

***Welcome to this special Soybean Oil
Focus Report for Q2-2024, post release of the
new FSOY futures on Bursa Malaysia***

On the 3rd of November 2023 Bursa Malaysia Derivatives Bhd and the Dalian Commodity Exchange signed a licensing agreement for the settlement price of soybean oil futures. This is DCE's first and the first such agreement for a Chinese exchange with a peer Asian exchange.

In the agreement, DCE authorizes BMD to use the settlement price of the DCE soybean oil futures as the basis to calculate the cash settlement of their new FSOY contract. A new USD based Soybean Oil contract created to provide market participants access to the Chinese price discovery, while trading via their offshore clearing partners.

By having this settlement structure, the FSOY futures should mirror that of the DCE soybean oil futures. The new product was launched on the 18th of March 2024.

We believe that this new tool brings enormous opportunities for traders, hedgers, speculators, physical refiners, and shippers.

It helps to better bridge the gap between production (supply) in South America and consumption (demand) in Asia by having a higher correlation to physical prices than the, historically used to hedge, CME BO futures. The growth in biodiesel demand in the USA has caused domestic futures to be lower in correlation to physical Soybean Oil flows, so a new derivative was needed.

Fortunately, Bursa Malaysia in partnership with the Dalian Commodity Exchange saw this and came out with the new FSOY futures.

Why trade the FSOY futures in General?

By accessing the new FSOY futures contract on Bursa Malaysia, market participants will get direct to new features as:

- 1. Global access:** the FSOY contract is traded electronically on CME GLOBEX, a global electronic trading platform. Accessing CME GLOBEX is easy and allows individual and professional traders anywhere in the world to access all Bursa Malaysia Derivatives products like CPO, Olein and now Soybean Oil.
- 2. Risk Management:** Plantation companies, refineries, crushers, exporters, and importers can use FSOY to manage risk and hedge against the risk of unfavourable price movements in the physical trade. Both in China in general, as well as in spreads to Palm oil prices (trading as FCPO).
- 3. Leveraged Trading:** Gain leveraged exposure to the notional value of the underlying asset with a relatively small amount of capital (Initial Margin), magnifying the effect of a given change in price.
- 4. Immediate Market Exposure:** Global fund managers, commodity trading advisers, and proprietary traders can gain immediate exposure to the active Soybean Oil Markets in China via the FSOY contract. All this, while avoiding the FX exposure to the CNH and CNY as the contracts are trading in USD, providing easier access to the same underlying exposure.

Soybean Oil on Bursa Malaysia

Q2-2024: **FSOY FUTURES!**

5. Take advantage of both Bull and Bear

Markets: FSOY provides retail investors with a structured product to access the Soybean Oil market. Buy low and sell high for a bullish outlook on the movement of the Soybean Oil prices, and vice versa for a bearish outlook.

6. Transparent Financial Settlement Process:

as all contracts are financially settled based on the underlying spot values in China, there is no risk on getting delivered or getting the need to deliver physical cargoes while still having the exposure to the actual trading values.

Why trade FSOY now in Asian hours?

- Soybean, soybean meal & soybean oil demand continues to grow globally, but mainly in Asia.
- Commodity traders are familiar with spread trading between FCPO and DCE-Y already.
- DCE-Y is traded mainly by physical traders or businesses but has incredible liquidity that we now want to see reflected in global markets by getting access to more players.
- Ideally, price should reflect supply and demand, not speculation only.
- BMD is a great established match for expanding cross-border price discovery.
- A USD benchmark takes out CNY volatility.
- In 2023, **2.0 billion Mt** of soybean oil was traded via the DCE Soybean Oil Futures, indicating global industry recognition of the market's strong liquidity and price representation (DCE-Y).
- In 2022, **405 million Mt** of Crude Palm Oil ("CPO") was traded via Bursa's FCPO, which was more than five times the global production of CPO. >50 % of its trading volume was contributed by foreign participants.

What are the key differences between the FSOY futures and the DCE Y futures??

While the underlying physical exposure is based on the domestic Chinese Soybean Oil futures prices, the product has had a few adjustments to easier fit in, into the global trading market.

The main differences are:

1. **Volumes** to be equal to the FCPO futures, at 25mt vs 10mt on DCE-Y
2. The **timing** is set to meet up with the FCPO futures. It provides as a result strong spreads trade opportunities between Palm oil and Soybean Oil. The timing is also structured to provide global arbitration and hedging opportunities in more overlapped hours than there was currently for DCE-Y
3. Finally, the absence of a Friday evening **overnight** market.

