Daily BMD CPO Market Analysis and Price Outlook

Decision enabling market analysis & price outlook

For Nov 01, 2013

Report Summary				
BMD CPO Jan'14 Futures	MYR 2598 (+51) on Oct 31, 2013			
Fundamental Summary	**Price drivers**			**Impact**
	Flat exports for the month of Oct'13			Consolidation
	Easing stock pressure amidst anticipated drop in production			Marginally Bullish
	Anticipated decline palm production here after			Marginally Bullish
	Ongoing Soy harvest			Marginal Bearish
	Overall			Range bound with Positive bias
Technical Summary	**Prices are likely to hold above MYR 2500 on any pull back and trade on sideways to positive note in the coming sessions**			
Price outlook summary	**Prices are likely to find support above MYR 2500 and trade on sideways to positive note towards MYR 2630 ahead of turning lower in the coming 3-5 sessions**			
Price Ranges	**Next five sessions**		**Next ten sessions**	
	Initial Level	Subsequent Level	IL	SL
	MYR 2550	MYR 2630	MYR 2630	MYR 2550
	IL=Initial level (Initial Expectation from the current closing) SL= Subsequent level (The subsequent forecast after reaching the initial level)			

Fundamental Analysis Review

- ✓ BMD futures continued to trade higher during the just concluded session in the wake of anticipated decliine in production in the month of Oct'13 which alleviated the fears of stock build up in the current season.
- ✓ Meanwhile, Exports of Malaysian palm oil products for October rose 2.9 percent to 1,548,063 ton from 1,504,803 ton shipped during September, cargo surveyor Societe Generale de Surveillance mentioned in a report today where as another surveyor ITS reported a decline of 0.5% for the same period.
- ✓ Though the exports remained weak , anticipations are running higher that production in Oct'13 might be lower by 5-10%. In this context, a 5% drop in production would keep the stock number for Oct'13 at 1.76 million ton and a 10% drop would further weigh on the stock number to 1.66 million ton.
- ✓ This kind of stock numbers for Oct'13 would ultimately lead to a tremendous lag in stock build up for the coming months where production Is going to be relatively lower than the previous months. While a drop in production is likely to be compensated by the drop in exports , stock number in Dec'13 month might likely to remain close to 1.5-1.6 million ton which is going to be lower than 2.6 million ton in Dec'12.
- ✓ Despite strengthening MYR & weak crude oil prices , palm prices seem to be trading the oncoming stock numbers in Nov-Dec'13 which might stay lower Y-o-Y basis and might stay even lower than Sep'13 stocks.
- ✓ Such scenarios are hinting at further bullishness in the prices in the coming weeks and broad direction of the palm prices here after would be northwards by tracking the easing stock pressure. However ,sustenance of this rise should be supported by stable oil prices which are acting as a demand trigger for palm in bio-diesel segment.

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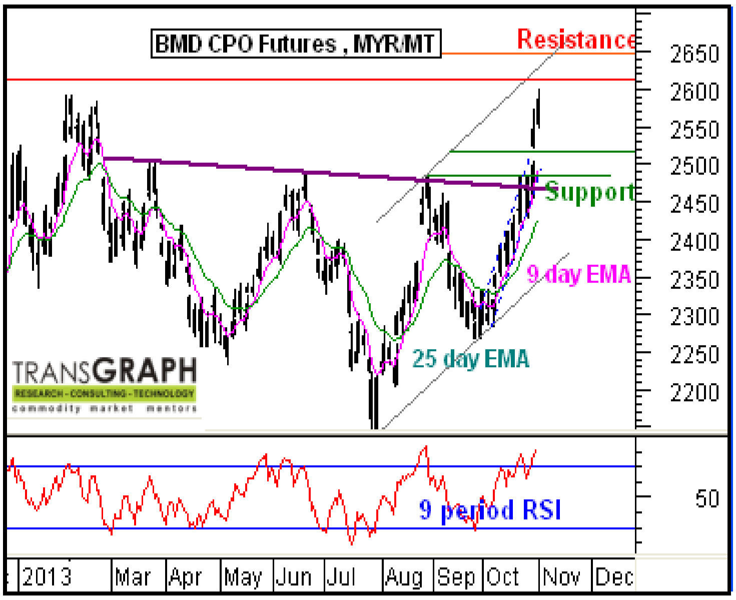
- ✓ On the whole, Palm oil prices would continue to trade higher due to easing stock pressure and euphoria over new demand avenues for palm oil in both origin & destination markets.

Collating all the above factoors, look for BMD prices to trade on a range bound to positive note for a couple of sessions.

