

Palm oil little changed, poised to rebound above RM2,600
Malaysian Insider
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Malaysian palm oil futures held little changed today as a stronger ringgit capped buying interest, although traders said current weakness in the palm market could prompt short-covering that will prop up prices.

The benchmark July contract on the Bursa Malaysia Derivatives Exchange stood at RM2,568 per tonne by the midday break, nearly flat from the previous session's close.

Malaysian palm prices, which set the tone for global prices, have dropped five days out of six to hover near three-month lows as declines in rival soyoil markets overseas dragged on the tropical oil.

Traders however say prices are poised to rebound above RM2,600 as the fall in prices attracts short-covering, as well as bargain hunters looking for cheap deals.

"For the past one week the market has been depressed because of the bearishness in soy... there will definitely be some short-covering taking place," said a trader with a foreign commodities brokerage in Kuala Lumpur. "If this happens, prices could rebound back above RM2,600, and possibly go up to RM2,650."

However, lacklustre demand amid rising production could put a lid on gains for palm, which is mainly grown in Indonesia and Malaysia, and weigh on prices.

"Demand is tapering off. Until we see good demand, the upside (on prices) will be capped," said another Malaysia-based trader.

Indonesia's palm oil output is expected to exceed 28 million tonnes this year, industry groups said yesterday, adding any impact from the crop-damaging El Nino weather phenomenon forecast for this year is unlikely to affect production until 2015.

"Because of the good weather, and because we have enough water, we should see good production towards the second of this year," the first trader

added. "We should see better output numbers compared to last year, not only in Indonesia, but also in Malaysia."

The Malaysian ringgit gained as much as 0.4% to 3.2400 against the US dollar today, its strongest since April 21, helped by a better-than-expected trade surplus in March.

A stronger ringgit makes the ringgit-denominated palm feedstock more expensive for overseas investors and refiners.

Total traded volumes were thin today at only 6,923 lots of 25 tonnes, nearly half of the average 12,500 lots, as investors avoided risky bets ahead of a key industry stocks report due next Monday.

In other markets, Brent crude edged higher above US\$107 (RM347.54) per barrel today after an industry report showed US crude stocks declined last week, while increasing geopolitical risks in Ukraine helped put a floor under prices.

In competing vegetable oil markets, the US soyoil contract for July was nearly flat in early Asian trade, while the most active September soybean oil contract on the Dalian Commodities Exchange fell 0.1%. – Reuters, May 7, 2014.

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