

FCPO Daily Commentary

Brought to you by Phillip Futures Sdn Bhd (862533-U) (A member of PhillipCapital)



PALM FCPO OCT17 (2654, -21)

Our Call of The Day:

Bearish
2 August 2017

FCPO 3rd Month Daily Candle Chart



Market Commentary

Highlights:

- Palm oil dipped expectation of higher production.
- CBOT soybeans fell on improved U.S. crop ratings, weather.

Crude Palm Oil

Malaysian palm oil futures dropped on Tuesday evening, falling from a near four-month high the previous session, due to expectations of a rise in production in the coming months.

The benchmark October 17 fell RM21 to RM2,654 per tonne, prices were traded between RM2,690 and RM2,652 with total traded volume for palm stood at 38,429 lots.

Phillip Futures Sdn Bhd Derivatives Product Specialist David Ng said the improvement in production has pressured the market. The anticipation of higher production in Sabah and lower soy oil on the Chicago Board of Trade are the main reasons that dragged the commodity's price down today. Production in Sabah is seen rebounding the most on a post-EI Nino recovery compared with that of other states.

WTI crude oil dropped about 2 percent from a two-month high on Tuesday as major world oil producers kept pumping out supply, causing investors to worry that several weeks of steady gains had pushed the rally too far, too fast.

Today, we expect the palm price to trade lower as tracking the overnight plunge in soy complex.

For the benchmark palm oil contract, we locate the immediate support at RM2,637 while the immediate resistance at RM2,692.

Soybean (Reuters)

Chicago Board of Trade soybean futures fell more than 3 percent on Tuesday as better-than-expected weekly U.S. crop ratings and forecasts for mild temperatures this month bolstered expectations for a large harvest.

The U.S. Department of Agriculture late Monday rated 59 percent of the U.S. soybean crop in good to excellent condition, up from 57 percent a week earlier. Analysts surveyed by Reuters on average had expected no change.

CBOT December soybean followed soybeans lower. CBOT December soybean oil joined the downtrend, closing lower, but the spot oilshare, measuring soybean's share of value in soy products, rose to 35.61 percent, its highest since June 19.

Crude Palm Oil Futures

Bursa Malaysia Derivatives FCPO

| Contract | Last | Change | Open | High | Low | Open Interest | | Volume |
|--------------|-------|--------|-------|-------|-------|----------------|-------------|---------------|
| | | | | | | Lots | Changes | |
| Aug17 | 2,659 | -13 | 2,675 | 2,680 | 2,645 | 3,376 | -43 | 121 |
| Sep17 | 2,650 | -24 | 2,683 | 2,688 | 2,649 | 20,985 | -939 | 2,635 |
| Oct17 | 2,654 | -21 | 2,680 | 2,690 | 2,652 | 44,674 | -995 | 18,067 |
| Nov17 | 2,655 | -21 | 2,679 | 2,690 | 2,654 | 36,229 | -668 | 6,989 |
| Dec17 | 2,667 | -18 | 2,697 | 2,701 | 2,666 | 13,085 | 1,067 | 3,440 |
| Jan18 | 2,687 | -15 | 2,713 | 2,717 | 2,685 | 22,378 | 947 | 3,201 |
| Mar18 | 2,698 | -19 | 2,730 | 2,730 | 2,695 | 16,593 | -47 | 1,498 |
| May18 | 2,704 | -21 | 2,734 | 2,736 | 2,701 | 20,476 | 254 | 1,891 |
| Jul18 | 2,665 | -19 | 2,692 | 2,695 | 2,663 | 11,909 | 129 | 411 |
| Sep18 | 2,653 | -20 | 2,670 | 2,670 | 2,650 | 5,956 | 17 | 78 |
| Nov18 | 2,633 | -22 | 2,665 | 2,665 | 2,631 | 8,278 | 20 | 66 |
| Jan19 | 2,645 | -22 | 2,667 | 2,668 | 2,654 | 1,361 | 5 | 22 |
| Mar19 | 2,650 | -24 | - | - | - | 772 | 0 | - |
| May19 | 2,630 | -24 | 2,668 | 2,668 | 2,664 | 498 | 10 | 10 |
| Jul19 | 2,642 | -24 | - | - | - | 323 | 0 | - |
| Total | | | | | | 206,893 | -243 | 38,429 |

Spreads

| Contract | Open | High | Low | Last | Vol |
|---------------|------|------|-----|------|-------|
| Aug17 / Sep17 | -5 | 10 | -8 | 9 | 46 |
| Sep17 / Oct17 | -1 | -1 | -4 | -4 | 1,065 |
| Oct17 / Nov17 | 0 | 1 | -3 | -1 | 3,436 |
| Nov17 / Dec17 | -9 | -7 | -12 | -12 | 670 |

Correlated Commodity Market

| Commodities | Month | Last | Change |
|-----------------|-------|--------|--------|
| Soybeans | NOV17 | 971.75 | -35.50 |
| Soybean Oil | DEC17 | 34.28 | -0.85 |
| Soybean Meal | DEC17 | 314.50 | -10.90 |
| Crude Oil | SEP17 | 49.16 | -1.38 |
| DCE Palm Oil | JAN18 | 5,468 | 22.00 |
| DCE Soybean Oil | JAN18 | 6,334 | 44.00 |

