TECHNICAL ANALYSIS OF CRUDE PALM OIL PRICE AND FORECASTS

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SHORT TERM ANALYSIS OF CRUDE PALM OIL FUTURES PRICE

(as at 23 July 2010)
1. Short term analysis of crude palm oil futures price

Trend Analysis:

Data as at 23 July 2010, from NextVIEW
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 sideways
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 technical rebound in a major up trend.
1. Short term analysis of crude palm oil futures price

Pattern Analysis:

- Double top resistance
- Long term Linear Regression line
- Short term down trend line

Data as at 23 July 2010, from NextVIEW
1. Short term analysis of crude palm oil futures price

Pattern Analysis from previous pages:

1. Price broke above the short term down trend line on 14th of July, indicating a up trend reversal in the short term down trend, also a technical rebound for the long term up trend.

2. The long term linear regression, currently at RM2,250 to RM2,300 act as the support level. However, there is an immediate support level at RM2,400 to RM2,450 based on the moving averages.

3. Immediate resistance level is at RM2,600 and the next strong resistance level is at RM2,700, a double top resistance level.
1. Short term analysis of crude palm oil futures price

Momentum Analysis:

Data as at 23 July 2010, from NextVIEW
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

2. Stochastic Oscillator shows that price is overbought in the near term. Pull back is expected. The Japanese Candlesticks chart pattern is already showing signs for a price reversal down.

3. Currently short term rally supported by good increasing volume
2. Short term price forecast (3 to 8 months)

- Price is overbought in the short term and expect immediate pullback to nearest support level between RM2,400 and RM2,450.
- Expect price to continue to move towards RM2,600 to RM2,700 after the pullback.
- Momentum and price pattern shows that the price has still room to increase.

The short term forecast is bullish (with a target of RM 2,600 to RM2,700), although we may expect an immediate pullback. Forecast is bullish as long as price stays above the RM2,400 support level.
LONG TERM ANALYSIS OF CRUDE PALM OIL FUTURES PRICE

(as at 23 July 2010)
3. Long term analysis of crude palm oil futures price

Trend Studies

Parallel line from line L, the extreme high of the long term trend

15 years linear regression line, L

Parallel line from line L, the extreme low of the long term trend

Data as at 23 July 2010, from NextVIEW
3. Long term analysis of crude palm oil futures price

Trend Analysis from previous page:

1. Current Price (RM2,498) is slightly above long term linear regression line, which acts as the average at RM2,260. 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 form the linear regression line is at RM3,600, acts as the long term resistance level and the extreme low is at RM1,600 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 14-months correction pattern
May 2009 to current price July 2010

Data as at 23 July 2010, from NextVIEW
3. Long term analysis of crude palm oil futures price

Pattern Studies

A 16-months correction pattern
Mar 2005 to current price July 2006, before the breakout

Data as at 23 July 2010, from NextVIEW
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 14 months.

2. Support level (lower line of the pattern) of the pattern is RM2,300 and resistance level (upper line of the pattern) is at RM2,700.

3. 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:

Bullish momentum getting stronger in correction

Bearish momentum getting stronger in correction

Data as at 23 July 2010, from NextVIEW
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.

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.
4. Long term price forecast 8 to 15 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 8 to 15 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 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 3,500.

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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