

## Commodity Insights

Commodities	01/16/09	Change	%
CBOT Soybean	1029	-16.4	-1.57
CBOT Soybean Meal	317.3	1.4	0.44
CBOT Soybean Oil	35	-2.1	-5.66
CBOT Corn	401.6	-19.6	-4.65
CBOT Wheat	590.6	-51.6	-8.03
DCE Soybean	3555	93	2.69
DCE Soybean Meal	2689	-10	-0.37
DCE Soybean Oil	6288	-184	-2.84
DCE Corn	1553	-11	-0.70
DCE Palm Oil	5246	-282	-5.10
ZCE Wheat	1955	-58	-2.88
ZCE Cotton	11765	-145	-1.22
ZCE Sugar	3030	152	5.28
SHFE Rubber	12715	315	2.54
SHFE Copper	27440	180	0.66
SHFE Aluminum	11925	-100	-0.83
SHFE Zinc	11085	325	3.02

## Market Commentaries

- Soybean:** DCE soybean swung to rise last week. State Grain Board will start the fourth reserve plan of three million tons of soybean, which was bullish to domestic soybean market. Spot prices of domestic soybean also rose. CBOT soybean swung last week. Suppressed by the USDA report that announced higher-than-expected production, the ending stocks and quarterly stocks data, CBOT soybean futures market on Monday closed at decline limit of 70 cents. However, the drought in South America as well as China's stable demand still brought support for soybean market.
- Corn:** DCE corn fluctuated last week. National reserve policies supported the corn market, and traders in the northeastern region increased purchase prices, which also gave a certain support on the corn market. CBOT corn fell sharply last week. Suppressed by the USDA report that announced bearish production and ending stocks, CBOT corn futures on Monday closed at decline limit of 30 cents. Weak demand and the drop of crude oil also brought pressure on the corn market.
- Wheat:** ZCE wheat continued to swing last week. Spot prices of wheat remained stable, but the decline in demand for wheat flour, as well as the festive atmosphere that made the futures volume decline, brought pressure on futures markets. CBOT wheat decline sharply last week. The bearish USDA report and the weakness of surrounding market both suppressed the wheat market. Weekly sales data of U.S. wheat export was lower than expectation, which also made a heavy burden on the wheat market.
- Soybean oil:** DCE soybean oil swung to decline last week, suppressed by the drop of CBOT soybean oil. Before the Spring Festival, the State Reserve sold soybean oil in order to ensure the adequate supply, which also brought pressure on the soybean oil market. CBOT soybean oil decline sharply last week, suppressed by the drop of crude oil and soybean. However, the dry weather in South America still gave support on the soybean oil market.
- Palm oil:** DCE palm oil decline sharply last week. Because the arrival amount of palm oil increased and the cost of imports dropped, domestic spot prices of palm oil became lower. Malaysian palm oil decline sharply last week, suppressed by the drop of crude oil and soybean oil. Malaysian exports data fell last week, which brought large pressures on the higher prices of palm oil.



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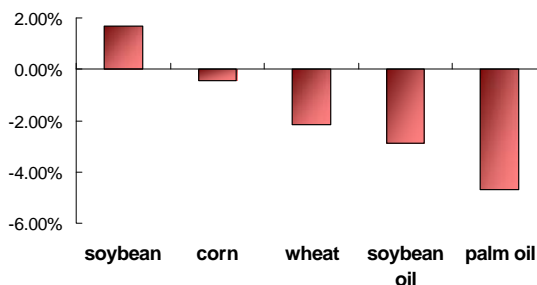
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Weekly Price Change



(Data source: Phillip Futures)

