

Crude Palm Oil Weekly

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Market Commentary

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Malaysian palm oil futures climbed for the fourth consecutive day on Monday to close at their highest in one month, on Indonesia's plan to lower its export taxes and further raise its biodiesel blending rates.

The benchmark palm oil contract FCPOc3 for November delivery on the Bursa Malaysia Derivatives Exchange closed up 54 ringgit, or 1.4%, at 3,921 ringgit a metric ton, finishing at its highest since July 24.

Indonesia's president-elect Prabowo Subianto hopes to implement mandatory 50% palm oil-based biodiesel blending by early next year, which he said would cut fuel imports by \$20 billion per year.

The country last week said it planned to raise the blending to 40% in January 2025, from the present 35%.

Exports of Malaysian palm oil products for Aug. 1-25 fell between 14.1% to 14.9% from a month earlier, data from cargo surveyor Intertek Testing Services and independent inspection company AmSpec Agri Malaysia showed.

Oil prices extended gains on fears a major spillover in fighting from the Gaza conflict into the Middle East could disrupt regional oil supplies, while imminent U.S. interest rate cuts lifted the global economic and fuel demand outlook.

According to Oil World report, palm oil prices currently is still premium over soya oil in world market. This is quite unusual and it may change if Indonesian export sales pick up.

Following a decline in production from a year earlier so far this year, a recovery is expected in the months ahead, following the reduced yields reportedly achieved at many plantations in Jan/June.

The Indonesia government has raised the price ceiling up to which producers can sell palm oil under the domestic market obligation (DMO) by 12% to encourage selling to the domestic market. In the other words, producers are allowed to sell 4 tonnes of palm oil to the export market for every 1 tonne sold to the domestic market.

For the week, FCPO prices is expected to trade in range bound, tracking strong rival soybean oil prices due to optimistic expectations of strong purchases by top importers.

Call of The Week:

Range Bound

26/08/2024

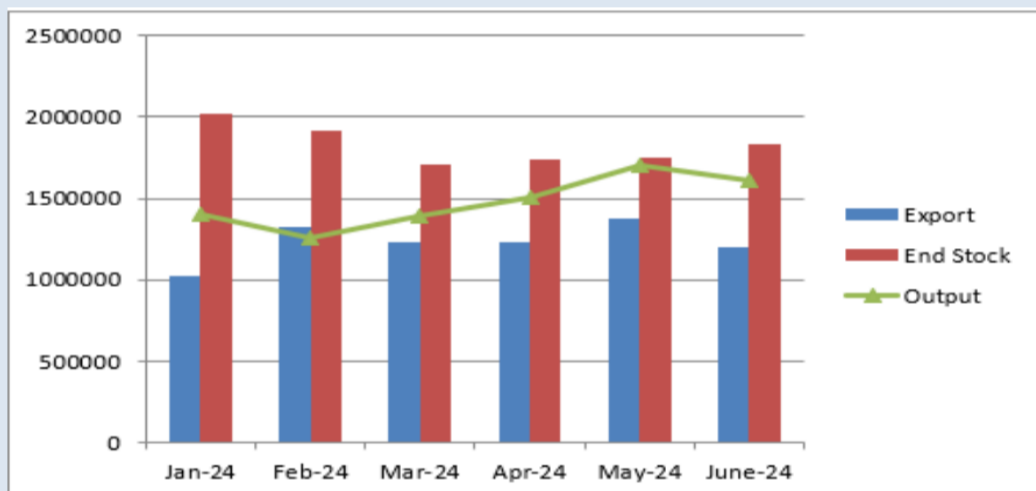
Fundamental Data

Malaysia Palm Oil Board Data ('000 tonnes)

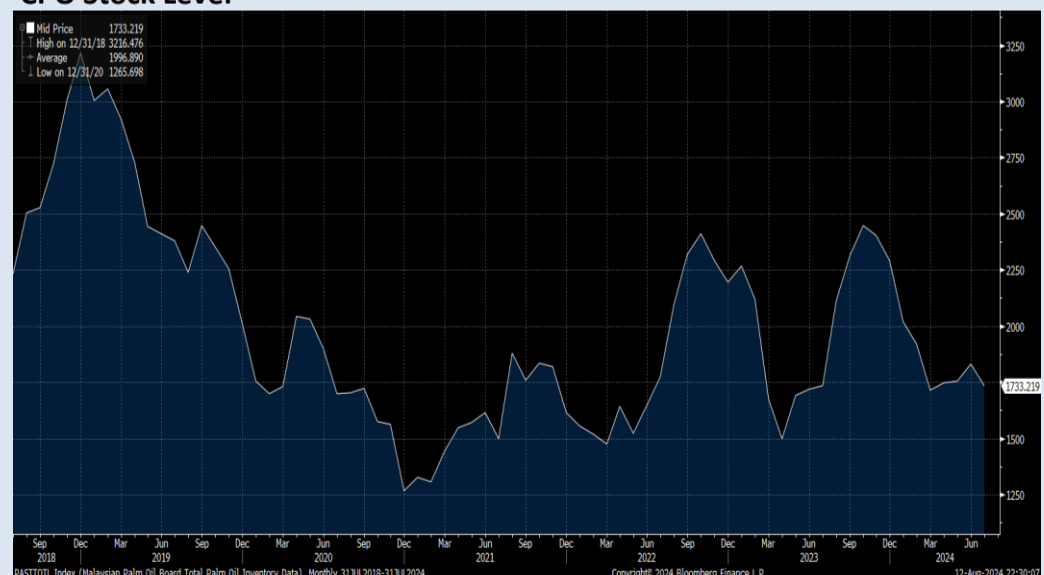
	Jul-24	Jun-24	Diff.	MoM%	Jul-23	YoY%
Opening Stocks	1829	1753	76	4.34%	1720	6.34%
Production	1841	1615	226	13.99%	1610	14.35%
Imports	10	12	-2	-16.67%	104	-90.38%
Total Supply	3680	3380	300	8.88%	3434	7.16%
Exports	1689	1205	484	40.17%	1354	24.74%
Dom Disapp	258	346	-88	-25.43%	348	-25.86%
Total Demand	1947	1551	396	25.53%	1702	14.39%
End Stocks	1733	1829	-96	-5.25%	1732	0.06%
Stock/Usage Ratio	7.42%	9.83%			8.48%	

Source: MPOB/ Phillip Capital

MPOB Demand and Supply Analysis (6 Month Comparison)



CPO Stock Level



Source: Bloomberg/ Phillip Capital

Chart of the Day - Crude Palm Oil Daily Chart



Source: Phillip Nova/Phillip Capital

Based on the daily chart, FCPO had rebounded from the support zone 3600-3670. We may see prices consolidating around 3860-3910 after a bullish week. For the week, FCPO could trade between 3800-3930.



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