

Commodity broking is a rewarding career field that offers excellent financial rewards and exciting opportunities for graduates with a steady nerve and a good head for figures, says [GILL LONGMAN](#)

Carving out a career in Commodities

Do you fancy yourself as a bit of a wheeler and dealer? Have you got a steady nerve and a good head for figures? Then maybe you've already considered a career in commodity broking. Of course the financial gains can be eye-watering but there are a few surprises round the corner if you are going to be successful.

Humility isn't perhaps the first requirement you'd expect an international investment bank to place on its shopping list of graduate qualities. However, Goldman Sachs is a member of all the major commodity exchanges and Calum Forest, the bank's Head of Recruitment in London has this to say:

"Students need to be reasonably self-confident, but not arrogant. Sometimes our industry suffers from the perception that to be successful in an organization like ours, you have to be a little bit arrogant. You don't. You need a level of self-belief, but you'll need to have humility. Very few people get hired if they don't have humility. A ready sense of humour is always good, too."

Commodities are items

So humour and humility...there's plenty of other requirements too but we'll come to those later. First things first – what exactly is commodity broking?

Commodities are items like metals, petroleum and financial instruments such as gilts and bonds, as well as "soft" goods such as cocoa, coffee, sugar, potatoes, wheat and barley. In the commercial

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world producers, traders, refiners, distributors and consumers need to be able to plan ahead and frequently enter into commitments to buy or sell a commodity many months in advance. The problem inherent in international trading is that many products are subject to wide price fluctuations over time which can quickly wipe out profits.



LONDON METAL EXCHANGE

CAREER FOCUS

Commodity brokers buy and sell commodities on behalf of clients. Their objective is to negotiate a successful transaction for their clients and to achieve the highest possible profit. They act as a direct link between the producer of the commodity (the seller) and the consumer (the buyer). Using telephone and computer links, the producer, broker and consumer agree a price. Very often the buyer and the seller are in different parts of the world and the commodity under discussion is not bound for the UK, even though the transaction is handled by a London based broker.

Commodity broking is regulated by the Financial Services Authority. Exchanges, as well as their member institutions have to abide by strict legislation contained in the Financial Services and Markets Act (FISMA) which became law in June 2000. The industry is a major contributor to the UK's invisible earnings. Last year, the London Metal Exchange alone generated more than £250m in overseas earnings.

The LME was established in 1877 as a direct result of the Industrial Revolution. Today it acts as a global centre for businesses which need to manage the risk of price movements in non-ferrous metals. It remains a traditional "Open Outcry Market" with members divided

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into five categories. It's possible to visit the Gallery of the LME which is open between 11.45am and 5pm whenever the Exchange is open for business. You need to book in advance through the LME marketing department on 020 7264 5555.

The International Petroleum Exchange has a much more recent history. Until the 1970s, the price of oil was relatively stable with production largely controlled by the biggest oil companies. The 1970s transformed the industry forever. Two oil price shocks meant that price volatility became a fundamental feature of the market, short-term physical markets rapidly evolved, and the need to hedge emerged.

Growing business volumes

A group of energy and futures companies founded the IPE in 1980 and the first contract, for Gas Oil futures, was launched the following year. As business volumes grew the IPE moved location several times to accommodate new pits and increasing numbers of traders. Orders from clients were taken over the telephone by brokers and transmitted to traders in the relevant pit. In March this year, the IPE announced that it would



LINCOLN SCIENCE BUILDING

close its trading pits in April. Now, following the European tradition, all its markets operate electronically.

Whatever the physical medium of trading, the career prospects and skill profile for brokers remains consistent. All tend to specialise in one or two commodities and become extremely well-informed about the sectors in which they work. They need to read the financial and trade press and keep up-to-date with information provided by in-house research teams. In some cases they may visit the country from which their commodity originates in order to carry out quality checks. At Goldman Sachs the Fixed Income, Currency and Commodities division is at the forefront of a fast-paced environment where global events have a profound and dynamic effect on the markets. The company website gives some tips for success:

"We will teach you everything you need to know to succeed in your job, but we cannot teach the personal qualities that lead to success in FICC: intuitive thinking, self-motivation, and a genuine interest in economics, world events and finance.

"Different roles within FICC have different skill-sets – for example, in strategy work we require people who are very analytical with an intensive mathematical background, whereas for sales roles, strong interpersonal skills are a more important prerequisite."

Passion for excellence

Unsurprisingly, Toby Bates, from Goldman Sachs Corporate Communications Department talked about leadership, challenge and a passion for excellence but he continued:

"We're also looking for belief in the power of the group: our environment is collaborative. We actively solicit ideas from one another, act on consensus wherever possible, and ensure that all team members get the credit for a job well done.

"Integrity and trust – both personal and professional – is at the heart of our business. Once people are part of our team, we expect them to maintain the highest ethical standards and maintain fairness in everything they do. We will hire only people who we believe are worthy of this trust."

Like other blue chip employers, GS offers work experience and summer internships to students who want to gain a foothold in this most competitive sector.

Commodities websites

The following websites offer further information about the sector – and commodity exchange members. Follow the links to learn more about work experience opportunities at different stages of your educational career.

<http://www.fsa.gov.uk>
<http://www.dti.gov.uk>
<http://www.lme.co.uk>
<http://www.theipe.com/>
<http://www.liffe.com/>
<http://www.gs.com/>
<http://www.jpmorgan.com/>
<http://www.londonstockexchange.com>
<http://www.thetridenttrust.org.uk> (for information about work experience at the stock exchange)