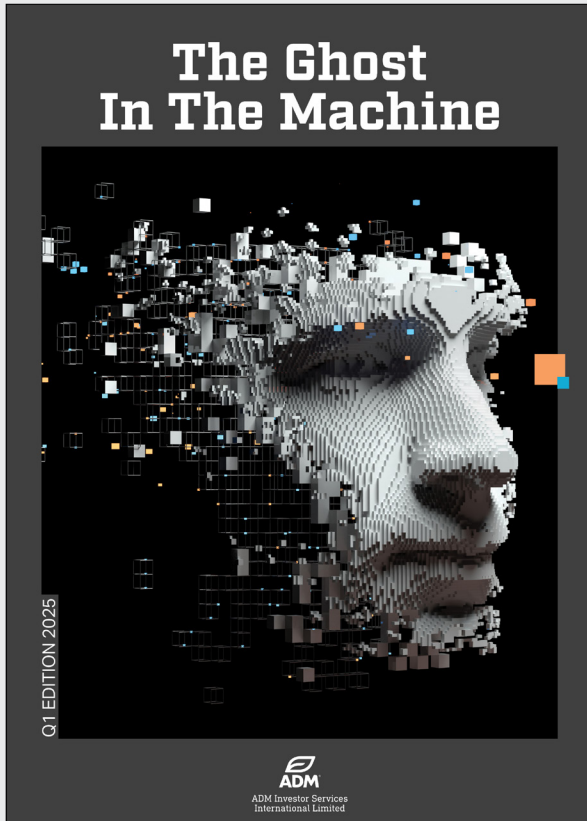
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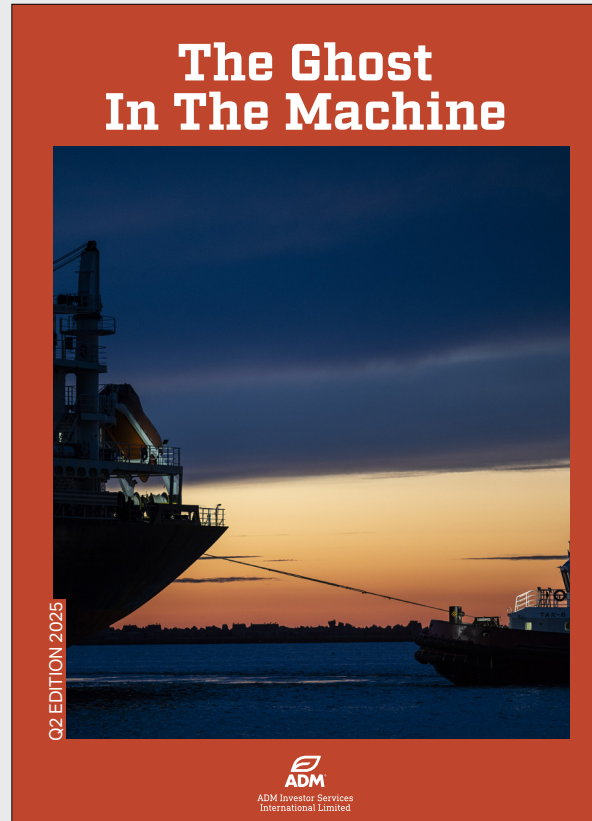


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Q1



Q2

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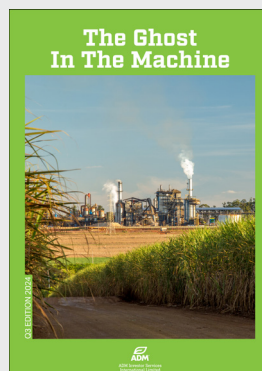
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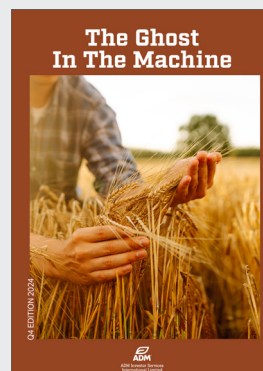
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Q2



Q3



Q4



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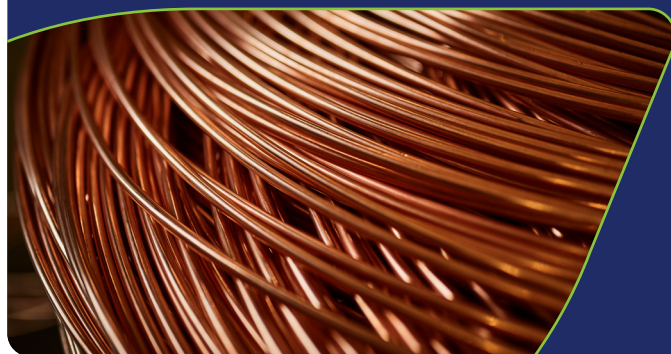
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Q3 EDITION 2025

The Ghost In The Machine

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