

Commodity Insights

Commodities	02/13/09	Change	%
CBOT Soybean	957.6	-48.4	-4.81
CBOT Soybean Meal	295	-19.6	-6.23
CBOT Soybean Oil	33.3	-0.5	-1.48
CBOT Corn	373.2	-14.2	-3.67
CBOT Wheat	548.2	-21.8	-3.82
DCE Soybean	3630	18	0.50
DCE Soybean Meal	2829	19	0.68
DCE Soybean Oil	6470	160	2.54
DCE Corn	1601	16	1.01
DCE Palm Oil	5462	192	3.64
ZCE Wheat	2010	-51	-2.47
ZCE Cotton	11990	-20	-0.17
ZCE Sugar	3397	202	6.32
SHFE Rubber	13835	330	2.44
SHFE Copper	28440	-320	-1.11
SHFE Aluminum	12020	145	1.22
SHFE Zinc	10460	-50	-0.48



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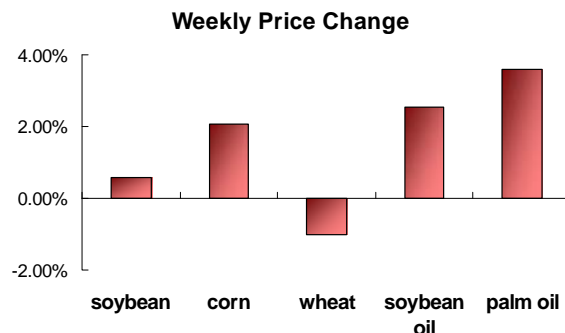
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Market Commentaries

- Soybean:** DCE soybean swung to rise last week. The support effect of national policies had been digested, and the market lacked new supporting factors. Spot prices also remained stable. CBOT soybean declined sharply last week. USDA supply and demand reports on Tuesday estimated that 08/09 soybean ending stocks were slightly more than expectations. Rainfall in South America and the drop of U.S. stock market brought pressures on the soybean market.
- Corn:** DCE corn swung to rise last week. National reserve policies and the rise of wheat prices continued to support the corn market, and the spot prices of corn also rose slightly. CBOT corn swung to decline last week. USDA supply and demand report on Tuesday was beneficial to the corn market, but it had been digested by the market. The drop of crude oil and the downturn of global economy and demand suppressed corn market.
- Wheat:** ZCE wheat swung last week. Affected by rainfall and irrigate, the drought in China's major wheat growing areas had been eased to some extent, but wheat production this year was sure to decrease. Wheat spot prices also rose slightly. CBOT wheat swung to decline last week. USDA weekly wheat export sales were lower than expectations. The rainfall on US Great Plains also gave pressures on the wheat market.
- Soybean oil:** DCE soybean oil swung to rise last week. National policies continued to support the soybean oil market. The national purchase to supplement inventories, as well as to reduce imports and enhance the market's confidence in soybean oil, soybean oil spot prices also rose slightly. CBOT wheat swung to decline last week. Rainfall in Argentina and the drop of international crude oil prices suppressed the CBOT soybean market.
- Palm oil:** DCE palm oil rose sharply last week, supported by the rise of Malaysian palm oil. Spot demand for palm oil had increased, and the spot prices have jumped substantially. Malaysian palm oil rallied last week. Affected by the rainstorm, Malaysia's palm oil production continued to decline, and inventories continued to reduce, which gave support for the palm oil market.



(Data source: Phillip Futures)

Macroeconomic data of China



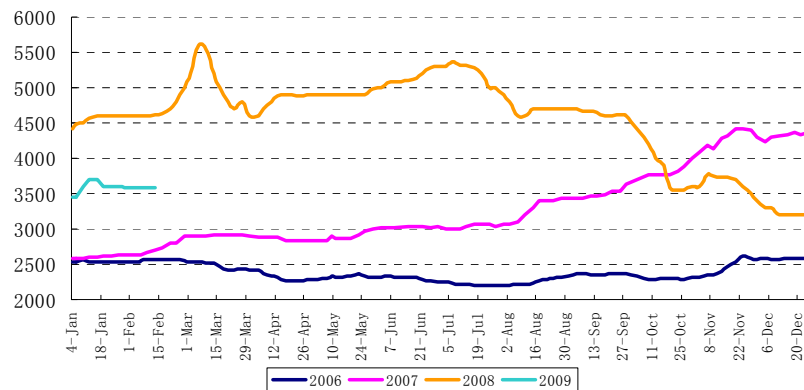
1、 Consumer price index (CPI) growth in January of 2009 was 1.0 percent over the same period of the previous year. Of which, urban area and rural area up by 0.7 and 1.5 percent respectively; the price of foodstuff, consumable expanded 4.2, 1.5 percent while price for non-foodstuff, services down by 0.6 and 0.8 percent respectively. CPI got an increase of 0.9 percent comparing with December, 2008.

