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International: 1-877-888-2565

USA: 1-888-888-2565



GLOBALWAX LLC

One Bethany Rd. Suite 74
Hazlet, NJ 07730 U.S.A

Phone: 732-888-1900 • Fax: 732-888-0900

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Crude Oil Pulls Back Off Of Highs; Chinese Paraffin Continues to March Higher

Palm Oil (prices in Malaysian Ringgit (RM) per MT, \$ value based on most recent exchange rates)

Crude Palm Oil (CPO) had a few price spikes towards RM2,100 (\$575) over the past week but moved back towards RM2,000 and we still expect to see CPO push lower on fundamental issues. CPO is still somewhat uncompetitive with Soybean oil and exports/demand has fallen off of late. We think the recent spike was more of a piggyback on crude oil's jump on the weaker dollar but as crude oil has slipped back lower, CPO also has and will continue to pull back. We consider a close below RM 1,950 (\$534) a confirmation that the continued downward pressure will continue towards the RM1,750 – RM1,850 range.



Crude Oil (\$ per barrel)



Crude oil pushed up against \$54 - \$55 a barrel on a price spike after recent actions by the Federal Reserve weakened the dollar and touched off a commodities rally. However, we continue to feel that the fundamentals do not yet support such upward price movements and continue to call for a move back lower into the upper \$40s. The past two days have seen some large selling on profit-taking (with current intraday price at \$50.17) and renewed strength in the U.S. Dollar. The upward price channel is still in tact and we are looking for some more selling this week towards \$48.

Soybean Oil (\$ per pound)

Soybean Oil got a nice price spike after crude oil jumped last week but has come down from its highs just below \$0.34, down to a current price level of \$0.3215. Some of soy's upward price pressures also came from concerns over a worker's strike in Argentina but this should be a short lived price support. With crude falling back to \$50 and below, soybean oil will also move lower towards \$0.31 but still show some price support at these levels. There is still global demand for soybean oil which has become competitive with palm oil. With various questions concerning the situation in Argentina and weather related issues with respect to new plantings, we think soybean oil will hold up better than expected. For the long-term, \$0.30 will continue to be significant price support.



Chinese Paraffin Wax (\$ per MT FOB)

Chinese Paraffin has continued to move higher, with an almost 10% price increase across all grades over the past week alone. Supply conditions remain very tight and several refineries are not even offering any product at the moment. At the same time, demand has continued to pick up leading to a situation where tighter supply conditions will result in more price increases over the next few weeks. To make matters worse, speculation on continued price increases has led to some refineries holding back product. China supply conditions will continue as the refineries have not made any efforts to increase production and are likely not do so in the near future. One main factor driving this reduced supply is that demand for upstream refinery products remains low leading to lower production levels of wax.

If you have any questions or comments about this report or are interested in price quotes on any products, please contact:

Philip Budwick
GLOBALWAX LLC
Tel 202 365 8328
pbudwick@globalwax.net