

Call Us Now Toll Free!

International: 1-877-888-2565

USA: 1-888-888-2565



**GLOBALWAX LLC**

One Bethany Rd. Suite 74  
0900  
Hazlet, NJ 07730 U.S.A

Phone: 732-888-1900 • Fax: 732-888-

May 4, 2009

## **Palm Oil Continues to Climb on Short Supply and Soybean Shortages, Crude Oil Starts to Break out Higher; Chinese Paraffin Pulls Back Slightly**

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



Despite a small pullback in pricing last week due to initial global fears of the impact of the swine flu outbreak, palm oil continued its sharp climb higher closing under RM2,900 at RM2,837 (\$797) a metric ton. Palm oil has not been this high since last September 2008 when crude oil topped out close to \$150 a barrel. The continued price increase in palm is due to declining stocks and increased demand which is fueled by fears of even less supply going forward in the coming months. Adding to increased demand are short supplies of soybean oil out of South America which is diverting a lot of buyers to palm oil.

The break in the correlation between palm oil and crude oil continues as supply and demand issues continue to drive prices higher in palm even though crude oil has been relatively flat over the same time period. Although palm is becoming less and less competitive with soybean oil, the dwindling supply of palm and recent drop off in soybean supplies means that this upward move is likely going to continue.

## Crude Oil (\$ per barrel)

After a pull back from the late March highs of \$56 a barrel down to \$47, crude oil has begun to build some price support in the low \$50s and is poised to move higher. Economic fears going forward have decreased and the stock markets are already starting to price in a flat to mild recovery in the second half of 2009 after negative growth in the first two quarters. If crude oil can close strongly over \$54 and hold those levels then over the next two months we see a strong possibility of oil moving to the \$60 - \$63 price range. The fundamentals for crude oil are improving slowly and as long as the economy keeps showing signs that it is somewhere near the bottom of this down cycle, crude will continue to gain some support and push higher.



## Chinese Paraffin Wax (\$ per MT FOB)

After weeks and weeks of incremental price increases due to short supply and increasing demand, Chinese paraffin prices have stopped moving higher and actually has started to pull back a little in most grades. Several refineries had accumulated supplies as demand decreased somewhat leading to a small decrease in recent prices. One Chinese refinery (Dalian) will be shut down for the next 4 weeks or so for maintenance. Despite the small dip in recent prices, we do not expect Chinese paraffin to slide back to its lows earlier in the year. The shut down of the refinery in Dalian as well as the closing of the paraffin plant in Japan for maintenance should correct any short-term supply issues over the next couple of weeks.

*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](mailto:pbudwick@globalwax.net)***