

## Commodity Insights

Commodities	02/09/09	Change	%
CBOT Soybean	1006	18.6	1.88
CBOT Soybean Meal	314.6	4.6	1.48
CBOT Soybean Oil	33.8	0.7	2.11
CBOT Corn	387.4	-2.8	-0.72
CBOT Wheat	570	-10.6	-1.83
DCE Soybean	3612	19	0.53
DCE Soybean Meal	2810	91	3.35
DCE Soybean Oil	6310	144	2.34
DCE Corn	1585	6	0.38
DCE Palm Oil	5270	90	1.74
ZCE Wheat	2061	99	5.05
ZCE Cotton	12010	275	2.34
ZCE Sugar	3195	216	7.25
SHFE Rubber	13505	855	6.76
SHFE Copper	28760	2980	11.56
SHFE Aluminum	11875	280	2.41
SHFE Zinc	10510	280	2.74

## Market Commentaries

- Soybean:** DCE soybean swung to rise last week. State Council announced No.1 bill to support agricultural development and income increase of farmers, which bought confidence to the soybean market. Furthermore, spot transactions resumed after vacation. CBOT soybean declined first and then rose last week. The drought in Argentina was eased by rain to some extent earlier this week, and the global economic downturn had increased the bearish atmosphere. But the weather forecast showed that Argentina would suffer drought once again and sea freight rebounded sharply, so futures prices rallied.
- Corn:** DCE corn fluctuated last week. National policies and the rise of wheat gave support to the corn market, but the spot supply maintained adequate, and demand remained sluggish. CBOT corn also fluctuated last week. The rainfall in corn producing areas of Argentina brought pressures on the corn market. However, export sales of US corn increased, and South America returned to dry weather, which supported corn prices.
- Wheat:** ZCE wheat surged last week. Major wheat producing regions in northern China continued to suffer drought. The drought-affected acreage reached 1.43 million mu and was expanding over time, so the futures market was enthusiastic to do long position. Wheat spot prices also rose slightly. CBOT wheat swung to decline last week. CBOT wheat market lacked fundamental news, but the export data were disappointing, so the rise of soybean and corn did not enhance confidence in the wheat market.
- Soybean oil:** DCE soybean oil swung to rise last week. China's policies to support agriculture made beneficial stimulation on soybean oil market. However, spot market transactions were thin, and spot prices fell slightly. CBOT soybean oil swung to rise last week. The drought in South America had improved, and the international crude oil prices dropped, which gave pressures on the soybean oil market. However, the rise of soybean supported the soybean oil to rebound.
- Palm oil:** DCE palm oil swung to rise last week, with weaker performance. Spot transactions of domestic palm oil began to recover, but demands remained sluggish, and spot prices also fell slightly. Malaysian palm oil fluctuated last week. The main growing areas of palm oil in Malaysia experienced heavy rainfall this week, affecting the production of palm oil, which brought support to palm oil market.



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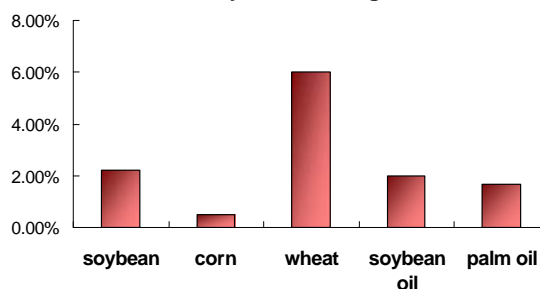
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Weekly Price Change



(Data source: Phillip Futures)

## Macroeconomic data of China



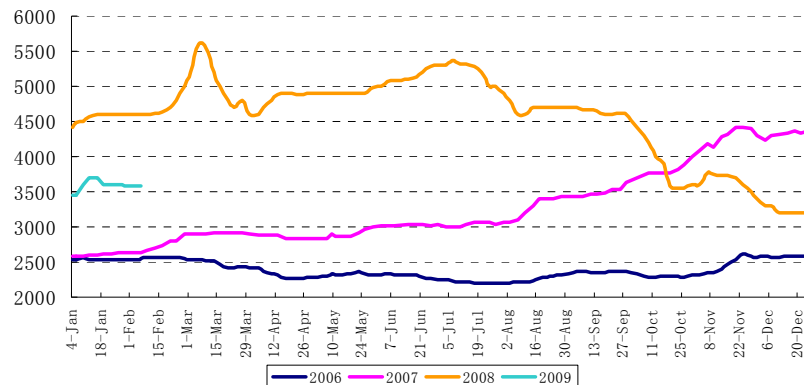
1、 The PMI, a measure of conditions in the manufacturing industry, rose for the second straight month in January to 45.3 percent from December's 41.2 percent, the China Federation of Logistics and Purchasing said on February 4. China has announced massive fiscal stimulus packages to boost domestic demand and spur consumption to fight against the fallout from global financial turmoil.

