

**TECHNICAL ANALYSIS:
PALM OIL PRICES
POST-2012.**

CAIRO

15th DEC 2015

(prepared as at 16th Nov '15)

presented by

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**What is the
BIG PICTURE?**

Macroeconomics in Commodity prices.

In all likelihood, the liquidity-induced 2007 – 2012 super bull is a **once in a lifetime phenomenon**.

From 2012, the U.S. Quantitative Easing policies have been gradually reined in & liquidity will be further mopped up with imminent interest rate hikes.

The Global Economic meltdown has initiated a re-regulation & tightening of risk management in the Banking sector.

This fallout has also reduced the role of Banks in Physical commodity markets as well as reduced the banking facility liquidity offered to large Trading/Fund houses.

Macroeconomics in Commodity prices.

Consequently, excessive liquidity
has also ebbed from
commodity markets.

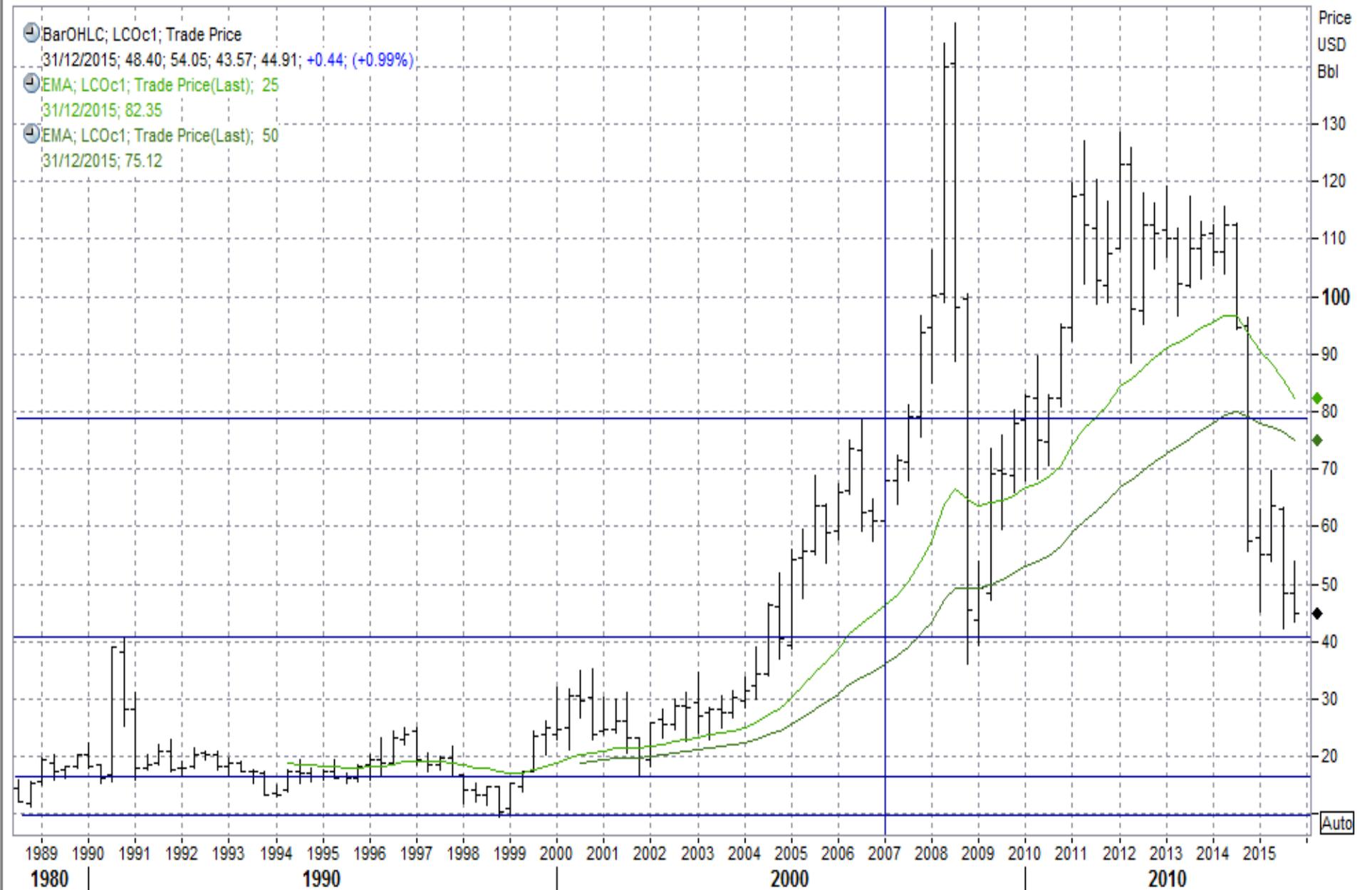
With this inference, the price band of many
commodities
is reverting back to the

pre-2007 'old normal'.

Brent.

Quarterly LCOc1

30/09/1988 - 31/03/2016 (LON)



FOB Olein.

Monthly PALM-OLEIN-P2

31/01/1996 - 31/01/2017 (GMT)

BarOHLC; PALM-OLEIN-P2; Last Quote
30/11/2015; 567.50; 597.50; 542.50; 542.50; N/A; N/A
EMA; PALM-OLEIN-P2; Last Quote(Last); 25
30/11/2015; 674.36
EMA; PALM-OLEIN-P2; Last Quote(Last); 50
30/11/2015; 748.51



The US Dollar Index.

With the tightening of U.S monetary policies & the recovery of the U.S. economy, the USD has bottomed out in 2008/2010 & is now **firming on the medium term uptrend U.**

Current firmness is likely **pre-emptive**, on expectations of a rate hike by year end but we are unsure, even doubtful if the USD can surge from here as we opine that to remain competitive, a **rebalancing of the USD may occur.**

The US Dollar Index.

The USD Index is currently in push mode between the 98 – 100 make-or-break window & is awaiting a decisive breach. Current levels are near the 62% upside corrective mark at 102 & am unsure if it can breach above as yet.

A weekly close below 98 is a breakdown signal.

A weekly close above 100/102 is a strong upside breach.

96 is now a very strong & important support.

Certainly attractive levels to buy but **MUST** stay above for stability (would trigger sell-stops on a weekly close below).