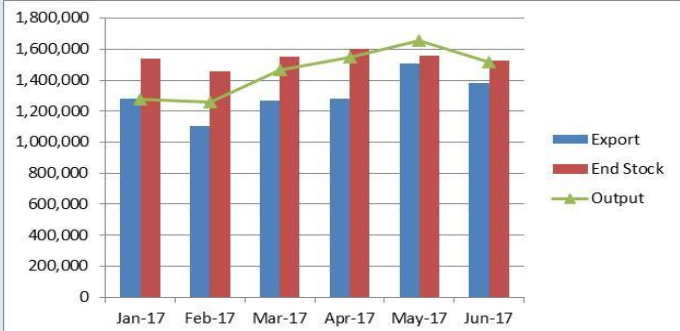
Exchange Rate

| Currency | Last |
|----------|--------|
| USDMYR | 4.2865 |
| USDIR | 13,320 |
| USDCNY | 6.7210 |

Physical Palm Oil Market

| Commodities | Unit | Month | Bid | Ask | Value |
|-----------------------------|--------|-------|--------|---------|--------|
| CPKO Local Delivery (M'sia) | RM/mt | JUL17 | n.a. | 4695.83 | n.a. |
| FOB CPO (Indo) | USD/mt | AUG17 | 645.00 | 650.00 | 647.50 |
| FOB RBD Palm Olein (M'sia) | USD/mt | AUG17 | n.a. | 655.00 | 651.25 |
| FOB RBD Palm Oil (M'sia) | USD/mt | AUG17 | n.a. | 650.00 | n.a. |

MPOB Demand and Supply Analysis (6 Month Comparison)

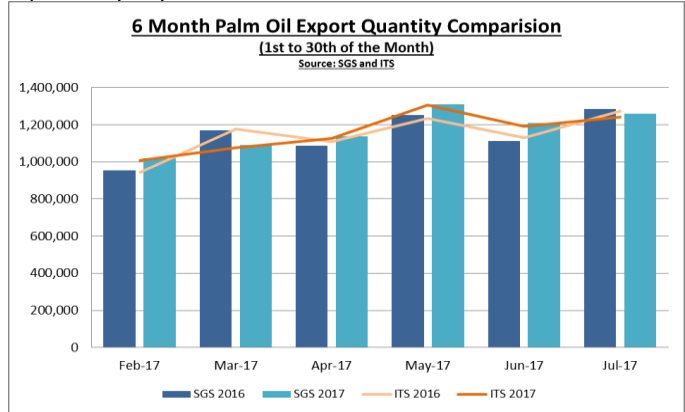


Demand and Supply Data

| Date | ITS (in tonnes) | | | SGS (in tonnes) | | |
|---------------|-----------------|-----------|---------|-----------------|-----------|---------|
| | Jun'17 | Jul'17 | Chg (%) | Jun'17 | Jul'17 | Chg (%) |
| First 10 days | 366,994 | 360,114 | -1.9 | 367,165 | 381,241 | 3.8 |
| First 15 days | 508,960 | 599,414 | 17.8 | 523,505 | 615,671 | 17.6 |
| First 20 days | 721,020 | 796,664 | 10.5 | 710,322 | 817,961 | 15.2 |
| First 25 days | 985,534 | 1,016,689 | 3.2 | 996,291 | 1,044,456 | 4.8 |
| Full month | 1,190,583 | 1,190,583 | 4.1 | 1,210,359 | 1,260,143 | 4.1 |

| Malaysia Palm Oil Board Data (MPOB) | | | | PFSB Forecast | |
|-------------------------------------|-----------|-----------|---------|---------------|---------|
| (in tonnes) | May'17 | Jun'17 | MoM (%) | July'17 | Chg (%) |
| Production | 1,654,494 | 1,514,170 | -8.5 | - | - |
| Export | 1,505,929 | 1,379,691 | -8.4 | - | - |
| Import | 47,450 | 45,828 | -3.4 | - | - |
| Local Disapp | 238,290 | 210,883 | -11.5 | - | - |
| Stock | 1,557,619 | 1,527,043 | -2.0 | - | - |
| Stock/Use ratio | 0.87 | 0.96 | 10.4 | - | - |

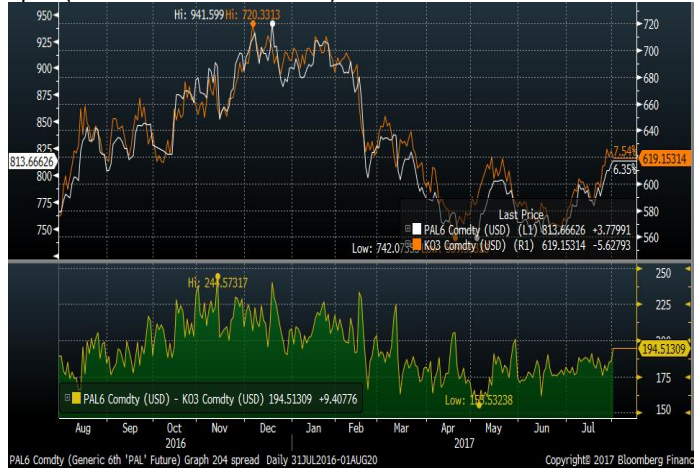
Export Quantity Analysis



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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