

Weekly Palm Oil Price Outlook and Strategy

Decision enabling market analysis & price outlook



Report for week beginning 01 May 2017

Malaysian RBD Palmolein Price Outlook Summary

28 Apr 2017	BMD 3M MYR/MT	MY CPO 1M MYR/MT	MY RBD Olein FOB 1M USD/MT	ID CPO FOB 1M USD/MT	MYRUSD
Closing Prices	2508	2694.00	675.00	663.75	4.339
Change	-22	+25	-5.0	-5.00	-0.059

	Critical Price drivers	Price Direction
Fundamental Summary	Higher palm oil production for Apr'17 @ origins	Downward
	Lower palm oil port stock at India & China	Upward
	M-o-M increment in palm oil inventories for Apr'17	Downward
	Widening CPO spreads with other soft oils at destinations	Upward
Price Outlook Summary	MYR appreciation	Upward
	Prices are likely to consolidate in the zone of USD 660 to USD 700 in coming weeks.	
	0 to 1 Month	0 to 2 Months
Direction	Mixed	Downward
Price Range	660-700	660-620

Malaysian RBD Palmolein Procurement Strategy for spot month*

Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
	16 Mar	15 Apr	674.00		0.0%

Strategy Review	2017	2017	Yet to be Priced (Remaining quantity)	
				675
Closed Positions Audit			Wait	50%
	Apr'17 requirement was covered at an Avg. USD 699.			
	Market	Period	Procurement savings % (Bettering the market average)	
	MY CPO 1M Forward	2010 to Till Date Mar 2017		1.24% 1.96%

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

Fundamental Analysis: Palm Oil

- ✓ Palm oil prices in the physical market edged lower during last week driven by rising palm oil production on one hand and anticipated stock build up at main origins for Apr'17 on the other
- ✓ At immediate front, SPPOMA has reported that FFBs production for 1-25th Apr'17 rose by 0.19% while palm oil production has been increased by 2.24% during same time frame. Moreover, OER rose by 0.39% on M-o-M basis.
- ✓ Looking at SPPOMA production pace during 20-25th Apr'17 is slower compared to 7.37% production growth for 1-20th Apr'17. This might be due to recent heavy precipitation across southern Malaysia which might have disturbed harvesting pace of FFBs and consequently dented supply in short term.
- ✓ MPOA has reported that Peninsular Malaysian palm oil production for 1-20th Apr'17 rose by 20.40% while Sabah region posted 19.80% higher growth on M-o-M basis during same time frame. Moreover, overall Malaysian palm oil production for 20 days of Apr'17 rose by 18.50% on M-o-M basis.
- ✓ In this context, overall Malaysian palm oil production for Apr'17 is expected to grow by 11-12% to 1.62-1.62 million tons against 1.46 million tons in last month. Moreover, it would be 26-27% higher Y-o-Y basis.

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- ✓ At S&D front, Malaysian palm oil export for Apr'17 is expected to stay slightly higher by 6-7% to 1.35 million tons against 1.26 million tons in last month. Looking at cumulative export for Oct-Mar'17 has fell by 7.98% to 7.72 million tons against 8.39 million tons in last year during same time frame.
- ✓ In this context, Malaysian palm oil inventories for Apr'17 are expected to hover around 1.65-1.66 million tons vs 1.55 million tons in last month. This inventory level would be lower by 7.72% Y-o-Y
- ✓ Moving towards Indonesia, due to good avg. rainfall in Jul-Dec'16 the Indonesia palm oil production is expected to rebound in Apr-Sep'17. In this context, Indonesia palm oil production for Apr'17 is expected to rise by 10-11% to 3.34 million tons against 2.90 million tons in last month while end stock for Apr'17 would be around 3.20-3.21 million tons against 2.90 million tons in previous month.
- ✓ Going forward, Indian and Chinese demand might stable in near term due to their lower palm oil port stock. In this context, Indian palm oil port stock as on 31st Mar'17 is lower by 9.52% to 0.38 million tons vs 0.42 million tons in last year while Chinese palm oil port stock as on 21st Apr'17 is lower by 34.09% to 0.58 million tons against 0.88 million tons in last year which would support for palm oil import from these countries.