Contract	Bursa Malaysia DCE Soybean Oil Futures Contract	DCE Soybean Oil Futures
Contract Code	FSOY	Y
Underlying Instrument	Crude Soybean Oil	Crude Soybean Oil
Contract Unit	25 MT	10MT
Minimum Price Fluctuation	USD0.25/MT	CNY2/MT
Price Limits	Follow DCE's price limit in percentage	6% as of today. http://www.dce.com.cn/DCEENMO/Trading_B_Clearing/sinss_Parameters15/Trading/Daily_Parameters82/index.html
Contract Months	January, March, May, July, August, September, November, December	same
Trading Hours	Morning trading session: 0900 hours to 1230 hours Afternoon trading session: 1330 hours to 1800 hours After-hours (T+1) trading session: 2100 hours to 2330 hours (Monday to Thursday only).	Morning trading session: 0900 hours to 1130 hours Afternoon trading session: 1330 hours to 1500 hours After-hours (T+1) trading session: 2100 hours to 2300 hours
Final Trading Day	1. DCE's 10th trading day of the delivery month. 2. If DCE's 10th trading day falls on a day which is not a Business Day, the Final Trading Day will be on the Business Day immediately preceding DCE's 10th trading day. 3. Trading in the spot month ceases at 1500 hours on the Final Trading Day.	1. DCE's 10th trading day of the delivery month 2. Trading in the spot month ceases at 1500 hours on the Final Trading Day.
Settlement Method	Cash settlement (USD)	Physically Settled (CNY)
Trading + Clearing Fee	Total USD0.90	CNY2.5



Soybean Oil on Bursa Malaysia

Q2-2024: *FSOY FUTURES!*

Is the FSOY contract live, and available already?

The FSOY futures have started trading on Monday the 18th of March 2024.

While the main volume has traded on the September 2024 and January 2025 futures (aligned with liquidity in DCE-Y!).

This results in a hedge able tool for all market participants who would like to use it for forward quotes, risk management, inventory financing and other structured solutions that require public and independent price reporting daily.

What is the price correlation between CME/FCPO/DCE and now FSOY?

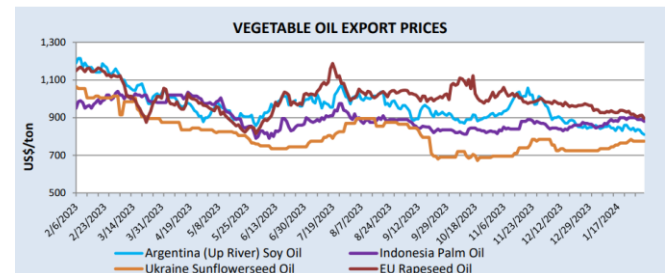
Historically, the correlation between Palm oil and Soybean oil has been well reported and traded.

The prices move in tandem as many price sensitive markets switch relatively easy and fast between the two products as they differ mainly in terms of melting point from an end consumer point of view.

Generally, traders would not just look at the “flat price” of Soybean Oil and Palm Oil, but also a competitive products like Sunflower Oil and Rapeseed Oil. Also, more complicated risk management tool like Board Crush, Oil share and Refining Margins are considered to decide on what to trade or consume.

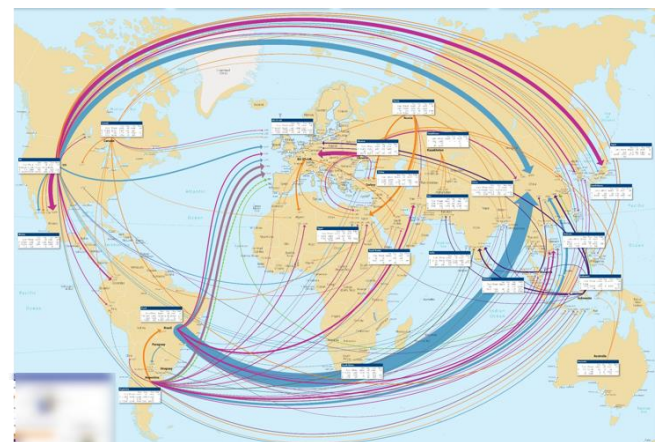
The FSOY contract now gives you direct access to trade another leg in the above basket of products easily and active, all in one account with your futures clearing broker. Soya vs Palm? CME-BO vs DCE-Y? FCPO vs FSOY? FCPO vs CME-BO? All spread to consider are possible now on a future to futures basis.

