



# Malaysia – Egypt Palm Oil Trade Fair and Exhibition



## Short term palm oil price outlook (Technical analysis)



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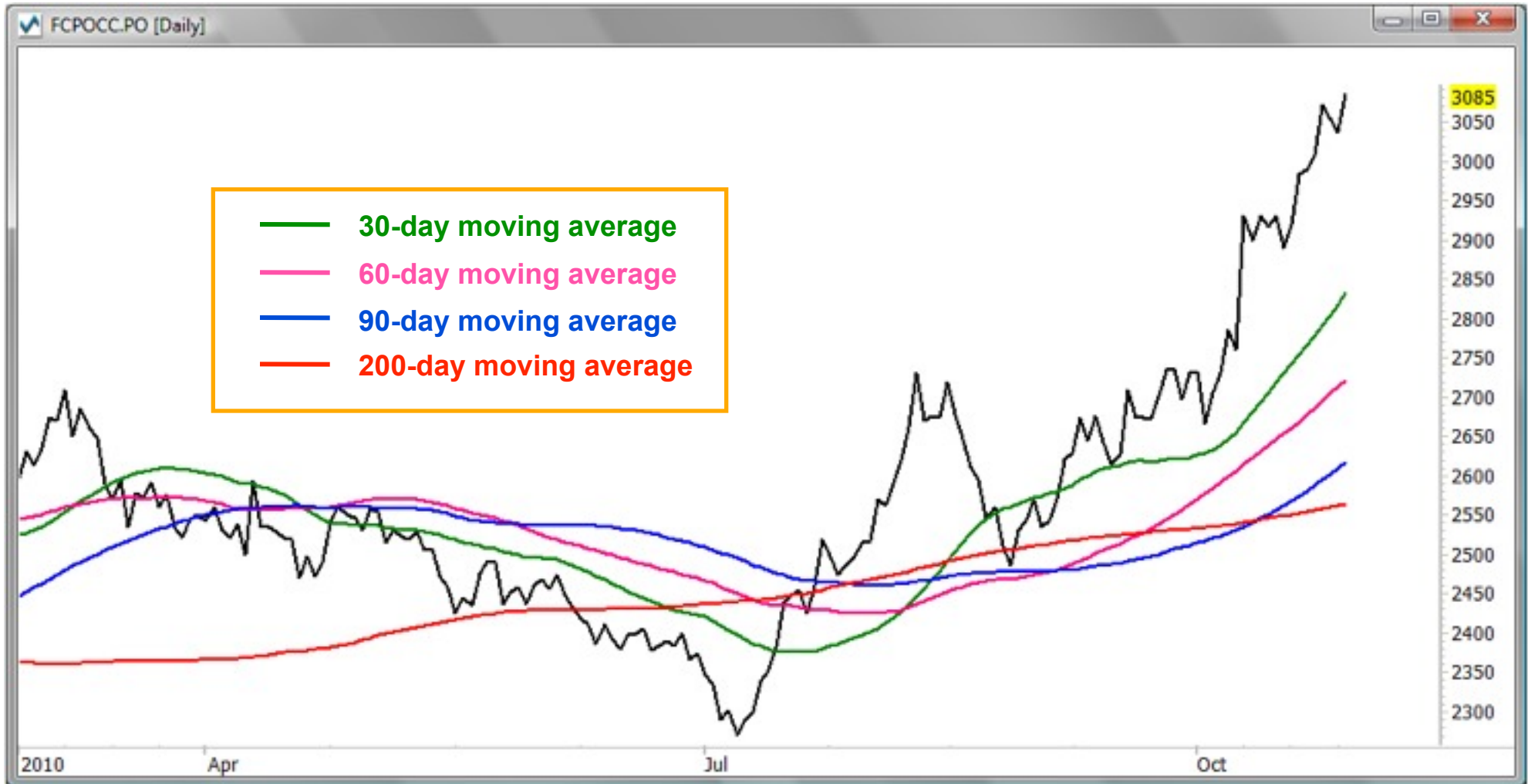
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# SHORT TERM ANALYSIS OF CRUDE PALM OIL FUTURES PRICE