2、 China will increase the tax rebate rate for textile and garment exports from 14 percent to 15 percent, an executive meeting of the State Council (Cabinet) announced Wednesday. Textile and garment export of China was 185.17 billion U.S. dollars in 2008, up 8.2 percent year-on-year, but the growth rate was 10.7 percentage points lower than in 2007.

## China spot market

**Soybean:** Soybean spot prices declined slightly by RMB 20-30 per ton stable last week. Although the domestic spot market resumed normal trading after the Spring Festival, there was still a strong festive atmosphere, making market transactions weak. The buying and selling activities in the Northeast restored quickly, which was mainly due to the upcoming third temporary reserve plan, so the purchase confidence of traders was supported. However, during the Spring Festival, the drop of international soybean made traders take wait-and-see attitude generally. At present, the import cost of soybean was about RMB 3400 to 3500 per ton, so the cost advantage of import soybeans had disappeared basically. It is anticipated that soybean spot prices would remain stable in the short term.

Soybean spot price trend



(Data source: Phillip Futures)

### Duty cost of imported soybean (2009.02. 09)

	US		Brazil		Argentina	
	DDF	CNF	DDF	DDF	CNF	DDF
Mar			410.46	3365.79		
Apr	418.25	3458.93	400.77	3318.55	401.61	3325.29
May			401.41	3323.69		
Jun			397.51	3384.9		

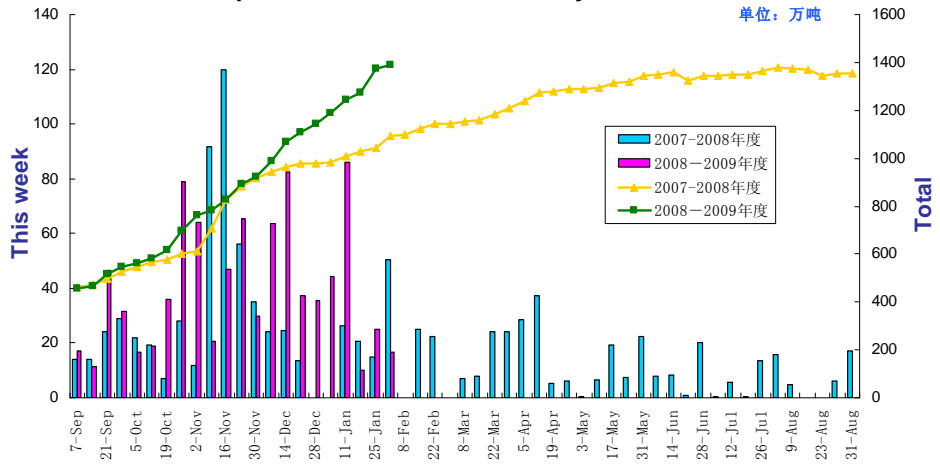
Note: Freight rates of US gulf to China in Panama vessel: USD 34 per ton, exchange rates: 6.8371

Freight rates of Brazil to China in Panama vessel: USD 29 per ton, exchange rates: 6.8371

Freight rates of Argentina to China in Panama vessel: USD 31 per ton, exchange rates: 6.8371

