

PLANTATION SECTOR

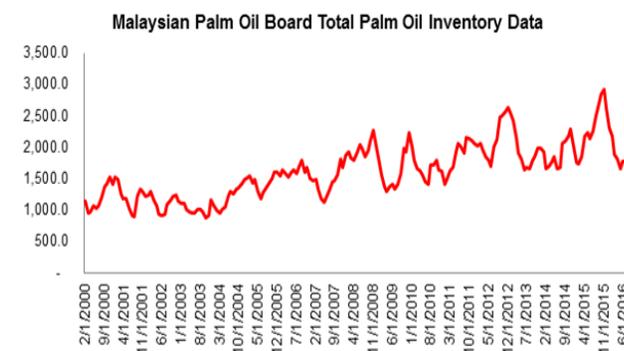
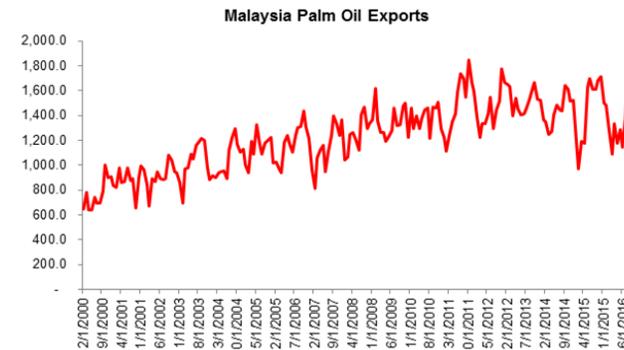
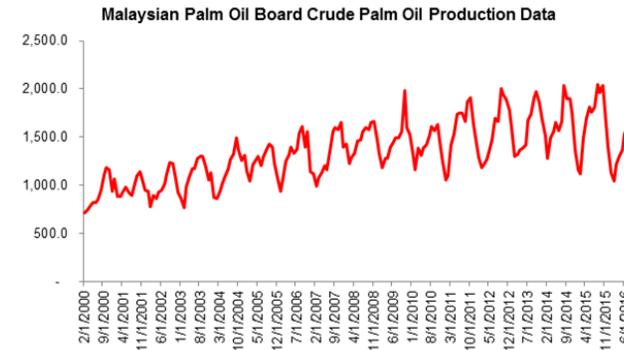
Soft Rebound in Inventory Level as Exports Weakened

October 12nd, 2016

MPOB released September Malaysian Palm Oil Performance yesterday.

CPO production slightly rose by 0.8% MoM, seen at 1.72 million tons in September. YTD, production weakening has narrowed to -15.3% YoY (vs -15.8% up to August). Exports data fell back in September (-20.4% MoM), mainly caused by weak demand as festive seasons has passed. The weak numbers then lead to a soft rebound in CPO September stockpiles, which was recorded at 1.55 million tons (+5.7% MoM, -41.4% YoY). We would like to see a jump in FFB production in Oct/ Nov, as the peak production period. Hence, inventory level should be climbing as well.

Besides the palm oil performance, we also highlight CPO future prices which have fallen back to around RM 2,600, compared to its highest level at RM 2,725 by 22 September. With higher CPO inventory expected in the upcoming months as well as soybean production which still record high, these could result in continuous weakening of CPO prices. **Therefore, we maintain our NEUTRAL outlook for the sector in the near-term period.**