*(as at 28 October 2010)*

## 1. Short term analysis of crude palm oil futures price

### Trend Analysis:



Data as at 27 September 2010

## 1. Short term analysis of crude palm oil futures price

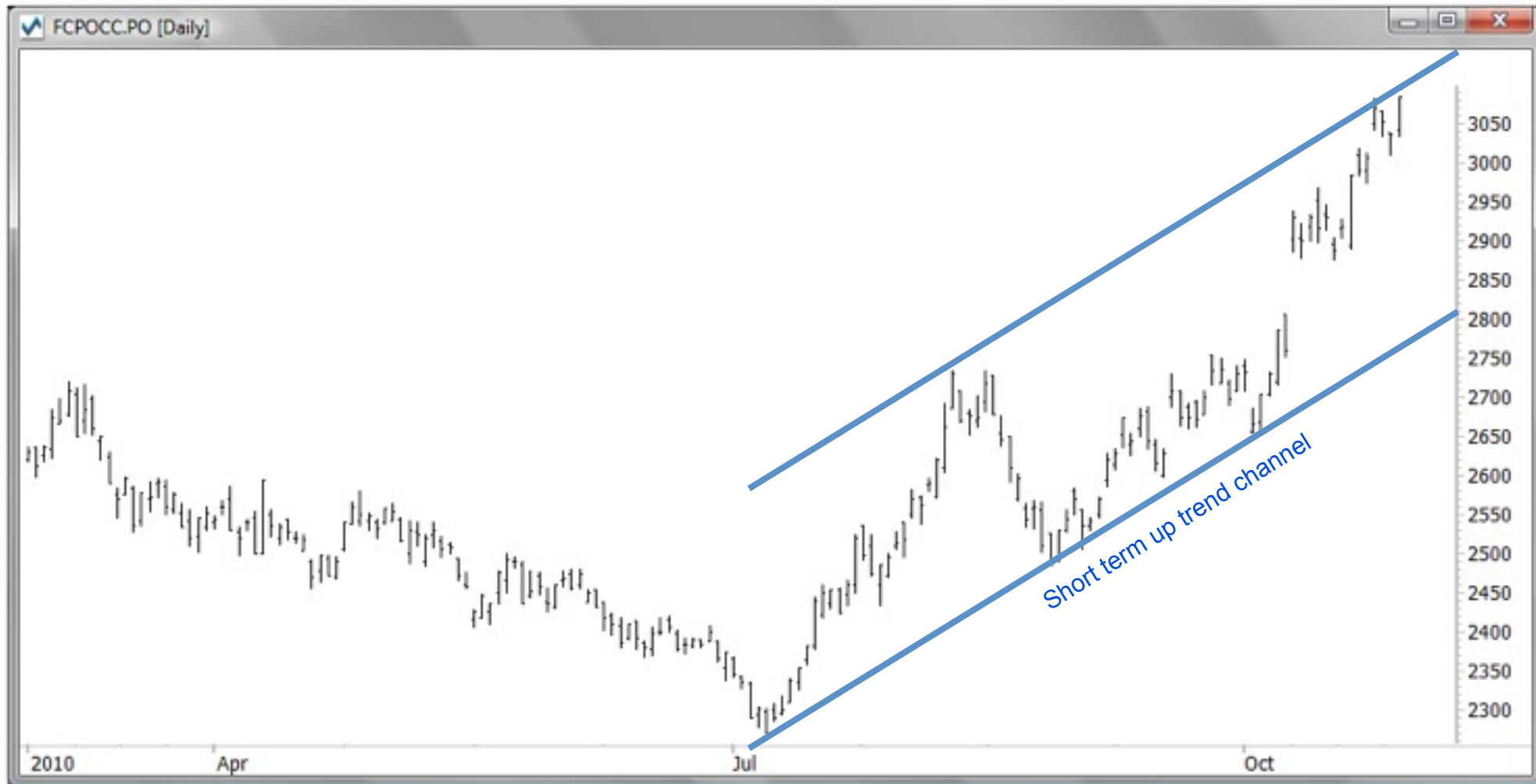
### Trend Analysis from previous pages:

1. Long term trend, represented by a 200-day moving average is UP
2. Intermediate term trend, represented by a 90-day moving average is UP
3. Short term trend, represented by a 30-day moving average is UP
4. Price is above these averages
5. The relationship between the price and the short to long term moving averages shows that **price is in a steady up trend**

\* The 200-day moving average represents the long-term traders group. 90-day moving average represents the mid-term traders group and the 30-day moving average represents the short-term traders group