2、 In January, Producer Price Index (PPI) for manufactured goods was down 3.3 percent year-on-year; purchasing prices for raw material, fuels and power fell 5.3 percent. PPI for means of production decreased 4.4 percent from a year earlier. Of the total, PPIs for mining and quarrying, raw materials industry and machining industry correspondingly dropped 13.2, 6.8 and 2.2 percent.

China spot market

Soybean: Soybean spot prices remained stable last week. The third temporary reserve plan of soybean has been carried out, and the working rate of coastal oilseed enterprises is rising, nearly 80 percent now. It is expected that the majority of enterprises will resume crush before mid-February, so the demand for soybeans will increase sharply. State Reserve and traders have started purchase in the growing areas, but farmers were reluctant to sell soybeans. At present, the import cost of US soybeans was about 3400 yuan per ton, which was lower than the domestic port prices, 3,500 yuan per tons, so imports were still profitable. Data announced by Customs showed that China imported 3.03 million tons of soybeans in January, down 12% year-on-year. It is anticipated that soybean spot prices would rise slowly in the short term.

Soybean spot price trend



(Data source: Phillip Futures)

Duty cost of imported soybean (2009.02.13)

	US		Brazil		Argentina	
	DDF	CNF	DDF	DDF	CNF	DDF
Mar	419.28	3434.85	414.54	3397.14		
Apr	415.71	3438.53	405.95	3360.15	397.27	3290.44
May			407.11	3369.46		
Jun			410.21	3371.25		

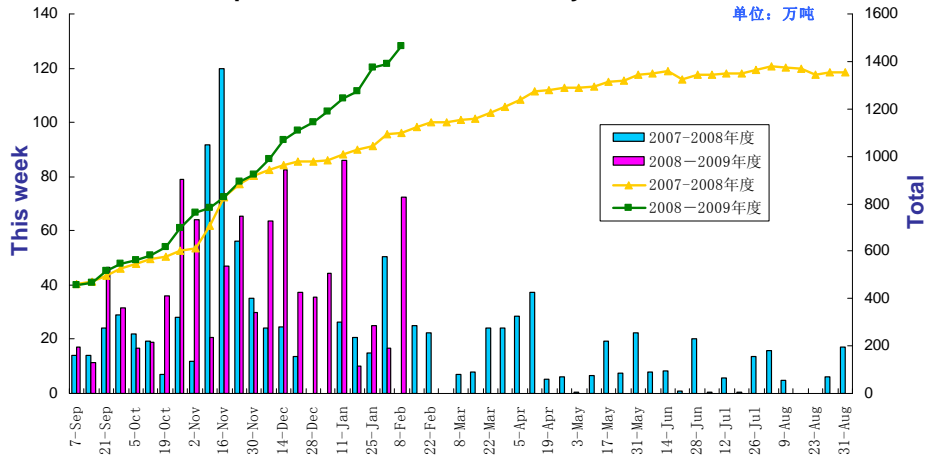
Note: Freight rates of US gulf to China in Panama vessel: USD 37 per ton, exchange rates: 6.8371

Freight rates of Brazil to China in Panama vessel: USD 33 per ton, exchange rates: 6.8371

Freight rates of Argentina to China in Panama vessel: USD 35 per ton, exchange rates: 6.8371

