

Commodity Insights

Commodities	02/20/09	Change	%
CBOT Soybean	863.2	-94.4	-9.86
CBOT Soybean Meal	267.2	-27.8	-9.42
CBOT Soybean Oil	30.5	-2.8	-8.41
CBOT Corn	359	-14.2	-3.80
CBOT Wheat	530.4	-17.8	-3.25
DCE Soybean	3613	-17	-0.47
DCE Soybean Meal	2564	-265	-9.37
DCE Soybean Oil	6008	-462	-7.14
DCE Corn	1597	-4	-0.25
DCE Palm Oil	5118	-344	-6.30
ZCE Wheat	1993	-17	-0.85
ZCE Cotton	11855	-135	-1.13
ZCE Sugar	3413	16	0.47
SHFE Rubber	12815	-1020	-7.37
SHFE Copper	26540	-1900	-6.68
SHFE Aluminum	11580	-440	-3.66
SHFE Zinc	10100	-360	-3.44



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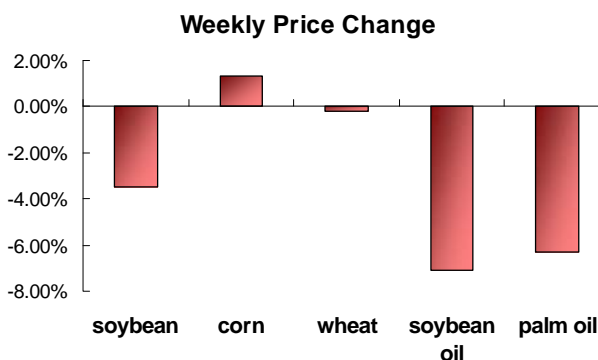
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Market Commentaries

- Soybean:** DCE soybean swung to decline last week. Although national policies were still supporting the soybean market, the sharp decline of CBOT soybean gave huge pressures on the domestic market. The drop of import cost made the spot prices in ports fall sharply. Rainfall in South America improved the growth conditions of soybeans, which brought a bad influence. It is expected that yield in South America is likely to exceed the USDA's expectations. Argentina farmers began to strike, and the harvest in Brazilian also started.
- Corn:** DCE corn swung last week. China announced the fourth corn reserve plan on February 19, 10 million tons, which strongly supported the domestic corn market, and the spot prices of corn continued to rise slightly. CBOT corn swung to decline last week. The drop of U.S. stock market and crude oil brought a bad influence. Export sales of U.S. corn have maintained well for five weeks, which supported the corn market.
- Wheat:** ZCE wheat swung last week. The drought-hit acreage in national wheat-producing areas decreased to 70.03 million mu on February 19, so the drought was eased effectively. However, spot prices continued to rise slightly. CBOT wheat declined sharply last week. Investors worried that the global economic crisis may make demands for wheat shrink. USDA weekly export sales accorded with expectations.
- Soybean oil:** DCE soybean oil declined sharply last week. Import cost of gross soybean oil fell sharply, and the stocks increased, which brought pressures on the domestic soybean oil market. Spot prices also fell sharply. CBOT wheat declined sharply last week. Rainfall in South America and the drop of crude oil both brought bad influences on CBOT soybean oil market.
- Palm oil:** DCE palm oil declined sharply last week, suppressed by the drop of Malaysian palm oil. Domestic spot sales remained weak, and spot prices fell sharply. Malaysian palm oil declined sharply last week. Because international crude oil prices fell, Malaysian palm oil market lacked bio-fuel support. Exports of Malaysian palm oil also fell.



(Data source: Phillip Futures)