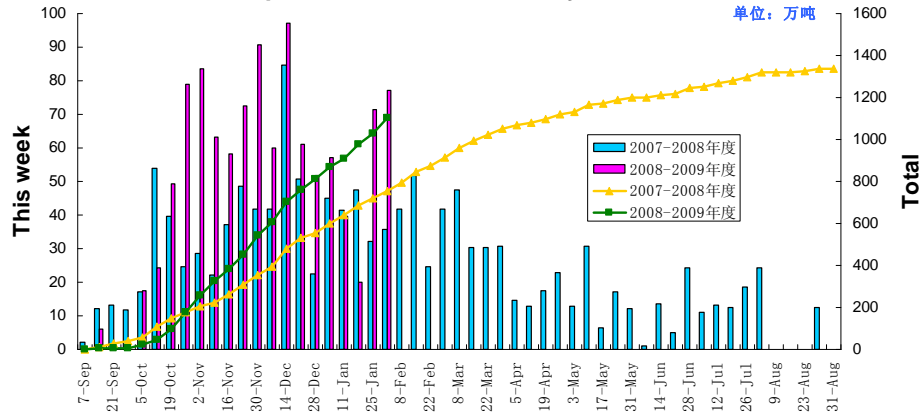


The purchase statistics of US soybean to China



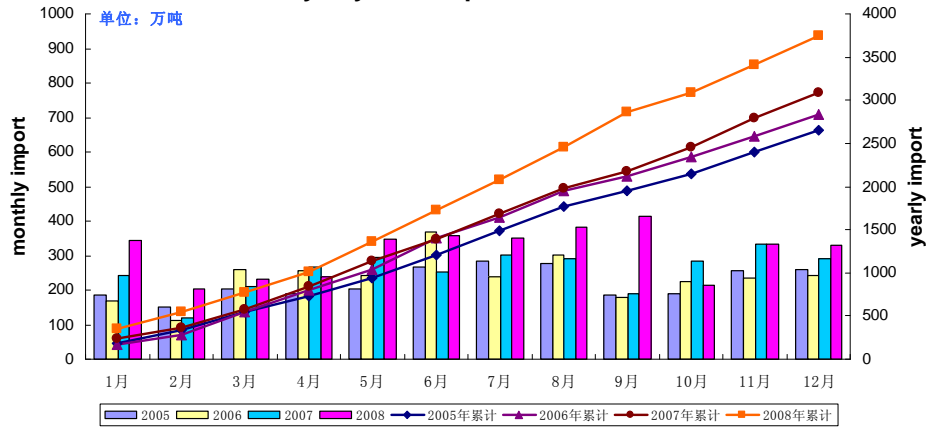
(Data source: USDA)

The shipment statistics of US soybean to China



(Data source: USDA)

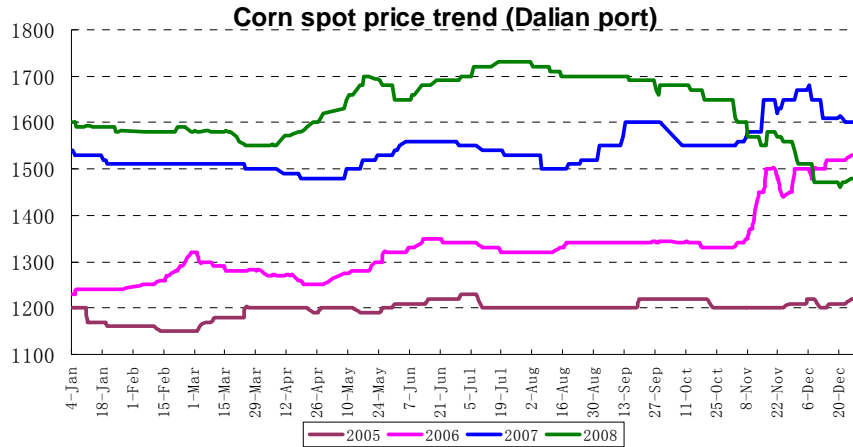
Monthly soybean import volume of China



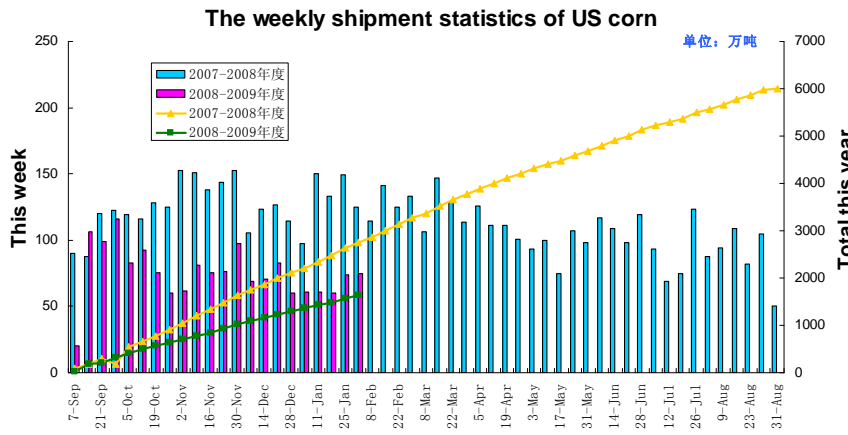
(Data source: China Customs)



