PALM OIL PRICE ANALYSIS & OUTLOOK FOR 1ST HALF of 2013

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1. Crude Palm Oil Price Analysis

Trend Analysis

Price in a down trend since May 2012

Breakout from the averages

Consolidation

Source: NextVIEW Sdn Bhd

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1. Crude Palm Oil Price Analysis

Trend Analysis

- **Ichimoku Cloud indicator**
- **False Cloud Breakout**
- **Support broken, Trend continues downwards**
- **Breakout from cloud with increasing Cloud**

Source: NextVIEW Sdn Bhd
1. Crude Palm Oil Price Analysis

Trend Analysis from previous pages:

1. Since May 2012, Price went into a down trend.

2. Moved into a correction between June to August 2012, but continued the down trend after breaking the support level at RM2,850 in September 2012.

3. Price moves sideways between RM 2,200 and RM2,500 from October to current day.

4. Break above the Cloud in late January and the 30 to 90 day moving averages, signaling a change in trend from bearish to bullish.

Current price is as at 5 February 2013
1. Crude Palm Oil Price Analysis

Chart Pattern Analysis: Short-term

Breakout of a triangle with a price objective of RM2,900

Source: NextVIEW Sdn Bhd
1. Crude Palm Oil Price Analysis

Chart Pattern Analysis

ABC correction: 0A = BC

C = RM2,320

Source: NextVIEW Sdn Bhd
1. Crude Palm Oil Price Analysis

Chart Pattern Analysis from previous pages:

1. FCPO went into a major price consolidation since 2011 after a strong bullish rally when price reached RM4,000

2. An Elliott Wave correction wave (the ABC wave) points a target of RM2,320.

3. A triangle pattern (X) price breakout price objective was RM2,450

4. Therefore, price between RM2,300 to RM2,400 is bottom of the major correction.
1. Crude Palm Oil Price Analysis

Trend Pattern Analysis

FCPO - Weekly

Average RM2,900

RM2,200 – RM2,400

15-year linear regression lines

Source: NextVIEW Sdn Bhd
1. Crude Palm Oil Price Analysis

Trend Pattern Analysis:

1. 15 year linear regression line (average) is currently at RM2,900

2. Linear regression channel is between RM2,200 and RM4,000

3. Price is currently near the bottom band of the linear regression channel

4. At current price at RM2,500, price is still considered technically oversold
1. Crude Palm Oil Price Analysis

Support and Resistance Analysis: SUPPORT

Source: NextVIEW Sdn Bhd

Downloadable file

Source: NextVIEW Sdn Bhd

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1. Crude Palm Oil Price Analysis

Support and Resistance Analysis:

SUPPORT

1. Support level based on a 61.8% Fibonacci retracement from the October 2008 to February 2011 up trend at RM2,330.

2. RM2,330 is also the support level on July 2010.

3. Down trend channel support level is at RM2,300 - RM2,400

4. Support level is between RM2,300 and RM2,400
1. Crude Palm Oil Price Analysis

Support and Resistance Analysis: Resistance

Source: NextVIEW Sdn Bhd
1. Crude Palm Oil Price Analysis

Support and Resistance Analysis:

RESISTANCE LEVEL

1. Fibonacci retracement levels from 2011 and from 2012 are used.

2. First confluence of retracement levels at RM2,900

3. Second confluence of retracement levels at RM3,100

4. Down trend line at RM3,300
1. Crude Palm Oil Price Analysis

Cycle Pattern analysis:
1. Crude Palm Oil Price Analysis

   Cycle Pattern analysis:

   1. The pattern from the end 2008 to-date is similar to the pattern between year 2001 and 2005.

   2. Time period is also the same

   3. If history repeats itself, we are going to see a long period of sideways correction.

   4. Based on the time frame, we have one more year of correction.
Technical Analysis Summary

1. Chart patterns and support analysis show that price have bottomed out at RM2,300 to RM2,400.

2. There is resistance levels at RM2,900 and RM3,100. Immediate resistance is at RM2,550.

3. Price trend shows that there is a reversal in price trend from bearish to bullish.

4. However, the cycle pattern analysis shows that market is still due to trade sideways in the next 12 months.

5. Therefore, should the price trend, the RM2,900 is more logical.
2. Factors affecting price of FCPO

Data source: MPOB
Price vs Inventory

1. When monthly end stock peak at 2.25 million tons in end-2008 and end-2009, price was trading at RM1,500 (2008) and RM2,600 (2009).

