

# FCPO Daily Commentary

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## PALM FCPO MAR18 (2503,-18)

Our Call of The Day:

**Bullish**

2 January 2018

### FCPO 3rd Month Daily Candle Chart



### Market Commentary

#### Highlights:

- Palm drops down on stronger ringgit, sheds nearly 20 percent in 2017.
- Soybeans end year down 4 pct on rising global stockpiles.

#### Crude Palm Oil

Malaysian palm oil futures declined on last Friday, in a second day of declines, weighed down by a stronger ringgit and high inventories prospect. For year 2017, it have dropped 19% and are heading for the biggest annual decline since 2012.

The benchmark March 18 lost RM18 to RM2,503 per tonne, prices were traded between RM2,485 and RM2,515 with total traded volume for palm stood at 26,148 lots.

Palm oil prices have been trending downwards since November, after India raised import taxes on edible oils to their highest in more than a decade, cutting demand.

The ringgit strengthened 0.5 percent against the dollar on last Friday evening at 4.0440. A stronger ringgit typically makes palm oil more expensive for holders of foreign currencies and weakening demand.

Demand is expected to improve after mid-January 2018 as key buyer China stocks up ahead of Lunar New Year celebrations. Malaysian palm oil production is seen declining through the first quarter of next year, in line with seasonal trends. Output fell 3.3 percent to 1.94 million tonnes in November.

In other related edible oils, the May18 soybean oil contract on the Dalian Commodity Exchange was down 0.6 percent, while the Dalian Jan18 palm olein contract also fell 0.3 percent.

We expect palm prices to trade higher tracking gained in soyoil prices, as higher recent higher in crude oil prices likely to increase the competitiveness of vegetable oil as biodiesel feedstock.

#### Soybean (Reuters)

Front-month soybean futures on the Chicago Board of Trade rose Friday on short-covering ahead of a long holiday weekend on strength in soyoil, but posted a yearly decline about 4 percent, reflecting bumper U.S. and South American harvests.

CBOT March soyoil rose 0.55 cent Friday to 33.26 cents per pound, erasing most of Thursday's decline, as crude oil futures firmed on strong global demand. Soyoil sometimes follows crude oil due to its use as a feedstock for soy-based biodiesel fuel.

However, U.S. biodiesel production fell to 146 million gallons in October, from 147 million a month earlier, the U.S. Energy Information Administration reported.

The U.S. Department of Agriculture reported export sales of U.S. soybeans in the latest week at 1,056,000 tonnes (old and new crop years combined), in line with trade estimates for 800,000 to 1.5 million tonnes.

U.S. markets will be closed Monday for the New Year's Day holiday. Trade in CBOT grains will resume Tuesday at 10.30pm MYT.

### Crude Palm Oil Futures

#### Bursa Malaysia Derivatives FCPO

Contract	Last	Change	Open	High	Low	Open Interest		Volume
						Lots	Changes	
Jan18	2,444	-15	2,430	2,441	2,415	2,913	-458	646
Feb18	2,481	-15	2,471	2,489	2,461	24,103	-34	2,863
Mar18	2,503	-18	2,499	2,515	2,485	44,936	1,362	16,575
Apr18	2,521	-19	2,516	2,532	2,504	35,795	-170	1,852
May18	2,530	-20	2,527	2,542	2,515	45,248	95	1,686
Jun18	2,522	-18	2,520	2,531	2,506	7,177	256	751
Jul18	2,501	-21	2,510	2,516	2,492	25,999	-194	821
Sep18	2,486	-25	2,491	2,502	2,478	21,169	-48	480
Nov18	2,483	-28	2,490	2,501	2,475	18,946	-70	379
Jan19	2,512	-28	-	-	-	5,747	-2	3
Mar19	2,530	-28	2,540	2,540	2,540	5,494	-7	19
May19	2,527	-28	2,540	2,540	2,540	6,507	-1	36
Jul19	2,520	-28	-	-	-	821	13	37
Sep19	2,505	-28	-	-	-	238	0	-
Nov19	2,505	-28	-	-	-	30	0	-
<b>Total</b>						<b>245,123</b>	<b>742</b>	<b>26,148</b>

#### Spreads

Contract	Open	High	Low	Last	Vol
Jan18 /Feb18	-45	-45	-50	-49	347
Feb18 /Mar18	-27	-23	-27	-25	2,322
Mar18 /Apr18	-19	-16	-19	-18	940
Apr18 /May18	-11	-10	-12	-12	252

#### Correlated Commodity Market

Commodities	Month	Last	Change
Soybeans	MAR 18	961.75	5.00
Soybean Oil	MAR 18	33.26	0.55
Soybean Meal	MAR 18	316.80	0.70
Crude Oil	FEB 18	60.42	0.58
DCE Palm Oil	MAY 18	5,230	-12.00
DCE Soybean Oil	MAY 18	5,668	-36.00

