

**Palm falls to 2-month low on stocks data, crude offers support**  
**Malaysian Insider**  
**11 Apr, 2014**

Malaysian palm oil futures hit a two-month low today, weighed by industry data from the previous session and limited support offered by crude oil prices.

By the midday break, the benchmark June contract on the Bursa Malaysia Derivatives Exchange slipped 0.8% to RM2,588 per tonne, having earlier touched RM2,572. Palm prices have fallen 1.7% this week.

Total traded volume stood at 14,939 lots of 25 tonnes, slightly above the average 12,500 lots.

"The market is consolidating after the run up to the MPOB (Malaysian Palm Oil Board) data," said a trader with a local commodities brokerage in Kuala Lumpur. "The market is seeing whether the RM2,570 level can hold.

"With crude being at US\$103 (RM333.46) a barrel, it lends some support to palm oil prices," he said, adding that focus was now switching to export data due next week from Cargo surveyors Intertek Testing Services and Societe Generale de Surveillance.

Yesterday, data showed that inventories in Malaysia, the world's second-largest producer, rose to 1.69 million tonnes in March, missing market estimates for a drop to a three-year low of 1.58 million tonnes.

The MPOB data also showed that crude palm oil production jumped 17% from a month ago, while export demand slackened by about 8% to only 1.30 million tonnes.

"Malaysia's palm oil stocks rose unexpectedly for the first time since December 13... due mainly to stronger-than-expected recovery in palm oil output," said CIMB analyst Ivy Ng in a note.

"But the market is likely to remain vigilant on the supply prospects as weather experts have recently raised the probability of an El Nino event in 2H14."

The US weather forecaster said yesterday the chances that the much feared El Nino phenomenon that can wreak havoc on global crops would strike by the Northern Hemisphere summer exceeded 50%.

Technicals showed Malaysian palm oil has resumed its downtrend towards the January 28 low of RM2,519, as it has completed a rebound from the April 8 low of RM2,573 per tonne, said Reuters market analyst Wang Tao.

In comparative vegetable oils, the US soyoil contract for May fell 1% in early Asian trade, while the most active September soybean oil contract on the Dalian Commodities Exchange slipped 1.6%.

Smaller supplies of the oilseed for crushing could potentially channel food and fuel demand to palm, a common substitute.

"On the demand side, export is weak... but we believe that this is temporary as the bumper soybean crops from South America should only last until end-May," Kenanga Investment Bank analyst Alan Lim Seong Chun said in a note.

"Overall, we maintain our positive view on CPO prices in the mid to long term due to sustainable demand seen from Indonesia biodiesel industry and stable food demand."

Southeast Asia's biggest economy and the world's top producer of palm oil introduced a new regulation in August, aimed at burning more palm based biodiesel and cutting its oil import bill.

In related markets, Brent futures eased towards US\$107 a barrel today as the global supply outlook improved with more Libyan supplies expected to reach the market, although growing tension between the West and Russia over Ukraine put a floor under prices. – Reuters, April 11, 2014.

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