## Macroeconomic data of China

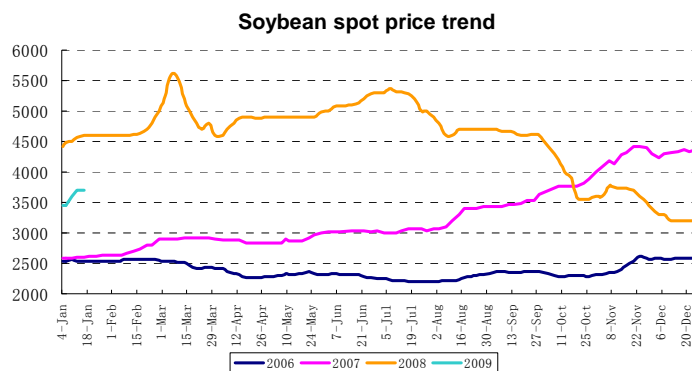


1. Non-performing loan of the country's major commercial banks at the end of 2008 dropped by 706.5 billion yuan from a year earlier to 494.4 billion yuan, bringing the average non-performing loan ratio down 4.24 percentage points to 2.49 percent, the CBRC figures showed. The capital adequacy ratio of all Chinese commercial banks remained above the regulatory level, with the average provision coverage ratio reaching 115.3 percent, up 74.1 percentage points from the year before.

2. China's customs revenue hit a record high of 916.11 billion yuan (134.03 billion U.S. dollars) in 2008, up 20.8 percent year-on-year, the General Administration of Customs (GAC) said Wednesday. Revenue from exports totaled 177 billion yuan, up 23.6 percent, while that from imports hit 739.11 billion yuan, up 20.1 percent. The total exceeded the target of 845.5 billion yuan.

## China spot market

**Soybean:** Soybean spot prices rose slightly by RMB 50-80 per ton stable last week. The three reserve plans is expected to purchase six million tons of domestic soybeans, accounting for about 36.4 percent of domestic soybean output and 66.7 percent of the Northeast. Before the Spring Festival, sales wish of farmers was positive, and the market transaction was active. Prices of imports soybeans at domestic ports were RMB 3650 to 3700 per ton, and port stocks were about 305 million tons, while the supply of imports soybean was deficient. The data released by China Customs showed that China's soybean imports in December amounted to 3300,000 tons and soybean imports in 2008 amounted to 37,440,000 tons, up 21.5 percent year-on-year. It is anticipated that soybean spot prices would remain stable in the short term.



(Data source: Phillip Futures)

### Duty cost of imported soybean (2009.01.16)

	US		Brazil		Argentina	
	DDF	CNF	DDF	DDF	CNF	DDF
Feb	421.61	3485.91				
Mar	422.03	3538.41	403.56	3340.95		
May			392.1	3294.56	394.4	3359.2
Jul			397.51	3384.9		

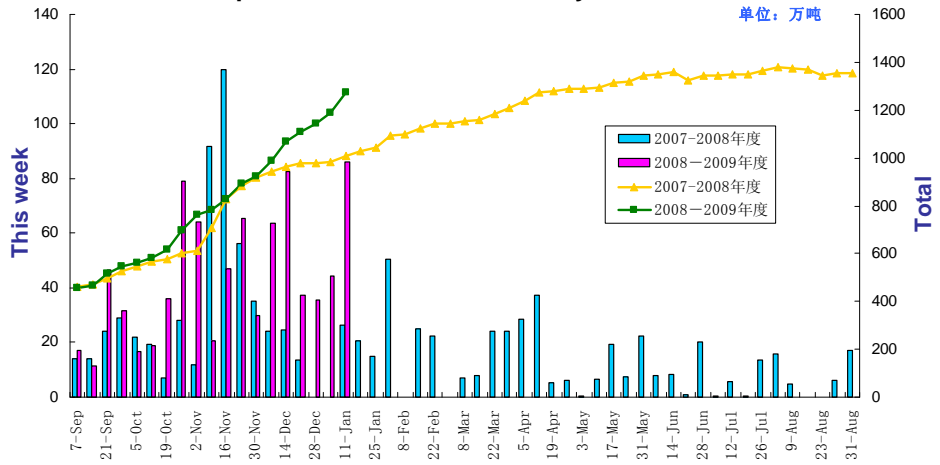
Note: Freight rates of US gulf to China in Panama vessel: USD 24 per ton, exchange rates: 6.8383

