

Where the number comes from

Brent is not Brent. The Hub is a pipe. The index is a poll.

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SOMEWHERE ON YOUR PHONE right now there is a number called the oil price. Brent \$89. Next to it, gas \$2.73 and aluminium \$3,248, laid out like a supermarket shelf. None of them is a price the way a shelf has prices. Each is the price of one specific promise: a fixed amount of one grade, delivered at one place, in one month. Nobody sells oil at the oil price. They sell a cargo: one grade, one port, one loading window. They price it against a benchmark, the reference number the market has agreed to argue from, plus or minus a differential for everything that makes this cargo different. This piece is about what that number is and where it comes from. Almost none of the answers are what the label suggests.

Start with the place, because it matters more than it sounds. Henry Hub, the American gas price, is a set of pipes near Erath, Louisiana. TTF, the European one, is a virtual point in the Dutch grid with no pipes at all. Same gas, and the European price is routinely a multiple of the American one. The difference is a ship. We will get to the ship.

THE LADDER

Distance from the physical commodity

- 1 Traded, with delivery**
Hold the contract to expiry and something physical arrives.
Henry Hub gas, LME metals, Chicago wheat, New York gold
- 2 Traded, settled to an assessment**
The screen trades. The final price is fetched from somewhere else.
ICE Brent, Newcastle coal, freight futures
- 3 Assessed from a window**
A price reporter judges the bids, offers and deals in a set window.
Dated Brent and JKM LNG, both Platts
- 4 Estimated by a panel**
Brokers say what a standard ship would earn if it were fixed today.
The Baltic Dry Index and the Baltic route assessments

Off the ladder altogether: an auction, a negotiation, a customs statistic.

Four ways to make a number

Here are the four ways most of the numbers on that screen get made, in order of how far each sits from a physical cargo.

1. Traded, with delivery. Henry Hub, LME metals, Chicago wheat, New York gold. Buy the contract, hold it to expiry, and something physical arrives: 10,000 million British thermal units of gas into those Louisiana pipes, 25 tonnes of aluminium in an approved warehouse, 5,000 bushels of wheat. Almost nobody does this. The threat that they could is what keeps the number honest.

2. Traded, settled to an assessment. ICE Brent settles to an index. Newcastle coal settles to a monthly average published by globalCOAL, built from deals and bids and offers. The screen is where the liquidity is. The truth is somewhere else, and the contract just promises to go and fetch it.

If nothing trades, the number still comes out.

3. Assessed from a window. Dated Brent. Platts, a price reporting agency, watches bids, offers and trades in a defined window at the end of the London afternoon and publishes a number. If nothing trades, the number still comes out. It can, because a bid nobody hits still proves the cargo is worth more than that, and an offer nobody lifts proves it is worth less. It has to, because Platts calls it the most widely used physical crude benchmark in the world, and cargoes nothing like North Sea oil are priced as Dated Brent plus or minus something, on days when no North Sea cargo traded at all. In American crude, its rival Argus averages every deal reported through the day instead, and the two have argued about which of them is the market ever since.

4. Estimated by a panel. The Baltic Dry Index. Each day a panel of shipbrokers sends the Baltic Exchange its view of what a standard ship would earn on a standard route if it were fixed today. The Baltic averages the views and publishes them. When nothing has been fixed on that route, the panel is asked for its judgement anyway. So the world's favourite gauge of global trade is an opinion poll among people paid on commission.

This sounds like a scandal. It is the opposite. In shipping, two owners can fix "at the market" on the same day at different rates, and both are right, because they fixed different ships, different dates and different fine print. No single fixture is the market. The index does not replace the deal. It gives both sides a number to start arguing from, and the people supplying it are the ones who saw the last deal done. Without it, the argument has no floor.

Not on the ladder. A few benchmarks skip the ladder altogether. Gold has two prices. New York's is a rung-one futures contract. London's, the LBMA Gold Price, is fixed twice a day in an auction, one clearing price at 10:30 and one at 15:00, by the London bullion market, which is not the London Metal Exchange. Different body, different metals, same city. Iron ore was priced until 2010 in an annual negotiation between three miners and the steel mills, and the result was called the benchmark. And Japan's long-term gas contracts have priced off a customs statistic for decades: the average price of the crude that cleared Japanese customs in recent months, which the trade calls the Japan Crude Cocktail. An auction, a meeting and a form. All three are still called the price.

The month problem

A futures contract is for a month, and there is one for every month for years ahead. So there is never one oil price. There is a row of them, and the row has a shape: the futures curve. Nearest month dearer than the later ones, sloping down, is backwardation. Later months dearer, sloping up, is contango. The slope is not a verdict on whether there is "enough" oil. It is the price of time, and several things are priced into it: how full the tanks are, how hard a cargo is to find this week rather than next, what it costs to store and finance a barrel while you wait, the season, and what the market expects. A steep backwardation usually means prompt barrels are scarce. A contango usually means someone is being paid to hold them. Usually. The slope decides whether storing oil pays and what a hedge costs, which is why traders read it before they read the price. And when the nearest month expires, your screen jumps to the next one in the row. If it is dearer, "the price" rises and nothing has happened.

