

POTS

3rd International Palm Oil  
Trade Fair & Seminar 2010

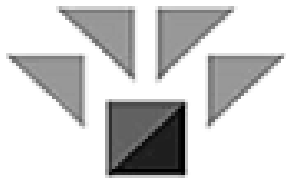
3 - 5 October 2010

The Royale Chulan Kuala Lumpur

"Optimising Market Dynamics Through Innovations  
and Global Challenges"



# Palm Reading Price Outlook: BOOM or GLOOM?



M P O C



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US Dollar	18
Chinese Yuan	20

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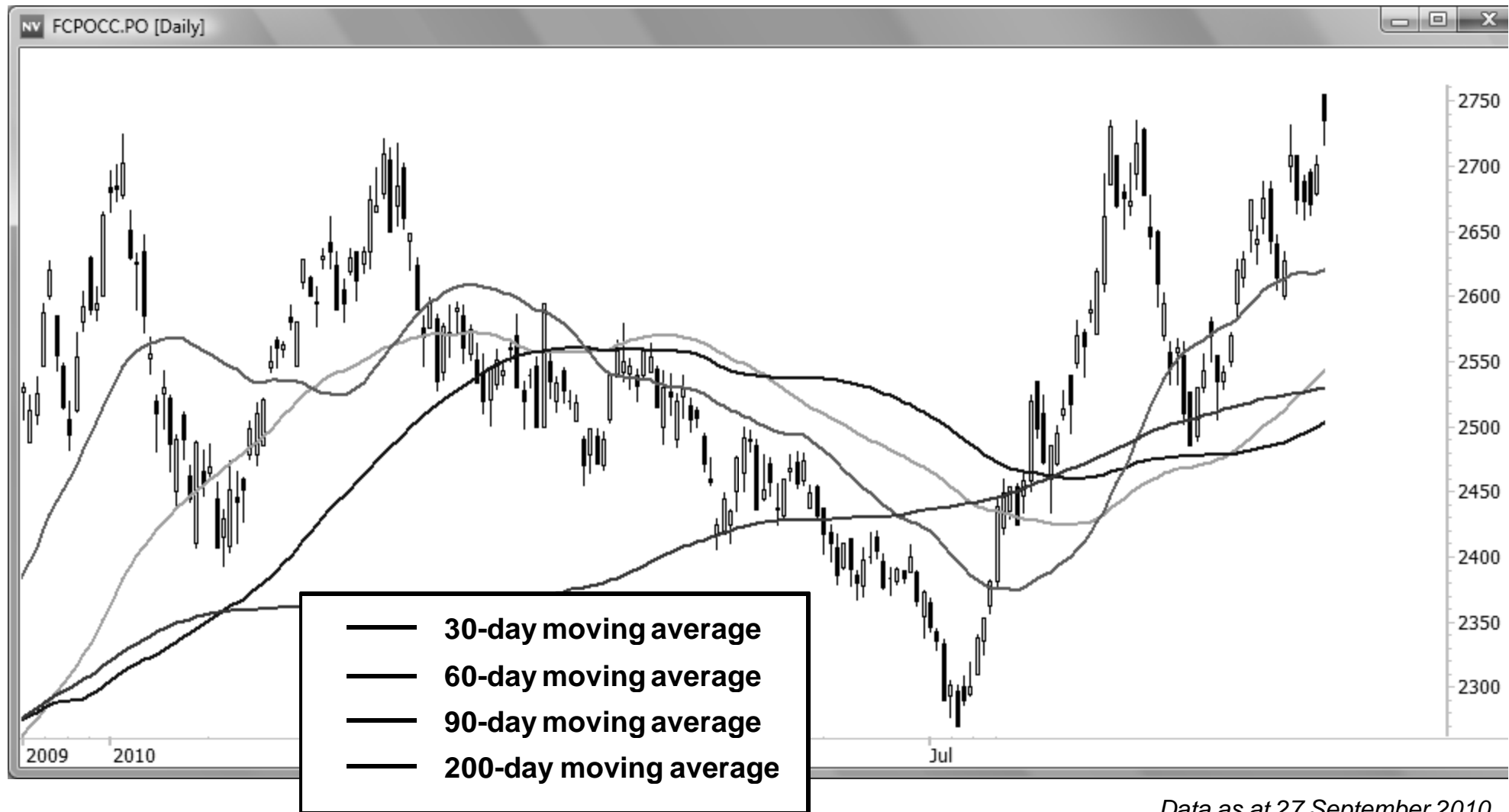
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# SHORT TERM ANALYSIS OF CRUDE PALM OIL FUTURES PRICE