Macroeconomic data of China



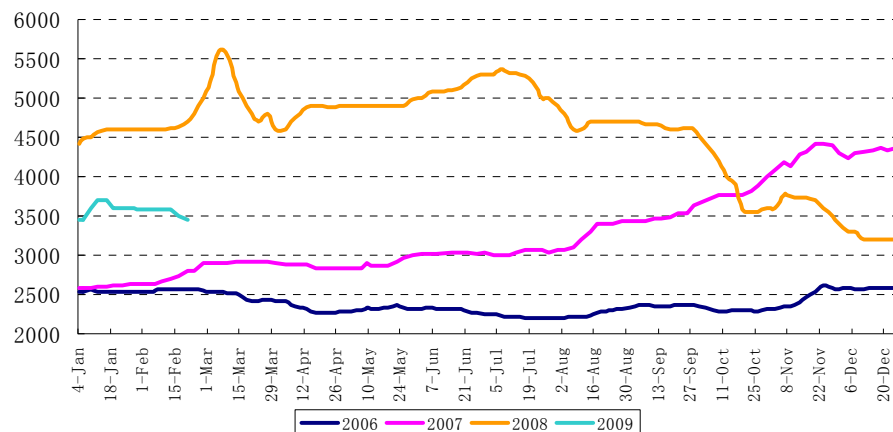
1、China's tax revenue climbed 18.8 percent year-on-year to 5.42 trillion yuan (792.68 billion U.S. dollars) in 2008, the Ministry of Finance said Friday. The growth rate was 14.9 percentage points lower than 2007. Value-added, corporate income and business tax revenues rose 16.3 percent, 27.3 percent and 15.9 percent, respectively.

2、China's fiscal revenue fell 17.1 percent in January from a year earlier to 613.16 billion yuan (89.77 billion U.S. dollars), the Ministry of Finance (MOF) said Monday. The ministry attributed the decline to slowing economic growth, which affected business profitability, and wide-ranging tax cuts to boost the economy. The tax revenue dropped to 563.9 billion yuan last month, down 16.7 percent.

China spot market

Soybean: Soybean spot prices declined sharply by RMB 90-130 per ton last week. Spot transactions in domestic soybean-producing areas were active, and the purchase price was 3460 yuan per ton. However, the purchase paces of oilseed enterprises have slowed because the crush profits decreased to below 100 yuan. The quality of farmers' remaining soybean is poor and unable to meet the requests of State Reserve. The stocks of soybean meal were relatively adequate, and feed demands remained low. It is anticipated that soybean spot prices would drop slowly in the short term.

Soybean spot price trend



(Data source: Phillip Futures)

Duty cost of imported soybean (2009.02.20)

	US		Brazil		Argentina	
	DDF	CNF	DDF	DDF	CNF	DDF
Mar	389.19	3196.97	377.75	3105.93		
Apr	386.9	3207.16	373.83	3102.2	366.44	3042.85
May			374.57	3108.14		
Jun			376.22	3118.40		

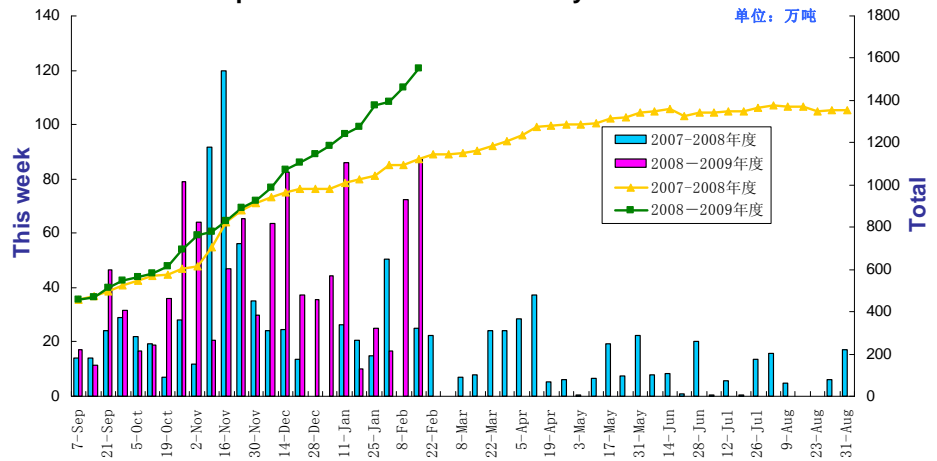
Note: Freight rates of US gulf to China in Panama vessel: USD 37 per ton, exchange rates: 6.8357

Freight rates of Brazil to China in Panama vessel: USD 32 per ton, exchange rates: 6.8357

Freight rates of Argentina to China in Panama vessel: USD 33 per ton, exchange rates: 6.8357