## 1. Short term analysis of crude palm oil futures price

### Pattern Analysis:



Data as at 27 September 2010

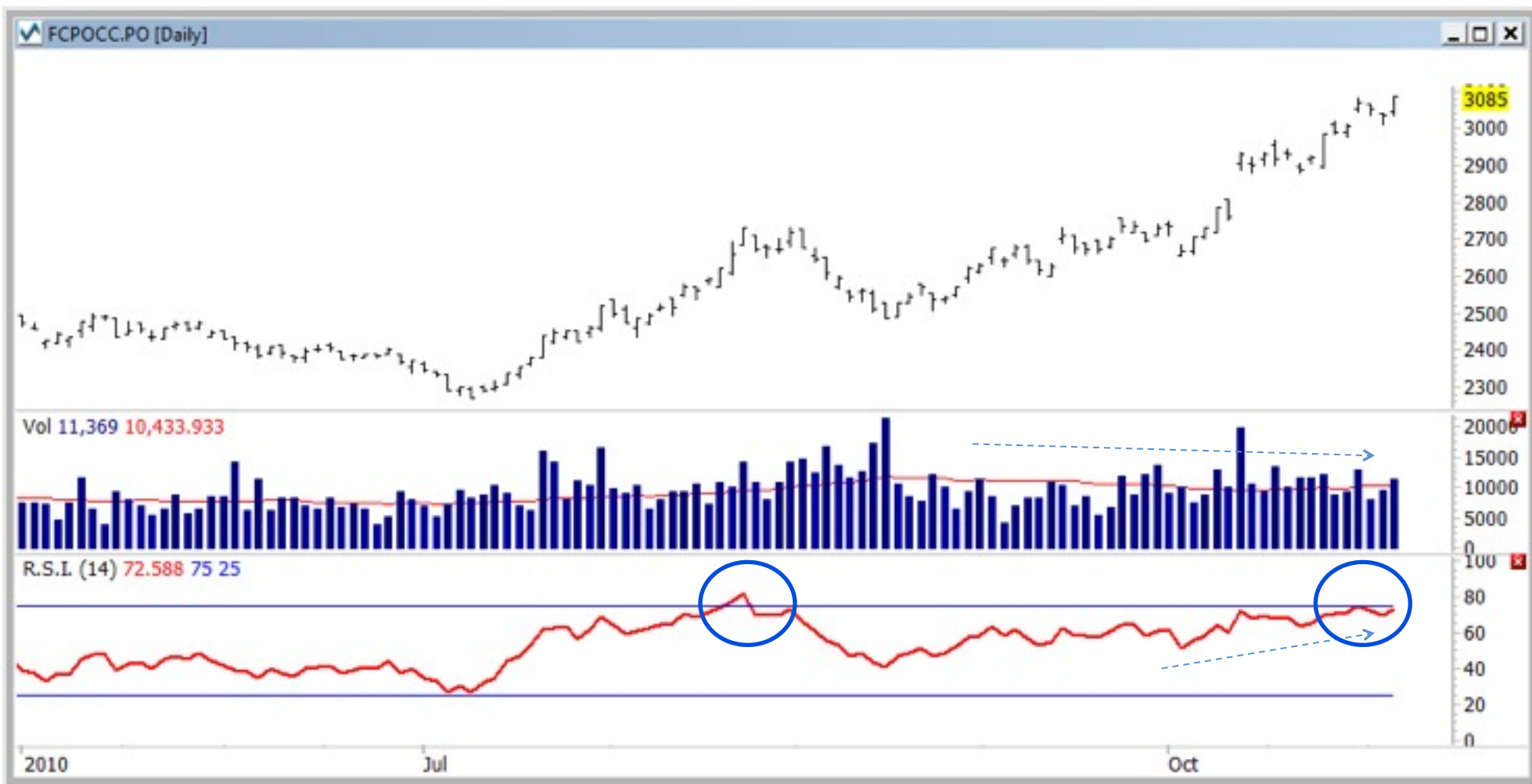
## 1. Short term analysis of crude palm oil futures price

### Pattern Analysis from previous pages:

1. Price movement has formed an up trend channel from July 2010.
2. Price is currently at the top channel (resistance) level of the channel. RM3,100 is the current resistance level
3. Bottom Channel (support level) is currently at RM2,800

## 1. Short term analysis of crude palm oil futures price

### Momentum Analysis:



Data as at 27 September 2010



## 1. Short term analysis of crude palm oil futures price

### Momentum Analysis from previous pages:

1. Increasing RSI and other momentum indicator show that the price trend is strong.
2. Volume is firm for the past few months, showing steady liquidity with no signs of resistance in the short term up trend.
3. RSI above 70 indicates price being overbought. The last time the RSI went to this level is at mid-August, when price then started to correct from RM 2,700 to RM2,500 or a decline of RM200 or 7.4%.

## 2. Short term price forecast (1 to 3 months)

- Price is overbought and near the resistance level of the up trend channel in the short term and expect pullback in the near term.
- Price target for a pullback is between **RM2,850\*** and **RM2,900\***. Fibonacci retracement (not shown on chart) is at **RM2,800**.
- RM2,850 is from the support level of the up trend channel and RM2,900 is from the RM200 pullback from RM3,100. Short term moving average is currently at RM2,382 and rising.

