

# Weekly Laurics Oil Price Outlook and Strategy

Decision enabling market analysis & price outlook



Report for week beginning 14 Aug 2017

## Lauric Oil Price Outlook Summary

11 Aug 2017	CPKO CIF Rotterdam 1M Forward USD/MT	CNO CIF Rotterdam 1M Forward USD/MT	PFAD FOB Malaysia 1M Forward USD/MT	Palm Stearin FOB Malaysia 1M Forward USD/MT
Closing Prices	1160	1660	620	627.5
Change	70.00	-210.00	10.00	7.50

Fundamental Summary	Critical Price drivers	Price Direction
	Robust CPKO export for July'17	Upward
	M-o-M higher production at origins	Downward
	Spot CPKO inventory tightness	Upward
	Anticipated lower CNO yield at Indonesia for 2016/17 MY	Upwards
	Y-o-Y lower CNO export at origins	Downward

Price Outlook Summary	Palm Kernel oil CIF Rotterdam 1M Forward		Coconut oil CIF-Rotterdam 1M Forward	
	Prices are likely to trade mixed within USD 945 to 1210		Prices are likely to trade mixed within USD 1900 to 1520	
	0 to 1 Month	0 to 2 Months	0 to 1 Months	0 to 2 Months
Direction	Mixed	Mixed	Mixed	Mixed
Price Range	945 to 1210	1210 to 945	1900 to 1520	1950 to 1400

Price Outlook Summary	Palm Stearin Malaysia FOB 1M Forward	PFAD Malaysia FOB 1M Forward
	Prices are likely to trade mixed	Prices are likely to trade mixed within

	within USD 605 to 640		USD 605 to 645	
	0 to 1 Month	0 to 2 Months	0 to 1 Months	0 to 2 Months
Direction	Mixed	Downward	Mixed	Downward
Price Range	605 to 640	640 to 550	605 to 645	645 to 590

## Fundamental Analysis: Palm Oil

- ✓ Lauric oil market edged higher during last week driven by spot CPKO inventory tightness at origins. However, oncoming higher CPKO supply kept prices under pressure at same time.
- ✓ Malaysian Palm kernel production for July'17 rose by 10% to 0.41 million ton against 0.37 million ton in last month while PK inventory level rose by 8% to 0.15 million ton against 0.13 million ton in previous month.
- ✓ MPOB report for July'17 has come out with significant increased in production and robust export growth at same time. In this context, Malaysian CPKO production for July'17 rose by 22.14% to 0.21 million ton while stock has pegged down by 1.45% to 0.226 million tons against 0.229 million tons in last month.
- ✓ CPKO Oil Extraction Rate (OER) has shown marginal improvement by 0.48% to 45.89% M-o-M basis. However, it has not yet improved Y-o-Y basis. In this context, CPKO OER for July'17 fell by 0.67% compared to 45.20% in last year.
- ✓ Looking at cumulative CPKO production for Oct-July'17 rose by 6% to 1.75 million tons against 1.65 million ton in last year while cumulative CPKO export has pegged down by 9% to 0.74 million tons Vs 0.81 million ton in last year. On other hand, Malaysian CPKO domestic consumption rose by 11% at same time.

CPKO-Actual MPOB report for July'17			
Months	Jun-17	Jul-17	% Change (M-o-M)
Beg.Stock	0.249	0.230	-7.74%
Production	0.171	0.209	22.14%
Imports	0.013	0.005	-59.27%
Supply	0.433	0.444	2.54%
Exports	0.068	0.081	18.79%
Dom. Consumption	0.135	0.137	1.12%
Total Demand	0.204	0.218	7.04%
Ending Stock	0.230	0.226	-1.45%
All Units in Million Tons			

