

Palm drops for third day after surprise fall in exports

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Malaysian palm oil futures stretched losses into a third session today after a surprise drop in exports, but an expected increase in demand ahead of a major Muslim festival propped up prices.

Exports of Malaysian palm oil products between April 1-20 fell 5.9% from a month ago to 722,170 tonnes, cargo surveyor Intertek Testing Services reported, as weaker demand in Europe offset bigger sales of palm to top buyers India and China.

Market players expect edible oil imports in India, Pakistan and the Middle East to rise later in April as buyers restock ahead of the Muslim holy month of Ramadan in late June, followed by Eid al-Fitr celebrations in July.

"The exports fall will temporarily dampen the market, but we're moving into the Muslim festive season. Demand for the next 10 days is expected to pick up," said a trader with a foreign commodities brokerage.

By the midday break, the benchmark July contract on the Bursa Malaysia Derivatives Exchange had edged down 0.2% to RM2,628 per tonne, with prices stuck in a tight range between RM2,621-RM2,634.

Total traded volumes were thin at 6,415 lots of 25 tonnes, nearly half of the average 12,500 lots, with some currency and equity markets overseas still closed for the Easter holiday weekend.

"At this level, there's not much follow-through buying or selling. Prices are still rangebound between RM2,600 and RM2,700," the Kuala Lumpur-based trader added.

Technicals were bullish. Malaysian palm oil may rebound to resistance at RM2,651 per tonne as it failed to break support at RM2,621, said Reuters market analyst Wang Tao.

Traders are optimistic that output in Malaysia, the world's No.2 producer, will likely rise only slightly in April after surging more than 17% a month ago. March's crude palm oil production had jumped to 1.50 million tonnes, against market estimates for 1.39 million tonnes.

"Fundamentals are very supportive because production in Peninsular Malaysia estates is low for the first 15 days of April," said another Kuala Lumpur-based trader. "Ramadan demand is keeping nearby availability tight."

Another cargo surveyor Societe Generale de Surveillance will release export data for the same period later today.

In other markets, Brent futures dropped towards US\$109 (RM353.54) a barrel today as investors took profits after steep gains, but uncertainty surrounding the crisis in Ukraine limited the decline.

In competing vegetable oil markets, the US soyoil contract for May slipped 0.4% in early Asian trade, while the most active September soybean oil contract on the Dalian Commodities Exchange lost 0.5%. – Reuters, April 21, 2014.

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