*(as at 27 September 2010)*

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

## Trend Analysis:



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

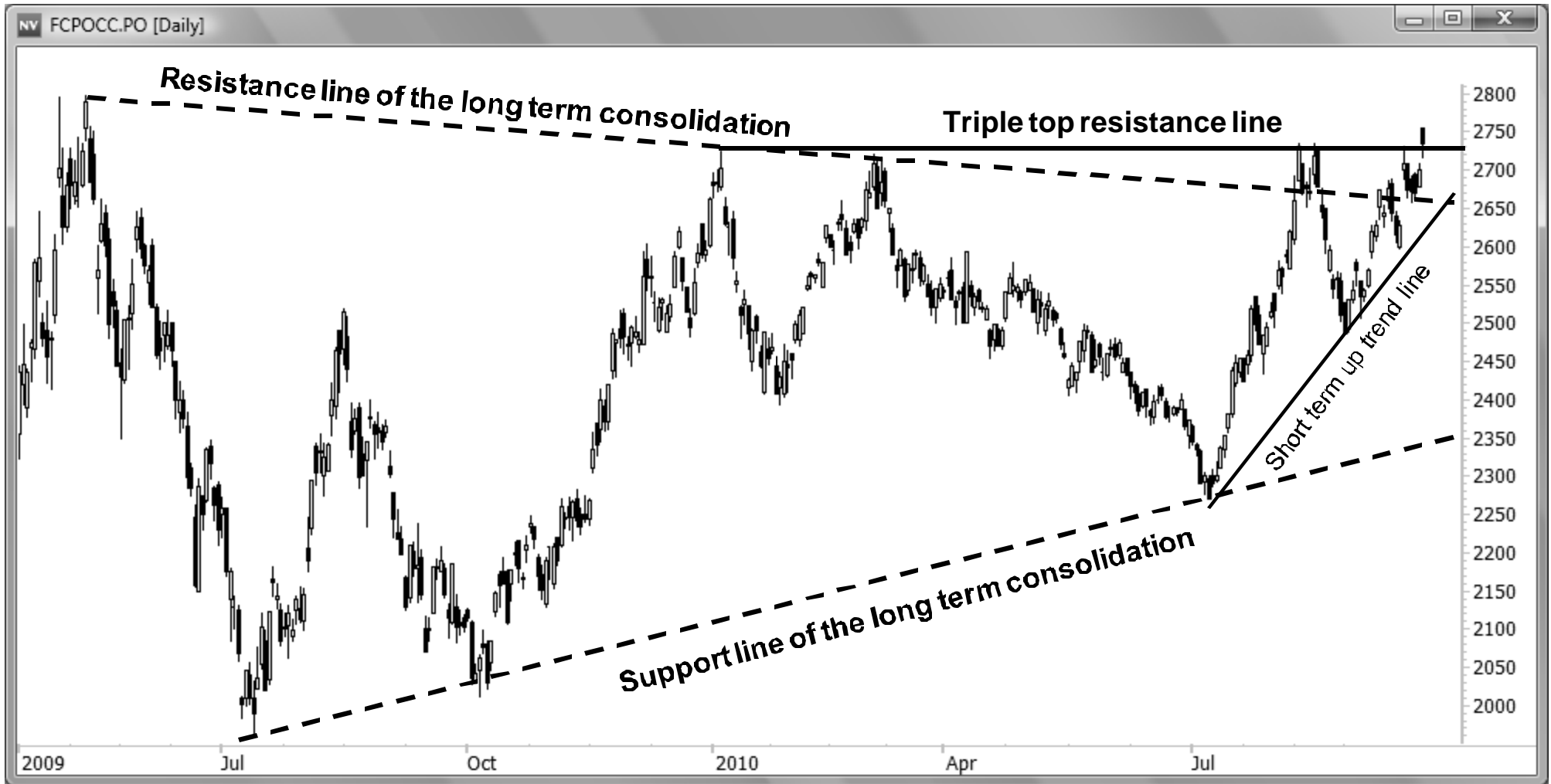
### Trend Analysis from previous pages:

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

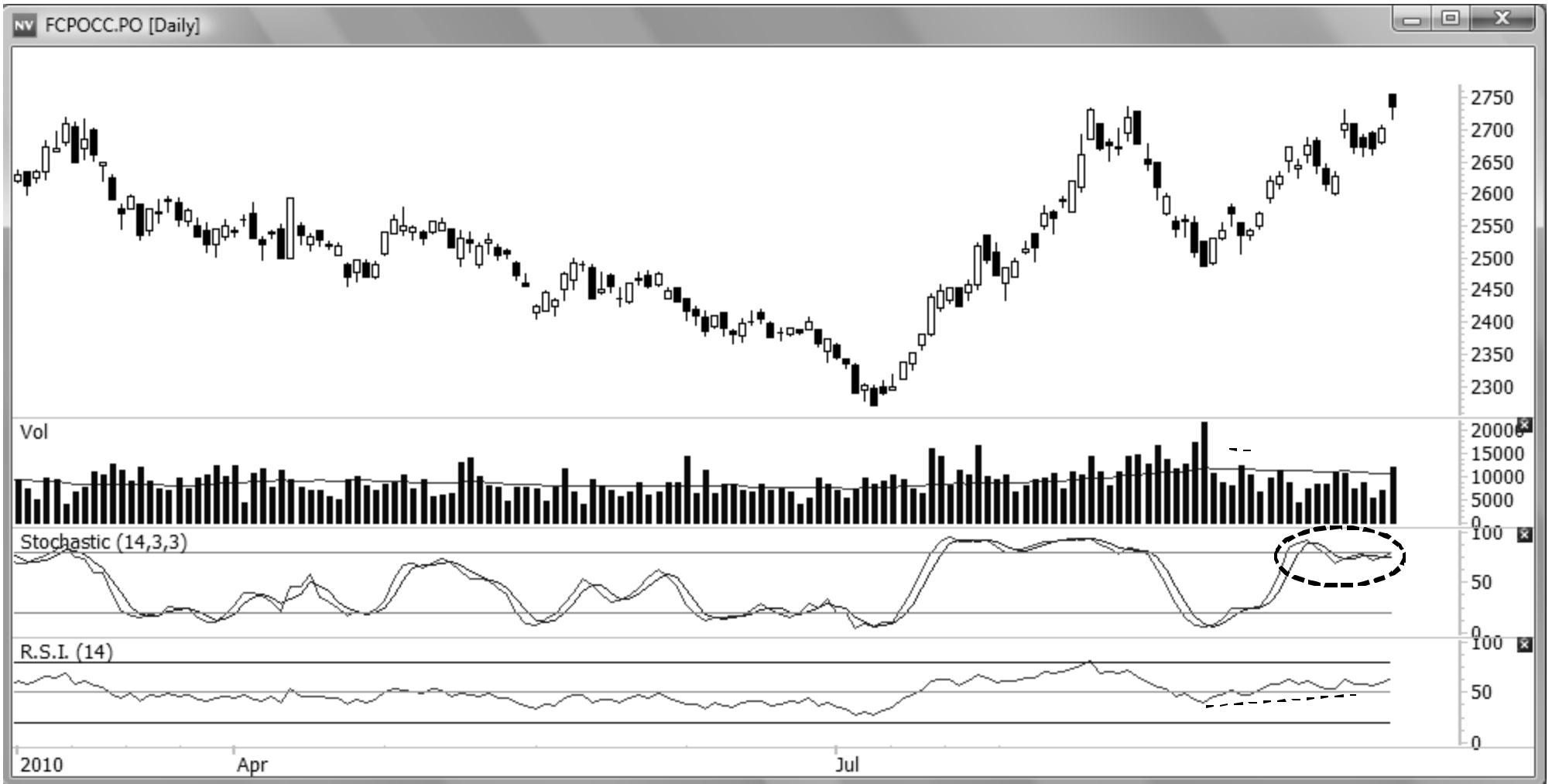
## 1. Short term analysis of crude palm oil futures price

### Pattern Analysis from previous pages:

1. Price broke above the long-term consolidation resistance line for the second time in one month
2. Price just broke above the triple top level at RM2,730.
3. Next resistance level is at RM2,800, the highest level in 25 months. Short term support level is at RM2,690 while the long term support level is at RM2,370.
4. The averages are between RM2,510 and RM2,560.

## 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. Price momentum is bullish with a strong breakout above the middle level on the RSI indicator. Strong accumulation indication
2. Stochastic Oscillator shows that price is overbought in the near term but there are no signs of reversal.
3. Volume generally lower therefore no signs of congestion

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

- Price is overbought in the short term and expect immediate pullback to nearest support level between RM2,600 and RM2,650.
- Momentum and price pattern shows that the price has still room to increase
- Expect price to continue to move towards RM2,800 after the immediate pullback and eventually to the short term price target at RM2,950.