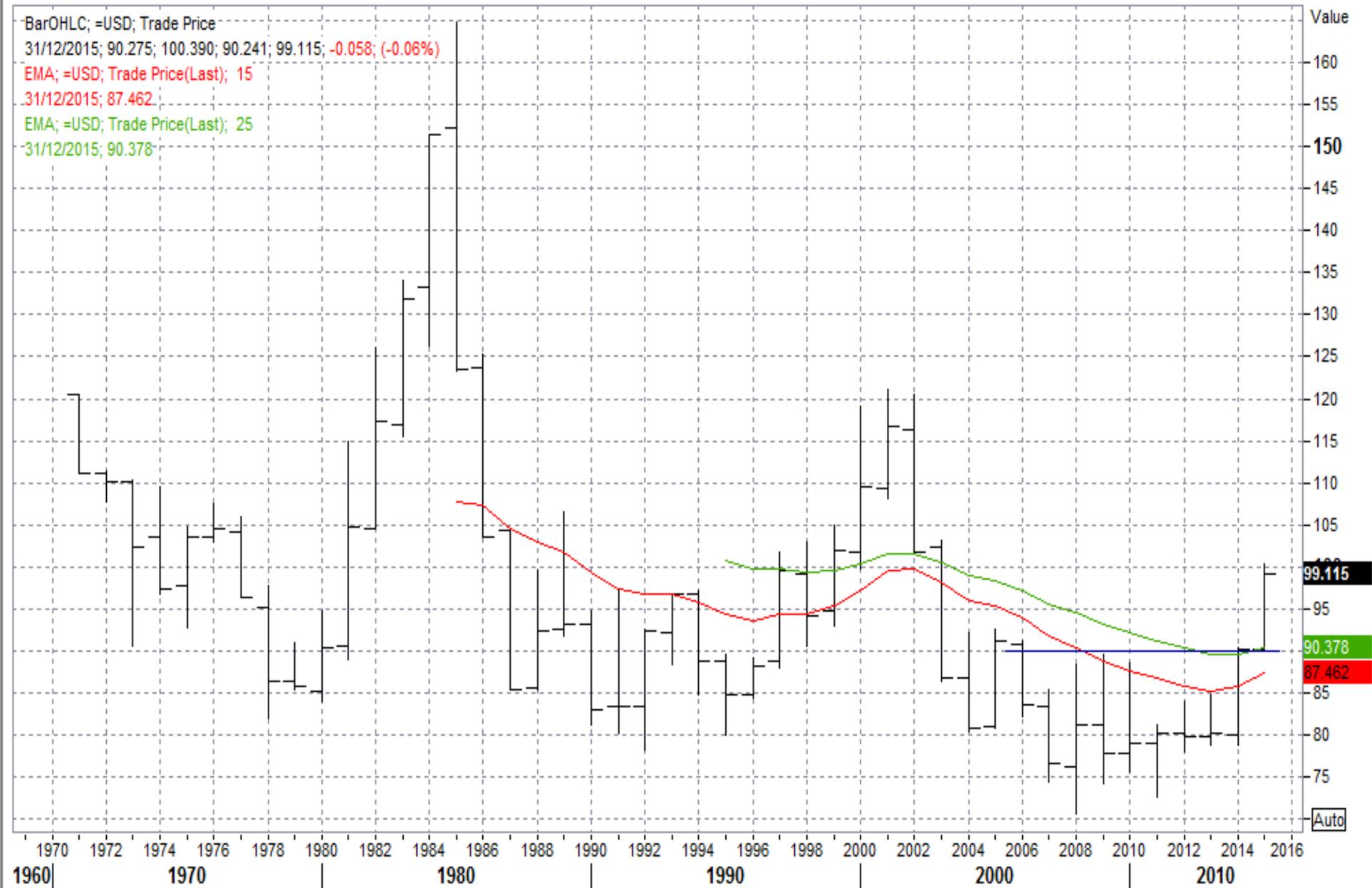
92/94 is a mother-of-all support zone & do not expect it to be breached.

A firm USD will in general dampen
commodity prices.

USD Index.

Yearly =USD

31/12/1969 - 31/12/2016 (NYC)



USD Index.

Weekly =USD

17/10/2008 - 08/04/2016 (NYC)



Energy prices.

A similar super bull trend is also reflected in Brent 2007 – 2014 & which quickly collapsed as Shale gas/oil emerges as the **new Energy game changer** that has completely capped prices.

Would opine that the rate of fall should taper off as prices near production cost (around USD 40, based on the articles that I have perused) of major Shale gas/oil producers.

However, would not discount the possibility that **prices may overshoot this level** as traditional crude oil producers continue to flood market in vying for revenue in current difficult economic conditions.

Energy prices - Brent.

Remain defensive especially on rebounds.

Immediate term, sideways/down bias between 46 – 51.

Close below 46 = weak/expect slippage but would expect very strong resilience nearing 40 major support still.

Long term, downtrend D (55 threshold resistance) is intact.

Massive resistance band is also expected in the 60/70 zone.

Would rate USD 30/20 to be an impregnable support zone.

Therefore it is unlikely
for Energy prices to lend strength
to Palm Oil prices anytime soon.

Palm Oil-Gasoil Spread.

From 2007 – 2014, due to high Energy prices, demand for Palm Oil as biodiesel feedstock has been substantial (with long periods of discretionary demand).

In these periods, the Palm Oil price **strength was demand-led.**

However, with the collapse in Energy prices, demand from that sector has **greatly diminished.**

The PoGo Spread has been in negative territory for the past several months.

To fill in that vacuum, a sizeable biodiesel subsidy program has recently been initiated by the Indonesian government.

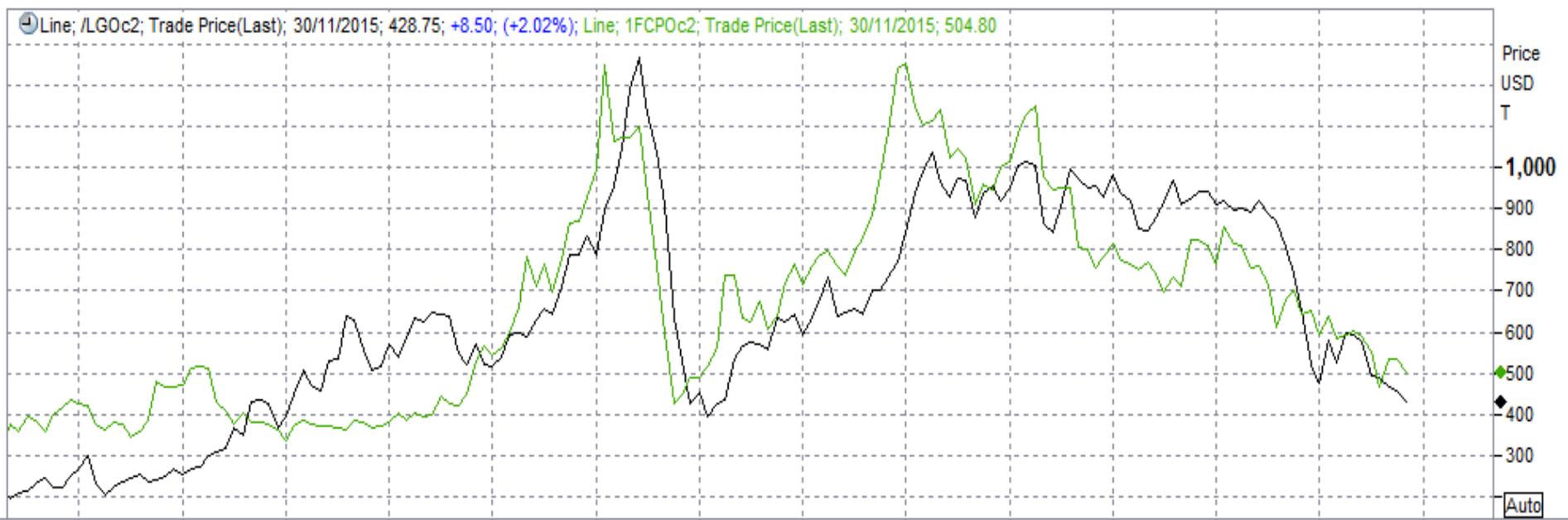
While it has failed to bull
Palm Oil prices,
the Indonesian Biodiesel Program
should provide a support base

– with caveat
that it is implemented as scheduled.

PoGo Spread.