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- ✓ Going forward, Malaysian CPKO production has witnessed to slow down its pace after a bumper production month. In this context, CPKO production for Aug'17 is expected around 0.21-0.22 million ton, which would be 1-2% higher M-o-M basis.
- ✓ At demand side after steep rise in export to EU & USA, Malaysian CPKO export for Aug'17 is expected to fall by 10% to 72 Thd ton against 81 thd tons in last month while domestic consumption would fall down by 10% at same time.
- ✓ In this context, Malaysian CPKO inventory for Aug'17 is expected to hover around 0.24 million tons against 0.23 million ton in last month.
- ✓ Malaysian CPKO production for Oct-Sep'17 MY is expected around 2.18 million tons against 2.02 million tons in last year.
- ✓ At palm oil front, SPPOMA reported that palm oil production for 1-10<sup>th</sup> Aug'17 fell by 4.95% while yield has pegged down by 6.43% M-o-M basis. However, OER has improved by 0.28% at same time. In this context, Malaysian palm oil production for Aug'17 is expected around 1.83-1.84 million ton, which would be 1-2% higher M-o-M basis.
- ✓ In this context, Malaysian palm oil inventory for Aug'17 is expected to hover above 1.90 million tons and extend towards 2.00 million tons at end of Sep'17.

## Procurement Strategy: Crude Palm Kernel Oil CIF Rotterdam 1M Forward

### Procurement Strategy for spot month\*

	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
Open Position				1100	70%
	1 Aug 2017	31 Aug 2017	1105	<b>Yet to be Priced</b> (Remaining quantity)	
				Cover@1145/50	30%
Strategy Review	70% of Aug'17 buying requirements was covered at USD 1100. For remaining Aug'17 buying requirements one may consider the above mentioned strategy.				
Closed Positions Audit	Market	Period	Procurement savings % (Bettering the market average)		

	Palm Kernel Oil CIF Rotterdam	2011 to Till Date	1.96%
		July 2017	3.66%

\* Please contact Engagement manager for forward / long term buying strategies

### Technical Outlook: Palm Kernel oil CIF Rotterdam 1M Forward USD/MT

- ✓ CPKO CIF Rotterdam 1-Month Forward prices traded with positive momentum holding above the short term moving average during its prior week and closed at USD 1160.
- ✓ Prices after trending lower since Jan'17 honoured support of USD 945 and bounced back sharply thereby suggesting halt in negative momentum. Therefore prices are likely to trade mixed within USD 1200 to 945 by holding above USD 945.
- ✓ Only a sustained break above USD 1210 shall call for a trend reversal and prices are likely to extend further higher towards USD 1450 hence has to be carefully watched.
- ✓ On the weekly technical setup, the 14 - Week RSI is turning up hovering around its equilibrium and Stochastic (14/3/3) is also turning up hovering above its equilibrium thereby indicating upward price action.
- ✓ On upside USD 1200/1210 shall act as immediate and crucial resistance. A sustained break above the said zone shall call for further extension of gains.
- ✓ On the downside USD 945 shall act as immediate support followed by USD 900.



**Concisely, prices are likely to trade mixed within USD 945 to 1210 in coming 2 to 3 weeks.**

## Procurement Strategy: Palm Stearin Malaysia FOB 1M Forward

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## Procurement Strategy for spot month\*

Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
				NA	0%
	1 Aug 2017	31 Aug 2017	621.66	<b>Yet to be Priced (Remaining quantity)</b>	
				Cover @615/20	50%
				Wait	50%
Strategy Review	July'17 buying requirements was covered at USD 624. For Aug'17 buying requirements one may consider the above mentioned strategy.				
Closed Positions Audit	Market	Period	Procurement savings % (Bettering the market average)		
	RBD Palm	2011 to Till Date			1.59%
	Stearin	July 2017			-0.76%

\* Please contact Engagement manager for forward / long term buying strategies

its equilibrium and Stochastic (14/3/3) is also turning flat around its equilibrium thereby indicating mixed price action.

- ✓ On downside, USD 605 shall act as a immediate support followed by USD 590.
- ✓ On upside USD 640 shall act as a crucial resistance. Prices holding below the said resistance shall extend the consolidative price action in coming trading weeks.

**Concisely, prices are likely to trade mixed within USD 605 to 640 in coming 2 to 3 weeks.**

## Procurement Strategy: Palm Fatty Acid Malaysia FOB 1M Forward

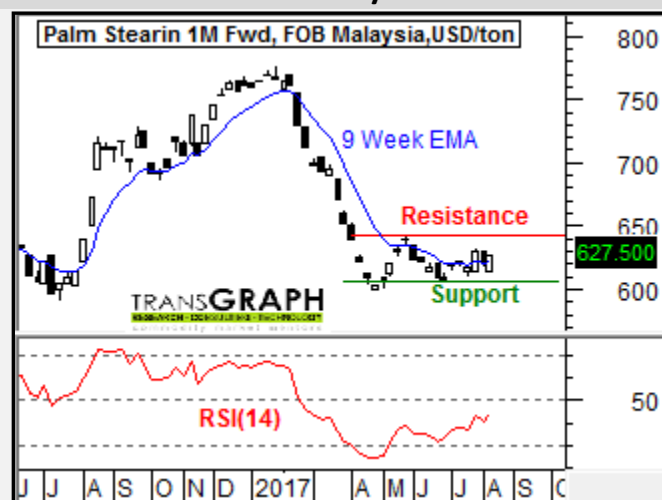
### Procurement Strategy for spot month\*

Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
				NA	0%
	1 Aug 2017	31 Aug 2017	614.16	<b>Yet to be Priced (Remaining quantity)</b>	
				Cover @610/15	50%
				Wait	50%
Strategy Review	July'17 buying requirements was covered at USD 620.50. For Aug'17 buying requirements one may consider the above mentioned strategy.				
Closed Positions Audit	Market	Period	Procurement savings % (Bettering the market average)		
	PFAD	2011 to Till Date			1.31%
		July 2017			-0.56%

\* Please contact Engagement manager for forward / long term buying strategies

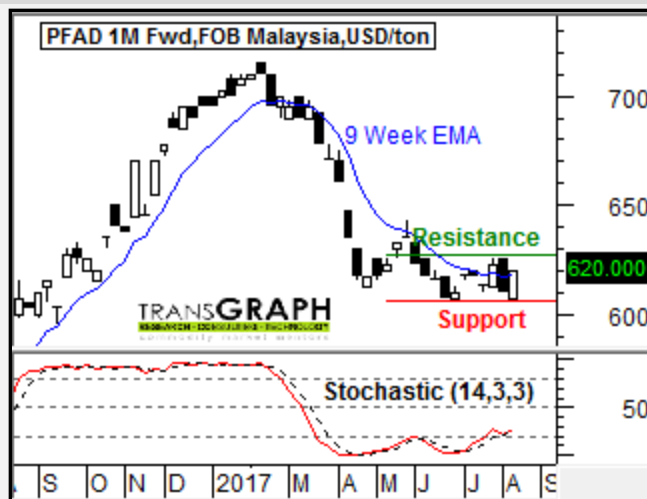
## Technical Outlook: RBD Palm Stearin Malaysia FOB 1M Forward USD/MT

- ✓ Palm Stearin FOB Spot prices traded with positive momentum hovering around its short term moving average during its prior week and closed at USD 627.50.
- ✓ Prices are consolidating within a range of USD 602 to 640 since past 2 months honoring support of USD 600 thereby suggesting lack of directional bias in the market.
- ✓ On the weekly technical setup, momentum oscillators like 14-Week RSI is turning flat below



## Technical Outlook: PFAD FOB Malaysia 1M Forward USD/MT

- ✓ Malaysian PFAD FOB 1M Forward prices traded with positive momentum hovering around its short term moving average during its prior week and closed at USD 620.
- ✓ Prices are consolidating holding above support of USD 605 thereby indicating lack of directional bias in the market.
- ✓ On the weekly technical setup, momentum oscillators like 14-Week RSI is turning up hovering above its oversold region and Stochastic (14/3/3) is turning flat around its oversold region thereby indicating mixed price action.
- ✓ On upside USD 625 shall act as immediate resistance followed by USD 645.
- ✓ On downside, USD 605 shall act as a immediate support followed by USD 590.



**Concisely, prices are likely to trade mixed within USD 605 to 645 in coming 2 to 3 weeks.**

## Fundamental Analysis: Coconut Oil

- ✓ At Indonesia front, copra production for Oct-Sep'17 MY is expected to peg down by 1-2% to 1.56 million tons against 1.58 million tons last year. Henceforth, we are expecting Indonesia copra crushing for Oct-Sep'17 would stay around 1.53 million tons against 1.55 million tons last year.
- ✓ In this context, Coconut oil production for Oct-Sep'17 could be lower by 0.02-0.04 million to 0.88-0.90 million tons compared to 0.92 million tons in last year. Henceforth, CNO inventory for Oct-Sep'17 expected to hover around 0.05-0.06 million tons against 0.04 million tons in last year.
- ✓ We are expecting that Philippines coconut oil production for Oct-Sep'17 would be flat around 1.41 million tons against 1.40 million tons in last year.