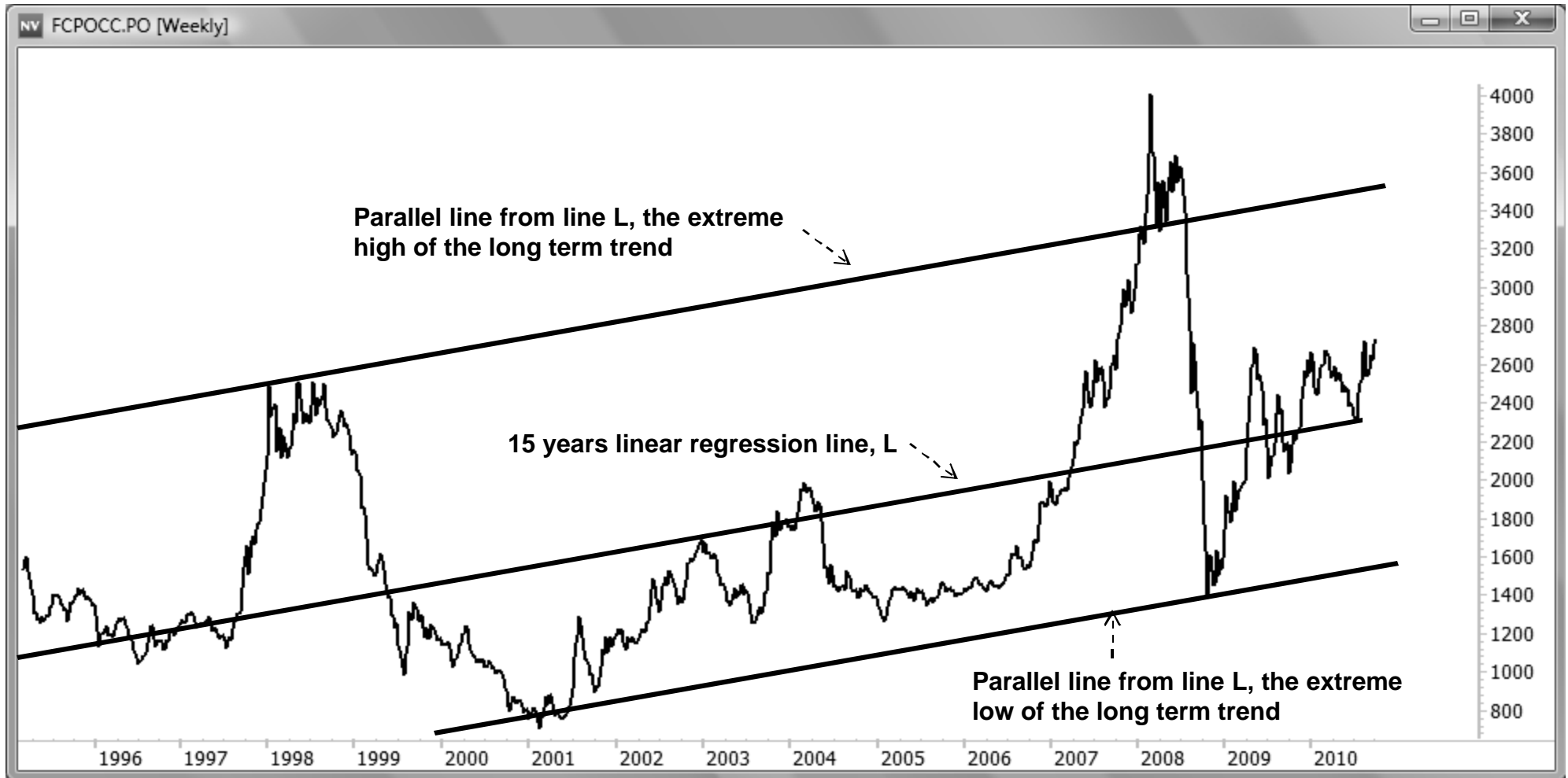
**The short term forecast is bullish (with the first price target at RM 2,800 and second target at RM2,950). Forecast is bullish as long as price stays above the RM2,600 support level. (The average of the short to long term support levels).**