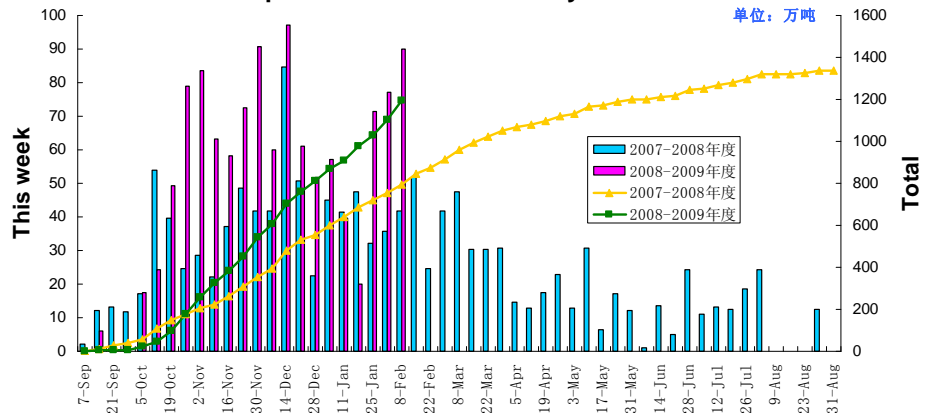


The purchase statistics of US soybean to China



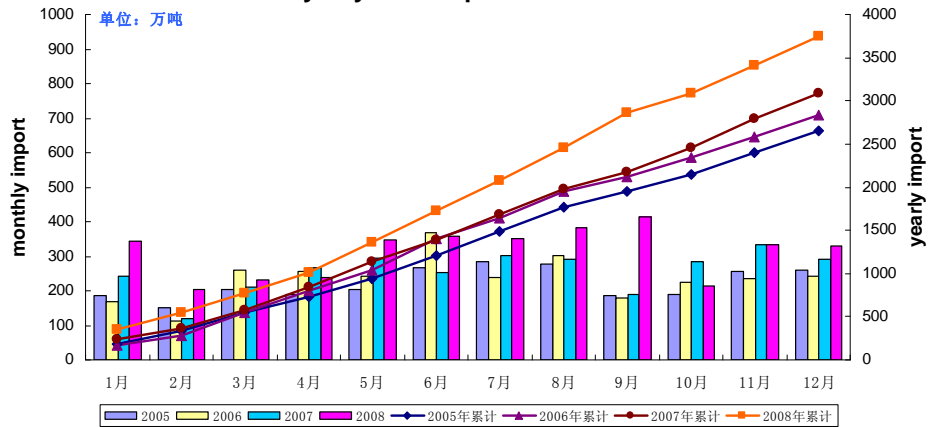
(Data source: USDA)

The shipment statistics of US soybean to China



(Data source: USDA)

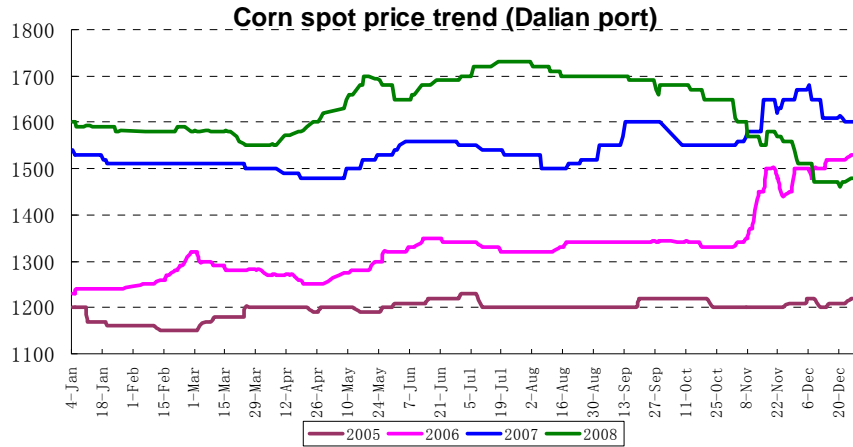
Monthly soybean import volume of China



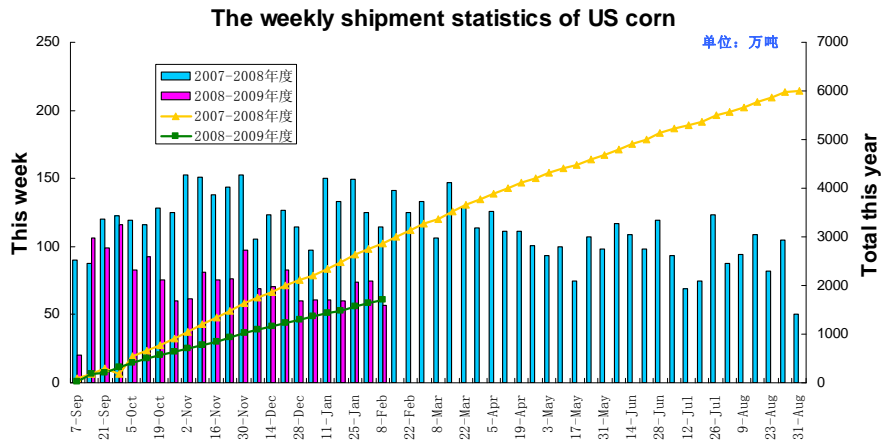
(Data source: China Customs)