**The short term forecast is bullish. Price expected to trade between RM2,850 and RM3,200 in the next three months**

# LONGER TERM ANALYSIS OF CRUDE PALM OIL FUTURES PRICE

*(as at 28 October 2010)*

## 3. Longer term analysis of crude palm oil futures price

### Trend Studies



Data as at 28 October 2010

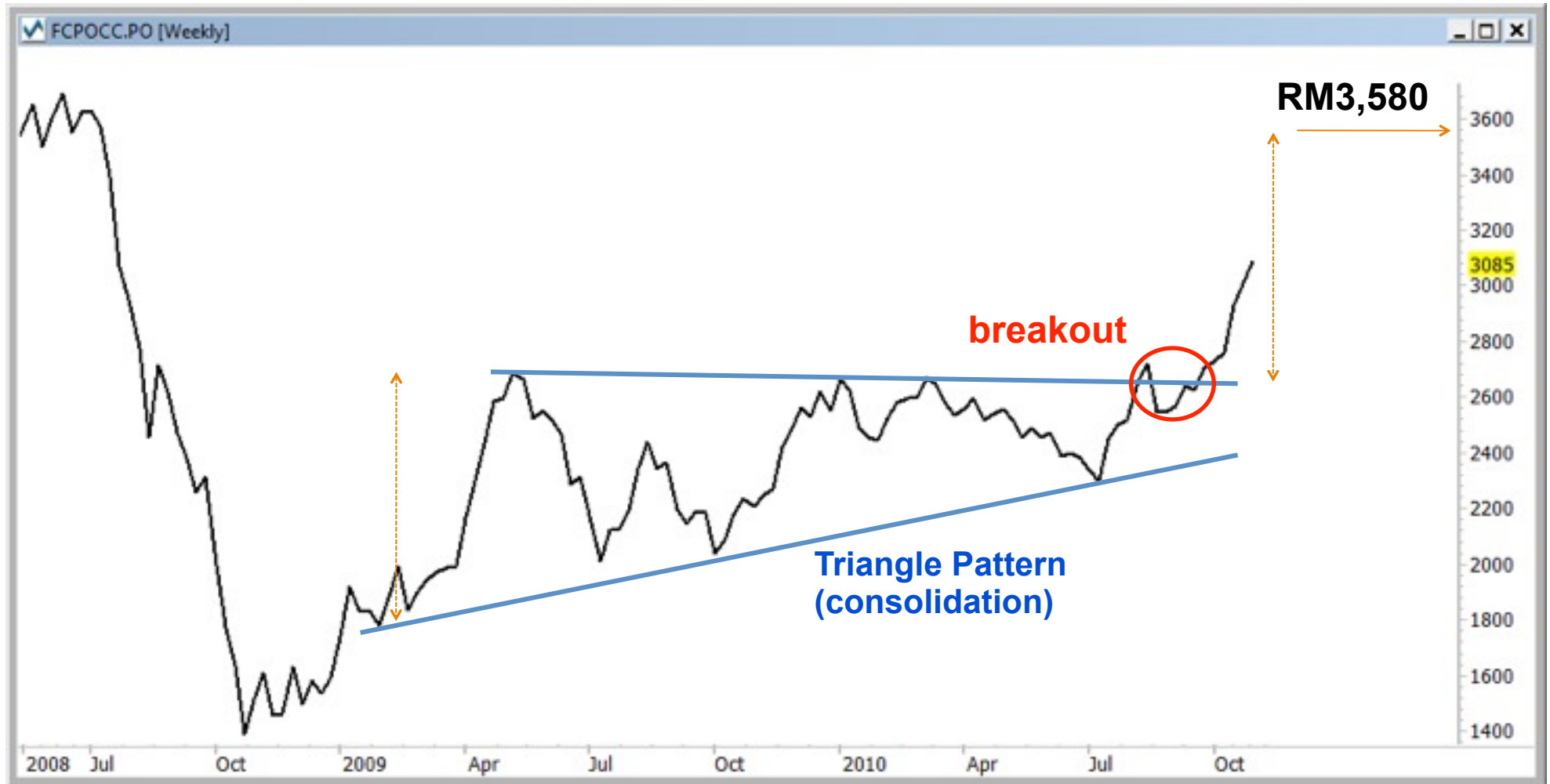
### 3. Longer term analysis of crude palm oil futures price

#### Trend Analysis from previous page:

1. Current Price (RM3,085) is slightly above long term linear regression line, which acts as the average at RM2,380. Trend is UP in the long term.
2. Price has been supported well by the linear regression line since mid 2009, after the price of crude palm oil corrected from an all time high at RM4,486.
3. Extreme high from the linear regression line is at RM3,600 (and rising), acts as the long term resistance level and the extreme low is at RM1,600 (and rising) acts as the long term support level.

