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Evolution or Revolution: Trading 2.0

Highlights from the Global Trader Dialogue 2018

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Commodity trading has always evolved with the latest technological developments. In the last five years, however, it has evolved at a rapid pace. How has commodity trading transformed and how should we navigate these changes?

A recent [Boston Consulting Group article](#) on commodity trading reported that digitalisation is redistributing up to US\$70 billion in trading value and redefining what it means to be competitive.

Traditionally, commodity traders have depended on superior market information, control of critical assets and superior trading capabilities in order to be competitive. However, in recent years, information has become more widely available and accessible, even to smaller players, eroding the traditional information advantage.

The emergence of new technologies could also change processes in the middle and back offices of trading companies. For example, distributed ledger technologies like block chain create an immutable, irrefutable ledger of transactions, increasing transparency and traceability among counterparties, allowing them to transact with each other without the need for a central authority. This could also reduce the need for slow and tedious manual document verifications.

As the world enters this rapid phase of digitalisation, experts who spoke at the Global Trader Dialogue 2018 addressed new ways for this industry to grow and said that companies can remain competitive by being equipped with the right digital capabilities, collaborating more with each other, and ensuring people and skills keep pace with the changing times.

Riding the Digital Revolution Successfully.

Over the last five years, advancements in technology have made it cheaper and easier to collect and analyse vast amounts of data quickly. This means companies now have better data at their fingertips to make decisions that are more efficient, more productive, and more precise. According to James Rilett, Global Director of Innovation and Digital Strategy at S&P Global Platts, commodity players can differentiate themselves by working with data scientists to better harness big data and alternative data sets.

Citing a **recent example** within the mining industry, Simon Trott, Chief Commercial Officer at Rio Tinto, explained that his company was able to reduce the processing time for a dataset that would have taken 50 years using normal computing methods to a mere 11 hours, working with data scientists and cloud solution providers. This in turn reduced costs from millions of dollars to under US\$10,000.

That said, digitalisation is hardly a magic bullet. Rather, it can help companies leverage their assets more effectively. Each company should be strategic in choosing technologies to adopt, taking into consideration

business and customer needs. Existing processes typically also need to be well-established and robust to be digitised successfully.

Enterprise Singapore

Echoing Trott's views, Anderson Tanoto, Director at RGE Group, suggested that company leaders develop an overall digital roadmap, setting out the priorities for the company. This roadmap in turn guides employees at every level of the organisation, allowing them to start mini digital revolutions in their respective areas of work. These mini revolutions speed up the overall evolution of the company over time.

Man versus machine

With automation technologies like artificial intelligence and machine learning on the rise, some in the industry have wondered if robots could one day be better traders than humans.

Addressing those concerns, both Tanoto and Quek Chin Thean, Managing Director (Asia) of Glencore Singapore, asserted the ability to take risks, and react to political and social developments in the world arises from invaluable human traits. Rather than machines substituting men, true productivity will happen when both men and machines work closely together.

With algorithms and analytics getting more advanced, workers in the next decade or so will have to learn how to feed these machines with the right data. This means developing the analytical skills to think deeper about complex issues.

What Is Singapore's Role in This Revolution?

As various game-changing technologies emerge, Singapore will continue to work with businesses to build up the legal architecture, sketch out what-if scenarios and standardise how counterparties can transact with one another more seamlessly.

From a policy and regulatory standpoint, Rilett felt Singapore can continue to provide a trusted, neutral environment for companies to collaborate with one another and with research institutes on areas of mutual interest, both for industry-wide projects, as well as specific initiatives to sharpen a company's competitive advantage.

Ultimately, commodity trading is a people business, and it is people with relevant skillsets that make a company successful. Singapore thus needs to ensure that its trading talent keeps pace with technological developments, especially in areas around artificial intelligence, big data, machine learning, and distributed ledger technologies.

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