Monthly /LGOc2; 1FCPOc2

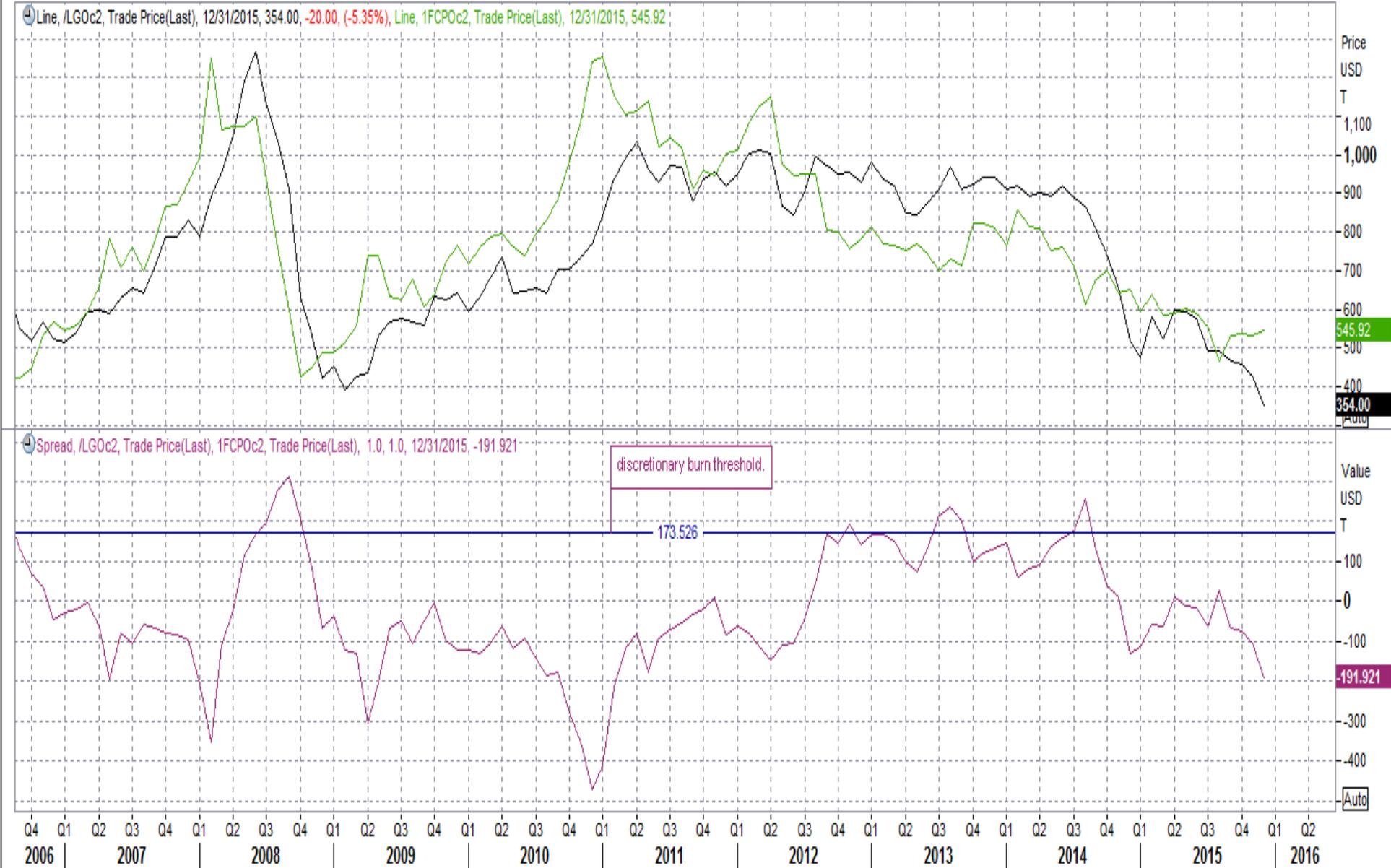
31/05/2002 - 30/09/2016 (LON)



PoGo Spread (Latest update, last Fri 11/12).

Monthly /LGOc2, 1FCPOc2

9/30/2006 - 6/30/2016 (LON)

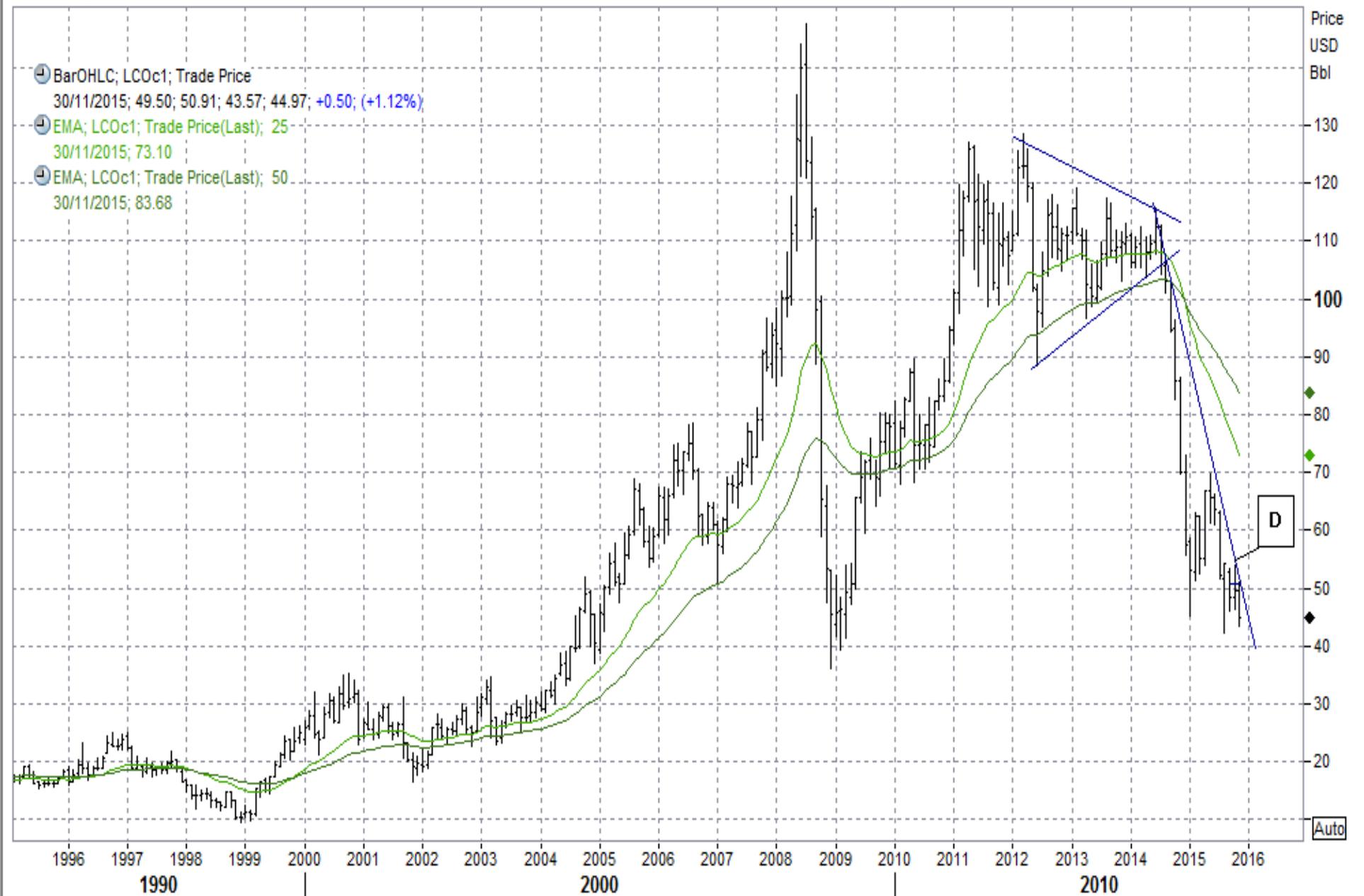


Brent.