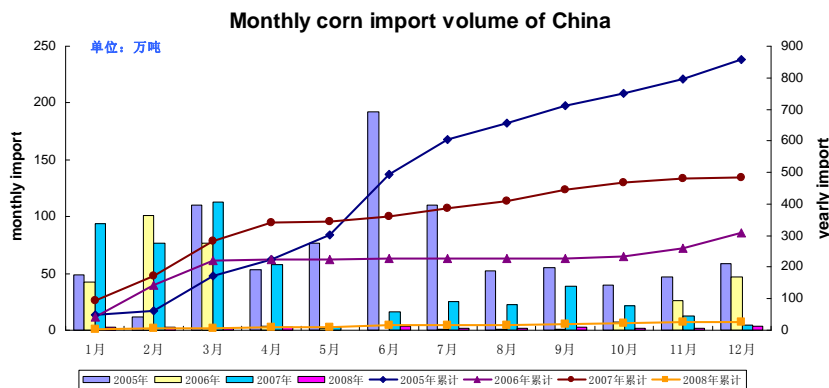
**Corn:** Corn spot prices remained stable last week. After the Chinese New Year, the transactions of domestic corn market were thin, and the main buyers in the growing areas were still State Reserve and deep-processing enterprises. Farmers were reluctant to sell soybeans, which supported prices. The volume in the northern ports was small, but the traders were optimistic about the future. Shekou port enhanced the oversupply situation, and the stocks were close to 400,000 tons. Sea freight dropped to RMB 35 to 40 per ton. Stocks in southern port were high, and prices continued to decline, mainly due to the drop in the feed demand after Chinese New Year. It is anticipated corn spot prices will continue to run steadily.



(Data source: Phillip Futures)



(Data source: USDA)

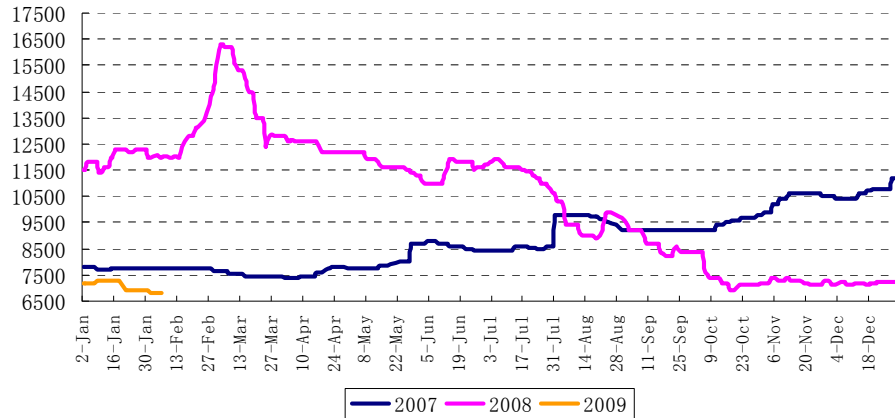


(Data source: China Customs)



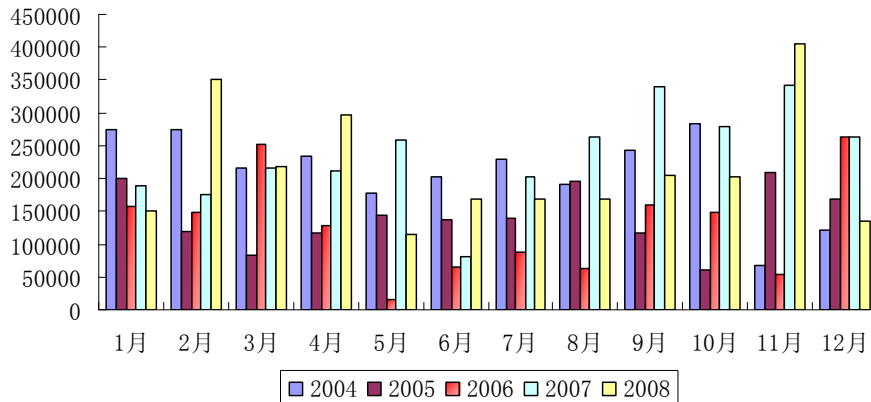
**Soybean oil:** Domestic soybean oil spot prices declined slightly by RMB 40-80 per ton last week. Prices in Northeast remained stable, and the market transactions were general. Oilseeds enterprises were in a state of suspension. As some of these enterprises were not very optimistic, the crush number may continue to reduce. High prices of soybean meal made high profits, so oilseeds enterprises increased sales and left little stocks. Sea freight rose, so distribution prices of imports were 6800 yuan per ton. Traders were cautious to purchase and kept wait-and-see attitude. It is anticipated that soybean oil spot prices will rise slowly recently.