Freight rates of Brazil to China in Panama vessel: USD 21 per ton, exchange rates: 6.8383

Freight rates of Argentina to China in Panama vessel: USD 22 per ton, exchange rates: 6.8383

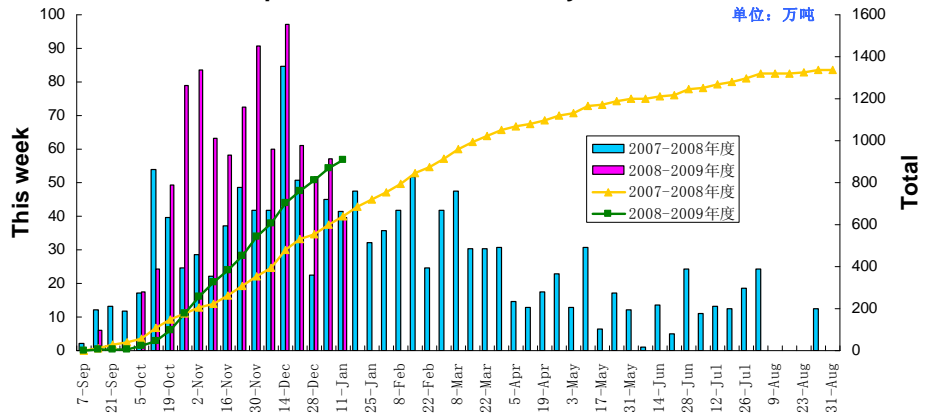


The purchase statistics of US soybean to China



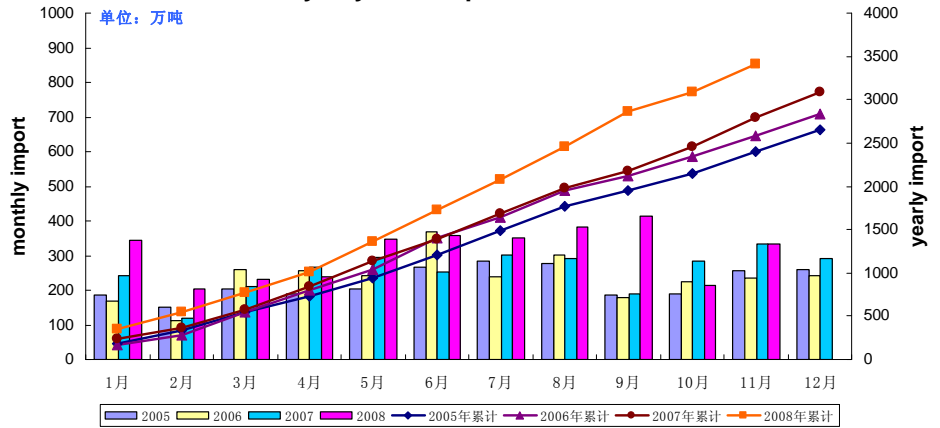
(Data source: USDA)

The shipment statistics of US soybean to China



(Data source: USDA)