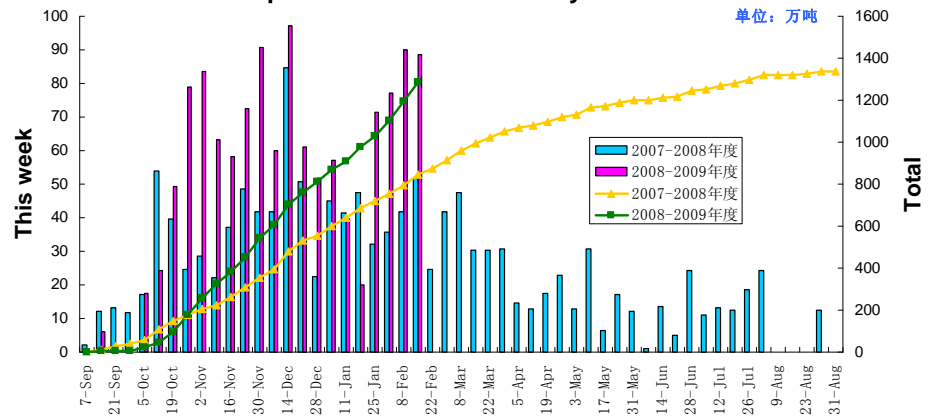


The purchase statistics of US soybean to China



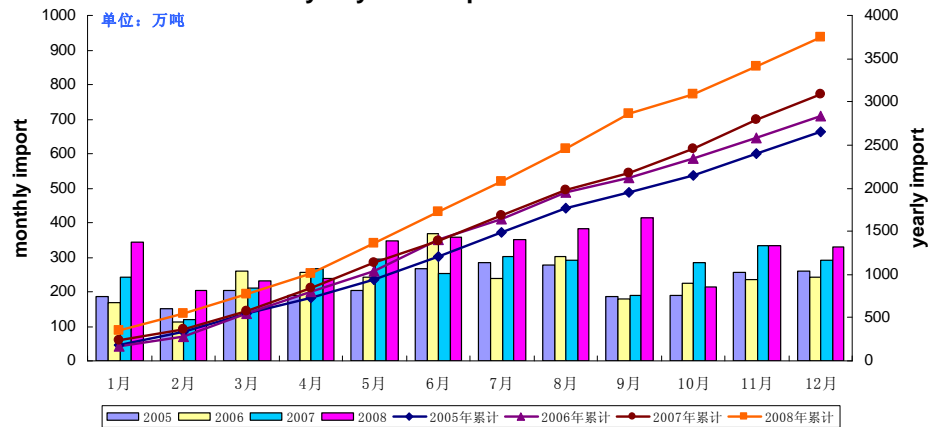
(Data source: USDA)

The shipment statistics of US soybean to China



(Data source: USDA)