Monthly LCOc1

28/02/1995 - 31/12/2016 (LON)

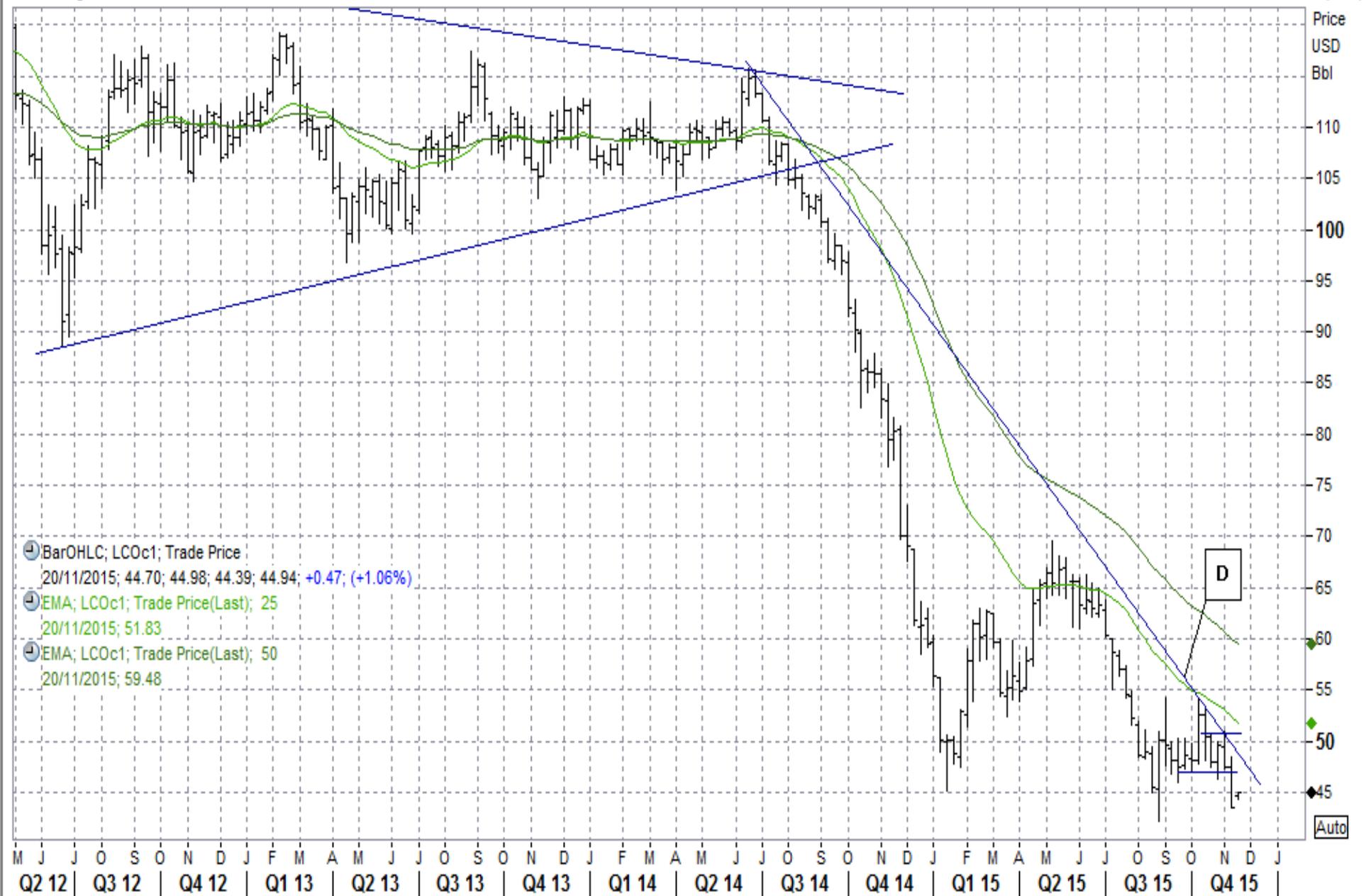
- BarOHLC; LCOc1; Trade Price
30/11/2015; 49.50; 50.91; 43.57; 44.97; +0.50; (+1.12%)
- EMA; LCOc1; Trade Price(Last); 25
30/11/2015; 73.10
- EMA; LCOc1; Trade Price(Last); 50
30/11/2015; 83.68



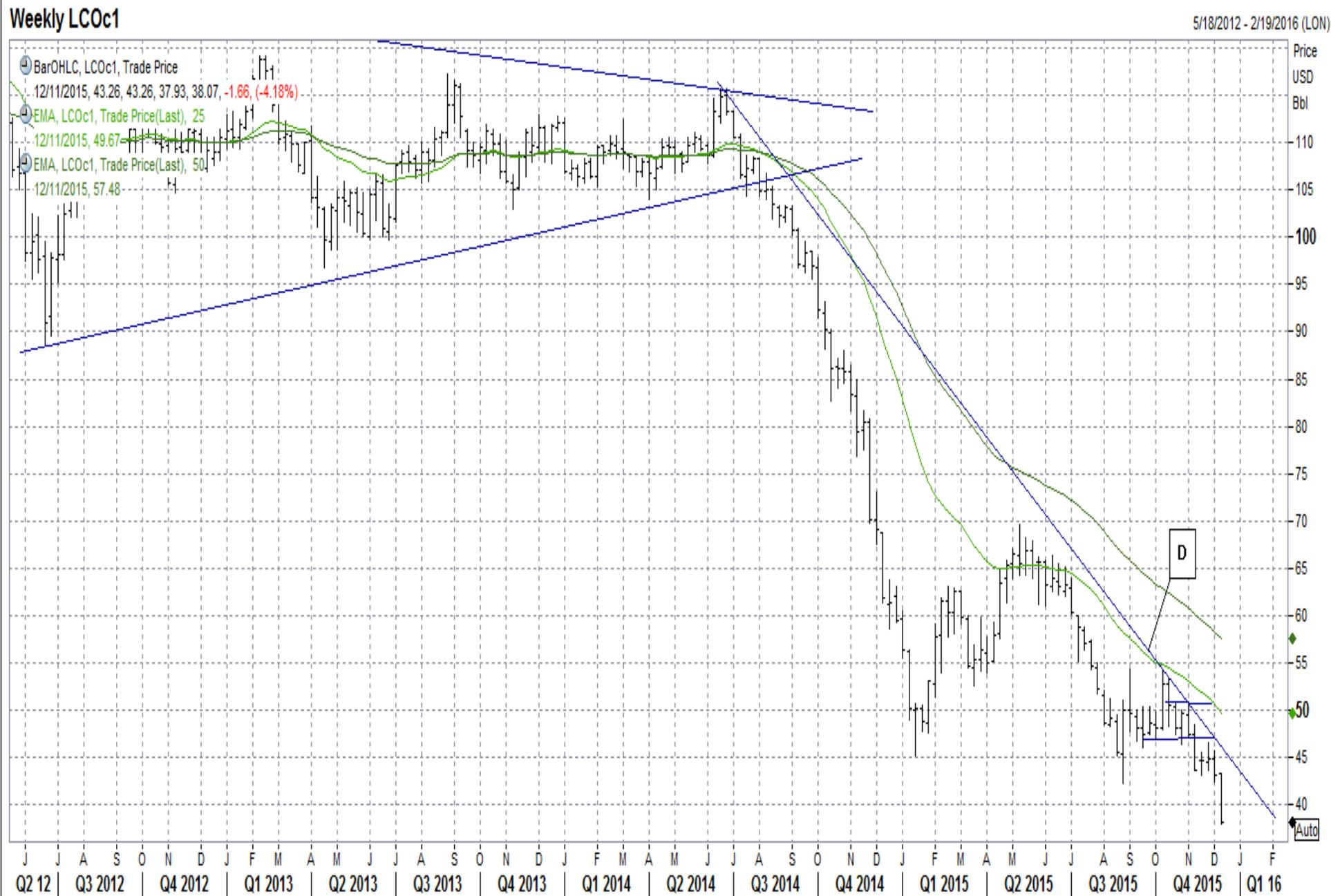
Brent.