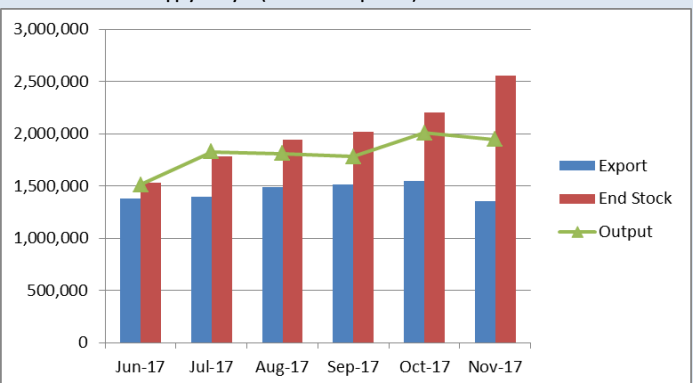
#### Exchange Rate

Currency	Last
USDMYR	4.0614
USDIDR	13,588
USDCNY	6.5067

#### Physical Palm Oil Market

Commodities	Unit	Month	Bid	Ask	Value
CPKO Local Delivery (M'sia)	RM/mt	DEC17	n/a	4910.78	n/a
FOB CPO (Indo)	USD/mt	JAN18	620	627.5	623.75
FOB RBD Palm Olein (M'sia)	USD/mt	JAN18	n/a	627.50	621.25
FOB RBD Palm Oil (M'sia)	USD/mt	JAN18	n/a	622.50	n/a

#### MPOB Demand and Supply Analysis (6 Month Comparison)

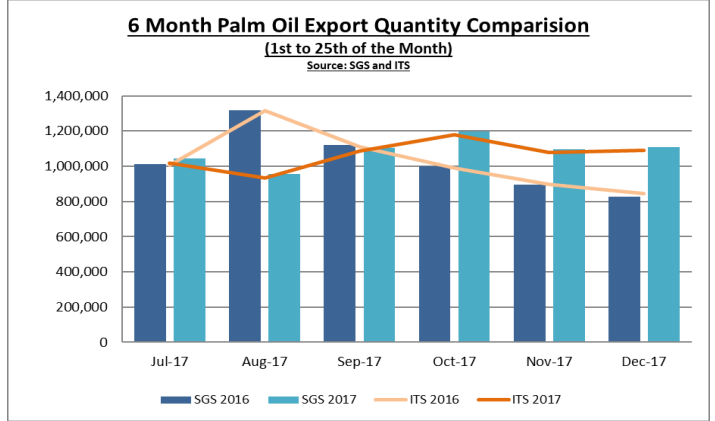


**Demand and Supply Data**

Date	ITS (in tonnes)			SGS (in tonnes)		
	Nov'17	Dec'17	Chg (%)	Nov'17	Dec'17	Chg (%)
First 10 days	436,988	364,277	-16.6	439,879	339,289	-22.9
First 15 days	660,465	596,862	-9.6	650,962	581,254	-10.7
First 20 days	891,926	874,022	-2.0	882,943	865,309	-2.0
First 25 days	1,079,427	1,090,622	1.0	1,094,318	1,108,189	1.3
Full month						

(in tonnes)	Oct'17	Nov'17	MoM (%)	PFSB Forecast	
				Nov'17	Chg (%)
Production	2,008,838	1,942,834	-3.3		
Export	1,538,041	1,354,373	-11.9		
Import	13,479	30,191	124.0		
Local Disapp	302,508	265,725	-12.2		
Stock	2,203,709	2,556,636	16.0		
Stock/Use ratio	1.08	1.55	43.4		

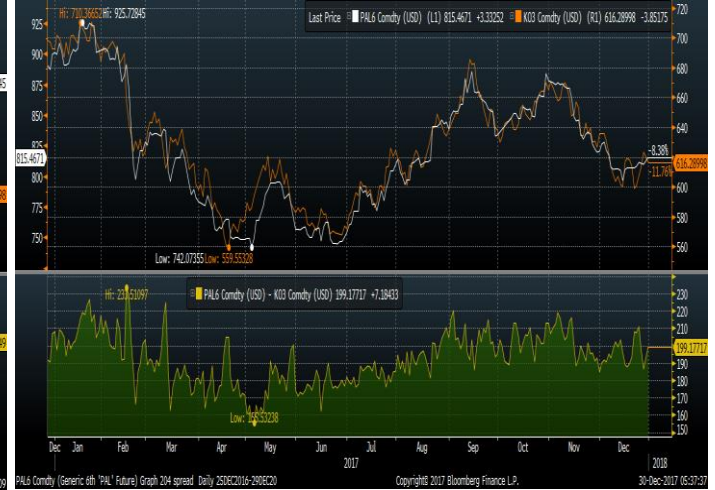
**Export Quantity Analysis**



**Spread (CBOT Soyoil - BMD Crude Palm Oil)**



**Spread (DCE Palm Olein - BMD Crude Palm Oil)**



Sources: Thomson Reuters / Bloomberg / MPOB / ITS / SGS / Phillip Futures

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