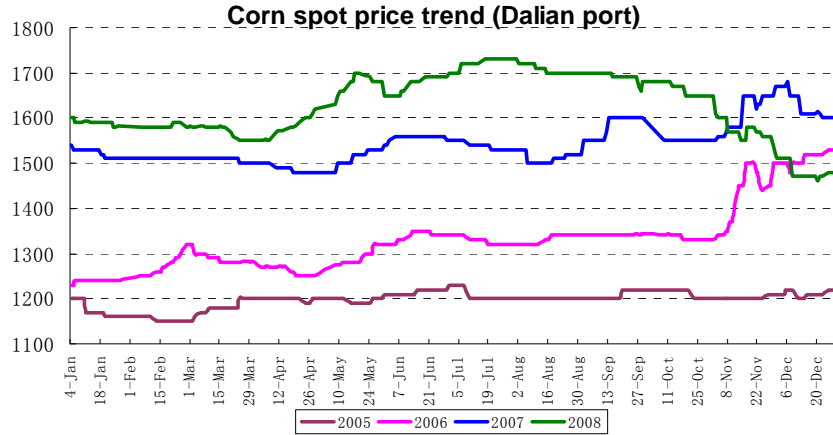
Monthly soybean import volume of China



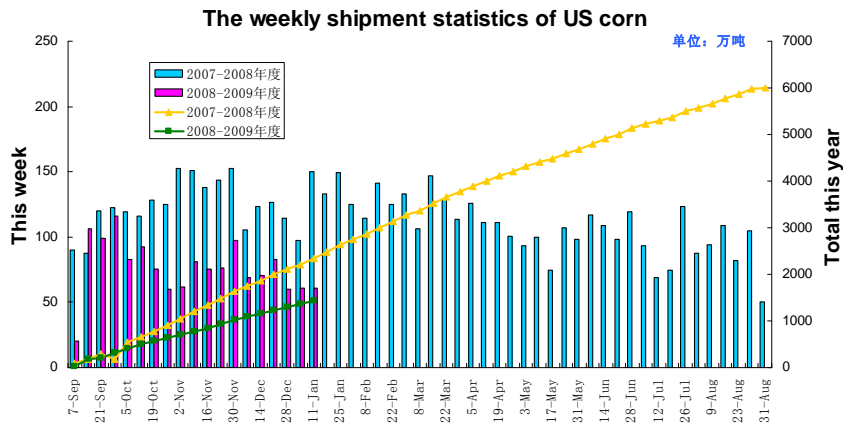
(Data source: China Customs)



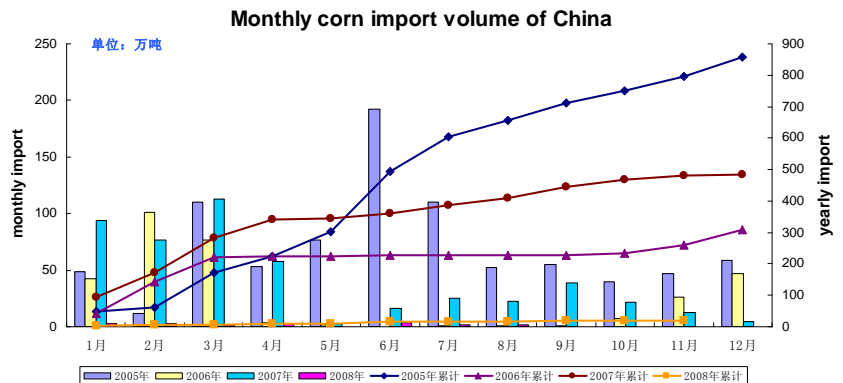
**Corn:** Corn spot prices remained stable last week. Before the Spring Festival, the purchase of processing enterprises was gradually drawing to a close, but some deep-processing enterprises increased prices to quicken purchase in order to ensure the production during the Spring Festival. However, the purchase of National Reserve decreased. By the impact of decreasing trade volume before the Spring Festival, corn freight ship from Jinzhou to Guangdong Shekou dropped to 45 yuan per ton, down 5 yuan. Development and Reform Commission and Ministry of Commerce on January 13 announced "the bill to prevent prices of live pigs to drop sharply" to stable live pig production and safeguard the interests of pig farmers. It is anticipated corn spot prices will continue to run steadily.



