

Palm oil stockpile at 9-month low
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PALM oil stockpiles are at a nine-month low and remain on downtrend on the back of seasonally lower production during Ramadan, said Hong Leong Investment Bank Bhd (HLIB).

In a note today, HLIB said the contraction was contributed by Indonesia's restrictive export policy and higher biodiesel admixture, which will likely support palm oil shipment from Malaysia.

"The stockpile is falling by 21.1% month-on-month (m-o-m) to 1.67 million tonnes in March 2023, due mainly to sharply higher exports (+31.8% m-o-m).

"We believe the crude palm oil (CPO) price will likely remain well supported at above RM4,000 per tonne in the near term, backed by weak near-term production outlook, coupled with Indonesia's biodiesel mandate and near-term restrictive export policies."

HLIB said it maintains a neutral stance on the sector, given the absence of notable earnings growth catalysts.

Maybank Investment Bank Bhd said the steep backwardation in the CPO future price curve suggests the market is anticipating stronger output recovery from Malaysia from April onwards, and for the present supply tightness to ease once Indonesia lifts its export restrictions after Ramadan.

"We maintain our view that the CPO future price will ease by mid-year on expectation of seasonal output recovery," it said in a note.

Public Investment Bank Bhd said in a note Malaysian production is expected to recover in the next few months while Indonesia might open its

floodgates on exports when Ramadan ends.

Kenanga Investment Bank Bhd said the outlook on palm oil exports is likely to stay firm for some months as the third-largest soybean planter, Argentina, faces poor harvest, offsetting much of the increment due from Brazil, which is the leading soybean producer.

“Prices of palm oil are expected to stay firm over 2023 and into 2024 supported by healthy demand.

“Coupled with the sector’s asset-rich balance sheet and just over a one-time price book value, the sector looks defensive even amid the current economic uncertainties,” it said. – Bernama, April 11, 2023.

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