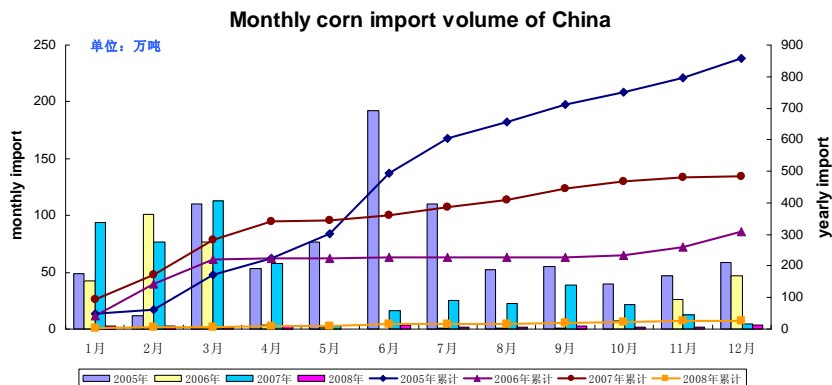
Corn: Corn spot prices remained stable last week. The transactions of domestic corn market became active gradually. With the weather warming, the storage of corn was more difficult, sale wishes of farmers would gradually increase. State Reserve and traders have started purchase in the growing areas, which supported spot prices in Northeast, but some deep-processing enterprises remained cautious. At present, corn stocks of Shekou port were about 270,000 tons. Feed demand remained low and the supply of corn was relatively abundant, so the majority of feed enterprises in South mainly consumed inventories. It is anticipated corn spot prices will continue to run steadily.



(Data source: Phillip Futures)



(Data source: USDA)

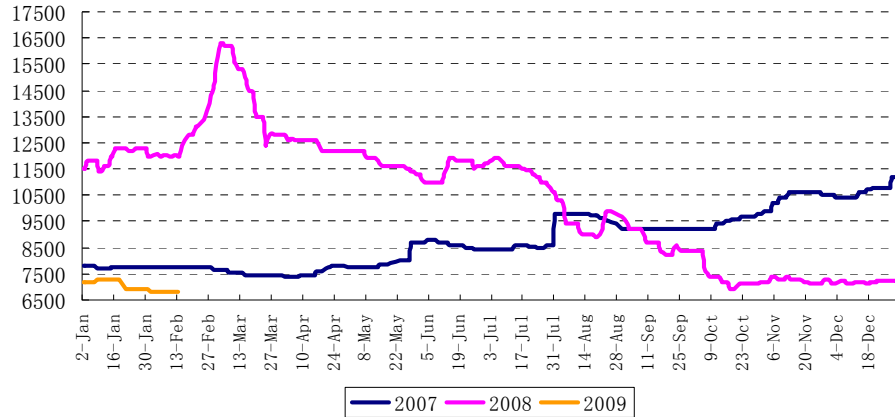


(Data source: China Customs)



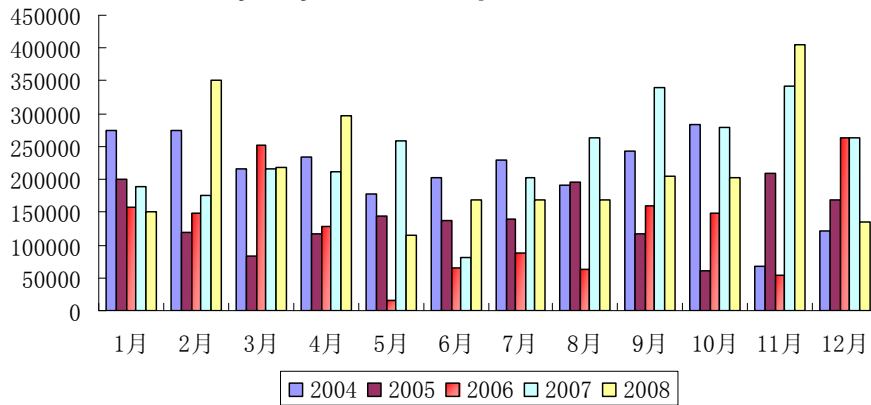
Soybean oil: Domestic soybean oil spot prices rose slightly by RMB 20-40 per ton last week. Oilseed enterprises began to add inventories, with a strong wish to improve quotation. Sea freight rose continuously, and the import prices of gross soybean oil were 6800 yuan per ton. Traders were cautious and kept wait-and-see attitude. Preliminary data released by China Customs showed that China imported 290,000 tons of vegetable oil in January, down 47.84% year-on-year. 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