(Data source: Phillip Futures)



(Data source: USDA)

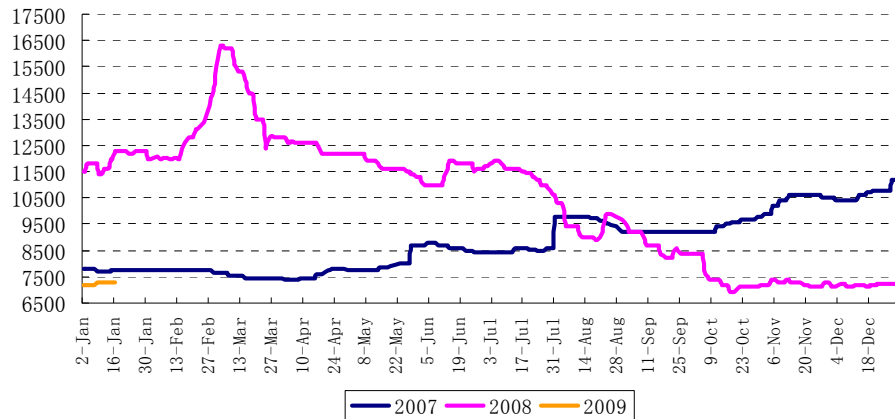


(Data source: China Customs)



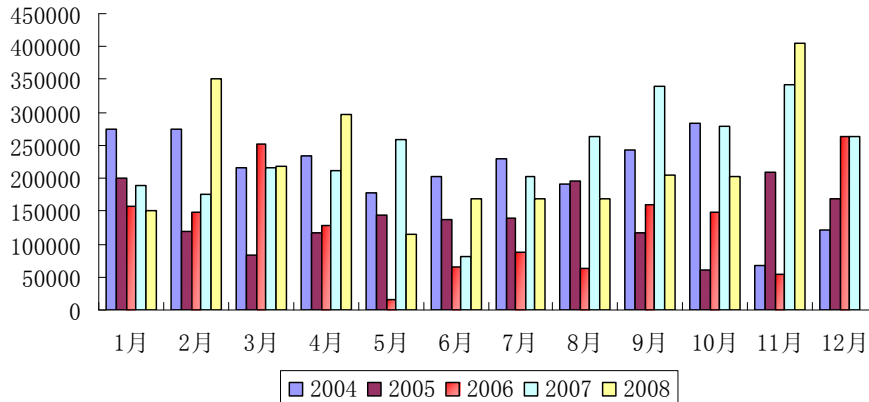
**Soybean oil:** Domestic soybean oil spot prices rose slightly by RMB 50-80 per ton last week. Domestic spot prices of soybean meal remained stable, restricting spot prices of soybean oil. Furthermore, the prices that State Reserve sold soybean oil at were lower than the local pricing, which also restricted the enthusiasm of oilseed factories. Before the Spring Festival, the purchases of domestic soybean oil had been coming to an end. The purchasing enthusiasm of traders faded away, leading the market volume to shrink. The crush profits were rich and soybean meal prices will continue the strong trend, so soybean oil would keep weak, and followed the fluctuations of soybean. It is anticipated that soybean oil spot prices will remain stable recently.

**spot price trend of soybean oil**



(Data source: Phillip Futures)

**Monthly soybean oil import volume of China**



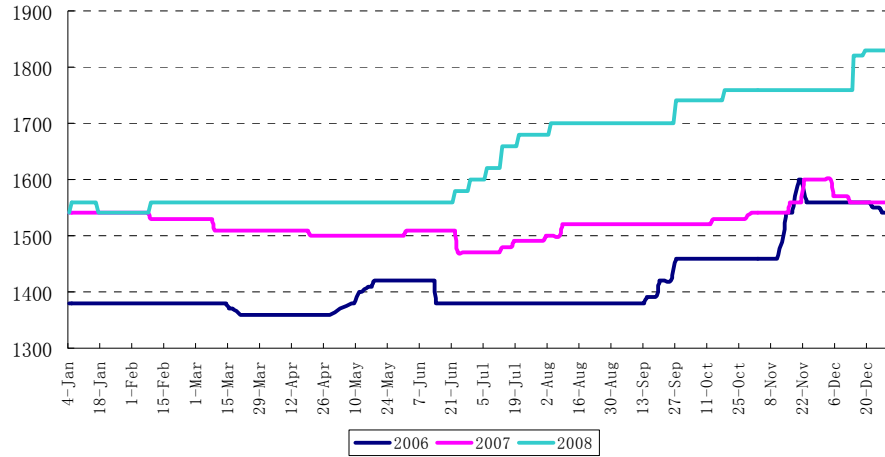
(Data source: China Customs)