Technical Outlook

BMD CPO Jan'14 Futures: MYR 2598 /MT



- ✓ BMD CPO prices traded higher on Thursday also and hit 12 months high with lighter than the last three sessions volume while continuing its gaining streak in the last four sessions after finding support near 10 day EMA while holding above 10 and 20 day EMA exhibiting positive bias.
- ✓ Prices after breaking above previous swing high of MYR 2485 are inching higher throughout the week.
- ✓ Note that prices after breaking above 8 months long consolidation channel line resistance are hovering above the same in the previous four sessions with good volumes and also holding above 200 day EMA indicating over all sentiments are turning bullish in the medium term.
- ✓ An Inverse Head and Shoulder Formation occurred in the long consolidation of last seven months and prices after penetrating above the neck line are staying above the same signaling acceleration of further Bullish momentum as generally these kind of patterns happen in the major bottoms as an indication of trend reversal for long term.
- ✓ On the daily setup, the 9-Day RSI is once again turning up after easing from overbought zone and the Stochastic (14/3/3) is hovering in deep overbought territory and 14 day ADX is rising above 20 displaying strength in the ongoing bullish momentum.
- ✓ On the higher side MYR 2615 which is Oct 2012 swing high followed by MYR 2630 shall act as immediate resistance and as long as prices hold below the same minor pull back cannot be ruled out in the immediate front ahead of turning positive.
- ✓ On the downside MYR 2500 followed by MYR 2470 shall act as support zones to hold prices on firm note.
- ✓ Consistent gains above MYR 2630 shall negate expected pull back and sentiments may turn positive towards MYR 2700 and gradual rally in the weeks ahead.

Concisely, prices are likely to find support above MYR 2500 on any pull back and trade on sideways to positive note towards MYR 2630 ahead of witnessing pull back in the coming 6-8 sessions.

CME Soy Oil Dec'13 Futures: Last closing (Oct 31, 2013): 41.22 cents/lbs.

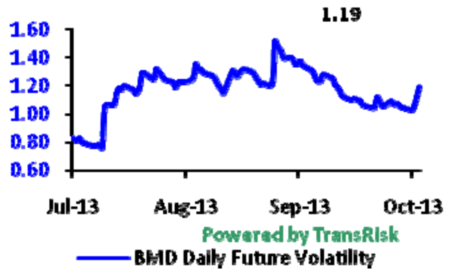
- ✓ Prices are recovering after taking support near 40.20 cents after continuous drift for the last five sessions and are staying above 40 cents.

- ✓ Possibility of further gains is likely ahead of prices turning lower again.

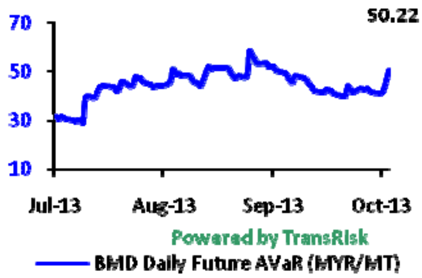
For complete market outlook / trading strategy, please follow our Daily CME Soy Futures complex market mentor.

RISK PARAMETER

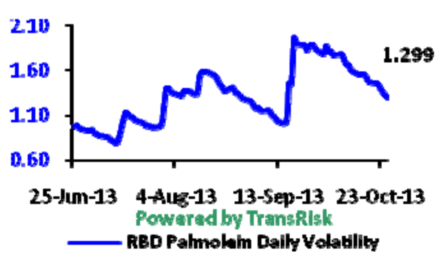
BMD Daily Future Volatility



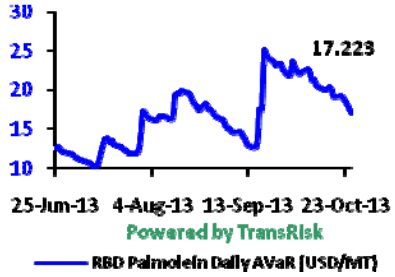
BMD Daily Future AVaR



RBD Palmolein Spot Volatility



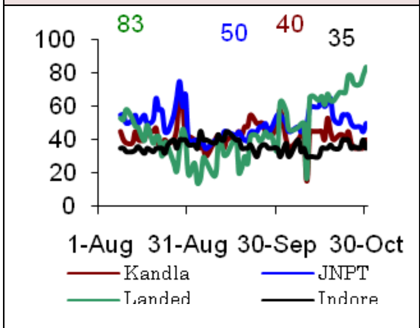
RBD Palmolein Spot AVaR



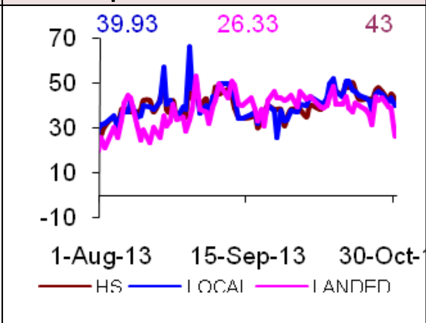
Facts and Figures digest

Mini Charts

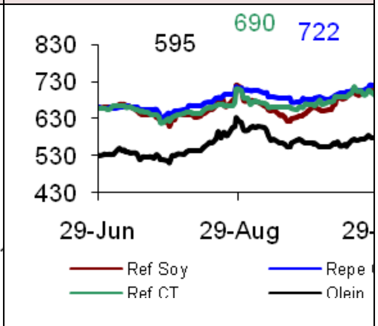
Ref. Soy oil to crude Soy oil price spreads (INR/10 kg) Refining Margin @INR 30/10 kg (Landed @Kandla)