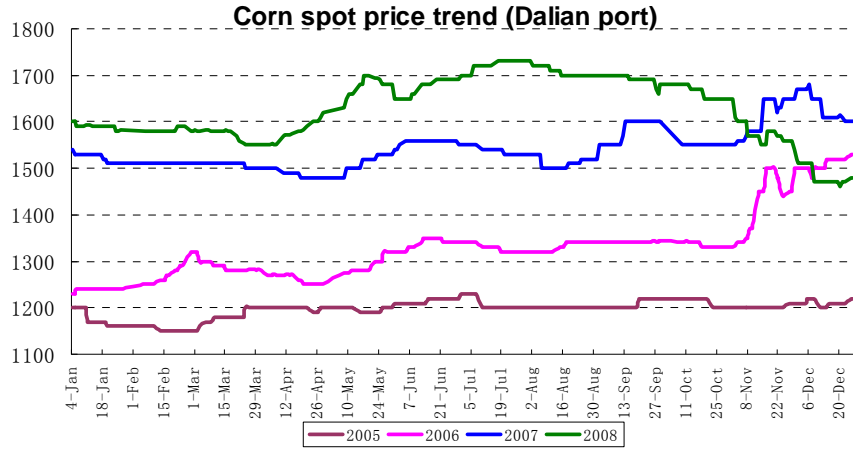
Monthly soybean import volume of China



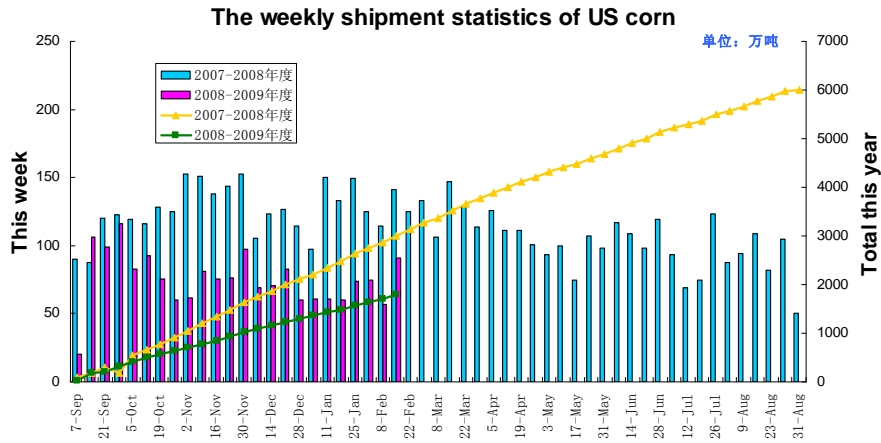
(Data source: China Customs)



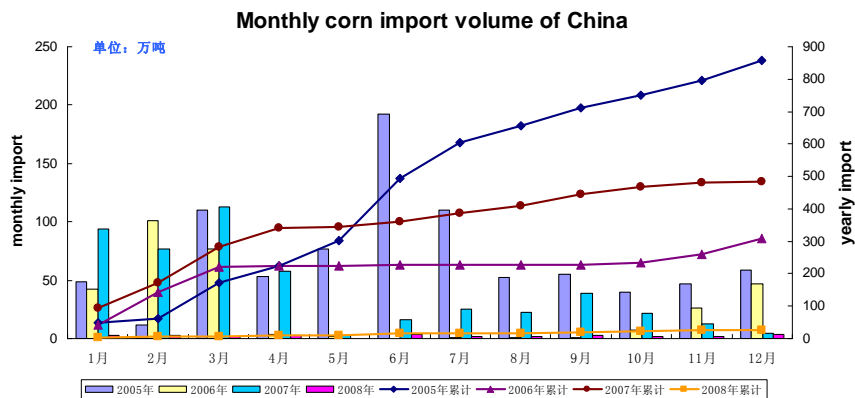
Corn: Corn spot prices rose slightly by RMB 10-20 per ton last week. The fifth national temporary reserve plan will purchase 10 million tons of corn. The government will grasp 40 million tons of corn until April, which accounts for near 70 percent of the production in the Northeast. State Reserve will become the largest traders in the corn market this year and will absolutely control the market. As the purchase of State Reserve increased, the farmers have little remaining stocks. The corn market began to rise, so farmers are more reluctant to sell corns. It is anticipated corn spot prices will continue to run steadily.



(Data source: Phillip Futures)



(Data source: USDA)

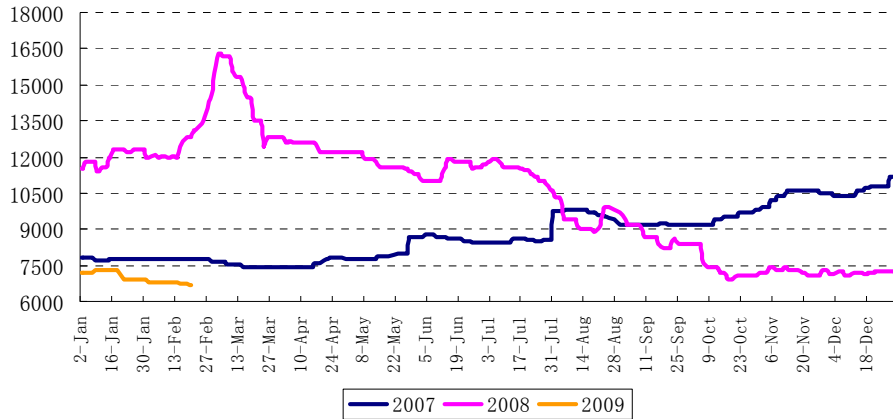


(Data source: China Customs)