**spot price trend of soybean oil**



(Data source: Phillip Futures)

**Monthly soybean oil import volume of China**

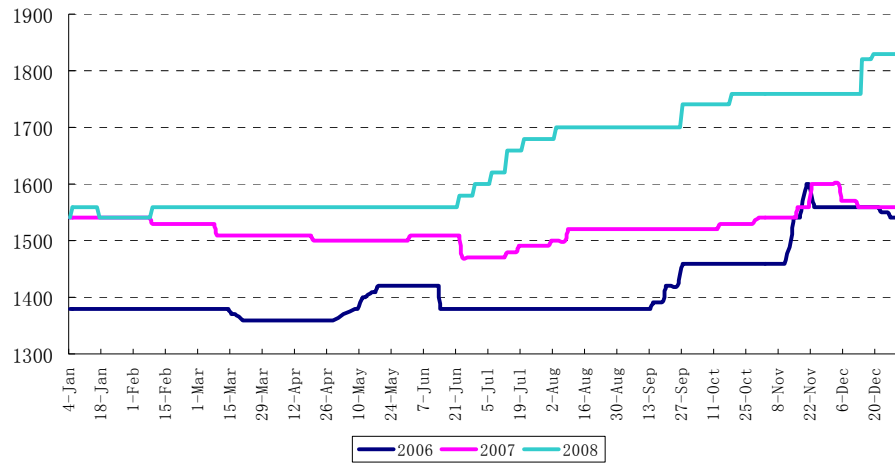


(Data source: China Customs)

**Wheat:** Wheat spot prices remained stable last week. The actual volume of Anhui wheat auction market with minimum purchasing prices on February 4 was 30,710 tons, with the turnover ratio of 41.19 percent. Transaction price for white wheat was averaged at RMB 1,722 per ton; for mixed wheat, average price was RMB 1,654 per ton. This volume and prices increased slightly, but turnover ratio decreased slightly. China's major wheat producing areas, Henan, Hebei and Shandong Province, encountered a rare drought. Severe drought affected the normal growth of wheat, which would have a negative impact on the production. Furthermore, this year's warm winter may lead to insect pest in the future. Wheat spot prices are estimated to rise slowly recently.

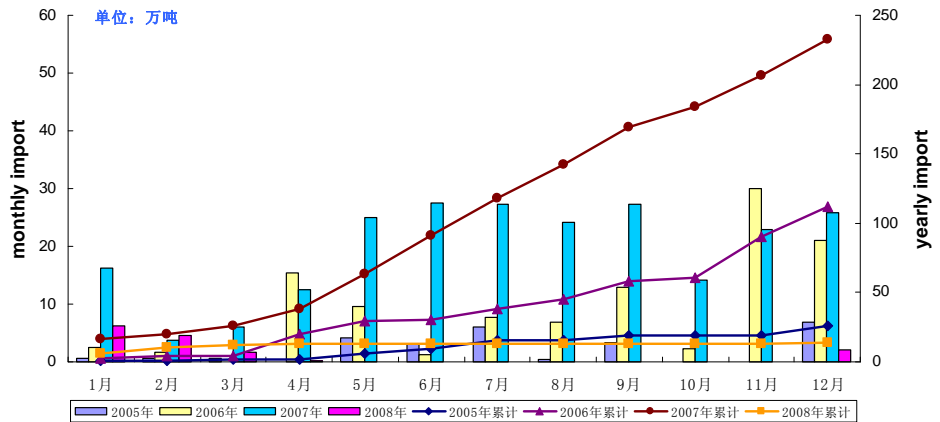


spot price trend of Henan wheat



(Data source: Phillip Futures)