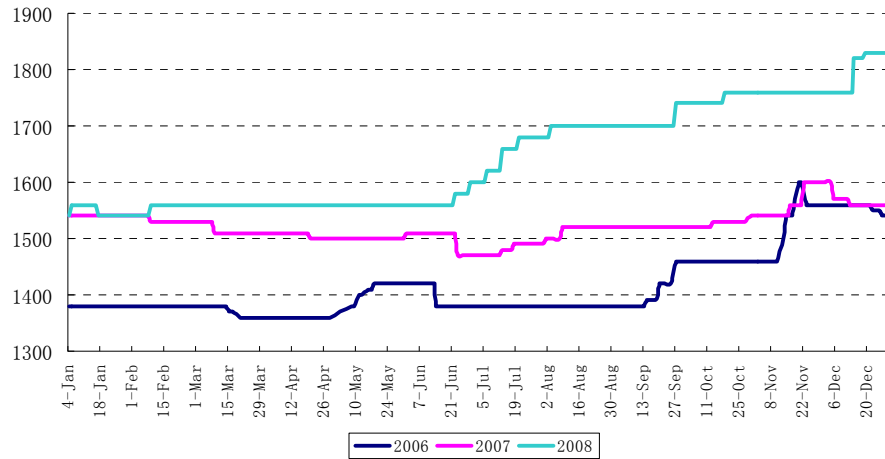


(Data source: China Customs)

Wheat: Wheat spot prices rose slightly by RMB 10-15 per ton last week. The actual volume of Anhui wheat auction market with minimum purchasing prices on February 11 was 465,988 tons, with the turnover ratio of 61.46 percent. Transaction price for white wheat was averaged at RMB 1,761 per ton; for mixed wheat, average price was RMB 1,707 per ton. This volume, turnover ratio and prices increased sharply. Because of positive irrigation and continuous rainfall, the drought of winter wheat growing areas in North China has continued to ease. The drought areas were 104 million mu before February 15, decreased by 57 million mu than February 7. Wheat spot prices are estimated to rise slowly recently.

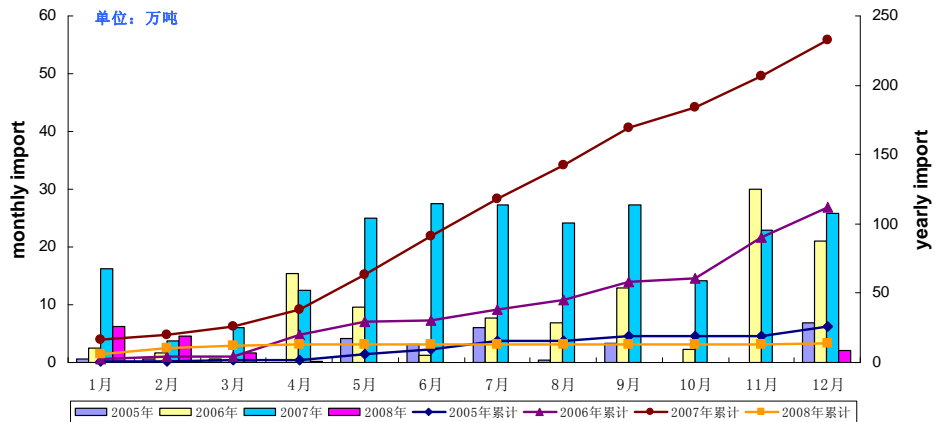


spot price trend of Henan wheat



(Data source: Phillip Futures)