Spreads	Current Spread	Last 1 month Avg.	% Change
Soy Oil – CPO (CIF Rotterdam)	146	118	23.73%
Sun Oil – CPO (CIF Rotterdam)	138	104	32.69%
Rape Oil – CPO (CIF Rotterdam)	189	159	18.87%
Soy oil-Olein (CIF Rotterdam)	123	102	20.59%
Sun oil-Olein(CIF Rotterdam)	115	88	30.68%
Soy Oil – CPO (CNF India)	61	41	48.78%
Sun Oil – CPO (CNF India)	85	68	25.00%
Soy oil-Olein (CNF India)	56	77	-27.27%
Sun oil-Olein(CNF India)	80	104	-23.08%

- ✓ Looking at CPO spreads with other soft oils is widening at Rotterdam and Indian Port which would support CPO import from these origins. CPO and other soft oils are expected to further widen at destinations like India and China

Competing Vegetable Oil dynamics:

- Brisk pace of soybean harvest pace in Argentina
- Ongoing Argentine Bio-diesel trade issue with US
- Projected upcoming weakness in Argentina Soy oil basis
- Restricted Brazilian soybean farm selling on the account of stronger BRL
- Expected dry and hot weather during May-July across US Mid-west
- Anticipated M-O-M higher crush in upcoming USDA oil and oilseed report for Mar'17

- Higher Rapeseed production at Ukraine for 2017-18MY
- Tightness in sun oil supply at main origins.

Energy Counters:

- ✓ Crude oil inventories in US, for the week ending 21st April, declined sharply by 3.641 million barrels to 528.7 million barrels. Although overall stock levels remain higher compared to seasonal average, increased refining activity with expectations of higher product demand in the coming weeks shall bode well for crude oil prices.
- ✓ Refinery activity improved from 91% to 92.9% during the corresponding week, while imports declined from 7.87 MBpd to 7.81 MBpd from a week earlier. Going ahead, higher refinery activity is expected further lower the crude oil stocks in the coming weeks easing the inventory glut in the US markets.
- ✓ OPEC group production in March has declined to 31.93 MBpd from higher revised 32.08 MBpd during February, maintaining a compliance of 93.3% to the agreed production cuts.

Currency Counters:

- ✓ Markets will be eyeing the US first quarter GDP scheduled for release today. Prospects remain bright with even IMF also raising its 2017 global growth forecast on Apr 17th from 3.4% to 3.5% due to manufacturing and trade gains in Europe, Japan and China, but warned that protectionist policies threaten to choke a broad recovery.
- ✓ Waning expectations of a steeper rate hike cycle from FED in the coming months shall continue to keep the Dollar under pressure. CME Fed futures tool currently indicates that traders are pricing in a 51% chance the U.S. central bank would raise rates at its June meeting, down from 71% at the start of April. FED is expected to maintain status quo in the May (3rd) meeting.
- ✓ Meanwhile, after Theresa May surprised the markets last week by calling for an early general election in June itself, in a bid to secure a further more seats for the Conservatives in the UK Parliament with May enjoying higher approval ratings currently and thereby giving them a larger hand in controlling the Brexit negotiation talks, further political developments will be eyed carefully.
- ✓ In this context, appreciating MYR from last couple of days. In this context, MYR is expected to hover around 4.33-3.38 in coming 2-3 weeks

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Technical Outlook: RBD Palmolein, FOB 1M Forward USD/MT

- ✓ RBD Palmolein FOB P1, forward prices are seen consolidating after testing support zone at USD 660 turning the momentum back to sideways.
- ✓ Prices breached below the middle band of Bollinger band and rising trend line suggesting a shift in trend to bearish.
- ✓ Momentum oscillators like stochastic (14/3/3) and RSI (14) are seen turning lower in oversold region supporting the negative bias in the coming weeks.
- ✓ Therefore with prices are likely to consolidate in the zone of USD 660 to USD 700 in coming weeks.
- ✓ On the lower side USD 660/650 acts as immediate support followed by USD 620.
- ✓ On the higher side USD 730 followed by USD 750 shall act as a acts as a resistance zone.



Turnaround Point: A weekly close above USD 730 shall negate the fall in immediate front.

