

Volatile Commodity Prices Require Flexible Liquidity

How to Mitigate Margin Requirements and Maintain Financial Flexibility

Commodity prices can fluctuate significantly within a short period of time. For companies that purchase commodities and hedge price risks using derivatives, this can have a significant impact on liquidity planning.

Hedging commodity price risks using derivatives is an important component of risk management. At the same time, rising prices and increased volatility can lead to higher margin requirements. Companies must provide additional collateral on short notice, thereby tying up liquidity that is then unavailable for their core business operations or other financing needs.

This presents a key challenge for treasury teams: How can short-term liquidity needs be met without permanently tying up additional financing capacity?

Margin Calls Increase Pressure on Liquidity

Rising commodity prices and volatile markets can trigger margin calls, thereby creating significant additional short-term liquidity needs.

In such situations, many companies rely on existing credit lines or additional bank financing. These instruments are important, but they can lead to limitations, especially when it comes to short-term liquidity needs:



Financing capacity is tied up

Credit lines are less available for other operational or strategic purposes.



Liquidity buffers must be planned to be larger

Companies need sufficient cash to cover short-term margin requirements.



Financing costs may rise

Additional liquidity needs must be financed, and the necessary capacity must be maintained.



Financial flexibility decreases

The more capital is tied up in collateral, the less is available for investments, growth, and day-to-day operations.

Operating Liquidity as an Additional Lever

While margin calls tie up liquidity in the short term, there is often untapped potential in day-to-day operations. Companies with high raw material requirements often have significant funds tied up in working capital—for example, through purchasing volumes, inventory, and cash flows along the supply chain.

More efficient management of working capital can help free up liquidity and create additional financial flexibility without having to immediately take out new loans.



cflox pay: The Solution For Your Cash Flow Management

cflox pay helps you manage your operational cash flows more flexibly and use your liquidity more efficiently. By allowing you to negotiate flexible payment terms for each supplier payment, your company's liquidity remains within the business longer, while suppliers are paid on time.

This creates additional flexibility for Treasury and Finance:

- Tied-up working capital is reduced, and operating cash flows are optimized.
- Existing credit lines can be used in a more targeted manner, for example, to meet short-term liquidity needs arising from margin calls or other strategic financing requirements.
- Additional liquidity buffers can be established to better manage market fluctuations and unexpected liquidity requirements.

More Flexibility for Volatile Markets

In a volatile market environment, liquidity itself becomes a strategic factor. This is exactly where cflow comes in: Instead of viewing liquidity in isolation, we integrate the requirements of treasury, financing, and operations.

1

Taking a holistic view of liquidity

>> Margin requirements, financing, and operating cash flows do not exist in isolation. Their interrelationships must be part of an integrated liquidity strategy.

2

Making better use of available liquidity

>> Not every additional liquidity need has to be met through additional financing. Operating working capital can be an important tool for creating financial flexibility.

3

Allocate funding where it is needed

>> When operating liquidity is managed efficiently, financing capacity can be deployed more effectively to meet short-term market demands, margin calls, and strategic initiatives.

cflox helps you use working capital as a strategic liquidity lever and sustainably expand your financial flexibility.