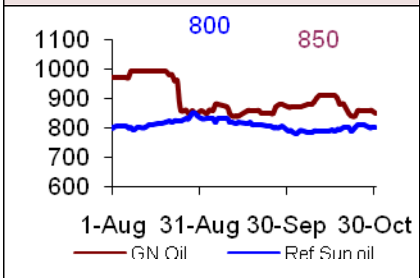
RBD Olein (local) to CPO spreads (INR/10 kg) Refining Margin @INR 20/10 kg Refining cost exclusive of Stearin and PFAD realization All prices on Kandla basis



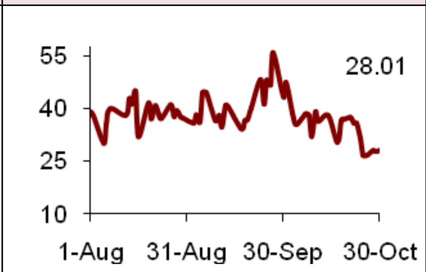
Edible oil prices @ Mumbai (INR/10 kg)



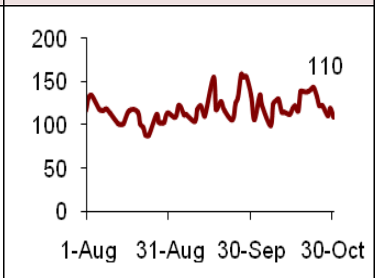
Edible oil prices @ Mumbai (INR/10 kg)



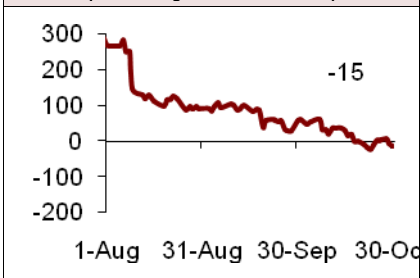
Palm oil refining margins (FOB Malaysia basis, $/ton) Gross margin after product realization



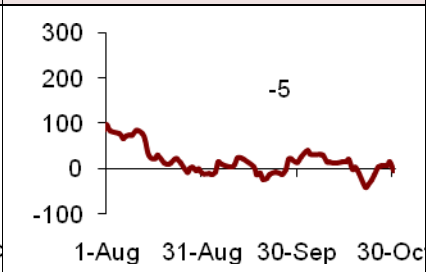
Soy-RBD Olein price spread (At origin, $/ton)



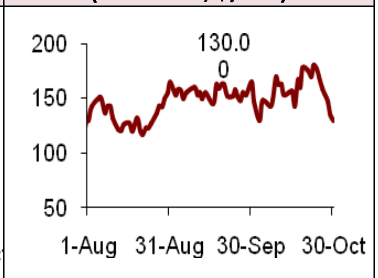
Sun-Soy price spread (FOB Argentina, $/ton)



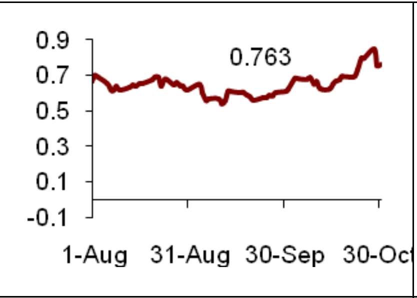
Sun-Soy price spread (CNF India, $/ton)

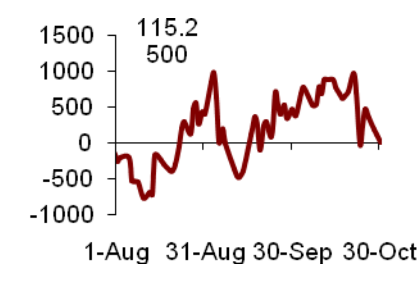


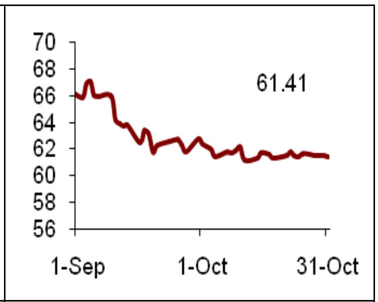
Soy-CPO price spread (CNF India, $/ton)