**Wheat:** Wheat spot prices remained stable last week. The actual volume of Anhui wheat auction market with minimum purchasing prices on January 7 was 346,333 tons, with the turnover ratio of 45.69 percent. Transaction price for white wheat was averaged at RMB 1,713 per ton; for mixed wheat, average price was RMB 1,655 per ton. This volume and prices increased largely, but turnover ratio decreased slightly. The demand of flour market was not strong before the Spring Festival, so the growth of volume in the auction market slowed down. Wheat spot

prices are estimated to go steadily recently. Although the Spring Festival was coming, the flour consumption remained weak, and demands for milling wheat were also thin. The auction of wheat will meet the basic needs of spot wheat. Wheat spot prices are estimated to go steadily recently.

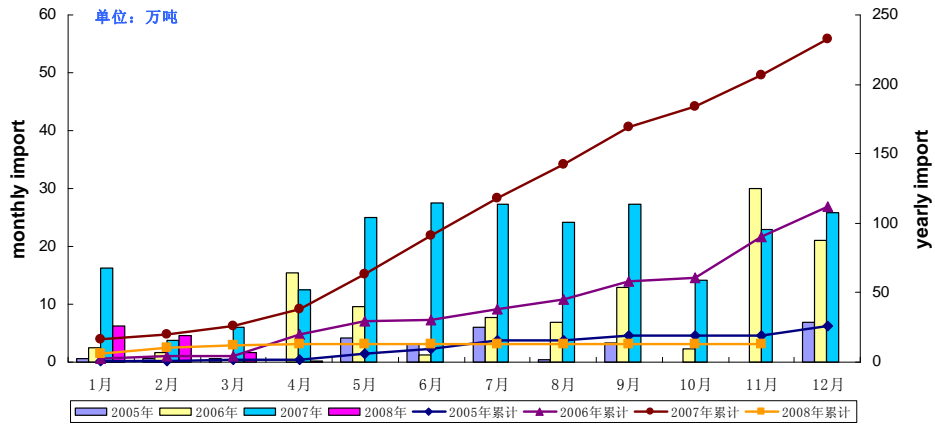


**spot price trend of Henan wheat**



(Data source: Phillip Futures)

**Monthly wheat import volume of China**

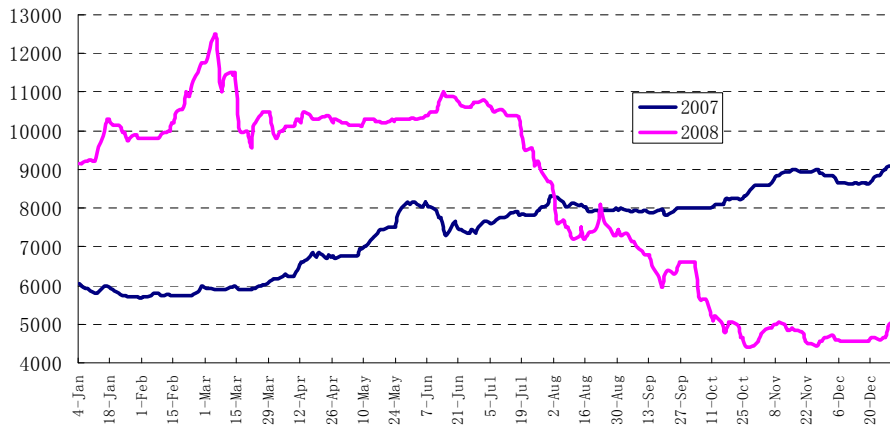


(Data source: China Customs)