# LONGER TERM ANALYSIS OF CRUDE PALM OIL FUTURES PRICE

*(as at 27 September 2010)*

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

### Trend Studies



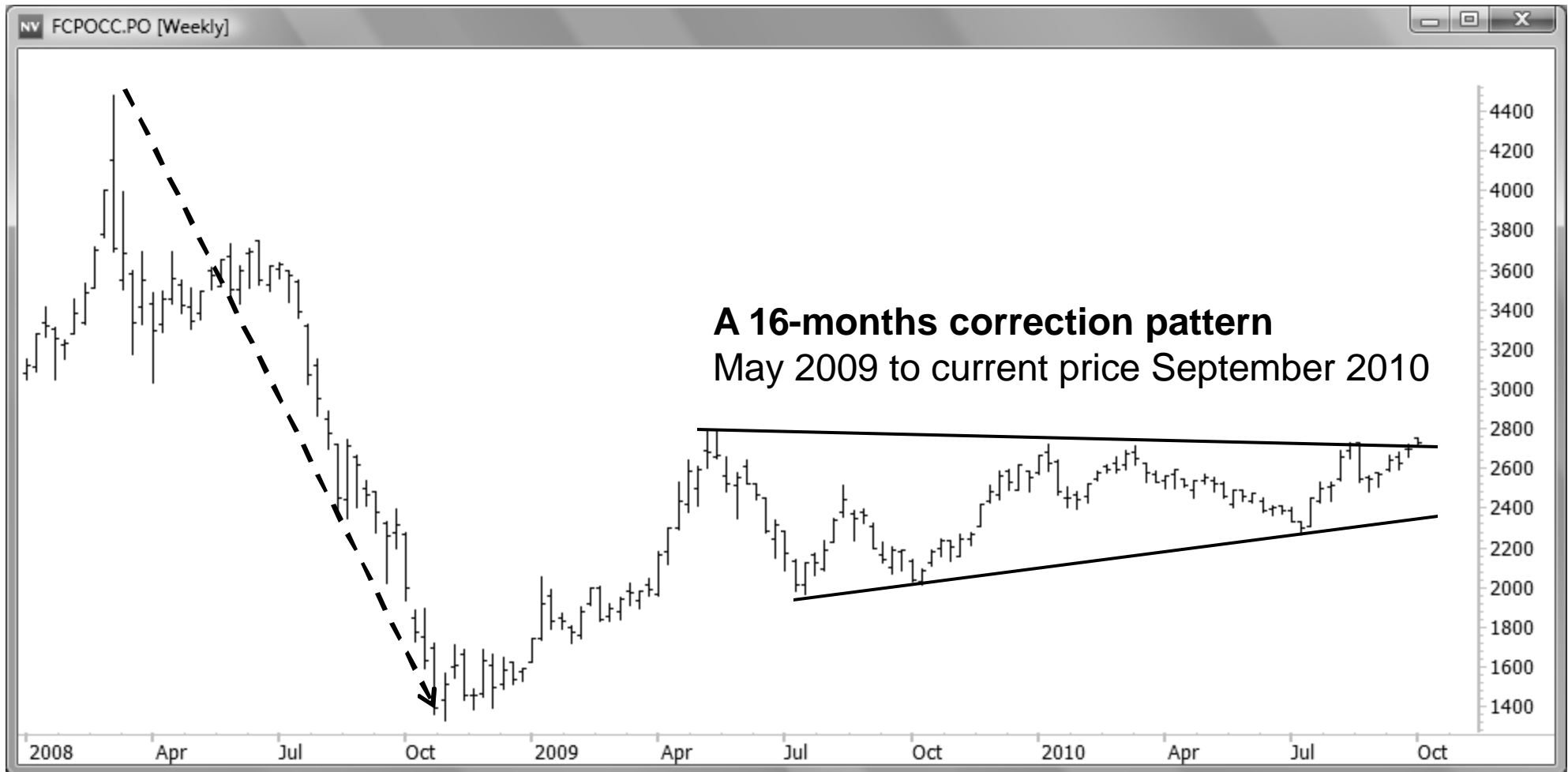
Data as at 27 September 2010

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

#### Trend Analysis from previous page:

1. Current Price (RM2,735) is slightly above long term linear regression line, which acts as the average at RM2,310. 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 RM3,650, acts as the long term resistance level and the extreme low is at RM1,650 acts as the long term support level.
4. Trend is supported by good growth of volume.

