

24/08/1999

Mart rises despite poor Porla report

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Long term: Uncertain

Short term: Consolidation

Momentum index: +244

Relative strength index: 45

Observations: Excited by talk that the authorities, to clear the mountain of palm oil stocks which now top one million tonnes, has given certain big plantation companies clearance to export palm oil free of export taxes, pushed the CPO futures market up the price charts last week. The market also was encouraged by the possibility that, following trade agreements signed between Malaysia and China during Prime Minister Datuk Seri Dr Mahathir Mohamed's China visit last week, palm-oil-for-rice barter deals could be a reality in the not-too-distant future.

The market took off on its bull run despite the Palm Oil Registration & Licensing Authority's (Porla) release last Monday of discouraging trade data.

Porla put end-July palm oil stocks at 1.162 million tonnes, up 10.93 per cent from that at the end of the previous month, amid industry estimates that the end-August stock figure probably would be even higher.

The active November 1999 contract surged to an intra-week high of RM1,398, before profit-taking pared the earlier gains, settling last Friday at RM1,317 for a RM157 jump in price over the week.

Conclusion: Talk about official clearance given to certain big plantation concerns to export palm oil tax-free, remains to the best of this writer's knowledge, unconfirmed to this day. The recent bull run, therefore, has been based on hope and, without official confirmation one way or the another, market players are short on patience could start liquidating long (buy) positions.

(END)