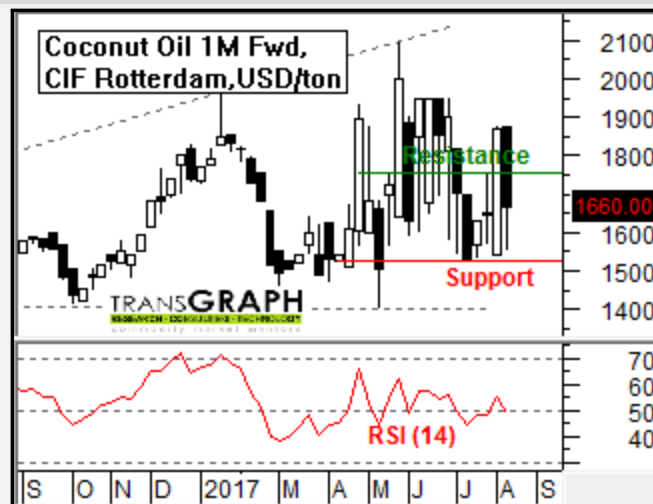
- ✓ The shortage supply of coconut oil at main origin might lead to global coconut oil supply concern Y-o-Y basis. In this context, global coconut oil production for Oct-Sep'17 is anticipated lower to 3.21 million tons against 3.22 million tons in last year.
- ✓ Looking at above coconut oil dynamic at main origins might support coconut oil prices. On other hand, oncoming supply pressure from CPKO might restrict any aggressive gain in coconut oil prices moving forward.

## Procurement Strategy: Coconut Oil Rotterdam 1M Forward

Procurement Strategy for spot month*					
Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
				1550	50%
	1 Aug 2017	31 Aug 2017	1790.55	<b>Yet to be Priced (Remaining quantity)</b>	
				Cover@1550	50%
Strategy Review	50% of Aug'17 buying requirements was covered at USD 1550. For remaining Aug'17 buying requirements one may wait for a while.				
Closed Positions Audit	Market	Period	Procurement savings % (Bettering the market average)		
	Coconut Oil CIF Rotterdam	2011 to Till Date July 2017	1.98% 4.81%		
* Please contact Engagement manager for forward / long term buying strategies					

## Technical Outlook: Coconut oil CIF Rotterdam 1M Forward USD/MT

- ✓ Coconut oil CIF Rotterdam 1-month forward prices witnessed a sharp fall holding below resistance of USD 1900 during its prior week and closed at USD 1660 however the medium term mixed sentiment is still intact.
- ✓ Prices are trading mixed within a broader expanding triangle formation since May'16 thereby indicating that the medium term mixed bias is still intact.
- ✓ On the weekly technical setup, momentum oscillators like 14-Week RSI is turning down hovering around its equilibrium and Stochastic (14/3/3) is turning flat hovering below its equilibrium thereby indicating mixed price action.
- ✓ On the higher side USD 1750 shall act as immediate resistance followed by USD 1900.
- ✓ On the downside USD 1520 shall act as immediate support followed by USD 1400.



**Concisely, prices are likely to trade mixed within USD 1900 to 1520 in coming 1 to 2 weeks.**

## Energy Counters:

- ✓ OPEC, in its latest monthly report, showed that crude oil production in Jul'17 has increased from 32.70 MBpd in June from 32.87 MBpd in July as Libya and Nigeria output continued to ascend.
- ✓ Libya's production rose to 1.0 MBpd from 0.85 MBpd in Jun'17, rising to highest levels since July 2013. Further, Nigeria's production is seen stabilizing above 1.7 MBpd in the past two months increasing from 1.58 MBpd from the start of the year.
- ✓ US crude oil inventories declined by 6.45 million barrels in the week ending 4th Aug to 475.44 million barrels, recording the sixth consecutive weekly decline, from 481.89 million barrels Overall, since

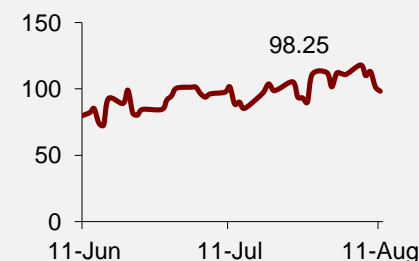
April US crude oil inventories have declined by 60.11 million barrels and about 17.53 million barrels lower than same time last year.