Weekly LCOc1

04/05/2012 - 29/01/2016 (LON)



Brent (Latest update, last Fri 11/12).



**SO WHATS THE
'OLD NORMAL'
FOR
PALM OIL PRICES?**

FOB Palm Olein prices.

With low Energy prices, would opine that Palm Oil price trends have reverted back to **traditional Supply Demand fundamentals**, largely dependent on major supply bottlenecks to fuel the bull periods.

In the worst case bear scenario, burdensome excess supply may be **dumped to levels where it could be absorbed** by discretionary/unsubsidized Energy demand.

Pre-2007 price data suggest

- a price range of around USD 300 – USD 700,
- with a median band of USD 400 – USD 600.

Prices have recently deflated from USD 600 but at around USD 545 are still at the higher end of the median band.

Current palm oil scenario
finding equilibrium
between
bearish immediate vegetable oils
fundamentals
versus
anticipation of monsoon & El Nino
disruptions.

These few weeks/months
are certainly a
make-or-break window
for prices.

Based on past observations,
a ‘double-whammy’ crop disruption
is usually required to bull prices.

FOB Palm Olein.

Defensive still.

Long term, downtrend D (USD 680 threshold resistance) comfortably intact.

Medium term downtrend D1 (USD 600 threshold resistance) recently tested & found solid still.

MUST close above USD 600 to be bullish.

Close below USD 560 = breakdown signal with downside potential to around USD 520/480 zone.

However would rein in bearishness as prices approach the USD 500/480 lows in the current 'weather window'.

FOB Palm Olein.

Monthly PALM-OLEIN-P2

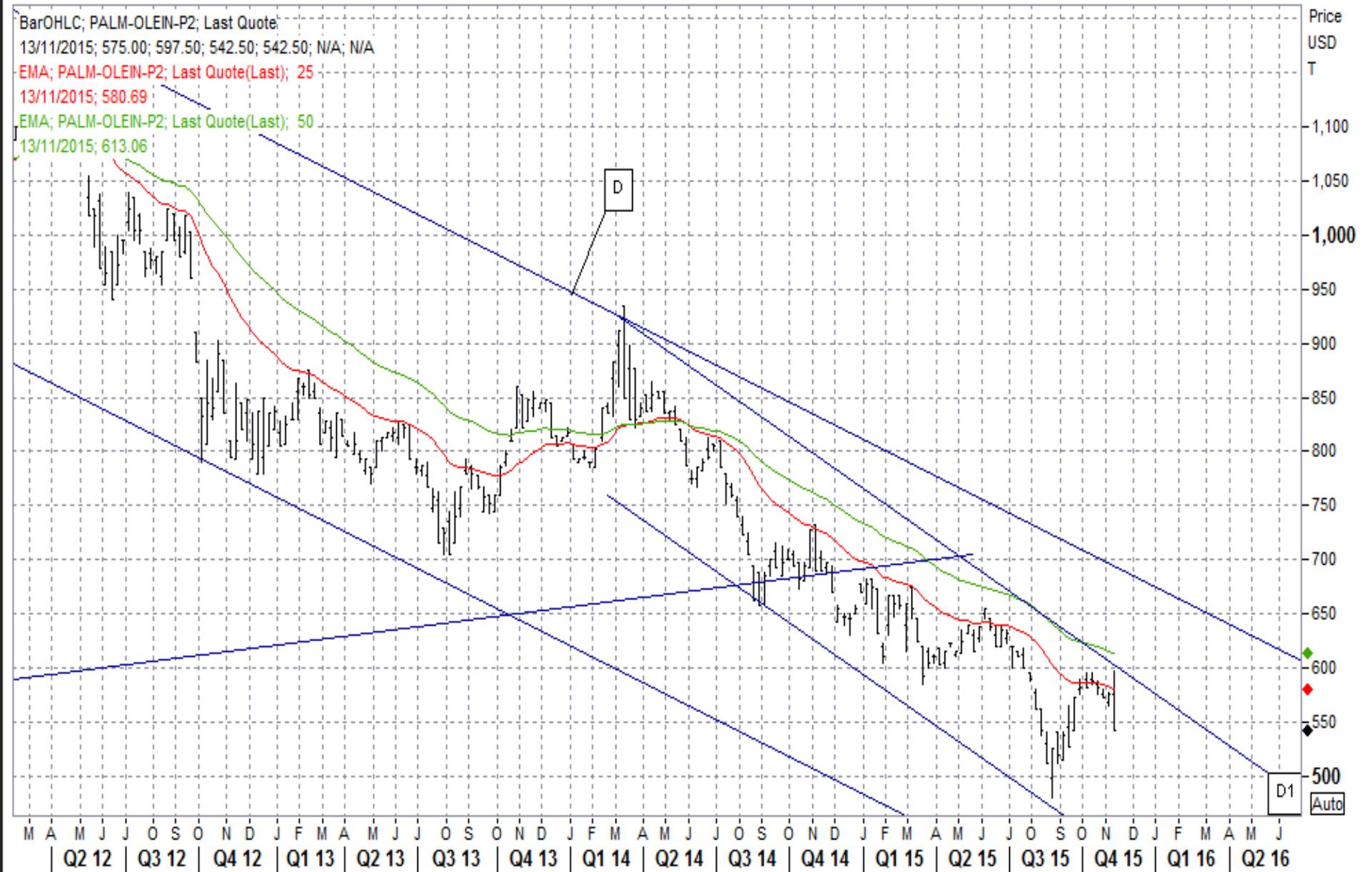
31/10/1997 - 31/10/2016 (GMT)

BarOHLC; PALM-OLEIN-P2; Last Quote
30/11/2015; 567.50; 597.50; 542.50; 542.50; N/A; N/A
EMA; PALM-OLEIN-P2; Last Quote(Last); 25
30/11/2015; 674.36
EMA; PALM-OLEIN-P2; Last Quote(Last); 50
30/11/2015; 748.51



FOB Palm Olein (Weekly).

Weekly PALM-OLEIN-P2 17/02/2012 - 01/07/2016 (GMT)



FOB Palm Olein (Latest update, last Fri 11/12).

Weekly PALM-OLEIN-P2

3/2/2012 - 2/19/2016 (GMT)



South American Crude Degummed Soya oil.

Defensive still.

Long term, downtrend D (720/700 threshold resistance) remains intact.

Immediate term, consolidating between USD 660 – USD 700/720 make-or-break window, awaiting a decisive breach.

Close below USD 660 signals weakness.