## 3. Long term analysis of crude palm oil futures price Pattern Studies



**A 16-months correction pattern**  
 May 2009 to current price September 2010

*Data as at 27 September 2010*

## 3. Long term analysis of crude palm oil futures price Pattern Studies



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

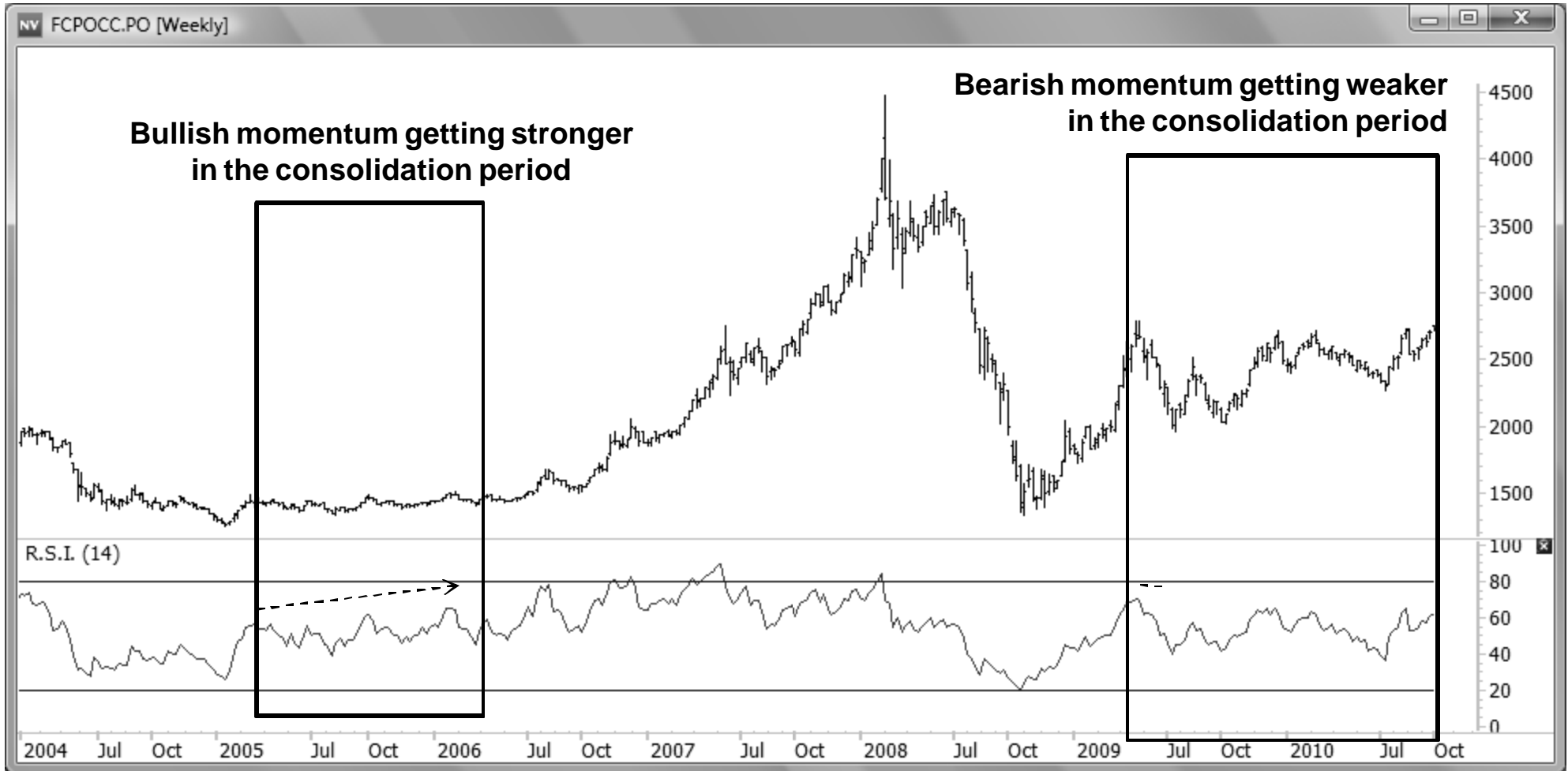
#### Pattern Analysis from previous pages:

1. Intermediate trend is sideways, forming a triangle chart pattern which indicates that the price is in a correction for the past 16 months.
2. Resistance level breakout: The resistance level at RM2,700 is currently being challenged twice and price is now slightly above this level.
3. Support level (lower line of the pattern) of the pattern is RM2,300
4. Identical pattern historically was in year 2005 and 2006. The correction period was 16 months before a breakout at the resistance level that formed a two-year up trend, where price made a historical high in that trend.



