

# FCPO Daily Commentary

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## PALM FCPO MAR18 (2625,+31)

Our Call of The Day:

**Mildly Bullish**

9 January 2018

### FCPO 3rd Month Daily Candle Chart



### Market Commentary

#### Highlights:

- Palm rebounds to six-week high on rising demand outlook.
- Soybeans edge lower on profit-taking after 3-week high.
- Official data for December will be released on Jan. 10 by the MPOB.

### Crude Palm Oil

Malaysian palm oil futures rebounded from early losses to rise over 1 percent in evening trade on Monday, as traders forecast improving demand in January and lower production in the coming months.

The benchmark March 18 rose RM31 to RM2,625 per tonne, prices were traded between RM2,562 and RM2,631 with total traded volume for palm stood at 52,046 lots.

Malaysia had announced on last Friday it would exempt crude palm oil export taxes for three months starting January 8 to boost demand and lift prices.

According to Malaysian Meteorological Department, isolated thunderstorms, rain seen over Sabah and Sarawak until Wednesday. Isolated thunderstorms over Johor on Monday, scattered thunderstorms on Tuesday. Isolated rain in Pahang through to Thursday.

A Reuters survey on last Friday showed Malaysia's palm exports for December were estimated to rise 7.8 percent from the previous month, while output was seen falling 6.6 percent. However, stockpiles probably rose to the highest since November 2015 as production fell less than the historical average.

In other related edible oils, the May soybean oil on the Dalian Commodity Exchange was down 1.1 percent. The Dalian January palm oil contract declined 1 percent.

Today, the palm prices likely to open lower followed the overnight losses in soyoil prices. The current news on zero export tax and wet weather in few palm-oil producing states provide bullish sentiment in the short-term.

### Soybean (Reuters)

Chicago Board of Trade soybean futures weakened on Monday, pressured by profit-taking after Friday's three-week high and positioning ahead of government crop reports due later this week.

According to the Commodity Weather Group, rainfall over the week benefited soy fields in about half of Brazil and 30 percent of Argentina. However, drought conditions in Argentina were expected to worsen this week, a meteorologist and farmer said.

USDA said about 1.2 million tonnes of U.S. soybeans were inspected for export last week, within the range of estimates. Separately, USDA announced daily sales of 120,000 tonnes of U.S. soybeans to Egypt and 132,000 tonnes to unknown destinations.

Soyoil eased about 1 percent while soymeal was only modestly lower in soyoil-soymeal spreading.

The U.S. Department of Agriculture was due to release quarterly stocks and monthly supply and demand outlooks on Friday.

### Crude Palm Oil Futures

#### Bursa Malaysia Derivatives FCPO

| Contract     | Last  | Change | Open  | High  | Low   | Open Interest  |               | Volume        |
|--------------|-------|--------|-------|-------|-------|----------------|---------------|---------------|
|              |       |        |       |       |       | Lots           | Changes       |               |
| Jan18        | 2,590 | 20     | 2,541 | 2,572 | 2,530 | 1,210          | -44           | 160           |
| Feb18        | 2,625 | 20     | 2,587 | 2,629 | 2,560 | 12,599         | -1,391        | 2,534         |
| Mar18        | 2,625 | 31     | 2,581 | 2,631 | 2,562 | 38,621         | -447          | 19,987        |
| Apr18        | 2,612 | 28     | 2,576 | 2,619 | 2,556 | 37,869         | -556          | 8,768         |
| May18        | 2,599 | 23     | 2,567 | 2,606 | 2,553 | 47,496         | -489          | 6,880         |
| Jun18        | 2,584 | 19     | 2,551 | 2,592 | 2,539 | 12,036         | 275           | 2,178         |
| Jul18        | 2,562 | 24     | 2,530 | 2,568 | 2,516 | 24,599         | -847          | 2,948         |
| Sep18        | 2,535 | 19     | 2,509 | 2,541 | 2,492 | 21,537         | 330           | 3,348         |
| Nov18        | 2,532 | 20     | 2,503 | 2,538 | 2,490 | 19,378         | 119           | 1,688         |
| Jan19        | 2,554 | 13     | 2,528 | 2,562 | 2,522 | 5,828          | 24            | 1,588         |
| Mar19        | 2,570 | 16     | 2,545 | 2,570 | 2,530 | 5,715          | 235           | 1,868         |
| May19        | 2,567 | 16     | 2,551 | 2,556 | 2,530 | 6,587          | 51            | 99            |
| Jul19        | 2,569 | 16     | -     | -     | -     | 818            | 0             | -             |
| Sep19        | 2,552 | 16     | -     | -     | -     | 245            | 0             | -             |
| Nov19        | 2,552 | 16     | -     | -     | -     | 30             | 0             | -             |
| <b>Total</b> |       |        |       |       |       | <b>234,568</b> | <b>-2,740</b> | <b>52,046</b> |