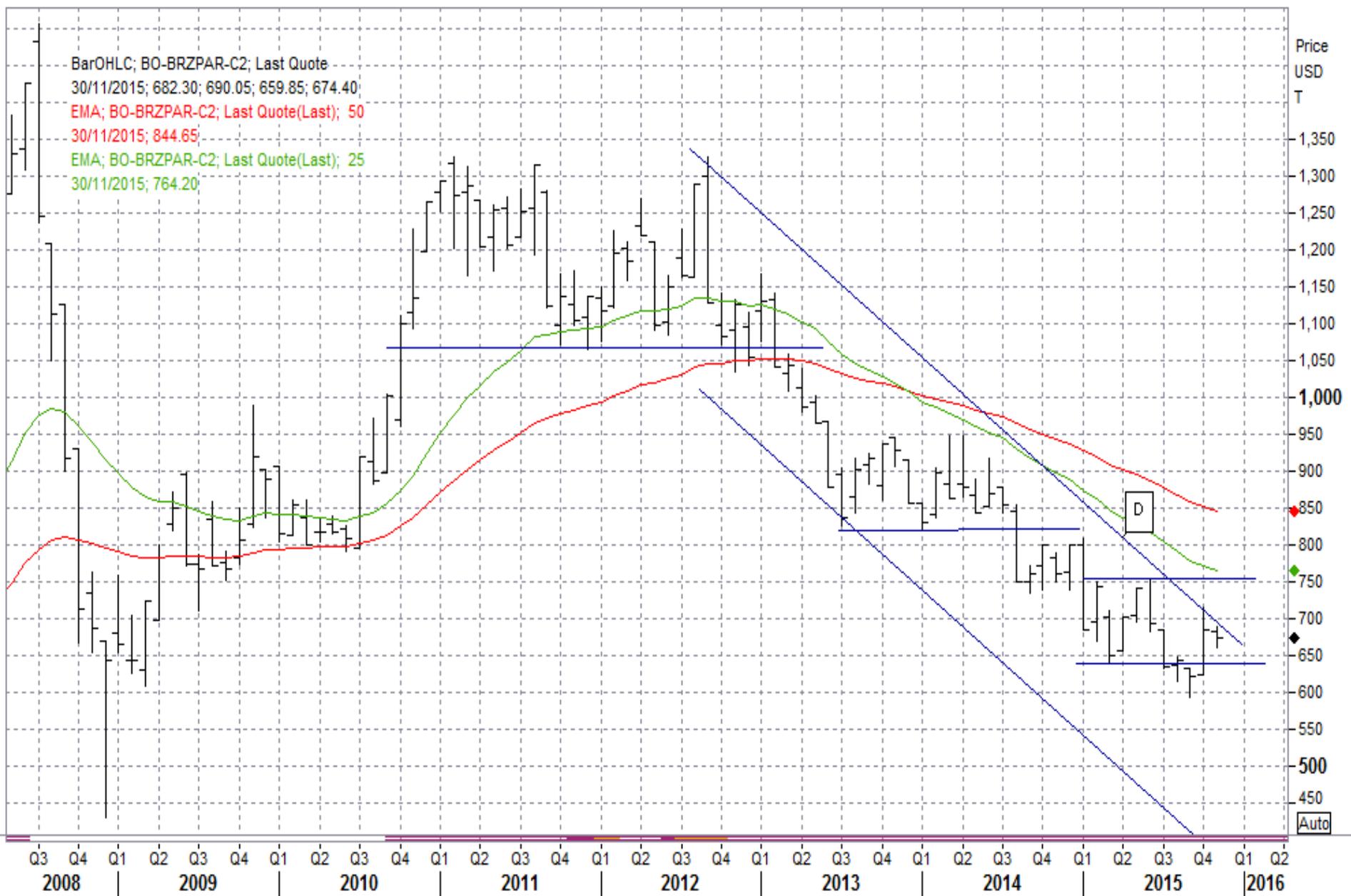
South American Crude Degummed Soyaoil.

Monthly BO-BRZPAR-C2

31/05/2008 - 30/04/2016 (UTC)

BarOHLC; BO-BRZPAR-C2; Last Quote
30/11/2015; 682.30; 690.05; 659.85; 674.40
EMA; BO-BRZPAR-C2; Last Quote(Last); 50
30/11/2015; 844.65
EMA; BO-BRZPAR-C2; Last Quote(Last); 25
30/11/2015; 764.20

Price
USD
T



South American Crude Degummed Soyaoil.

(Latest update, last Fri 11/12).

Weekly BO-BRZPAR-C2

11/4/2012 - 2/14/2016 (UTC)



South American Beans.

Defensive still.

Long term, downtrend D (USD 380 threshold resistance) remains intact.

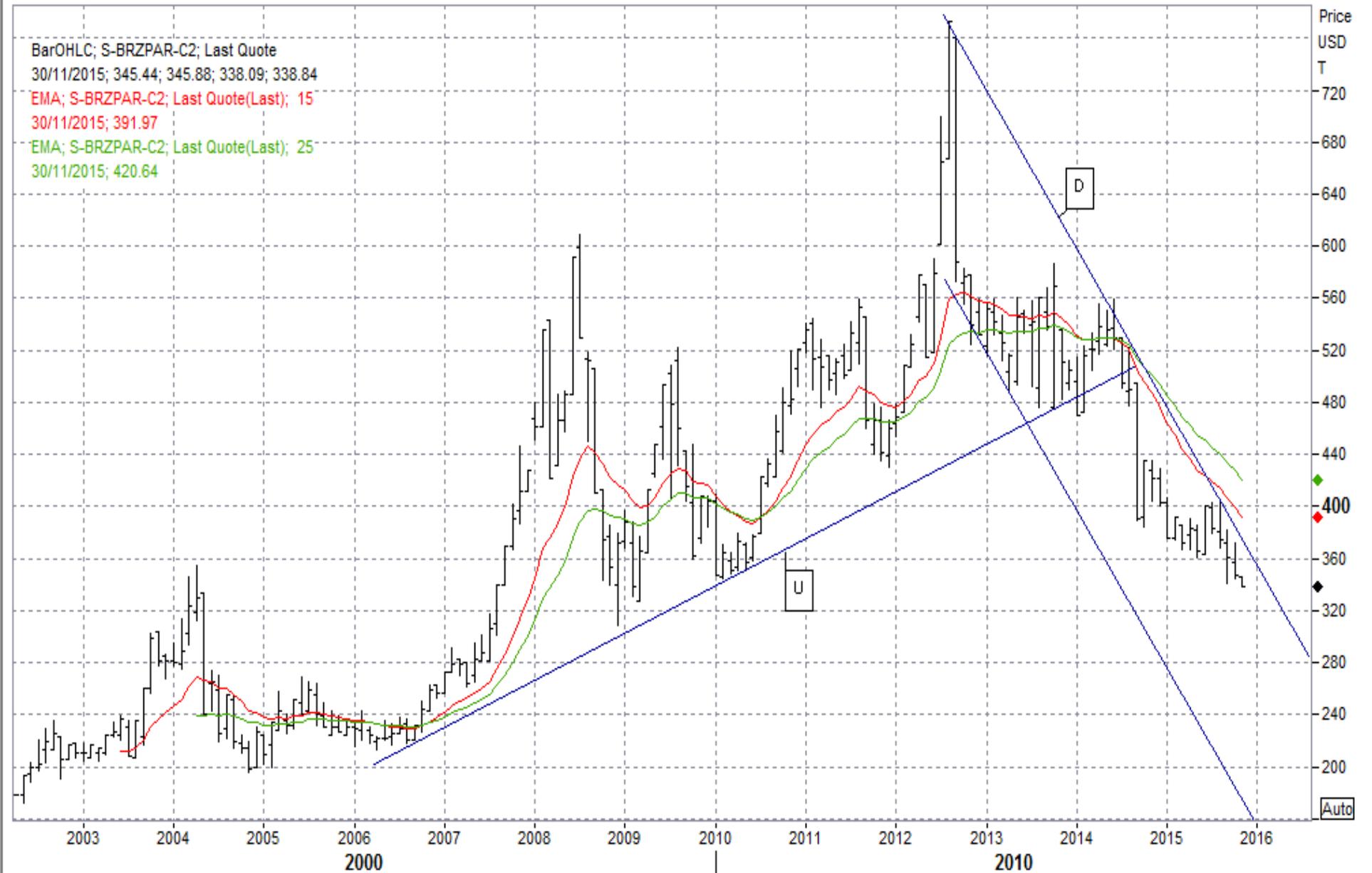
Immediate term, weakish/bearish bias, now testing lower end of USD 340 – USD 380 make-or-break window.

