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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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Palm and Crude Oil Pull Back Slightly as Chinese Wax Continues to Move Higher



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

Crude Palm Oil has pulled back a little after its recent surge in price since early July. There has been a lot of speculation on decreased supply and increased demand leading to the initial price increases but over the past few weeks, there has actually been lower export demand and reduced market confidence. Most of the price increases in July were purely speculative and we believe that continued concerns for slower than expected growth has led to profit taking and selling pressure. Right now, after a pullback lower, traders will look to see

what the final export numbers were for August and what they will be for the first half of September. Crude Palm Oil has also followed some of the weakness in soybean oil. Going forward, the unpredictability of future exports and demand will lead to continued price volatility but the overall trend over the next few months is still higher unless the global economy starts to weaken again. Although palm wax prices have increased slightly over the past month, it has not moved up as fast as Chinese paraffin and the delta between the two is still significant at over \$300/MT.

Crude Oil (\$ per barrel)

Over the past five months, crude oil has continued to push higher as global demand has increased and the outlook for the economy has continued to improve. Prices continue to push higher after every sell-off and price volatility will increase as the U.S. enters the middle of hurricane season. Overall we feel that economic conditions continue to improve and prices will eventually push through resistance in the mid-\$70s and we could see oil above \$80 within 2 months. We see support in the \$66-\$68 range which needs to hold if oil is to continue moving higher.



Chinese Paraffin Wax (\$ per MT FOB)

Chinese paraffin wax seems to be repeating the same pattern as last summer where prices keep moving higher while supply keeps tightening. Not only have prices increased again in the past week, with FOB prices on most grades over \$1,300, but it is extremely difficult to find large quantities available for shipment. We feel that re-sellers in China are holding back product to promote further price increases while demand continues to rise. This combination could lead to more price increases as we start the high season before the end of the year. To make matters worse, carriers from Asia have unexpectedly raised all freight rates due to higher than expected traffic and limited space. General rate increases as well as high season surcharges are being implemented by all carriers effective immediately and will increase the delivered price of all waxes from Asia, especially Chinese paraffin.

Moreover, Fushun and Daqing have closed down wax production for scheduled maintenance and are scheduled to come back on line by late September. Therefore, for the short-term, the shortage of supply is likely to continue for another few weeks and we see further price increases as Chinese re-sellers continue to control existing supply.

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

Philip Budwick
GLOBALWAXLLC
Tel 202 365 8328
@globalwax.net