Source: MPOB data, Bloomberg, Sinarmas Investment Research

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MPOB Palm Oil Production Data	YTD	MoM	YoY	YTD YoY
1/31/2015	1,160.7	1,160.7	0.0%	-23.1%
2/28/2015	1,121.6	2,282.3	-3.4%	-12.1%
3/31/2015	1,495.2	3,777.5	33.3%	-0.1%
4/30/2015	1,693.4	5,470.9	13.3%	8.8%
5/31/2015	1,810.5	7,281.4	6.9%	9.3%
6/30/2015	1,763.7	9,045.1	-2.6%	12.4%
7/31/2015	1,815.6	10,860.7	2.9%	9.0%
8/31/2015	2,051.0	12,911.7	13.0%	1.0%
9/30/2015	1,959.1	14,870.8	-4.5%	3.3%
10/31/2015	2,037.5	16,908.3	4.0%	7.6%
11/30/2015	1,653.9	18,562.2	-18.8%	-5.5%
12/31/2015	1,399.4	19,961.6	-15.4%	2.5%
1/31/2016	1,129.7	1,129.7	-19.3%	-2.7%
2/29/2016	1,042.9	2,172.7	-7.7%	-7.0%
3/31/2016	1,219.5	3,392.1	16.9%	-18.4%
4/30/2016	1,301.3	4,693.4	6.7%	-23.2%
5/31/2016	1,364.6	6,058.0	4.9%	-24.6%
6/30/2016	1,532.6	7,590.6	12.3%	-13.1%
7/31/2016	1,585.3	9,176.0	3.4%	-12.7%
8/31/2016	1,701.8	10,877.8	7.3%	-17.0%
9/30/2016	1,715.1	12,592.9	0.8%	-12.5%

MPOB Palm Oil Inventory Data	YTD	MoM	YoY	YTD YoY
1/31/2015	1,761.9	1,761.9	0.0%	-9.0%
2/28/2015	1,736.2	3,498.1	-1.5%	4.8%
3/31/2015	1,858.4	5,356.4	7.0%	10.1%
4/30/2015	2,182.0	7,538.5	17.4%	23.5%
5/31/2015	2,239.5	9,777.9	2.6%	21.6%
6/30/2015	2,141.9	11,919.9	-4.4%	29.3%
7/31/2015	2,257.9	14,177.8	5.4%	34.0%
8/31/2015	2,492.0	16,669.7	10.4%	21.4%
9/30/2015	2,641.3	19,311.0	6.0%	26.3%
10/31/2015	2,835.3	22,146.4	7.3%	30.9%
11/30/2015	2,910.9	25,057.3	2.7%	27.6%
12/31/2015	2,633.9	27,691.2	-9.5%	30.7%
1/31/2016	2,308.6	2,308.6	-12.4%	31.0%
2/29/2016	2,170.3	4,478.9	-6.0%	25.0%
3/31/2016	1,885.7	6,364.6	-13.1%	1.5%
4/30/2016	1,803.9	8,168.5	-4.3%	-17.3%
5/31/2016	1,649.9	9,818.4	-8.5%	-26.3%
6/30/2016	1,774.7	11,593.0	7.6%	-17.1%
7/31/2016	1,770.1	13,363.2	-0.3%	-21.6%
8/31/2016	1,464.1	14,827.3	-17.3%	-41.2%
9/30/2016	1,547.2	16,374.4	5.7%	-41.4%

MPOB Palm Oil Exports	YTD	MoM	YoY	YTD YoY
1/31/2015	1,191.8	1,191.8	0.0%	-12.9%
2/28/2015	972.7	2,164.4	-18.4%	-28.0%
3/31/2015	1,194.2	3,358.7	22.8%	-4.1%
4/30/2015	1,177.8	4,536.5	-1.4%	-7.2%
5/31/2015	1,625.6	6,162.1	38.0%	15.5%
6/30/2015	1,697.2	7,859.2	4.4%	14.4%
7/31/2015	1,609.9	9,469.1	-5.1%	11.3%
8/31/2015	1,608.3	11,077.4	-0.1%	11.9%
9/30/2015	1,680.9	12,758.3	4.5%	2.3%
10/31/2015	1,711.9	14,470.2	1.8%	6.2%
11/30/2015	1,499.8	15,970.0	-12.4%	-0.9%
12/31/2015	1,484.2	17,454.2	-1.0%	-2.3%
1/31/2016	1,279.2	1,279.2	-13.8%	7.3%
2/29/2016	1,088.9	2,368.1	-14.9%	11.9%
3/31/2016	1,335.9	3,704.0	22.7%	11.9%
4/30/2016	1,172.9	4,876.9	-12.2%	-0.4%
5/31/2016	1,282.5	6,159.3	9.3%	-21.1%
6/30/2016	1,141.8	7,301.2	-11.0%	-32.7%
7/31/2016	1,384.7	8,685.9	21.3%	-14.0%
8/31/2016	1,823.6	10,509.5	31.7%	13.4%
9/30/2016	1,451.1	11,960.6	-20.4%	-13.7%

Source: MPOB data, Bloomberg, Sinarmas Investment Research

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