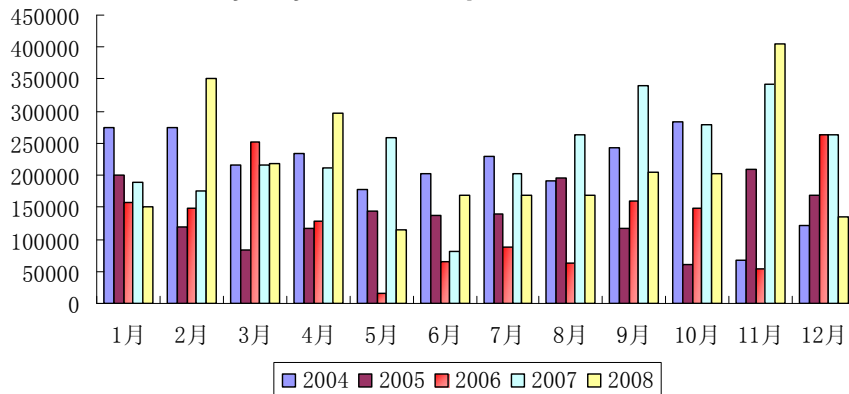
Soybean oil: Domestic soybean oil spot prices declined sharply by RMB 100-150 per ton last week. Prices in Northeast were relatively stable, but prices in Southern dropped larger. The spot transactions were thin, because oilseed enterprises were waiting for the decline of soybean oil prices. Sea freight fell sharply, and import prices of gross soybean oil were between 6600 and 6650 yuan per ton. Traders were cautious and kept wait-and-see attitude. Data published by China Customs showed that China imported 2,000 tons of soybean oil in January, down 87% year-on-year. It is anticipated that soybean oil spot prices will drop slowly recently.

spot price trend of soybean oil



(Data source: Phillip Futures)

Monthly soybean oil import volume of China

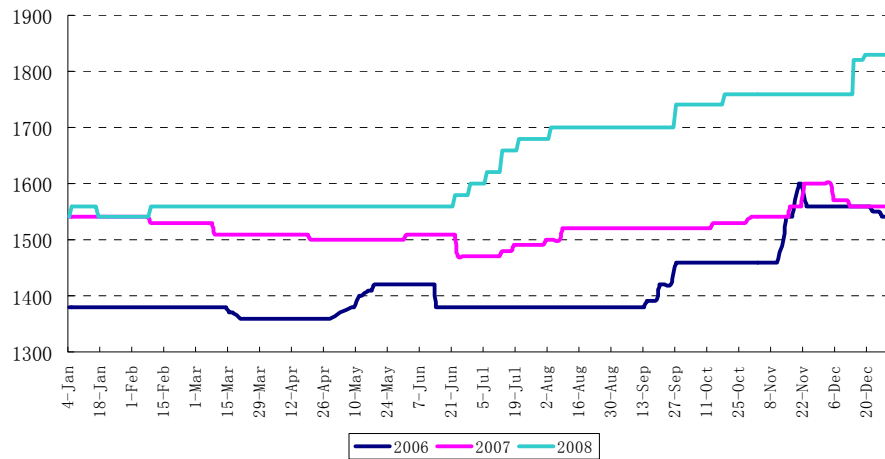


(Data source: China Customs)

Wheat: Wheat spot prices rose slightly by RMB 20-30 per ton last week. The actual volume of Anhui wheat auction market with minimum purchasing prices on February 18 was 567,800 tons, with the turnover ratio of 75.76 percent. Transaction price for white wheat was averaged at RMB 1,771 per ton; for mixed wheat, average price was RMB 1,720 per ton. This volume, turnover ratio and prices increased slightly. The drought acreage was 70.03 million mu on February 15, decreased by 13.8 million mu than February 17. Central Meteorological Station estimated that cold atmosphere would impact northern growing areas of winter wheat in the next two weeks, which was likely to damage winter wheat. Wheat spot prices are estimated to rise slowly recently.

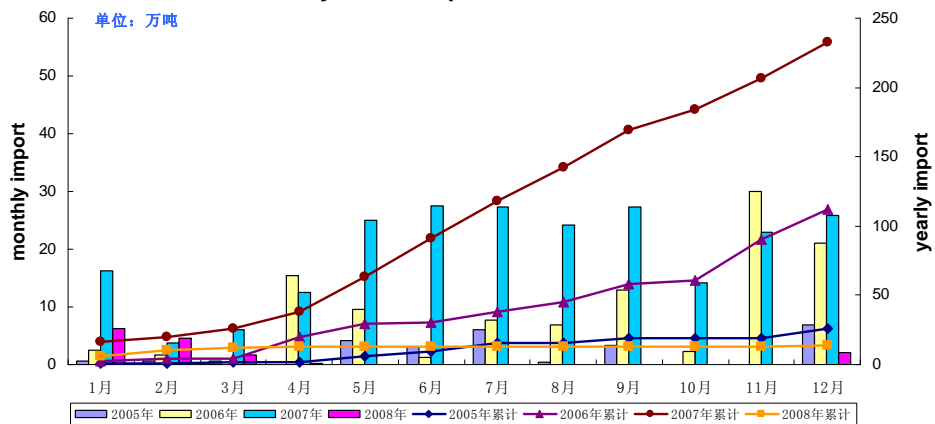


spot price trend of Henan wheat



(Data source: Phillip Futures)