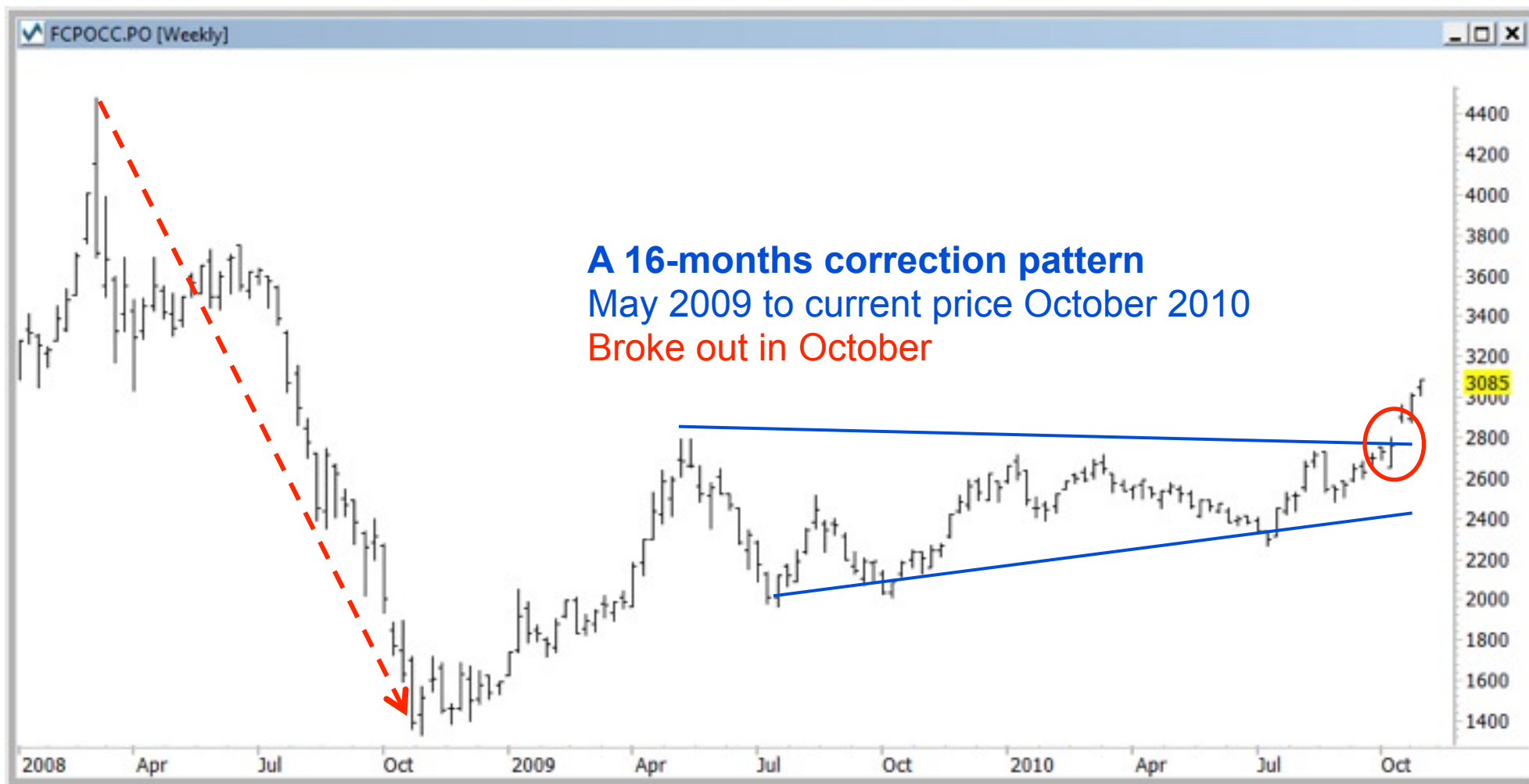
## 3. Longer term analysis of crude palm oil futures price

Chart Pattern breakout price target



### 3. Longer term analysis of crude palm oil futures price

#### Historical Pattern Studies (supporting the forecast)



## 3. Longer term analysis of crude palm oil futures price

### Historical Pattern Studies (supporting the forecast)





### 3. Longer term analysis of crude palm oil futures price

**Historical Pattern Analysis from previous pages:**

1. Triangle price target RM3,580
2. When price broke out in July 2006, the price of FCPO rallied to an all-time high at RM4,330 on 3 March 2008. The rally was 20 months.
3. 20 months from October 2010 is on June 2012