**Palm oil:** Palm oil spot prices rose slightly by RMB 80-100 per ton this week. Because the arrival amount of palm oil increased and the cost of imports dropped, the desire of domestic traders to maintain prices stable had rational adjustment, resulting in a slight drop of port pricing. SGS estimated that exports of Malaysia palm oil from January 1 to 15 were 570,602 tons, down 36 percent, which was lower than the market's forecast. Furthermore, the Malaysian Palm Oil Board announced that the production of Malaysian palm oil in 2009 will reach 18.4 million tons, higher than 17.7 million tons in 2008, which was expected to bring a strong pressure on the market. It is anticipated that palm oil spot prices will drop slowly.

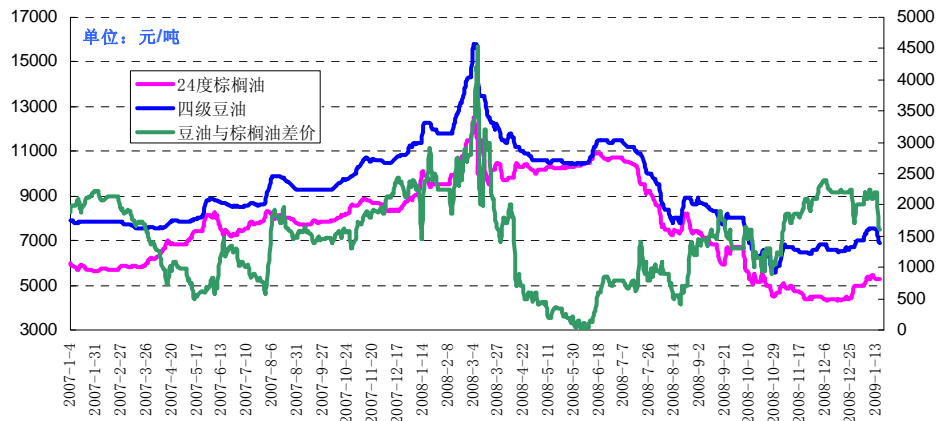


Spot price trend of palm oil



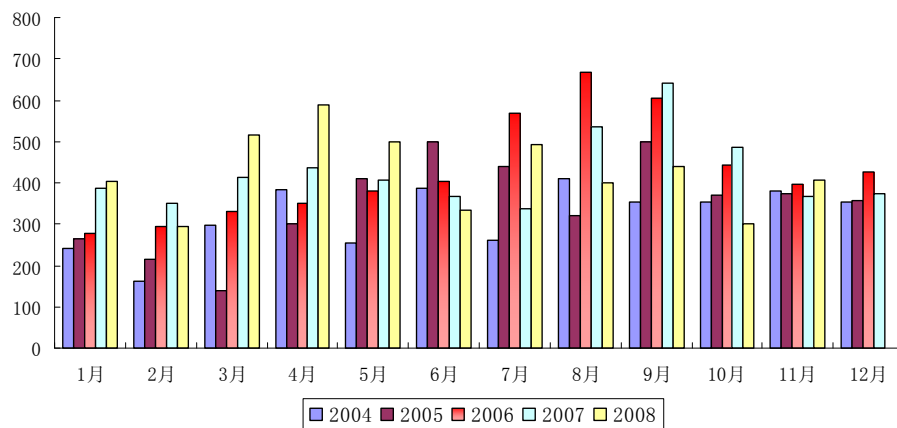
(Data source: Phillip Futures)

广州四级豆油与棕榈油差价走势图



(Data source: Phillip Futures)

Monthly palm oil import volume of China



(Data source: China Customs)



## Technical analysis

### Soybean:



(Data source: WebStock)

Soybean swung to rise last week, and stood above 10-day MA. The rebound maintained well. 20-day MA had a bullish crossover with 60-day MA, and MA began to show a bullish array. But futures prices were still suppressed by 38.2% golden rebound line. MACD indicated that the rising power began to reduce and there are signs of weakening. For short term, outlook of soybean was neutral. For medium term, it was less bearish.

