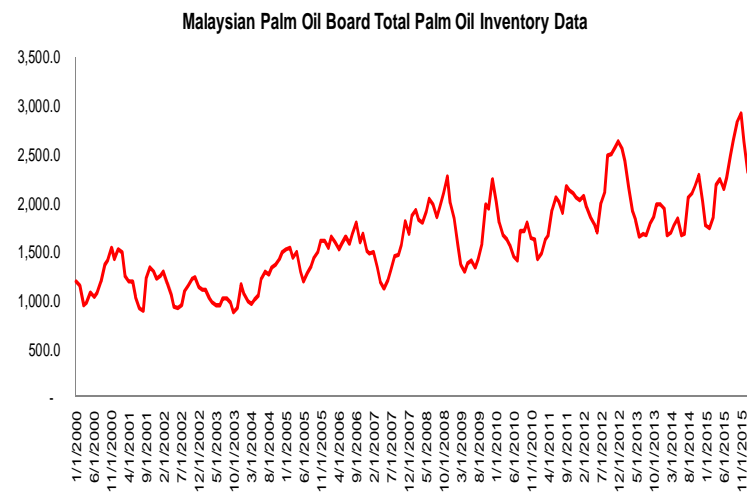
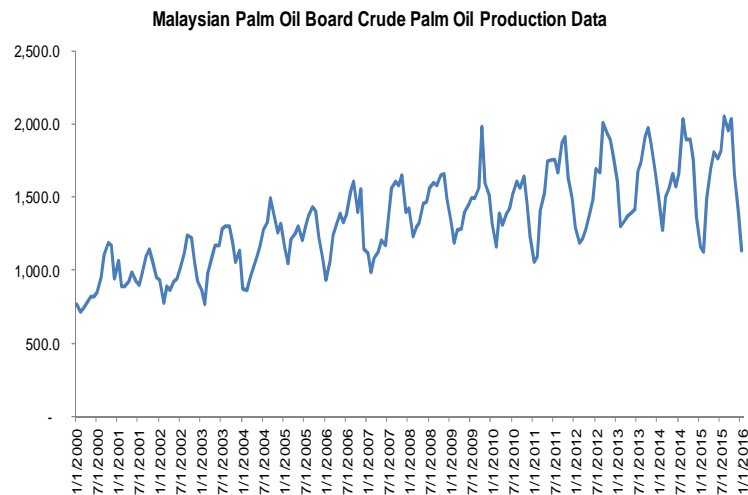


Tree Stress Kicks in, yet Remain Cautious

MPOB released regular Malaysian Monthly Palm Oil Performance on Feb 10, 2016. Summary of the result as follow:

1. We have noticed that the “mighty” El Nino effect, which was occurring during last year, have apparently kicked in. The CPO production has decreased by 19.3% mom which amounted to 1.13 million tons in Jan 2016. It is important to note that, this is the lowest January production level during the last 5 year. We provided the seasonality production graph on page 2 for a better view. Historically, production would only start to pick up in the 2Q. Having said that, we can actually expect that the February data would show a pretty severe decline in regards to CPO production level. Therefore, in the short term, we see there is an upside risk to the current CPO Price which has reached MYR 2,623 on the spot price.
2. However, we still foresee that the biggest threat for the sector is still the competition both from the soybean oil and crude oil. We are aware that the soybean production from the two largest producers, named Brazil and Argentina, still on path to breach another record high production level.

Therefore, there is a tactical short term opportunity in the plantation sector. Our top picks in the sector are still AALI and LSIP.



February 12, 2016

Tree Stress Kicks in, yet Remain Cautious



MPOB Crude Palm Oil Production Data						MPOB Total Palm Oil Inventory Data					
		YTD	MoM	YoY	YTD YoY		YTD	MoM	YoY	YTD YoY	
1/31/2015	1,160.7	1,161		-23.1%	-23.1%	1/31/2015	1,761.9	1,762	-9.0%	-9.0%	
2/28/2015	1,121.6	2,282	-3.4%	-12.1%	-18.0%	2/28/2015	1,736.2	3,498	-1.5%	4.8%	
3/31/2015	1,495.2	3,777	33.3%	-0.1%	-11.8%	3/31/2015	1,858.4	5,356	7.0%	10.1%	
4/30/2015	1,693.4	5,471	13.3%	8.8%	-6.3%	4/30/2015	2,182.0	7,538	17.4%	23.5%	
5/31/2015	1,810.5	7,281	6.9%	9.3%	-2.8%	5/31/2015	2,239.5	9,778	2.6%	21.6%	
6/30/2015	1,763.7	9,045	-2.6%	12.4%	-0.2%	6/30/2015	2,141.9	11,920	-4.4%	29.3%	
7/31/2015	1,815.6	10,861	2.9%	9.0%	1.2%	7/31/2015	2,257.9	14,178	5.4%	34.0%	
8/31/2015	2,051.0	12,912	13.0%	1.0%	1.2%	8/31/2015	2,492.0	16,670	10.4%	21.4%	
9/30/2015	1,959.1	14,871	-4.5%	3.3%	1.4%	9/30/2015	2,641.3	19,311	6.0%	26.3%	
10/31/2015	2,037.5	16,908	4.0%	7.6%	2.2%	10/31/2015	2,835.3	22,146	7.3%	30.9%	
11/30/2015	1,653.9	18,562	-18.8%	-5.5%	1.4%	11/30/2015	2,910.9	25,057	2.7%	27.6%	
12/31/2015	1,399.4	19,962	-15.4%	2.5%	1.5%	12/31/2015	2,633.9	27,691	-9.5%	30.7%	
1/31/2016	1,129.8	1,130	-19.3%	-2.7%	-2.7%	1/31/2016	2,307.8	2,308	-12.4%	31.0%	

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