M.E. Global Trading Pty. Ltd.
ABN 37 103 831 321 · ACN 103 831 321
21 Firth Street, Arncliffe NSW 2205
meglobaltrading.com

# Glossary of Trade Terms

Physical commodity trading runs on shorthand. This page explains the terms, grades and pricing references used across our site and in our quotations, in plain English. If something you have been quoted is not here, ask us and we will explain it.

## Delivery terms (Incoterms)

*Incoterms are internationally standardised rules that decide exactly where the seller's responsibility ends and the buyer's begins — who pays freight, who insures the cargo, and at what point risk passes.*

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| **FOB**<br>Free On Board | The seller delivers the goods onto the vessel at the loading port. From that moment cost and risk are yours: you arrange and pay for freight and insurance.<br>*Cheapest headline price, but you carry the shipping risk and organise the vessel.* |
| **CIF**<br>Cost, Insurance and Freight | The seller pays for freight to your named destination port and takes out marine insurance. Risk still passes at the loading port, but you are covered by the insurance policy.<br>*The usual basis for cargo arriving into a port you nominate.* |
| **CFR**<br>Cost and Freight | The same as CIF, except the seller does not provide insurance. You arrange your own cover. |
| **DAP**<br>Delivered At Place | The seller delivers to a named place inland — a warehouse or factory — and bears cost and risk until arrival. You handle import clearance and duty. |
| **EXW**<br>Ex Works | You collect from the seller's premises and handle everything from there. Rare in international commodity trade. |
| **In-warehouse** | The metal is already sitting in a warehouse and title transfers there. Common for LME-registered metal, often with a warehouse receipt or warrant. |

## Payment and documents

*In cross-border trade, neither side wants to move first. These instruments let a bank sit in the middle and release money only when the agreed documents are produced.*

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| **LC**<br>Letter of Credit | Your bank guarantees payment to the seller, provided the seller presents documents that exactly match the terms — bill of lading, inspection certificate, invoice and so on. The bank checks paperwork, not cargo. |
| **Irrevocable LC at sight** | An LC that cannot be cancelled or altered without everyone's agreement, and pays as soon as compliant documents are presented. The standard for a first transaction with a new counterparty. |
| **DLC**<br>Documentary Letter of Credit | The general term for an LC that pays against documents. In practice used interchangeably with "LC". |
| **SBLC**<br>Standby Letter of Credit | A guarantee rather than a payment method. It is only drawn on if you fail to pay by the agreed route, so it works as a safety net behind another arrangement. |
| **TT**<br>Telegraphic Transfer | A straight bank transfer. Fast and cheap, with no bank standing between the parties — so it relies on trust, and is usually seen with established relationships or partial prepayment. |

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| **CAD**<br>Cash Against Documents | Documents are released to you through the banks when you pay. Less protection than an LC, but cheaper and quicker. |
| **B/L**<br>Bill of Lading | Issued by the shipping line. It is the receipt for the cargo, the contract of carriage, and the document of title — whoever holds the original controls the goods. |
| **Warrant / warehouse receipt** | Proof that a specific parcel of metal is held in a named warehouse. An LME warrant is transferable and represents metal of a registered brand and shape. |

## Pricing and benchmarks

*A commodity price has two halves: a public benchmark that everyone can see, and a premium or differential that reflects the specific product, place and time.*