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

### Momentum Analysis:



Data as at 27 September 2010

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

#### Momentum Analysis from previous pages:

1. Momentum in the current correction is bearish, indicating strong resistance. RM2,700 resistance may be quite strong, but the breakout in this resistance level may cause price to climb higher. The market is not congested yet.
2. Momentum in the 2005-2006 correction shows good bullish momentum in the correction period, indicating good accumulation.
3. The accumulation is not so obvious in the current correction period as compared to the one in 2005-2006

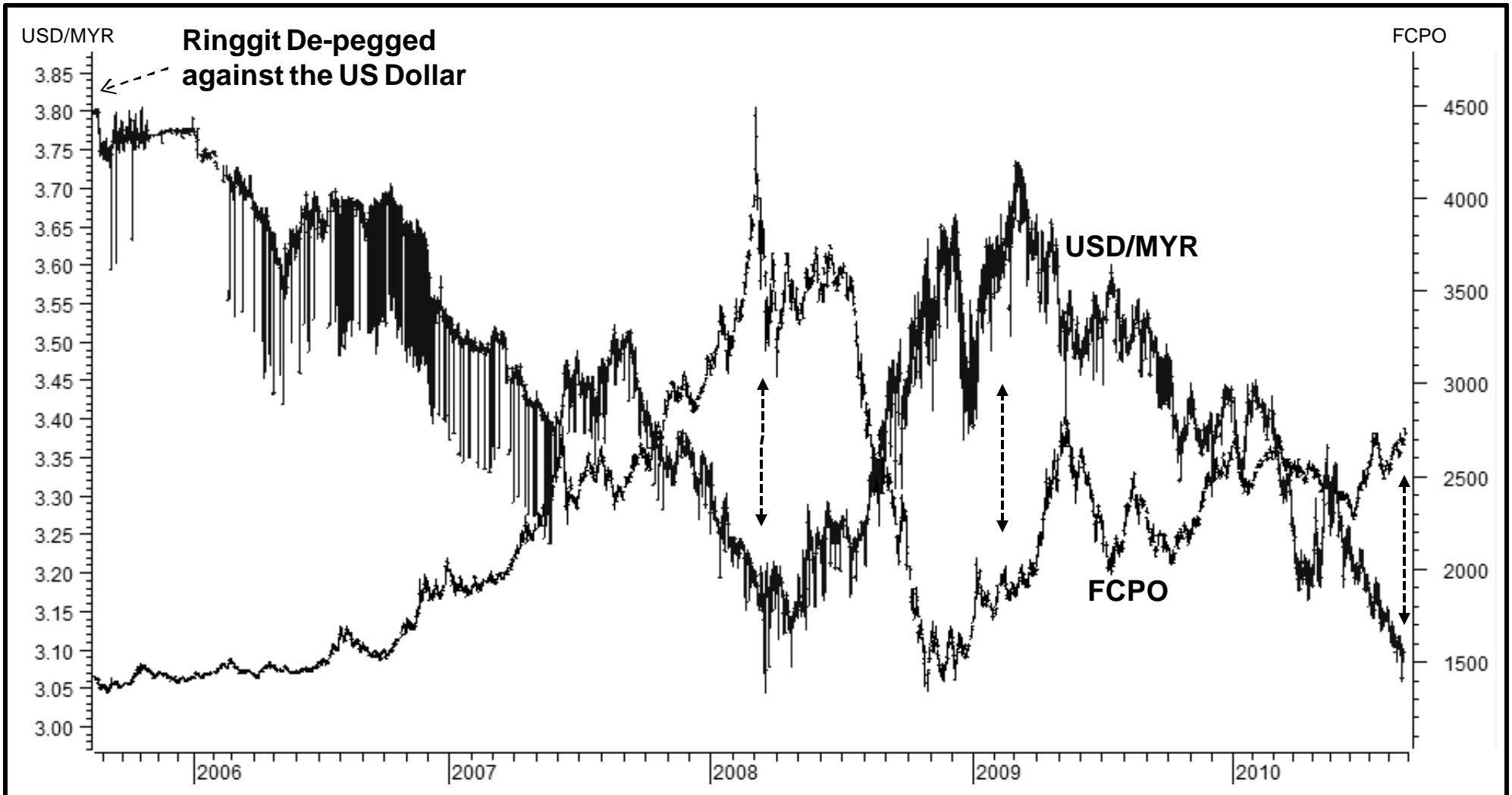
## 4. Long term price forecast 6 to 12 months