## 3. Longer term analysis of crude palm oil futures price

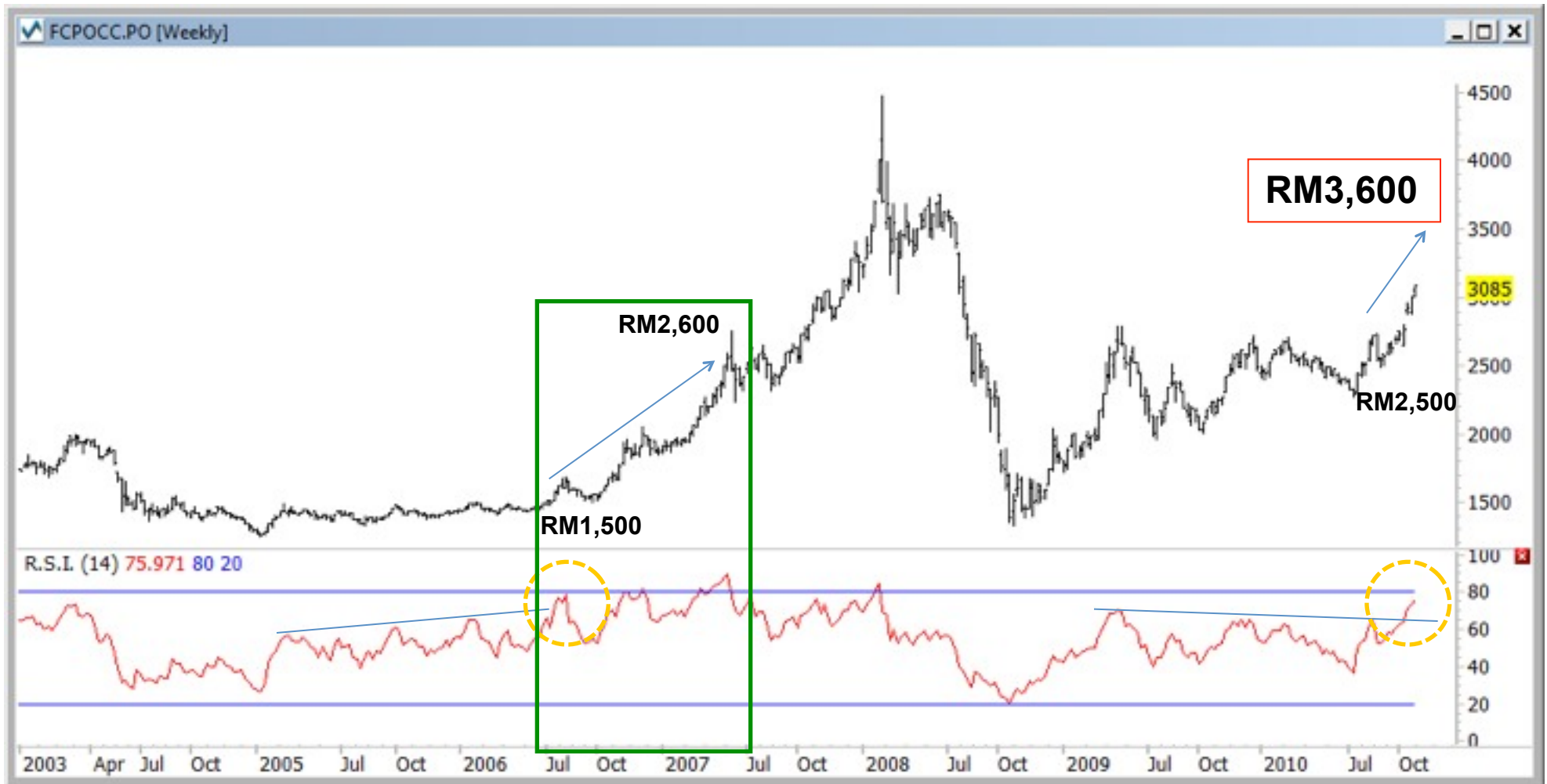
### Momentum Analysis:



Data as at 28 October 2010

## 3. Longer term analysis of crude palm oil futures price

### Momentum Analysis:



Data as at 28 October 2010

### 3. Longer term analysis of crude palm oil futures price

#### Momentum Analysis from previous pages:

1. The momentum analysis using the RSI indicator in 2005 – 2006 shows the same pattern in the 2009 – 2010 period. RSI broke out on July 2006 (when CPO price approximately RM1,500) and August 2010 (when CPO price approximately RM2,500)
2. The increase in one year period after the breakout in July 2006 was RM1,100.
3. Projected price based on RM1,100 from the breakout on August 2010 is RM3,600

## 4. Price forecast in the next 12 months

### The price objective

- Based on linear regression resistance line RM3,700 (projected)
- Based on triangle chart pattern price objective RM3,580
- Based on a 70% retracement from a bearish correction (not shown in the presentation), based on extreme high correction in 1998 and 2008. RM3,600
- Based on the historical rally pattern in 2005 – 2006. RM3,600

