

Palm stretches losing streak into fifth day, weak soy weighs
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Malaysian palm oil futures edged lower today, extending a losing streak into a fifth straight day as weakness in comparable markets overseas weighed on the tropical oil.

Uncertainty ahead of a key industry report due next week kept prices locked in a tight range between RM2,564-RM2,586, with most investors avoiding risky bets. The Malaysian Palm Oil Board (MPOB) data will detail palm production, exports and stocks in the second-largest grower yesterday.

"Sentiment is a bit weak currently. There is some weakness coming in from the soft oils side, mainly from soy, that is depressing the market," said a trader with a foreign commodities brokerage in Malaysia.

"At this moment, I think prices will trade sideways, unless we see some Ramadan demand coming in, or some unexpected MPOB data," the trader added.

By the midday break, the benchmark July contract on the Bursa Malaysia Derivatives Exchange had lost 0.3% to RM2,575 per tonne, little changed from the previous session's close.

Total traded volumes stood at 11,347 lots of 25 tonnes, slightly below the average 12,500 lots.

Technicals were bearish. Malaysian palm oil is expected to drop to RM2,519 per tonne, as it has broken below a support at RM2,587, said Reuters market analyst Wang Tao.

Market players had expected demand for palm oil, used in foods ranging from margarine to cookies and chocolates, to increase from April onwards as buyers restock ahead of the Muslim festival of Eid al-Fitr and the holy month of Ramadan.

But export demand for Malaysian palm products only picked up marginally in April compared with a month ago, according to cargo surveyor data. Traders now say stronger demand will only kick in later on.

"Although we can still see some increased buying, Ramadan demand has not really materialised yet," the trader added.

In other markets, Brent crude held steady below US\$108 (RM351.70) per barrel today as clashes across Ukraine added to geopolitical risk supporting a market that might otherwise sag due to expectations weekly data will show higher inventories in the United States.

In competing vegetable oil markets, the US soyoil contract for July rose 0.4% in early Asian trade, while the most active September soybean oil contract on the Dalian Commodities Exchange fell 0.6%. – Reuters, May 6, 2014.

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