Monthly wheat import volume of China

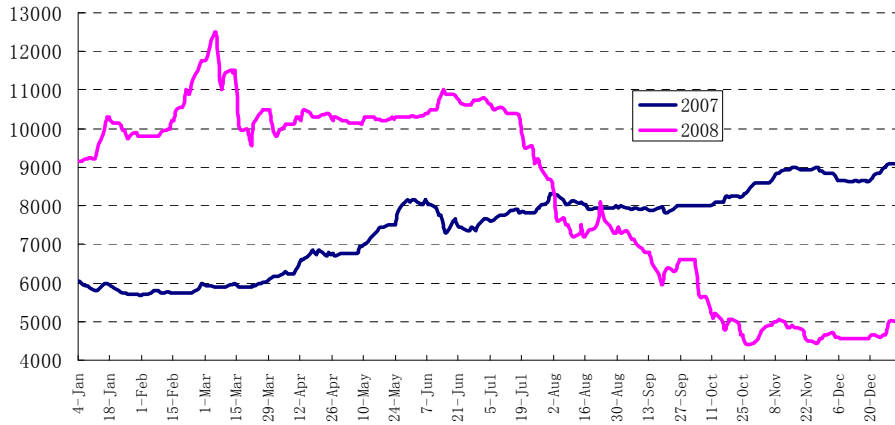


(Data source: China Customs)

Palm oil: Palm oil spot prices declined sharply by RMB 200-250 per ton this week. Because imports increased suddenly in February, the port stocks of palm oil reached 350,000 tons. Though the temperature increased, the spot demands still had no significant increase. Data of SGS showed that Malaysia exported 490,000 tons of palm oil in the first half of February, down 13.4% month-on-month. Import costs of 24-degree palm oil were between 5350 and 5400 yuan per ton, which was slightly higher than the domestic spot prices. It is anticipated that palm oil spot prices will remain stable recently.

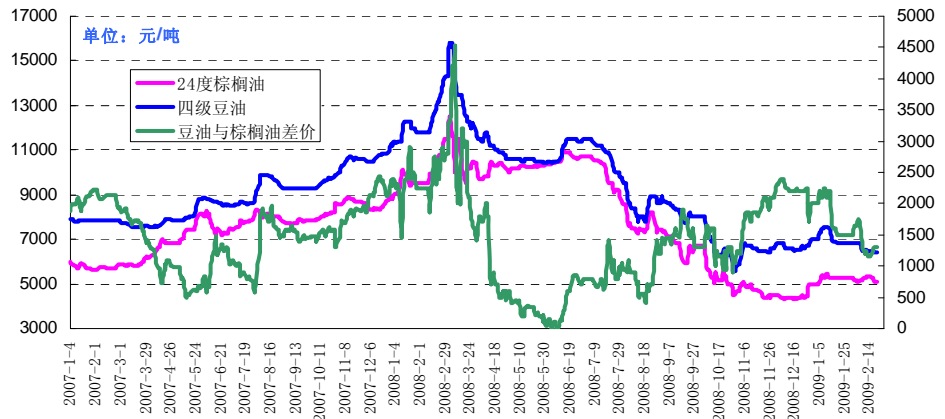


Spot price trend of palm oil



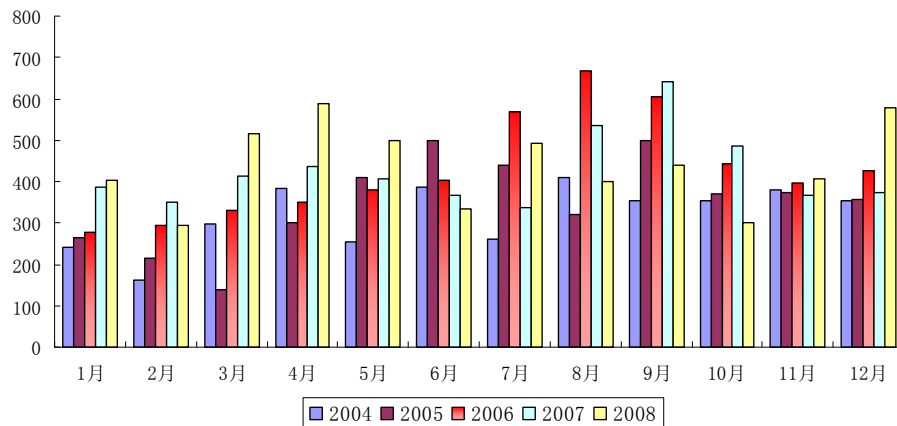
(Data source: Phillip Futures)