**Therefore, I am looking at a price objective within the next 12 months at RM3,600**

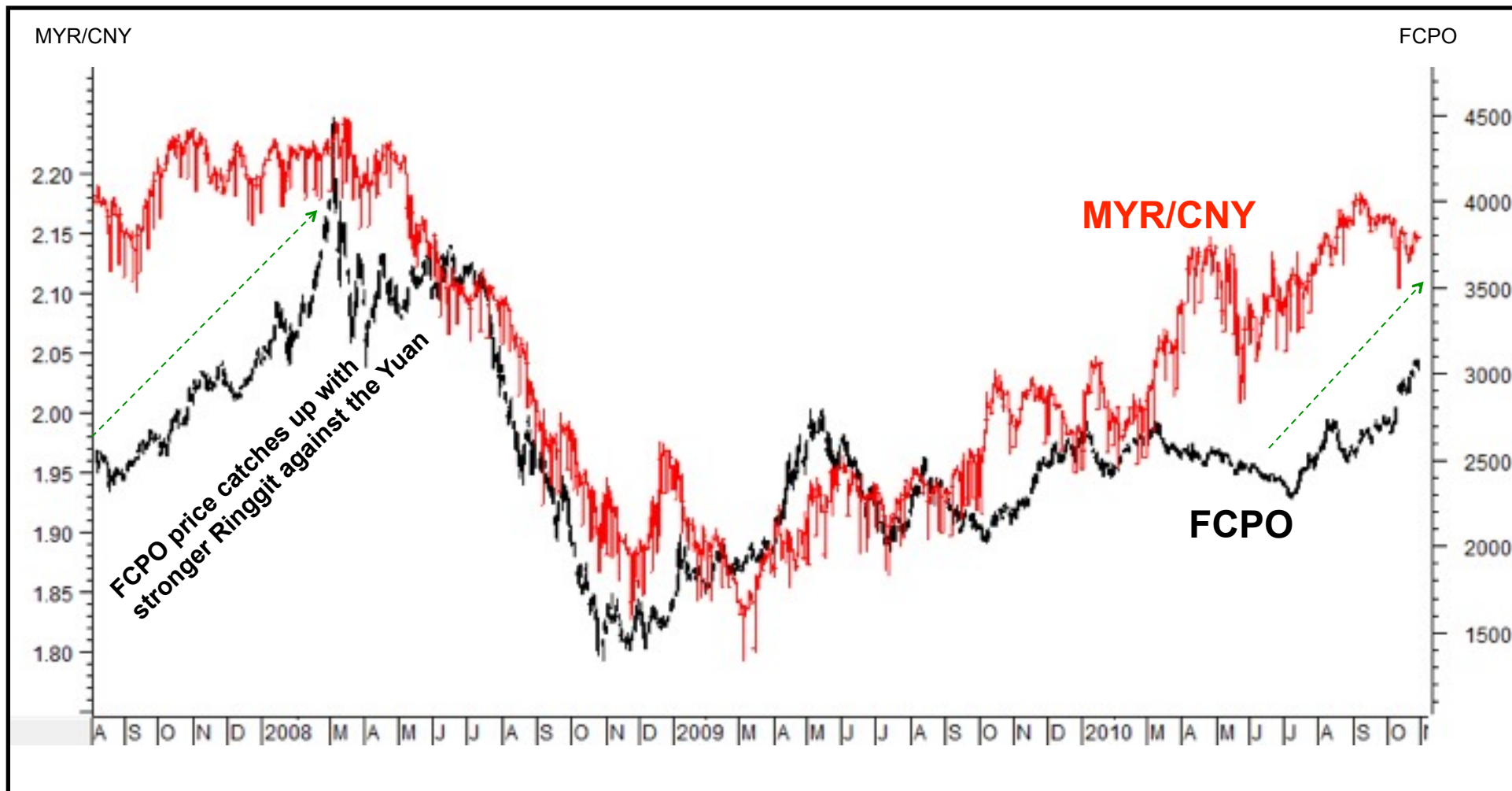
## 5. Other crucial factor affecting price of FCPO - US Dollar against Malaysian Ringgit (USD/MYR)



## 5. Other crucial factor affecting price of FCPO - **US Dollar against Malaysian Ringgit (USD/MYR)**

1. The correlation between the price of FCPO and USD/MYR is almost perfectly negative.
2. Comparing the price of FCPO and USD/MYR in 2008 and current price, the price of FCPO should be around RM3,600 to RM3,800.