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| **LME**<br>London Metal Exchange | The world reference exchange for industrial metals. Its daily settlement prices are the basis on which most physical aluminium and copper contracts are priced. |
| **Pricing period** | The stretch of time whose exchange prices are averaged to set your price — for example the calendar month of shipment. Agreeing this in writing matters as much as agreeing the premium. |
| **Premium** | The amount added to the exchange price for physical metal delivered to a particular place, covering freight, duty, financing and local scarcity. It moves independently of the metal price. |
| **MJP**<br>Main Japanese Ports | The benchmark premium for primary aluminium delivered into the main Japanese ports — Yokohama, Nagoya and Osaka. It is negotiated each quarter between the major producers and Japanese buyers, and assessed on a spot basis between those settlements. It is quoted in US dollars per tonne and is paid on top of the LME price, never instead of it. Because Japan is the region's largest importer of primary aluminium, MJP became the anchor for the whole Asia-Pacific market — including cargo going to China. Smelters exporting into China commonly price their term allocation off MJP, then adjust for freight to the Chinese discharge port. So a Chinese buyer being quoted "MJP plus an adjustment" is not being quoted the wrong benchmark; it is how a producer prices its regional allocation.<br>*MJP is a producer-negotiated benchmark. CIF Shanghai is a spot assessment of the Chinese market. They measure different things and will not agree — see the note at the end of this section.* |
| **Rotterdam duty-paid** | The European premium benchmark, for metal in Rotterdam warehouses with import duty already settled. A duty-unpaid figure is quoted separately. |
| **MWP**<br>US Midwest Premium | The premium for delivery into the US Midwest. It trades on the CME, so unusually it can be hedged separately from the metal itself. |
| **CIF Shanghai** | The assessed spot premium for metal landed at the main Chinese ports, covering both copper cathode and aluminium. It tracks Chinese import demand, bonded stock levels and the import arbitrage, so it can move sharply and quite independently of MJP.<br>*Typically applies to spot cargo bought into China. A term allocation from a smelter is more often priced off MJP — both are legitimate, they are simply different reference points.* |
| **SHFE**<br>Shanghai Futures Exchange | China's domestic metals exchange. SHFE prices are quoted in renminbi per tonne and already include Chinese import duty and VAT, so they are not directly comparable with an LME price plus a CIF Shanghai premium. Comparing the two without adjusting for duty, VAT, freight and the exchange rate is the single most common source of confusion in China-bound quotations. |
| **Import arbitrage**<br>the "arb" | The gap between the landed cost of imported metal — LME, plus premium, plus freight, duty and VAT — and the domestic SHFE price. When the arb is open, importing is profitable, Chinese demand for cargo rises and the CIF Shanghai premium is pulled up with it. When the arb is shut, import demand falls away. |
| **Differential** | The fuels equivalent of a premium — the amount added to or subtracted from a published assessment such as Platts, reflecting the specific grade, origin and delivery window. |

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| **Platts / Argus** | Price reporting agencies that publish daily assessments of what physical cargoes are trading at. Their assessments are licensed data, which is why we reference them rather than republish them. |
| **Dated Brent** | The benchmark for physical North Sea crude, used to price much of the world's traded crude oil. |
| **Upcharge / conversion** | The extra cost of turning standard ingot or cathode into the shape you actually need — billet, rod or alloy. Quoted per tonne on top of the metal price and premium. |

> A note for buyers in China. Three different numbers get confused with each other, so it is worth separating them. MJP is a benchmark negotiated between producers and Japanese buyers — and smelters exporting into China routinely price their term allocation off it, adjusted for freight to the Chinese port, so you may legitimately be quoted on MJP. CIF Shanghai is a spot assessment of what metal actually landed in China is trading at, and is more usual for spot cargo. The two measure different things and will rarely agree; neither is the "wrong" benchmark. SHFE is different again — the domestic Chinese screen price in renminbi, which already includes duty and VAT and therefore cannot be compared directly with either. Whichever applies to your enquiry, we will say which benchmark we are quoting against and show the freight adjustment as its own line. Ask us for the full landed cost and we will set it out item by item: exchange price, premium, freight, insurance, duty, VAT and our commission. No part of it is hidden inside another number.

## Metals: grades and forms

*Grade tells you the chemistry. Form tells you the physical shape it arrives in. Both need to be stated before anyone can quote you properly.*

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| **P1020A** | The global standard grade of primary aluminium: at least 99.70% aluminium, with silicon at or below 0.10% and iron at or below 0.20%. The "A" denotes the standard Western specification. |
| **A7 / A7E** | Primary aluminium to the GOST 11069-2001 standard, also 99.70% minimum, widely produced across the CIS and Asia. A7E is the tighter electrical grade, with the iron-to-silicon ratio controlled for conductivity.<br>*Origin should always be declared and sanctions-screened for this grade.* |
| **Grade A cathode** | Refined copper of at least 99.99% purity, meeting BS EN 1978:1998 Cu-CATH-1. The form copper is traded in worldwide, produced as flat plates.<br>*"LME-registered brand" means the producer's brand is approved for exchange delivery — usually a modest price premium over an unregistered brand.* |
| **Billet** | A cylindrical bar cast for extrusion — pushed through a die to make window frames, tubing and profiles. 6063 is the common architectural alloy; 6061 is stronger and used structurally. |
| **Homogenised** | Heat-treated after casting to even out the internal structure so the billet extrudes cleanly. Standard for quality extrusion billet, and worth specifying. |
| **Wire rod** | Continuously cast coiled rod, typically 8mm for copper and 9.5mm for aluminium, drawn down into wire and cable. EC grade 1350 aluminium is made to a minimum electrical conductivity of 61% IACS. |
| **Sheet ingot / slab** | Large rectangular castings destined for rolling mills, which roll them into plate, sheet and foil. |
| **ADC12 / A380.1** | Secondary (recycled) aluminium alloys made for high-pressure die casting — automotive and appliance parts. ADC12 is the Japanese designation, A380.1 the American equivalent. |
| **T-bar / sow** | Large cast shapes of primary aluminium, roughly 500kg to 1000kg, used where metal will be remelted. Cheaper to handle than small ingot. |