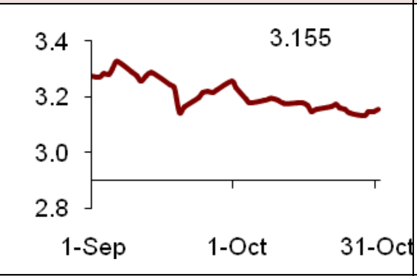
Gross soybean crush margins @ US ($/bu)	Soybean crush margin @ Indore (INR/ton)	INR vs. USD

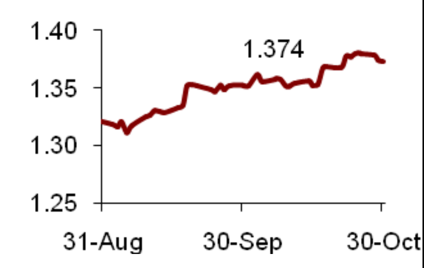


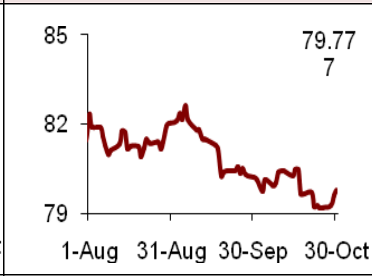




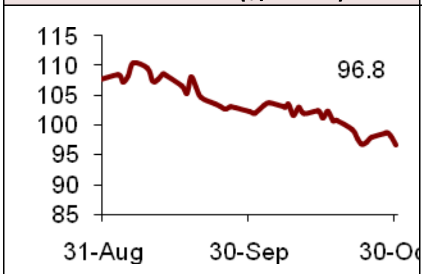
MYR vs. USD	Euro vs. USD	Dollar Index







NYMEX Crude ($/barrel)



BMD CPO futures market prices

BMD Futures	Oct 31 2013				Change (Previous Close)	Cumulative Volume	Open Interest*
	Open	High	Low	Close			
Jan'14	2555	2599	2547	2598	51 (2547)	33954	180673
Feb'14	2551	2594	2545	2591	49 (2591)		

* Open Interest is for the previous trading session;
Units: Palm oil – MYR/ ton. Contract Specifications: 1 lot = 25 tons;

Physical market prices Malaysia

Market and details	Oct 31, 2013	Oct 30, 2013	Change	% Change
South Malaysia – Crude Palm Oil, Oct'13 (MYR per ton)	2560	2530	30	1.19
South Malaysia – Crude Palm Oil, Nov'13 (MYR per ton)	2560	2530	30	1.19
South Malaysia – Crude Palm Oil, Oct'13 (USD per ton)	811	804	7	0.87
Malaysia – RBD Palmolein, FOB Nob'13 (USD per ton)	850	840	10	1.19
Malaysia – RBD Palmolein, FOB Dec'13 (USD per ton)	851	840	11	1.31
Malaysia – RBD Palmolein, FOB Jan'14 (USD per ton)	848	836	12	1.44
Malaysia – RBD Palm oil, FOB Nov'13 (USD per ton)	845	835	10	1.20

Malaysia – RBD Palm oil, FOB Dec'13 (USD per ton)	843	833	10	1.20
Malaysia – RBD Palm oil, FOB Jan'14 (USD per ton)	840	828	12	1.45
Malaysia – RBD Palm Stearin, FOB Nov'13 (USD Per ton)	810	800	10	1.25
Malaysia – RBD Palm Stearin, FOB Dec'13 (USD Per ton)	805	795	10	1.26
H – Holiday; NA – Not Available				

Physical market prices

Market and details	Oct 31 2013	Oct 30 2013	Change	% Change
Indian CNF CPO @ Kandla ($/ton)	890	885	5	0.56
Indian CNF RBD Olein @ Kandla ($/ton)	887	882	5	0.57
Indian CNF Soy Degum @ Kandla ($/ton)	1023	1015	8	0.79
India -CPO Kandla High seas (INR/10 kg)	566	562	4	0.71
India -RBD Palmolein Kandla (INR/10 kg)	602	600	2	0.33
India - RBD Palmolein JNPT (INR/10 kg)	600	598	2	0.33
NYMEX Crude Oil –Dec'13 Futures (USD/bbl)	96.38	96.77	-0.39	-0.39
H – Holiday; N/A – Not Available.				

Analyst Certification

Each analyst responsible for the preparation of this report certifies that (i) all views expressed in this report accurately reflect the analyst's views about any and all of the factors and assets (commodities, currencies, etc) named in this report, and (ii) no part of the analyst's compensation is directly or indirectly, related to the execution of the specific recommendations or views expressed herein.

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