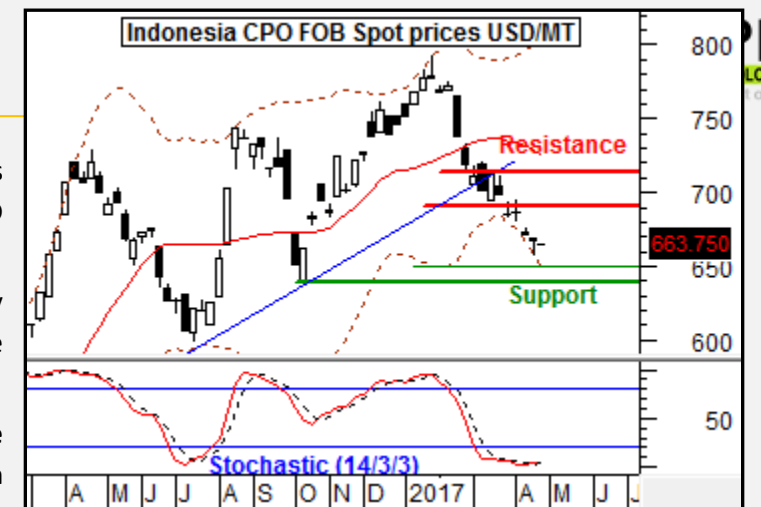
Concisely, prices are likely to consolidate in the zone of USD 660 to USD 700 in coming weeks.

Technical Outlook: CPO Indonesia, FOB, 1M Forward USD/MT

- ✓ Indonesian CPO FOB 1-M Forward prices continue to trade on lull note after a 'hammer' formation last week turning the momentum to sideways.
- ✓ Prices after failing to hold above USD 800 turning lower sharply and breached below the rising wedge pattern and seen holding below the short term moving averages suggesting a shift in major trend to bearish.
- ✓ Momentum oscillators like stochastic (14/3/3) and RSI (14) are seen turning lower in oversold region supporting the negative bias in the coming weeks.
- ✓ Therefore Prices are likely to hold below USD 720 and trade lower toward USD 640/620 in coming weeks.

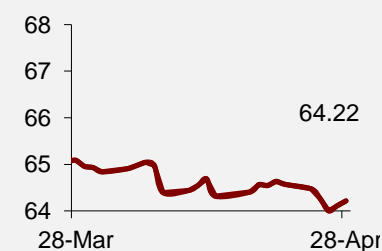
- ✓ On the lower side USD 670 likely to act as an immediate support followed by USD 640/620.
- ✓ On the higher side USD 720 followed by USD 730 shall act as a acts as a resistance zone.

Concisely, prices are likely to consolidate in the zone of USD 660 to USD 700 in coming weeks.

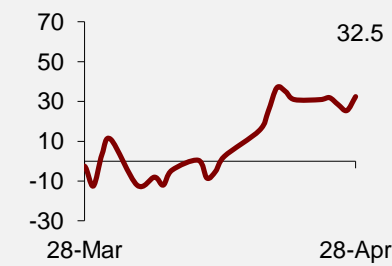


Mini Charts

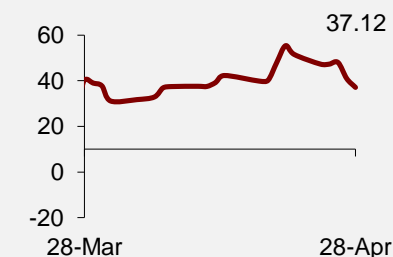
INR vs. USD



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



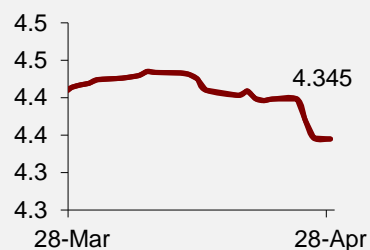
Palm oil refining margins (FOB Malaysia, \$/ton) Gross margin after product realization



MYR vs. USD

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Market Prices

Market	Commodity	28 April 2017	21 April 2017	Change	% Change
Malaysia	RBD Palmolein FOB, 1M forward	677.5	680	-2.5	-0.37%
Malaysia	BMD CPO May'17 Futures*	2694	2669	25.0	0.94%
Basis	Crude Palm oil 1m forward*	2690	2705	-15.0	-0.55%
South Malaysia	Crude Palm oil 1m forward	620	615	4.9	0.80%
South Malaysia	USD/TON				
Indonesia	CPO FOB 1m forward	666.3	668.75	-2.5	-0.37%

Our Extensive coverage of Edible Oilseeds & Oils Complex

Report	Coverage #	Price Outlook & Strategies
Daily BMD Palm Oil Price Outlook and Strategy	NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D	MY.CPO.BMD

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