## Refined fuels and crude

*Fuel specifications are legal requirements as much as technical ones — the sulphur limit that is acceptable in one country will be illegal in another.*

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| **EN590** | The European standard for automotive diesel. "EN590 10 ppm" means no more than 10 parts per million of sulphur — the ultra-low-sulphur grade required across Europe, Australia and most developed markets. |
| **Gasoil 500 ppm** | A higher-sulphur diesel still permitted in some markets for off-road, marine or industrial use. Cheaper, but check what your destination country legally allows. |
| **Jet A-1** | Aviation turbine fuel to DEF STAN 91-091 and ASTM D1655, with a freeze point no higher than " 47°C. Handled under tight quality control, since contamination is a flight-safety matter. |
| **Cetane number** | How readily diesel ignites under compression — the diesel equivalent of octane. EN590 requires a minimum of 51. |
| **API gravity** | How light or heavy a crude oil is. Higher API means lighter crude, which yields more petrol and diesel and generally sells for more. |
| **Sweet / sour** | Sweet crude is low in sulphur and cheaper to refine. Sour crude is high in sulphur and trades at a discount. |
| **Assay** | The full laboratory breakdown of a crude oil's composition, so a refinery knows exactly what it will yield. Provided before a cargo is nominated. |
| **Barrels per tonne** | Oil is priced in barrels but shipped by weight, so a conversion factor is needed. It varies with density: roughly 7.45 for diesel, 7.88 for Jet A-1, 7.33 for Brent crude. The contractual figure follows density measured at test. |

## Quality and inspection

*Independent inspection is what stops a quality dispute becoming one party's word against the other's.*

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| **SGS · Intertek · Bureau Veritas · Saybolt** | The major independent inspection companies. They sample, test and weigh cargo at loading and discharge, and issue certificates the banks and both parties rely on. |
| **Certificate of Analysis** | The laboratory result confirming the cargo meets the contract specification. Usually a required document under a letter of credit. |
| **Certificate of Origin** | States where the goods were produced. Needed for customs, tariffs, preferential trade agreements and sanctions compliance. |
| **Quantity at test** | The measured quantity determined by independent inspection at the agreed point, which is what gets invoiced — not the nominal figure in the contract. |
| **Assay-based pricing** | Where payment depends on measured metal content rather than gross weight. Standard for concentrates and scrap. |

## Who's who in a transaction

*A great deal of time is wasted in commodity trading talking to people who cannot actually deliver. These labels matter.*

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| **End buyer** | The party that will actually receive and use or resell the goods, and whose bank issues the payment instrument. |
| **End seller / producer** | The refinery, smelter or producer that owns the goods and can title them to you. |
| **Mandated agent** | A party formally authorised in writing by the producer or seller to offer their goods. A mandate can be verified; a claim to have one cannot. |
| **Broker** | An intermediary who introduces the parties for a fee, without taking title to the goods. |

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| **Counterparty** | Simply the other side of a transaction. "Counterparty risk" is the risk they fail to perform. |
| **KYC**<br>Know Your Customer | The verification checks required before trading — confirming a company exists, who owns and controls it, and that none of them appear on a sanctions list. |
| **Beneficial owner** | The real human being who ultimately owns or controls a company, behind any holding structures. Central to sanctions and anti-money-laundering compliance. |
| **End-user certificate** | A document stating who will finally use goods subject to export control, and for what. Required for security technology and other controlled items. |

> A note on the market. Physical commodity trading attracts a certain amount of noise — offers circulated by parties with no goods, documents that cannot be verified, and pricing that bears no relation to the market. If an offer is far below the benchmark, something is wrong with it. We would rather tell you a requirement cannot be sourced than pass on an offer we have not checked ourselves.