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 declined sharply last week, and broke through 30-day MA. But prices were supported by 60-day MA. Prices fell below the short-term uptrend line and MA still showed a bullish array. The rising trend ended temporarily. MACD indicated that soybean will continue to decline. For short term, outlook of soybean was bearish slightly. For medium term, it was less bearish.

Corn:



(Data source: WebStock)

Corn swung to rise last week and stood above 62.8% golden rebound line. Prices were still 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 bullish slightly. For medium-term, it was less bearish.

Wheat:



(Data source: WebStock)

Wheat fluctuated last week, and the previous high still gave huge pressures on wheat. But prices were supported by 62.8% golden rebound line and 20-day MA. 5-day MA began to have a bearish crossover with 10-day MA, but MAs still showed a bullish array. The rising trend of wheat maintained well. KDJ indicated no obvious signal. For short term, outlook of wheat was neutral. For medium term, it was slight bullish.

Soybean oil:



(Data source: WebStock)

Soybean oil declined sharply last week and prices broken through strong supporting line, 20-day MA. The medium-term downtrend line still suppressed wheat. 20-day MA began to have a bearish crossover with 30-day MA, and the rebound of soybean oil ended. MACD indicated that soybean oil will keep weak. For short-term, outlook of soybean oil was slight bearish. For medium-term, it was less bearish.

Palm oil:



(Data source: WebStock)

Palm oil declined sharply last week, but prices were supported by 60-day MA. The medium-term downtrend line still suppressed palm oil. 20-day MA began to have a bearish crossover with 30-day MA, and the rebound of soybean oil ended. KDJ indicated that palm oil will keep weak. For short-term, outlook of palm oil was slightly bearish. For medium-term, it was neutral.

Market outlook

Soybean: As rainfall in soybean-growing areas of South American continued recently, the international market gradually shifted the focus to the soybean acreage of United States. Market expected that USDA Outlook Forum will increase the 2009 acreage forecast next week, which was about 79-81 million acres. Meanwhile, it was expected that China would cancel some orders of the U.S. soybeans, or would switch to import South American soybeans, which will give pressures on CBOT soybean. The National policies will continue to support the domestic soybean market. For short-term, the trend is slightly bullish. For medium-term, it is neutral.

Corn: The Northeast farmers have little surplus corn, so the supply of corn has been greatly reduced, which will support the spot prices of corn. Although the national reserve policies boosted the confidence of the corn market, futures prices lacked rising power. Moreover, the demands for corn were still not optimistic, and the deep-processing enterprises began to have losses, so feed demands dropped obviously. If the downstream demands can not increase effectively, the rebound of corn can not sustain for a long time. For short-term, the trend is neutral. For medium-term, it is slightly bullish.

Soybean oil: Because the operating rate of domestic oilseed enterprises increased gradually, the stocks of soybean oil also increased, which will make the quotation continued to decline. The drop of imports made the supply of soybean oil relatively tight, which supported the soybean oil market. Meanwhile, the National Reserve will add inventories in February, which will increase the spot demands for soybean oil. For short-term, the trend is neutral. For medium-term, it is less bearish.

Wheat: The drought in wheat-producing areas has been improved completely, but the cost of fighting drought was higher, including water irrigation and chemical fertilizers. If wheat prices did not rise, the farmers would have more losses. The government increased auction prices of wheat recently, which also promoted wheat prices to rise. Investors should concern about weather and growth conditions in wheat-growing areas. For short-term the trend is slightly bullish. For medium-term, it is less bullish.

Palm oil: The arrival of imports on February increased sharply, and the port stocks have reached to about 350,000 tons. Cold rain and snow in most China constrained traders of palm oil to maintain spot prices firm. Investors should concern about the trend of crude oil and China's policies about vegetable oil. For short-term, the trend is neutral. For medium-term, it is less bearish.

COMMODITIES REPORT

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