LME aluminium skips the month entirely. The London Metal Exchange quotes a price for delivery on every single business day for the next three months, then weekly, then monthly out to ten years. Its "cash" price is for metal in two business days' time. Its headline price is for metal three months out, so the benchmark's delivery date moves every morning. It prices copper by the tonne where New York prices it by the pound. And delivery is not a ship at a quay but a warrant, a document naming 25 tonnes of one approved brand in one approved warehouse, which might be in Rotterdam or Port Klang or dozens of other places, and the seller picks which, etc. None of this is a mistake. The exchange grew up serving people with a ship of metal arriving on a Tuesday, and it never saw a reason to stop.

Shipping is in every number

Freight is not the strange row on the screen. It is the row where everything above is easiest to see. It has an address, a route rather than a hub. Its benchmark is assessed rather than traded. No two deals are alike, so the index is a starting point and rarely the price. And, like electricity, it cannot be stored. When copper is too dear, someone sells from a warehouse. When a ship is too dear, nobody can sell a stored ship. The fleet only grows when a yard finishes a ship, which takes years, so freight spikes and crashes harder than any cargo it carries.

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It is also inside every other row. The gap between TTF and Henry Hub is a ship. The gap between Brazilian soybeans and Chicago has a ship in it. Newcastle coal is priced on the quay, so the buyer in Japan adds a ship. And the index everyone quotes for the dry-cargo ones is the one you cannot trade: freight derivatives, FFAs to the trade, settle on the Baltic's daily charter averages, not on the BDI itself. The famous number is a barometer. The money is in the fine print beneath it.

Which answers the obvious question. The numbers made on a screen you can trade, through a broker, with the small print that a futures contract is a promise you must exit before it becomes 10,000 MMBtu of gas in Louisiana. The assessments you cannot. You can only trade the contracts that settle on them. And the Baltic Dry Index you cannot trade at all, which is fitting for the one number on the screen that was never a price in the first place.

One number, start to finish

Follow the most famous number on the screen through one day of its life. Brent is named after a field that stopped producing in 2021, whose last platform had its deck lifted off in one piece. The name outlived the oil. This is what the name is attached to now.

It starts with cargoes. Six grades of crude count as Brent: five from the North Sea and, since 2023, WTI Midland from Texas, added to keep enough cargoes in play. Every cargo is given a loading window of a few days. A cargo that has its dates, ten days to a month out, is "Dated".

Then people put prices on it. Through the London afternoon, oil companies and trading houses post firm bids and offers for those cargoes on a Platts screen, under their own names. This is the window from rung three. Sometimes a cargo trades. Often none does, and the standing bids and offers are all the evidence there is.

Then an editor decides. Platts freezes the market at 16:30 London time and publishes one number: the value of the cheapest of the six grades at that instant, after adjusting each for quality, and after subtracting an assessed freight rate from the Texan one, because it arrives in Rotterdam by tanker and has to be priced as if it had loaded in the North Sea. That is Dated Brent. Rung three, with a ship inside it.

Then the paper hangs off it. The Brent futures on your phone never deliver a barrel. On its last day each contract settles in cash against an index that ICE builds from that day's trades in the forward cargo market, the same cargoes before they get their dates. A November contract is a promise about November in general. A cargo is never in November in general. Expiry is where the two are made to agree.

Then somebody uses it. A refinery buys a cargo of crude that has never been near the North Sea. The contract does not name a price. It names a formula: the average of Dated Brent over the five days around the day the ship loads, plus or minus a differential for the grade. Nobody knows what

the cargo cost until two days after it has sailed. In the meantime the refinery hedges with the futures on your phone, plus a second contract that covers the gap between the futures and Dated, because the two are not the same number and the gap between them moves.

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Then it becomes news. The headline quotes the front-month future. It is three steps from the cargoes it began as.

So the oil price is named after a field that no longer exists, set by a contract that never delivers, settled to an assessment that is partly Texan, and used to price oil that has never seen the North Sea. A few cargoes, a screen of bids, an editor, a formula and a hedge. That is the life of one number. Every other row on the screen has one too.

Why should you care

Because every headline you have read about "oil prices" was a headline about one contract, for one month, at one place, marked against one assessment. When the front month rolls, the news writes a story about oil rising. When Platts adds Texas to Brent, it does not. The number on the screen is a decision somebody made about what to measure. Behind it sit a methodology, a delivery point, a calendar, a panel or a pit, and a contract that spells out what the promise is. Read the number, then ask who made it, where, for when, and against what. The number is where the analysis starts. It is not where it ends. ■

This piece borrows its way of looking at prices, as layers of deals, assessments, indices and derivatives, from Mads Frank Markussen's four-paper series on dry bulk freight pricing for CM Navigator (2026). The series starts with "From Bilateral Bargains to Indices" and is published on his LinkedIn page, [linkedin.com/in/madsfrankmarkussen](https://www.linkedin.com/in/madsfrankmarkussen). We carry that view over from freight to other commodities. Errors are ours.