Where a commodity price actually comes from

> **PRICE ASSESSMENT**
>
> A published estimate of where a physical commodity traded, compiled by an agency from reported deals, bids and offers rather than read off an exchange. Much of the world's physical commodity business settles against assessments. An assessed price is somebody's disciplined judgement - which makes knowing your price's source part of knowing your instrument.

Ask where the FTSE comes from and there is one answer: a calculation over exchange trades. Ask where a commodity price comes from and there are three, and they feed each other.

Exchange order books

The prices you can watch tick are futures on central limit order books. CME Group runs the big US venues: NYMEX for energy, COMEX for metals, CBOT for grains. ICE carries Brent and most of European energy. These work exactly as you would expect from the FX and indices tracks - anonymous orders, a public book, a printed trade.

The London Metal Exchange is its own animal: contracts structured as daily forwards, a physical delivery network of licensed warehouses, and prices still set partly in an open-outcry ring. If you ever trade base metals, the LME's quirks deserve a dedicated evening. For this track, the point is simply that even exchanges differ.

The physical market underneath

Actual cargoes - a tanker of crude, a train of grain - trade privately, dealer to dealer, at negotiated prices. Nobody can watch that market tick. Yet it is the real one; the futures exist to hedge it.

Assessments bridge the gap

Agencies - Platts and Argus are the names to know - survey the physical market daily: reported deals, bids, offers, and a defined methodology for turning them into a number. Dated Brent, the reference for a huge share of the world's physical oil, is an assessment, not an exchange print. When a pricing agency changes its methodology, real cargo contracts change value. That is how load-bearing these numbers are.

So which one are you looking at?

A futures chart shows one contract month on one exchange. A headline 'oil price' is usually front-month WTI or Brent futures - but sometimes Dated Brent, an assessment. Your platform's CFD quote is your broker's price, derived from futures. It is none of the above, exactly.

Three sources, three slightly different numbers, all called the price of oil. You now know better than to expect them to match.

Check your understanding

1. What is Dated Brent?

a. The front-month Brent futures contract on ICE

b. A daily assessed price for physical North Sea cargoes, published by a pricing agency

c. The average of WTI and Brent futures

Answer: b. It is compiled from reported physical deals under a published methodology, not read off an exchange. A large share of the world's physical oil settles against it.

2. Why can two accurate 'oil prices' differ at the same moment?

a. One of the feeds is delayed

b. They can come from different sources - a futures book, a physical assessment, or a broker's derived quote

c. Oil prices are rounded differently in the US and Europe

Answer: b. Exchange futures, agency assessments and broker CFD quotes are three different numbers describing related but distinct things. None of them is wrong; they are answers to different questions.