

Palm oil futures to consolidate, rise

Business Line 04-09-18, P-16

GNANASEKAAR T

Malaysian palm oil futures ended higher on the Bursa Malaysia Derivatives on Monday, as physical demand picked up. A weaker ringgit added to the positive sentiment.

The benchmark third-month November contract is inching up and trying to break the key MYR 2,260/tonne resistance level.

The move is not accompanied by strong volumes, which makes us believe that it could fizzle out. As we have been maintaining, it is too early to change the medium- to long-term view to bullish again, but, indications point to a possible intermediate bottom at 2,140.

Important support is now at 2,220 followed by 2,175-80 again. A close above 2,300 could reinforce bullish expectations and alter the bearish picture. The favoured view expects that while downticks to 2,220-25 hold, we can expect a further upside in the coming ses-

sions.

For now, we favour resistance kicking in around the present level at 2,260-65, capping upside attempts.

The existing broad consolidation could continue between 2,190-2,265 in the coming sessions before



even- tually breaking out higher towards 2,340-50. Only a daily close below 2,140-50 could alter the big picture.

Wave counts: A possible new impulse looks to have started again. One of our targets at 1,850 was met. The rally from there looks very impressive. We expect prices

to push higher, towards 2,645, initially, and then correct lower towards 2,100, and then subsequently rise towards a medium- to long-term target at 3,600.

The medium- to long-term bullish expectations have been dented on a fall below 2,655. Only a close above 2,350 MYR/ton levels could alter the wave counts again, which is not our favoured scenario now.

RSI is in the neutral zone, indicating that it is neither overbought nor oversold. The averages in the MACD are still below the zero line of the indicator, hinting at bearishness being intact. Only a crossover again above the zero line could hint at a bullish reversal.

Therefore, look for palm oil futures to consolidate and rise again.

Supports are at MYR 2,245, 2,220 and 2,175. Resistances are at MYR 2,260, 2,300 and 2,345.

The writer is the Director of Commtrendz Research. There is risk of loss in trading.