

FEF WeatherDecision®
the only real time weather market analysis tool

FEF Weather Futures Market Page

First Enercast Financial provides real-time weather futures market quotes side by side with WeatherDecision® HDD and CDD forecasts. WeatherDecision® combines expertise in weather and climate sciences, financial modeling, and software engineering to deliver a state-of-the-art weather derivative analytical and portfolio management system. These advantages are delivered in a simple package:

- Flexible and easy to use
- Output can directly add measurable value to real-time trading and portfolio management
- Solid underlying science and efficient modeling techniques

Client Input

- Individual contracts or portfolios
- Flexibly defined index/indices

Weather Decision Input

- Enhanced historical data adjusted for instrumental and location biases, missing data and local climate trends
- Seasonal statistical model reflecting the influences on local weather by global climate patterns such as El Niño
- Medium-range weather forecast from leading governmental agencies and private companies

Decision Support Output Pricing & Analysis of Weather Derivative Contracts

Individual contracts are analyzed and priced based on predicted value and volatility of the underlying weather indices. The system gives the client the flexibility to define a wide variety of weather indices. The client has the option to choose from various statistical models for climate data and leading weather prediction models for near-term weather information.

Portfolio Management Optimization

First Enercast Financial WeatherDecision® models the interdependence among different weather indices effectively so you can gain a reliable view of the risk/reward profile of your portfolios. The program enables you to automatically assess the marginal portfolio impact of buying/selling individual contracts. It helps you identify optimal trades real time and construct an optimal portfolio given your own risk/return objective and constraints.

Real-Time CME® Contract Evaluation

WeatherDecision system improves the client's trading decisions in two steps. First, the individual contract is evaluated in real-time by comparing the market price with the fair value of the contract modeled by the system. In calculating the fair value, the client has the option of choosing from different weather prediction models (e.g., First Enercast Financial, NOAA, ECMWF) or different assumptions of underlying climate data (e.g. with or without trend removal, how seasonal outlook is taken into account). Second, the impact of trading a CME contract on the client's existing portfolio is evaluated by the system's portfolio management tools. Our integrated system allows the client to immediately assess the impact of trading a CME contract on the risk/return profile of the existing portfolio (e.g., portfolio value at risk).

Value Proposition: Trading with Increased Accuracy

The Weather Decision system enables clients to download original and enhanced historical weather data in addition to having access to seasonal outlook analysis and short to medium range weather predictions. The HDD and CDD 'fair market' valuations provide an accuracy advantage that can be used to trade weather futures. The average error for the First Enercast Financial monthly HDD forecast is 60 HDDs or \$1200 per CME contract using a \$20 tick size.

Request a Demonstration or Trial

Contact Agbeli Ameko at (720)889-3038 or agbeli@firstenercastfinancial.com

WeatherDecision® system dynamically combines various sources of information to achieve the best possible estimates of indices underlying all weather contracts. As an example, the figure below illustrates how the system evaluates the heating degree day (HDD) index of a contract at various lead times prior to expiration. HDD values are based on historical data, Weather Decision's proprietary technology, and the seasonal outlook. The accuracy of HDD prediction is enhanced by medium-range weather forecasts as they becomes available two to three weeks prior to the contract start date. During the term of the contract, the contribution from actual observations increases with time. At the expiration, the contract is settled based solely on actual observations.