Monthly wheat import volume of China

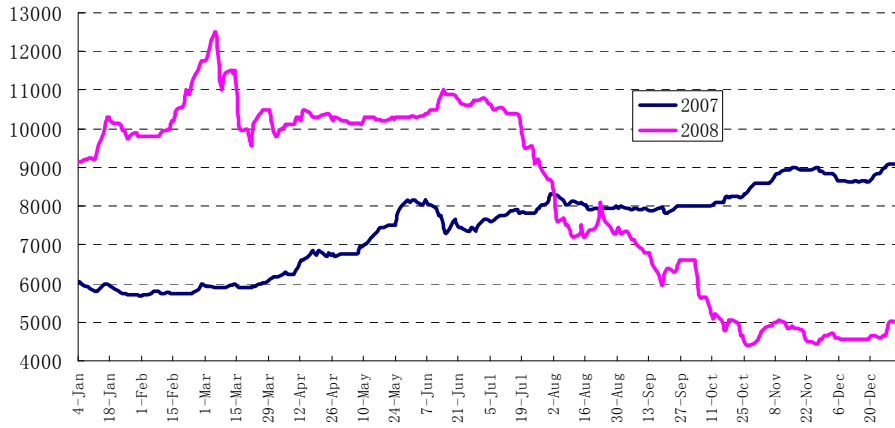


(Data source: China Customs)

Palm oil: Palm oil spot prices rose sharply by RMB 200-250 per ton this week. Rainfall in domestic rapeseed growing areas there did not ease drought effectively, which boosted confidences of palm oil market. Malaysian producing areas were affected by rainstorm, so output continued to decline. The output of Malaysia palm oil in January decreased by 10.4 percent, which was 1,320,000 tons. Because export demands for Malaysian palm oil were strong recently, the stocks in January decreased to 1.83 million tons, lower 8.3 percent than last month. Because sea freight rose, the cost of import palm oil was 5528 yuan per ton, while the port prices were between 5300 and 5450, so the traders had strong wishes to increase pricing. It is anticipated that palm oil spot prices will rise slowly recently.

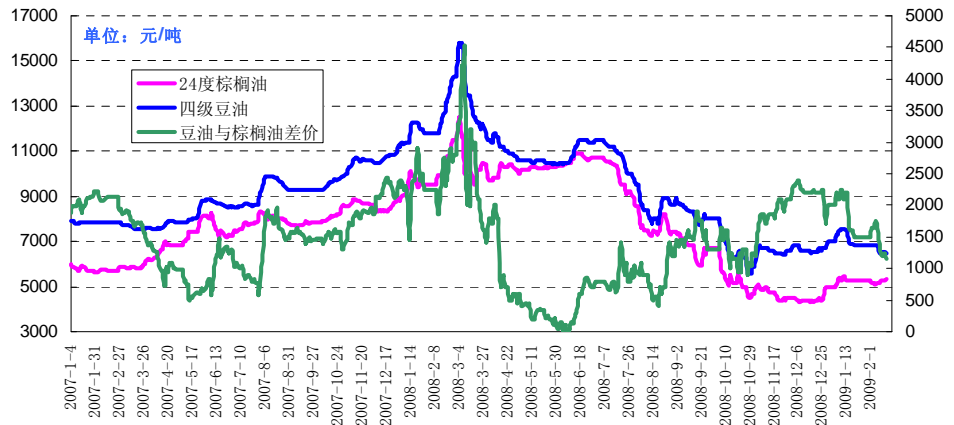


Spot price trend of palm oil



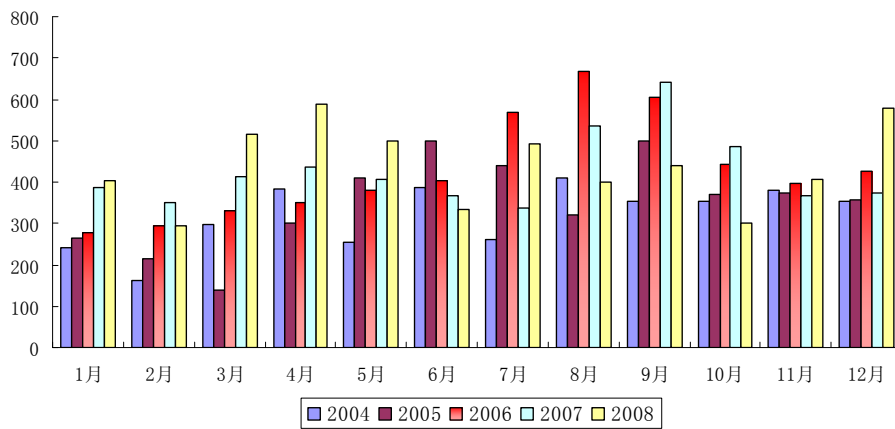
(Data source: Phillip Futures)