## 5. Other crucial factor affecting price of FCPO - **Malaysian Ringgit against the Chinese Yuan (MYR/CNY)**





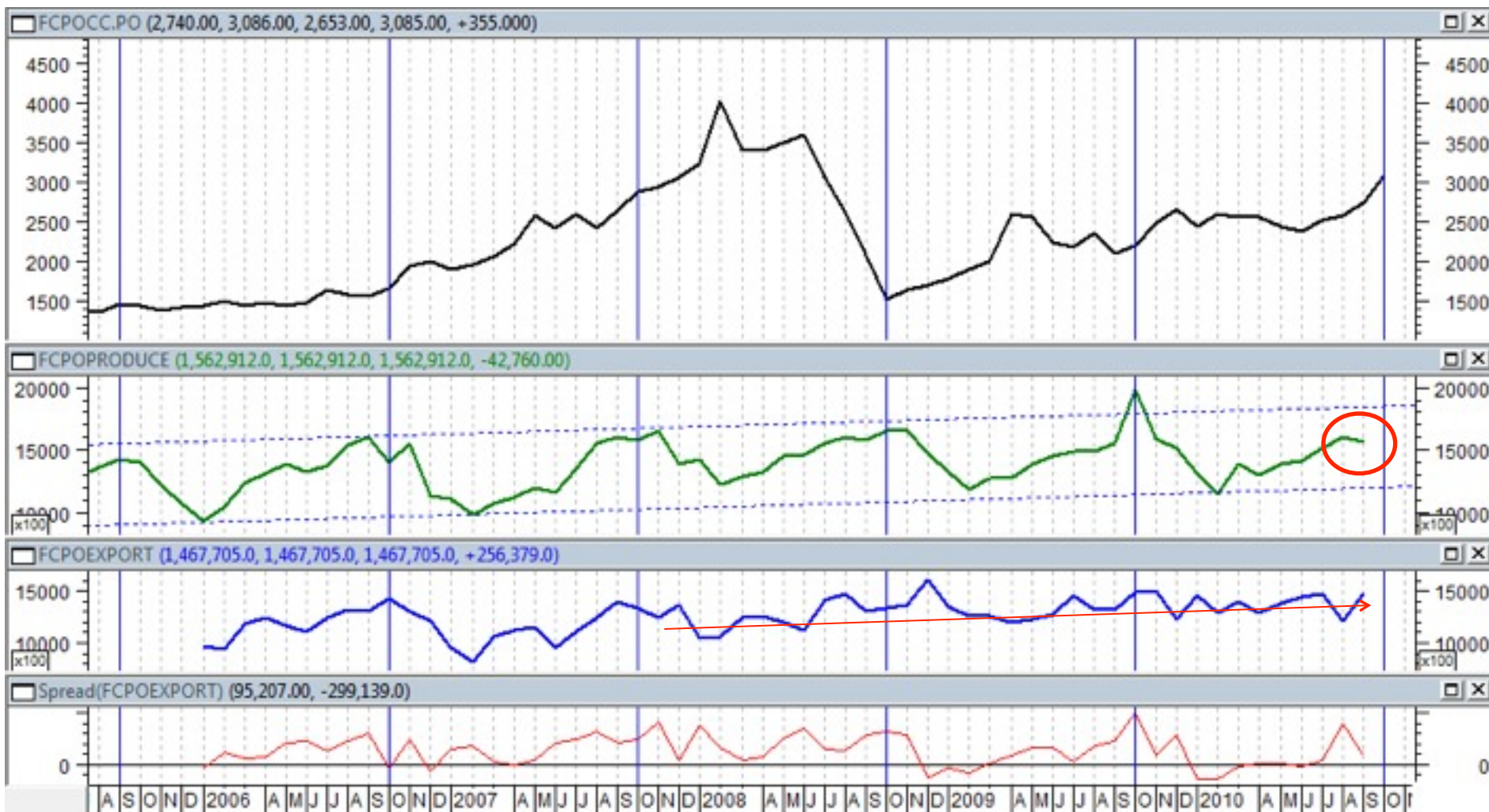
## 5. Other crucial factor affecting price of FCPO - **Malaysian Ringgit against the Chinese Yuan (MYR/CNY)**

1. In year 2006 to 2008, the price of FCPO was bullish as it catches up with the MYR/CNY.
2. Price of FCPO is currently in divergence with the MYR/CNY and price of FCPO should be bullish if it catches up with this currency pair like it did previously in 2006-2008 to RM 3,800.

### CONCLUSION:

The relationship between price of FCPO and the US Dollar and Chinese Yuan forms a bullish outlook for the price of FCPO and this supports the technical short and long term forecasts.

## 5. Other crucial factor affecting price of FCPO – Production and Exports



## 5. Other crucial factor affecting price of FCPO – **Production and Exports**

1. The production growth this year is lower as compared to its historical production growth.
2. Export remains steady upwards.

### **CONCLUSION:**

The relationship between price of FCPO and the Production and Export figures show that price can be supported well.

**THANK  
YOU!**

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