

Palm edges up on better-than-expected exports
Malaysian Insider
May 12, 2014

Malaysian palm oil futures edged up today after a better-than-expected export data for the first 10 days of the month signalled stronger demand for the tropical oil as buyers replenished stocks ahead of a Muslim festival.

Exports of Malaysian palm oil products between May 1 and May 10 surged about 28% to 391,856 tonnes compared with a month ago, cargo surveyor Intertek Testing Services reported, on the back of stronger demand from India, China and Europe.

"This month's demand will generally be better. People are anticipating exports to rise between 7–8% month-on-month," another Kuala Lumpur-based trader said.

"If the full exports does not maintain this, then prices may come under pressure."

The Muslim holy month of Ramadan, which begins in late June and followed by the Eid al-Fitr celebration in July, typically drives up consumption of the tropical oil that is used as cooking oil and in a wide range of foodstuff.

By the midday break, the benchmark July contract on the Bursa Malaysia Derivatives Exchange had edged up 0.1%, to RM2,580 per tonne.

Malaysia's palm oil stocks at the end of April rose 4.6% to 1.77 million tonnes at the end of March, industry regulator Malaysian Palm Oil Board (MPOB) said after the market's afternoon break today. A Reuters poll had forecast stocks to rise to a three-month high of 1.70 million tonnes.

Total traded volume stood 7,867 lots of 25 tonnes ahead of the data, below the usual 12,500 lots.

Technical analysis showed that the bearish target at RM2,519 per tonne has been aborted, as palm oil has managed to climb above a resistance at RM2,572, said Reuters market analyst Wang Tao.

Malaysia, the world's second-largest palm grower, will witness dry weather from mid-May to September, the Malaysian Meteorological Department said. Lesser rain could curb the growth of fresh palm fruit, resulting in lower yields of crude palm oil.

The department however warned that there is now a 70% possibility that the El Nino weather phenomenon will occur in the second half of this year, although the impact will be delayed and it may take a few months before the severity of the drought will be known.

"The El Nino will most probably begin next month or July, but the impact is not instantaneous," the meteorological department's spokesperson Mohd Hisham Mohd Anip told Reuters.

"The intensity has not been determined yet. It will take 1-2 months before the impact comes to Malaysia," he said, adding that the drought will likely affect Sabah and Sarawak first. The Borneo states accounts for nearly half of the country's total palm production.

In other markets, Brent crude futures firmed above US\$108 (RM349.33) per barrel today, supported by renewed tensions in Ukraine, where the conflict looks increasingly out of control and heightening the risk of disruption to energy supplies.

In competing vegetable oil markets, the US soyoil contract for July fell 0.2% in early Asian trade, while the most active September soybean oil contract on the Dalian Commodities Exchange rose 0.4%. – Reuters, May 12, 2014.

Hakcipta © 2013 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/business/article/palm-edges-up-on-better-than-expected-exports>