Close below USD 340 = expect slippage to test USD 320/300.

South American Beans.

Monthly S-BRZPAR-C2

30/04/2002 - 31/08/2016 (UTC)

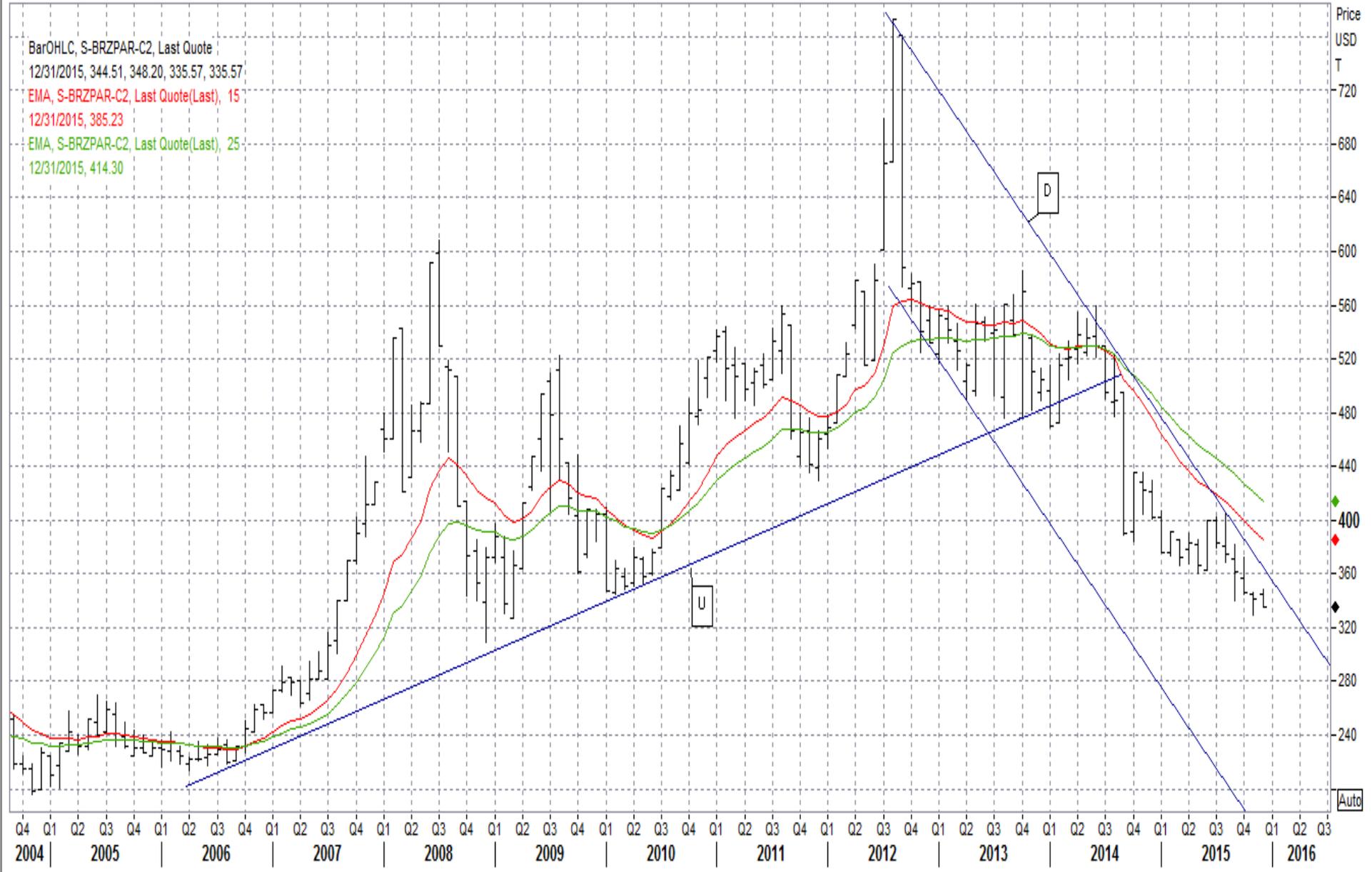


South American Beans (Latest update, last Fri 11/12).

Monthly S-BRZPAR-C2

9/30/2004 - 7/31/2016 (UTC)

BarOHLC, S-BRZPAR-C2, Last Quote
12/31/2015, 344.51, 348.20, 335.57, 335.57
EMA, S-BRZPAR-C2, Last Quote(Last), 15
12/31/2015, 385.23
EMA, S-BRZPAR-C2, Last Quote(Last), 25
12/31/2015, 414.30



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CBOT Soyoil.

Defensive still.

Long term, downtrend D (32/30 cents threshold resistance) intact.

Immediate term, still consolidating between 26 cents – 30 cents make-or-break window.

Weekly close above 30 cents is likely a major bottoming signal.

Weekly close below 26 is a breakdown signal with potential downside to around 22 cents.

Would expect extremely strong support buildup from 22 cents downwards.

CBOT Soyoil.

Monthly B0c2

31/05/1991 - 30/04/2017 (CHG)