## Currency Counters:

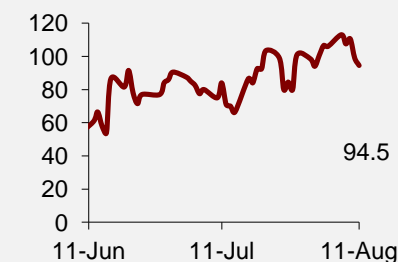
- ✓ At US front, Softening inflation witnessed in the recent past had weighed on sooner than later rate hike expectations from FED and even FOMC officials are seen talking dovish in the last few days keeping the greenback under pressure.
- ✓ On the other hand, upbeat jobs data released last week gave some support to Dollar price sentiments. BLS reported last Friday that US added 209 thousand jobs in the month of July, better than the market consensus of around 180 thousand job additions. Further, even June number was revised higher from 222K to 231K job additions.
- ✓ While CME fed funds futures indicate that the market players have almost ruled out any September rate hike scenario, but factor in a probability of more than 50% towards the December rate hike scenario, up from 47% before the NFP data.
- ✓ Henceforth, MYR against dollar might trade volatile in coming weeks and we could see MYR around 4.27-4.28 moving forward

## Mini Charts

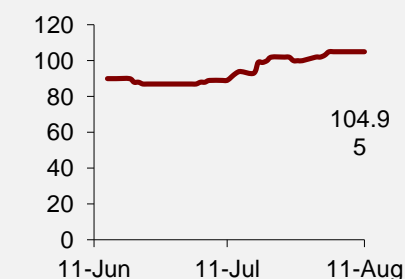
Soy-CPO price spread  
(CNF India, \$/ton)



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



Landed Cost Price Spreads  
CNO - CPKO (INR/10 Kg)



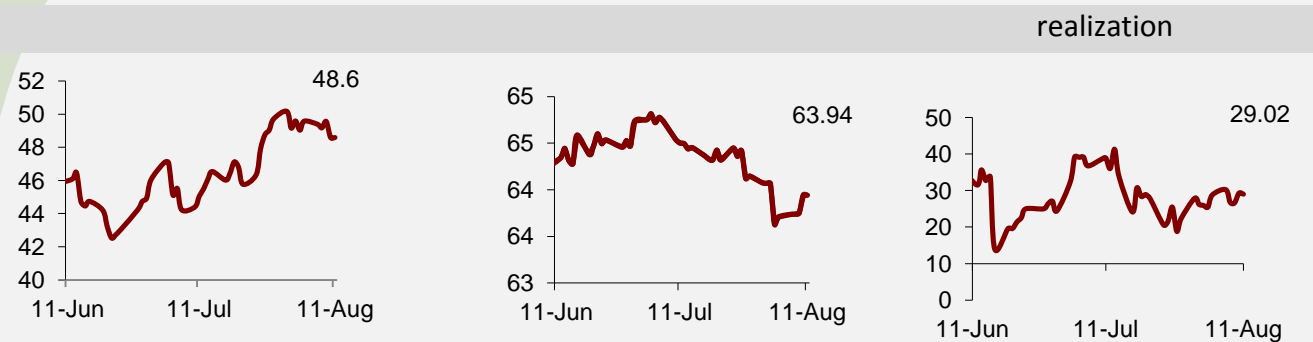
NYMEX Crude (\$/barrel)

INR vs. USD

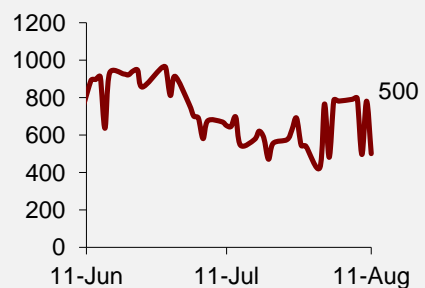
Palm oil refining margins (FOB Malaysia basis, \$/ton) Gross margin after product

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Price spread CPKO-CNO on CIF Rotterdam basis (\$/t)



		USD/MT			
Malaysia	Palm Stearin FOB USD/MT	627.5	620	7.50	1.21%
Basis South Malaysia	Crude Palm kernel oil USD/MT	1095	1070	25.0	2.34%
Kochi, India	Coconut oil spot USD/MT	14300	14300	0.00	0.00%