2. Inventory was low in 2010, price rallied to RM3,600.

3. In year 2011, end month stock peaked at 2.14 million and price was at RM2,900.

4. In 2012, end month stock reached historical high of 2.6 million tons, price went as low as RM2,300.

5. If inventory can be brought down to 2 million tons, we may see price at 2,900 – 3,000.

6. High output starts again in April, which is another 2 months and therefore, for price to rally to RM2,800 to RM2,900, inventory has to lose 0.6 million tons in the next two months, which can be made possible if exports rise and production continue to fall. B10 from B5 may help reduce inventory but the facility can only be ready by mid-2014, as the government announced.
2. Factors affecting price of FCPO

Data source: MPOB
Production trend

1. December output was 1.8 million tons

2. Average 1.6 million tons. Output normally falls to average in 2 months after it peaked.

3. Output was expected to decline to 1.6 million tons in end December but still at 1.8 million tons, adding to inventory.

4. Output expected to continue to decline to 1.6 million tons in the next two months, which is a reduction of 0.2 million tons in the next two months.
2. Factors affecting price of FCPO

Data source: MPOB
Export trend

1. December exports was 1.65 million tons

2. Average is at 1.55 million tons. Export normally moves into its average in January.

3. Possible reduction of exports between 0.1 to 0.2 million tons in the next two months

Summary:

From the exports and output estimates, only 0.1 to 0.2 million tons of the current inventory can be reduced in the next two months.
Government intervention which may boost exports and reduce inventory:

1. Zero export tax for January and February, if price stays below

2. Adding more oil contents in the biodiesel, moving from B5 to B10. This however, is long term as the government mentioned that the facilities for this can only be completed in mid-2014.

3. These are the main reasons price rebounded from the RM2,300 low as we have seen that output and exports suppress price.
2. Other Factors affecting price of FCPO

SOYBEAN OIL and CRUDE PALM OIL

6 Feb
Soybean Oil: US$1156 / ton
FCPO: US$823/ton
Difference: **US$333**

Data source: NextVIEW Sdn Bhd
2. Other Factors affecting price of FCPO

US Dollar against the Malaysian Ringgit USD/MYR:

Weak correlation between USD and FCPO

Data source: NextVIEW Sdn Bhd
2. Other Factors affecting price of FCPO

US Dollar against the Crude oil:

At current crude oil price, FCPO should be trading at RM2,800 levels

Data source: NextVIEW Sdn Bhd
2. Other factors affecting price of FCPO

Analysis

1. Effect on production and export is going to be minimal in the short term. It may only reduce inventory slightly in the next few months before production starts to increase again in April/May onwards.

2. Soybean continues to stay premium against the FCPO, and has been staying premium for the past two years. Although FCPO may be attractive, these two edible oils somehow have decoupled.

3. At current oil prices, which is continue to rise, price of FCPO should be around RM2,800.

4. The challenge to boost FCPO price is to reduce inventory from the current level of 2.6 million to 2.0 to 2.2 million if prices were to rally to RM2,800 to RM3,000 and it has to be by May/June because of high output season, unless exports increased significantly.
3. Crude Palm Oil forecast for the year

**FORECAST**

Price of crude palm oil is oversold in the short term and may rebound to RM2,800 by the end of this year. (Based on technical analysis, supported very little by fundamentals)

Average is between RM2,700 to RM2,800 this year.

**Validity**
Immediate resistance is at RM2,600, failure to break above this level in the next 2 months showed weak bullish momentum and price may continue to stay sideways between RM2,200 to RM2,600 for the rest of the year (or until November/December)
THANK YOU!

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