Monthly wheat import volume of China

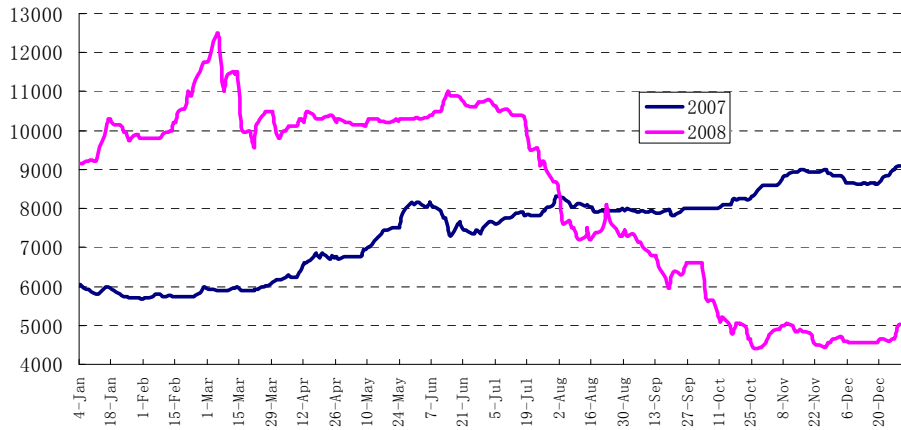


(Data source: China Customs)

**Palm oil:** Palm oil spot prices declined slightly by RMB 20-50 per ton this week. After the Chinese New Year, the spot demand for palm oil did not show substantial increase, leading to a fall of port pricing. SGS announced that the exports of Malaysian palm oil in January were 1.33 million tons, lower 19.3 percent than December last year, which showed that exports in January slowed down obviously. However, the rainfall in Malaysian producing areas had delayed the harvest of palm oil, affecting the output. Lower output may make Malaysian palm oil stocks in January fell 6.1 percent to 1.87 million tons. It is anticipated that palm oil spot prices will remain stable recently.

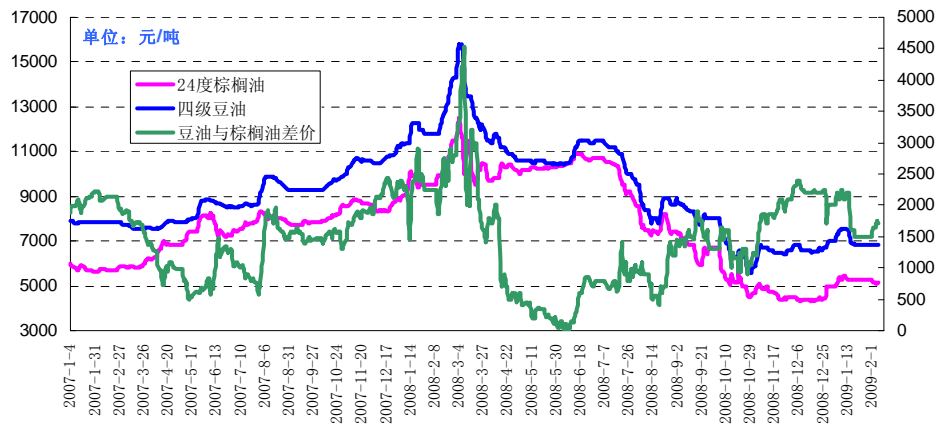


Spot price trend of palm oil



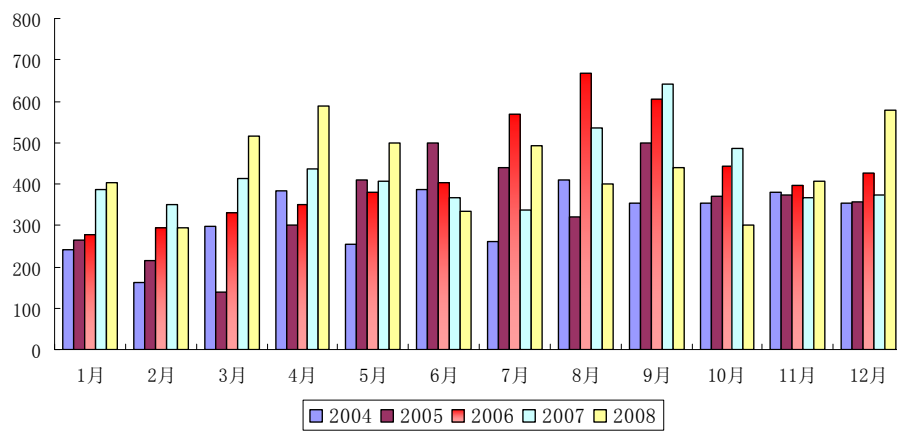
(Data source: Phillip Futures)