## Our Extensive coverage of Edible Oilseeds & Oils Complex

Report	Coverage #	Price Outlook & Strategies
<b>Daily BMD Palm Oil Price Outlook and Strategy</b>	NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D	MY.CPO.BMD
<b>Daily CME Soy Complex Price Outlook and Strategy</b>	NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D	USA.SB.CME, USA.SM.CME, USA.SBO.CME
<b>Daily Indian Edible Oil and Oilseed Price Outlook and Strategy</b>	NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D	IN.CPO.MCX, IN.SB.NCDEX, IN.SBO.NCDEX, IN.RMS,NCDEX, IN.SM.KANDLA
<b>Weekly Edible oil and Oilseeds Price Outlook and Strategy</b>	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M	AR.SBO.1M, USA.SBO.CME, MY.CPO.BME, MY.RBDO.FOB, IN.SBO.NCDEX, IN.SBO.INDORE, IN.CPO.MCX
<b>Weekly Edible oil Elliott wave analyser</b>	EWA, PO, 6W	MY.CPO.BMD, USA.SBO,CME, PH.CNO.1M, AR.SFO.1M, UKR.SFO.1M
<b>Weekly Indian Edible Oil Price Outlook and Strategy</b>	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M	IN.RSO.JAIPUR, IN.GNO,RAJKOT, IN.CNO,KOCHI, IN.RBO,KHANNA
<b>Weekly Lauric Oil Price Outlook and Strategy</b>	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M	MY.PKO.1M, RTDM.CNO.1M, MY.PS.SPOT, MY.PFAD.SPOT
<b>Weekly Palm Oil Price Outlook and Strategy</b>	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M	MY.RBD.1M, ID.CPO.1M
<b>Weekly Soy Oil Price Outlook and Strategy</b>	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M	AR.SBO.1M
<b>Weekly Sunflower Oil Price Outlook and Strategy</b>	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M	AR.SFO.1M, UKR.SFO.1M
<b>Bi-Weekly Poultry Feed Market Analysis and Price Outlook</b>	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M	IN.SB.NCDEX, IN.SM.INDORE, IN.MZ.NIZAMABAD
<b>Monthly Edible oil and Oilseed Complex Special Report</b>	FA, BS, WA, PI, TA, PO, 2-3M	USA.SB.CME, USA.SM.CME, USA.SBO.CME, AR.SBO.1M, DXY.SPOT, USDBRL, USDARS, UKR.SFO.1M, MY.CPO.BMD,

## Market Prices

Market	Commodity	Aug 11, 2017	Aug 04, 2017	Change	Change %
Rotterdam	Crude palm kernel oil 1m fwd CIF USD/MT	1160	1090	70.00	6.42%
Rotterdam	Coconut oil Crude 1m fwd CIF USD/MT	1660	1870	-210.0	-11.23%
Rotterdam	Crude palm oil CIF USD/MT	675	656.8	18.20	2.77%
Malaysia	Palm fatty acid distillate FOB	620	610	10.00	1.64%

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**TRANSGRAPH**  
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ID.CPO.1M, USDIDR, USDMYR, MY.CPKO.1M, PH.CNO,1M,  
IN.SBO.NCDEX, IN.SB.NCDEX, IN.RS.NCDEX.IN.RSE.KANDLA,  
IN.RSO.JAIPUR, IN.CPO.MCX, IN.CPO.KANDLA, IN.RS.RAJKOT

# News Update **NU**, Fundamental Analysis **FA**, Balance Sheets **BS**, Weather Analysis **WA**, Policy Impact **PI**, Technical Analysis **TA**, Trading Strategies **TS**, Procurement Strategies **PS**, Price Outlook **PO**, Market Intelligence **MI**, Facts & Figures **FF**, Market Prices **MP**, Price Spreads **PS**, Forward Curves **FC**, Elliott Wave Analysis **EWA**, 5D, 2W, 6W, 2M, 4-6M

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Talk to us on: **+91-40-46619999**

Research Queries: [services@transgraph.com](mailto:services@transgraph.com)

Sales: [mktg@transgraph.com](mailto:mktg@transgraph.com)

TransRisk software: [demo@transgraph.com](mailto:demo@transgraph.com)

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TransGraph Consulting Private Limited

6C/A, Melange Towers, Sy.No.80-84, Hitech City, Hyderabad – 500081, India