### The price objective

- Based on linear regression resistance line RM3,700
- Based on triangle chart pattern price objective RM3,600
- Based on a 70% retracement from a bearish correction, based on extreme high correction in 1998 and 2008. RM3,600

**Therefore, I am looking at a price objective within the next 6 to 9 months at RM3,600 to RM3,700.**

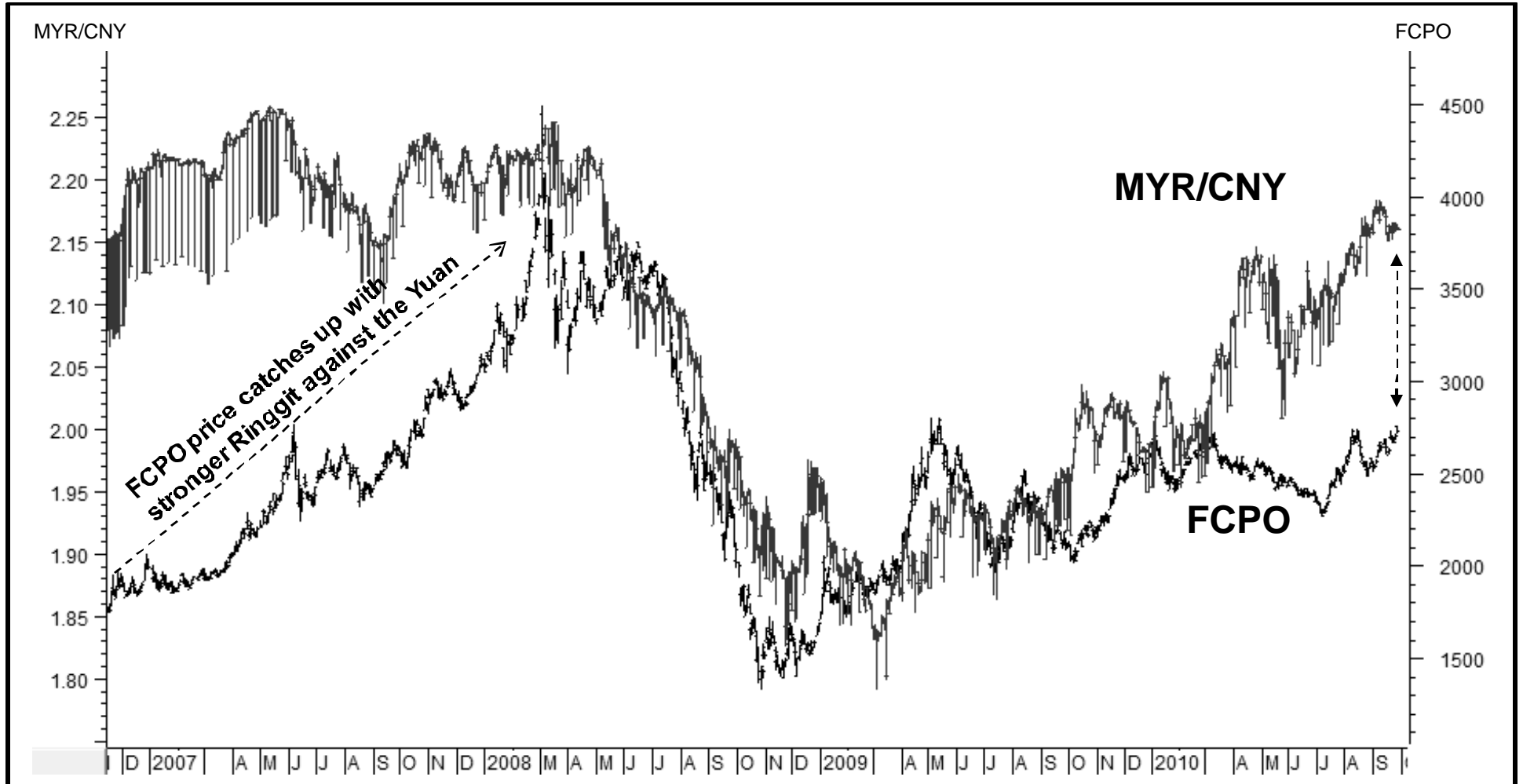
## 5. Other crucial factor affecting price of FCPO - US Dollar against Malaysian Ringgit (USD/MYR)



## 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 RM3,800 to RM4,000.

## 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.**

**THANK  
YOU!**

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