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. MA began to show a bullish array, and prices were supported by short-term uptrend line. But prices were still suppressed by 38.2% golden rebound line. MACD indicated that the rising power became weak. For short term, outlook of soybean was bullish slightly. For medium term, it was less bearish.

### Corn:



(Data source: WebStock)

Corn swung last week and prices were supported by 10-day MA and 38.2% golden rebound line. 30-day MA began to have a bullish crossover with 60-day MA, and the short-term uptrend line maintained well. But prices were still suppressed by 50% golden rebound line. RSI showed that corn would keep fluctuation. For short-term, it was neutral. For medium-term, it was less bearish.

### Wheat:



(Data source: WebStock)

Wheat rose sharply last week and broke through 62.8% golden rebound line. Prices stood above 5-day MA, and MA began to show a bullish array. The rally of wheat will continue. KDJ indicated there was the rising power. For short term, outlook of wheat was slight bullish. For medium term, it was neutral.

### Soybean oil:



(Data source: WebStock)

Soybean oil swung to rise last week, and stood above 60-day MA, but was suppressed by 20-day MA. 30-day MA began to have a bullish crossover with 60-day MA, and soybean oil may continue to rise. MACD indicated that soybean oil would keep weak. For short-term, outlook of soybean oil was slight bullish. For medium-term, it was less bearish.

### Palm oil:



(Data source: WebStock)

Palm oil swung to rise last week, and supported above 30-day MA, but prices was suppressed by 38.2% golden rebound line. MA began to show a bullish array, and the rebound maintained well. KDJ indicated a rising signal, which showed that there were possibilities to rise. For short-term, outlook of palm oil was slightly bullish. For medium-term, it was neural.

## Market outlook

**Soybean:** China's agricultural policies had a clear support on the domestic soybean market. However, because more than 70% of China's soybean demands relied on imports, the trend of domestic market was still subject to international market. At present, the growth of soybeans in South America was in the critical period, so weather and production expectation remained the focus of the market. The uncertainty of weather models made traders cautious. USDA will release the latest supply and demand reports on Tuesday. As domestic oilseed enterprises had started crush to supplement the inventory, spot prices in growing areas had signs of rising. For short-term, the trend is slightly bullish. For medium-term, it is less bearish.

**Corn:** The spot transactions of domestic corn will maintain weak, and demands were unlike to increase effectively recently. On the one hand, corn exports had no price advantage; On the other hand, feed demands still need time to restore. As the purchase of State Reserve continued, the government would enhance the control of the corn market, which will limit the falling and rising space. For short-term, the trend is neutral. For medium-term, it is slightly bearish.

**Soybean oil:** The policies of Chinese government to support agriculture development increased the investors' confidence. However, because prices of international soybean oil had dropped, lower import cost would bring pressures on domestic market. With the positive policies, the soybean oil market will run in higher positions. For short-term, the trend is slightly bullish. For medium-term, it is less bearish.

**Wheat:** Wheat production this year was certain to reduce, but the overall reduction was difficult to estimate. Now the Ministry of Agriculture has initiated an emergency response to drought, local governments also fight against the drought actively with water irrigation. Because there was a longer period before the wheat harvest, timely irrigation will decrease the bad impact of drought. Investors should concern about the weather conditions in North China. For short-term the trend is slightly bullish. For medium-term, it is less bullish.

**Palm oil:** Argentina turned to dry models after rainfall, and the drought in domestic rapeseed growing areas was expanding. Palm oil market is still in the process of weather speculation, and bullish factors continue to dominate in the futures market. However, domestic consumption of palm oil remained weak, and stocks were still relatively large, which will constrain the rebound of palm oil. For short-term, the trend is slightly bullish. For medium-term, it is less bearish.

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