### Spreads

| Contract      | Open | High | Low | Last | Vol   |
|---------------|------|------|-----|------|-------|
| Feb18 / Mar18 | 7    | 7    | -6  | -2   | 1,694 |
| Mar18 / Apr18 | 8    | 19   | 4   | 12   | 2,891 |
| Apr18 / May18 | 7    | 12   | 4   | 9    | 1,882 |
| May18 / Jun18 | 15   | 16   | 13  | 13   | 927   |

### Correlated Commodity Market

| Commodities     | Month | Last   | Change |
|-----------------|-------|--------|--------|
| Soybeans        | MAR18 | 966.75 | -4.00  |
| Soybean Oil     | MAR18 | 33.54  | -0.22  |
| Soybean Meal    | MAR18 | 321.50 | -0.40  |
| Crude Oil       | FEB18 | 61.73  | 0.29   |
| DCE Palm Oil    | MAY18 | 5,322  | -40.00 |
| DCE Soybean Oil | MAY18 | 5,778  | -40.00 |

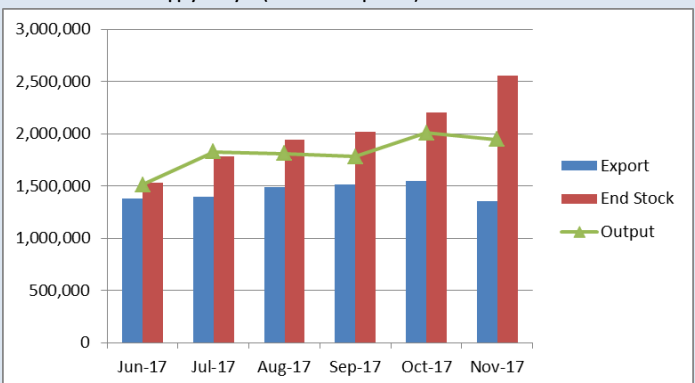
### Exchange Rate

| Currency | Last   |
|----------|--------|
| USDMYR   | 4.0054 |
| USDIDR   | 13,431 |
| USDCNY   | 6.4988 |

### Physical Palm Oil Market

| Commodities                 | Unit   | Month | Bid | Ask     | Value  |
|-----------------------------|--------|-------|-----|---------|--------|
| CPKO Local Delivery (M'sia) | RM/mt  | JAN18 | n/a | 5224.93 | n/a    |
| FOB CPO (Indo)              | USD/mt | JAN18 | n/a | 655.00  | 652.50 |
| FOB RBD Palm Olein (M'sia)  | USD/mt | JAN18 | n/a | 665.00  | 661.25 |
| FOB RBD Palm Oil (M'sia)    | USD/mt | JAN18 | n/a | 660.00  | n/a    |

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

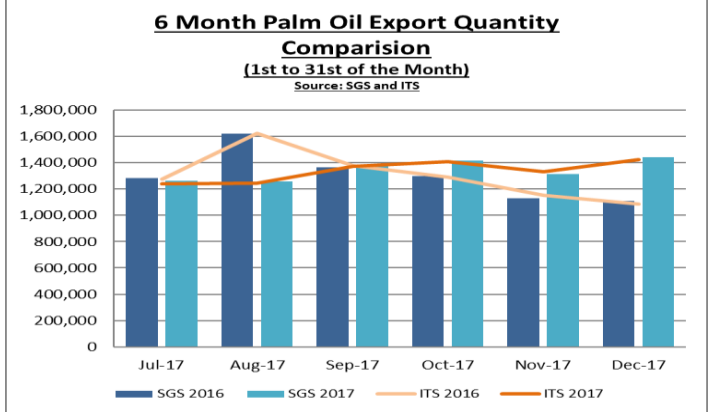


**Demand and Supply Data**

| 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    | 1,332,342       | 1,422,070 | 6.7     | 1,311,012       | 1,439,477 | 9.8     |

| (in tonnes)     | Malaysia Palm Oil Board Data (MPOB) |           |         | PFSB Forecast |         |
|-----------------|-------------------------------------|-----------|---------|---------------|---------|
|                 | Oct'17                              | Nov'17    | MoM (%) | 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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