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 last week, and stood above 10-day MA. The rebound was suppressed by 38.2% golden rebound line. MA began to show a bullish array, and prices were supported by short-term uptrend line. The rising trend will continue. 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 to rise last week and stood above 38.2% golden rebound line. Prices were supported by 10-day MA. MA began to show a bullish array, and the short-term uptrend line maintained well. The rebound of corn will continue. RSI showed overbought signs, so corn had technical correction pressure. For short-term, it was neutral. For medium-term, it was less bearish.

Wheat:



(Data source: WebStock)

Wheat rose first and then declined last week, and the previous high gave huge pressures on wheat. But prices were supported by 62.8% golden rebound line and 10-day MA. MA began to show a bullish array and the short-term uptrend line maintained well. The rising trend of wheat maintained well. KDJ indicated that wheat would become weaker. For short term, outlook of wheat was slight bearish. For medium term, it was neutral.

Soybean oil:



(Data source: WebStock)

Soybean oil swung to rise last week and supported by 20-day MA, but prices was suppressed by medium-term downtrend line. 10-day MA began to have a bullish crossover with 20-day MA, and the rebound of soybean oil may continue. MACD indicated that the rising power of soybean oil weakened. 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 20-day MA, but prices was suppressed by 38.2% golden rebound line and medium-term downtrend line. MA began to show a bullish array, and the rebound would continue. KDJ indicated the rising power of palm oil became weaker. For short-term, outlook of palm oil was slightly bullish. For medium-term, it was neural.

Market outlook

Soybean: The third temporary reserve purchase of soybean has not yet been started in a large scale, but farmers had higher expectation to future prices, so most of them maintained a wait-and-see attitude. Because stocks of soybean oil and soybean meal were few, the oilseed enterprises in Northeastern began to buy soybeans actively, promoting the spot prices higher. Weather forecast of Argentina showed the possibility of raining increased next week, which will bring pressures on the soybean market. The USDA will hold the annual Outlook Forum next week. Market forecasted that the planted area of soybeans will increase next year, between 77.5 and 79.5 million acres. For short-term, the trend is slightly bullish. For medium-term, it is less bearish.

Corn: Corn prices rose because the Chinese Government's policies shored the market. However, warming weather is not conducive to corn storage after the Chinese New Year, so sale wishes of farmers have improved. With the gradual start of spring plowing, farmers the progress of selling corns will further accelerate, so supply pressures will limit the rise of corn prices. At present, national policies are still the dominant factor in the corn market. For short-term, the trend is neutral. For medium-term, it is slightly bullish.

Soybean oil: The Chinese government bought vegetable oil in order to stabilize domestic grain and oil prices. Meanwhile, domestic stocks of soybean oil were low, so the National Reserve will add inventories in February, which support the soybean oil market. The decrease of soybean production caused by drought in South American and the uncertainty of Argentina farmers' protest may also support the domestic market. However, the bleak economic outlook will curb the increase of demand, which will limit the rising space. For short-term, the trend is neutral. For medium-term, it is less bearish.

Wheat: At present, the Chinese Government's drought-relief work has achieved preliminary success. Due to the recent rainfall, the drought has been eased to some extent. However, most wheat growing regions have not yet alleviated the drought fundamentally, and the situation is still very grim, which will continue to support the wheat market. Investors should concern about weather conditions and i the development of drought in major wheat growing regions. For short-term the trend is slightly bullish. For medium-term, it is less bullish.

Palm oil: The Chinese government will further increase the support for agriculture in 2009, which strongly support domestic palm oil market. Because palm oil can substitute soybean oil and rapeseed oil after the temperature becomes higher, prices of palm oil will continue to rise. But export data of Malaysian palm oil are not optimistic, so the increases of international demand for palm oil still need a period of time. For short-term, the trend is slightly bullish. For medium-term, it is less bearish.

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