### Corn:



(Data source: WebStock)

Corn swung last week and prices were constrained by 60-day MA and 38.2% golden rebound line. Prices stood above 20-day and intertwined with 10-day and 60-day MA, and the rebound trend temporarily came to an end. RSI showed that there are signs of weakening. For short-term, it was neutral. For medium-term, it was less bearish.

### Wheat:



(Data source: WebStock)

Wheat swung to decline last week and broke through 60-day MA. Prices were suppressed by 38.2% golden rebound line and stood below main MA. Wheat was fluctuating within certain range recently. KDJ indicated wheat would still keep weak. For short term, outlook of wheat was slight bearish. For medium term, it was neutral.

### Soybean oil:



(Data source: WebStock)

Soybean oil fell sharply last week, breaking through 20-day MA, but was supported by 60-day MA. 20-day MA began to have a bullish crossover with 60-day MA. The rebound trend temporarily came to an end. MACD indicated that the rising power began to reduce. For short-term, outlook of soybean oil was neutral. For medium-term, it was slight bearish.

### Palm oil:



(Data source: WebStock)

Palm oil declined sharply last week, breaking through 10-day MA, but was supported by 20-day MA. 30-day MA began to have a bullish crossover with 30-day MA. MA began to show a bullish array, and the rebound trend temporarily came to an end. Prices were constrained by 38.2% golden rebound line and palm oil was in the medium-term rebound trend now. KDJ indicated that palm oil would keep weak. For short-term, outlook of palm oil was slightly bearish. For medium-term, it was neutral.

## Market outlook

**Soybean:** The supply and demand report of U.S. Department of Agriculture in January showed that 2008/2009 ending stocks of U.S. soybean increased by 20,000,000 bushel, which made the tight supply and demand situation of soybean eased. South America is in the key growing season of soybean currently, and the drought in Argentina mitigation can hardly disappear in a short term. It was expected that soybean market would continue the weather speculation. In order to prevent the risk of festivals, some domestic investors will choose to exit the futures market, so the domestic soybean market will become duller next week. For short-term, the trend is neutral. For medium-term, it is less bearish.

**Corn:** As a result of the substantial growth of China's corn production, the market supply is sufficient. The State Reserve policies eased supply pressures to some extent, limiting the fall space of corn prices. The purchase prices and volume in Northeast were improved obviously, but the sustainability of higher prices would depend on the restoration of the spot demand. China took measures to restrain the decline of pork prices in order to protect the interests of farmers, which boosted the prospects for feeding demand of corn. For short-term, the trend is neutral. For medium-term, it is slightly bearish.

**Soybean oil:** Because the government controlled prices of soybean oil, oilseed factories raised prices of soybean meal in order to maintain crush profits. Soybean meal prices reached 4,000 yuan per ton in some areas, which offset the losses on soybean oil. Oilseed factories sold soybean oil at lower prices to prevent the increase of stocks. For short-term, the trend is slightly bearish. For medium-term, it is less bearish.

**Wheat:** The supply of wheat with minimum purchase prices continued to increase, but the turnover ratio was decreased. Purchase wishes before the Lunar New Year were not strong. The minimum purchase prices were further increases in 2009, which would promote the prices of domestic wheat to continue to rise. At present, China's major wheat production regions were emerging winter drought. If it continued to deteriorate, prices of wheat may be further affected. For short-term the trend is neutral. For medium-term, it is slightly bullish.

**Palm oil:** The enthusiasm of India buyers has been cooling after the wave of purchase in a large number, resulting in the decline of exports data in Malaysia, which put pressures on palm oil prices. Domestic consumption of palm oil was still in the off-season, which would further restrict the outlook of palm oil market. For short-term, the trend is neutral. For medium-term, it is less bearish.

# COMMODITIES REPORT

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