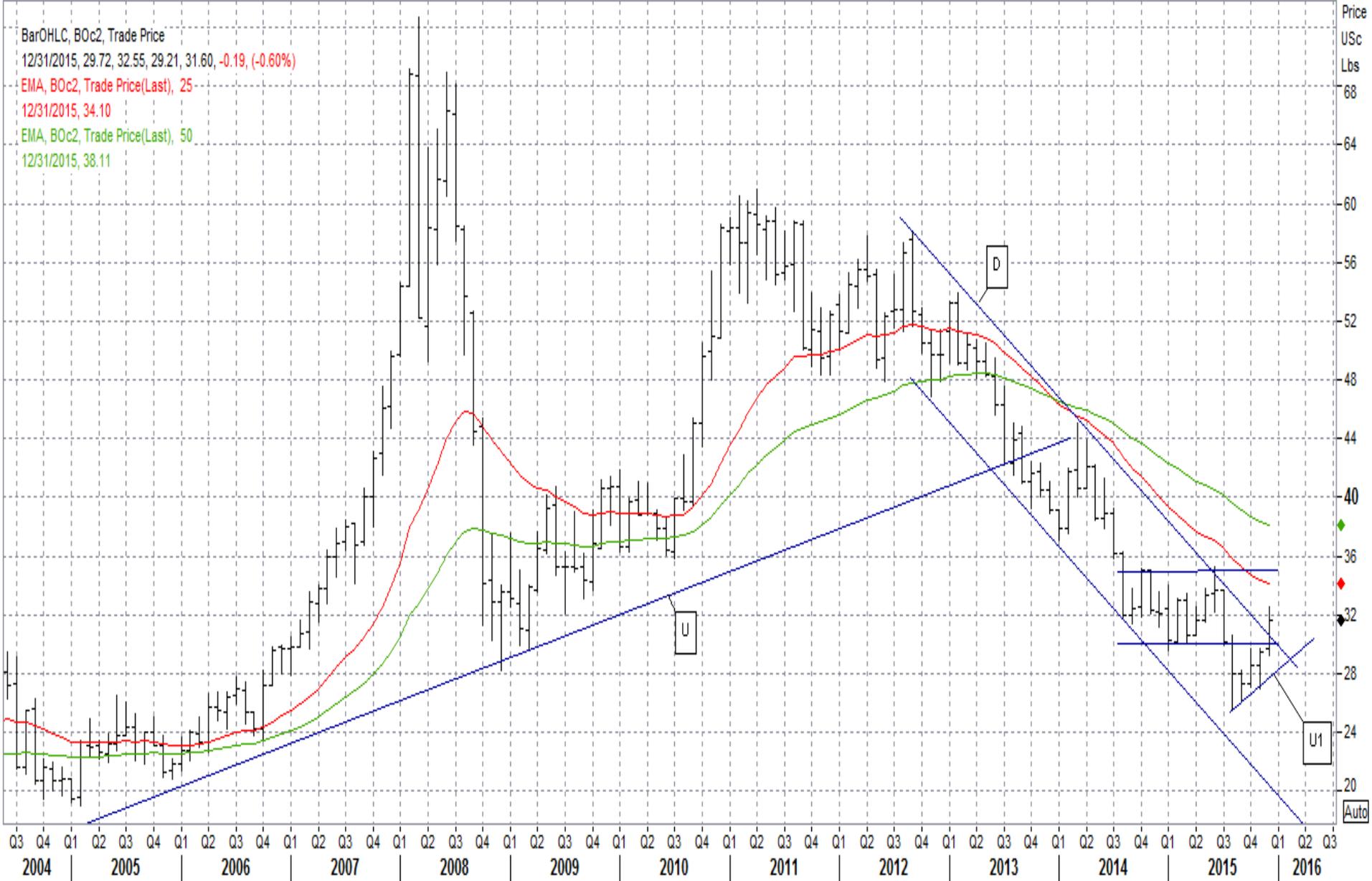


CBOT Soyoil (Latest update, last Fri 11/12).

Monthly BOC2

6/30/2004 - 7/31/2016 (CHG)

BarOHLC, BOC2, Trade Price
12/31/2015, 29.72, 32.55, 29.21, 31.60, -0.19, (-0.60%)
EMA, BOC2, Trade Price(Last), 25
12/31/2015, 34.10
EMA, BOC2, Trade Price(Last), 50
12/31/2015, 38.11



CdSBO-RBD Olein Basis.

Seasonally, basis expands in the 3rd – 4th quarter as Palm Oil stocks balloon.

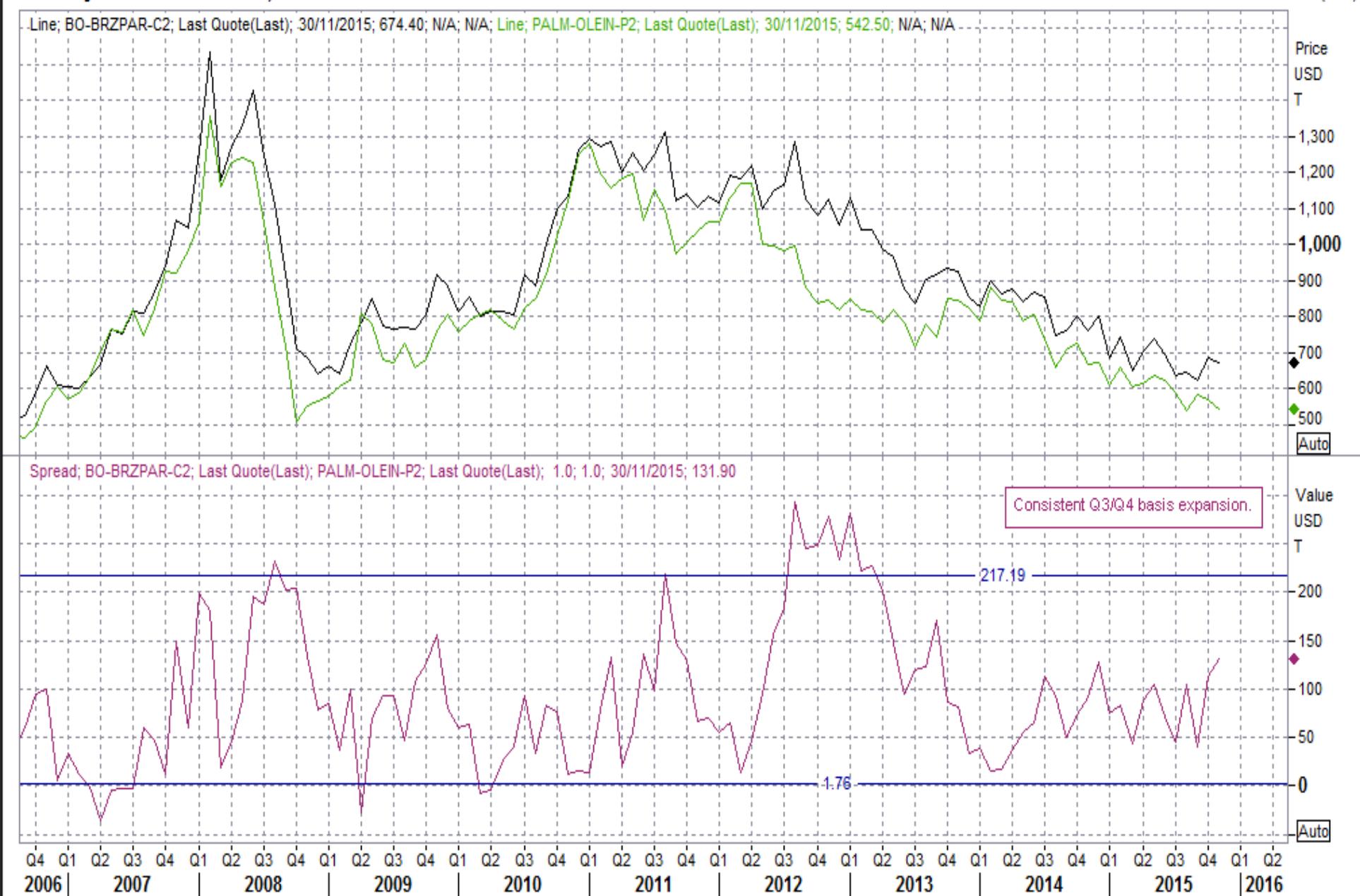
Current basis is around USD 110 & would opine that a basis of around USD 150 would be more comfortable – barring a major monsoon disruption.

Therefore would opine that Palm Oil need to be more aggressively sold to regain market share.

CdSBO-RBD Olein Basis.

Monthly BO-BRZPAR-C2; PALM-OLEIN-P2

30/09/2006 - 31/05/2016 (UTC)



CdSBO-RBD Olein Basis. (Latest update, last Fri 11/12).

Monthly BO-BRZPAR-C2, PALM-OLEIN-P2

10/31/2006 - 6/30/2016 (UTC)



Conclusion.

A firm USD as well as a crumbling Energy market is a dampener for Palm Oil prices.

FOB Olein prices remain defensive in medium term downtrend D1 (USD 600 threshold resistance).

FOB Olein MUST close above USD 600 - or CdSBO MUST close above USD 700/720 to be bullish.
(would likely require major weather disruptions to fuel it).

However, would also rein in bearishness as prices approach the USD 500/480 lows in light of the current 'weather window'.

**Many Thanks
and
Happy Trading.**

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