All with easy access to all via the electronic trading platforms on your mobile device and desktops globally. If you like, you can use the FX exposure as well by trading it in CNY, MYR, EUR, GBP, and USD.



Geopolitical Situation / Macro

This map from Rabobank, dated 2022, beautifully shows the complicated world of commodity trading. Flows move from West to East, and from South to North.



All flows bring in crucial currency risks, geopolitical risks (think about the Suez and Panama Canals), war risk premia and many more reasons why prices or even trade flows might be disrupted.

For this, it does make sense to start hedging your exposure with products that reflect real demand and active physical cargo movements.

Soybean Oil on Bursa Malaysia Q2-2024: **FSOY FUTURES!**

Quarterly Price Moves Overview

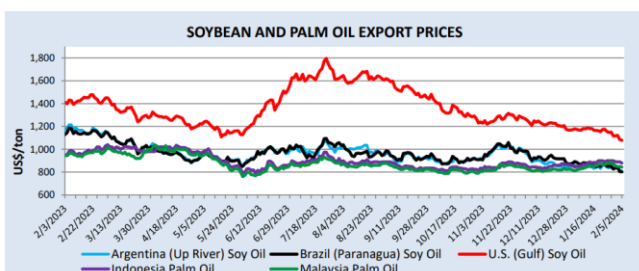
	16/Apr Price	15/Mar Change	Change%	90 Day High	90 Day Low
CBOT Corn	442,75	-6,25	-1,39%	471,50	422,25
CBOT soybeans	1160,00	-52,50	-4,33%	1259,00	1140,50
CBOT Soybean Meal	336,80	-2,30	-0,68%	369,80	326,70
CBOT Soybean Oil	45,48	-4,44	-8,89%	50,29	44,61
DCE Soybean Oil	7568,00	-148,00	-1,92%	7974,00	7010,00
BMD FSOY USD	1065,00	-22,25	-2,05%	1100,25	1057,50
CME CPO in USD	835,25	-20,50	-2,40%	894,00	762,00
BMD FCPO MYR	4134,00	-86,00	-2,04%	4443,00	3660,00
DCE Palm Olein	7770,00	-54,00	-0,69%	8218,00	6820,00
WTI Crude Oil	84,22	4,61	5,79%	86,16	70,54
ICE Gas oil	816,75	11,25	1,40%	846,75	716,25

The above table shows the quarterly price move between the various futures contracts. As you will be able to see below, the futures price does not really reflect the physical price moves.

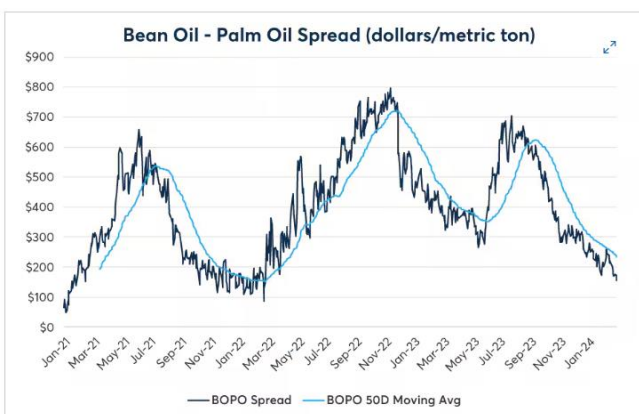
Soybean and Palm Oil Export Prices (U.S. dollars per metric ton)

	U.S. Soybean Oil	Argentina Soybean Oil	Brazil Soybean Oil	Indonesia Palm Oil	Malaysia Palm Oil
January 5	\$1,169	\$841	\$873	\$855	\$825
February 7	\$1,079	\$810	\$802	\$880	\$845
Change	-\$90	-\$31	-\$71	+\$25	+\$20

Source: International Grains Council; all prices are FOB: U.S. Gulf, Argentina Up River, Brazil Paranagua.



This was the actual physical price spread.



Source: CME Group

While this was the futures price spread in CME

As can be seen, the correlation is very high, but the actual, tradeable spread vs physicals is not ideal.

Global Soybean complex Supply & Demand

Soybean Oil can be seen as a product that trades Asian demand besides domestic consumption patters. The following tables will show the same, but consider the global major import flows per USDA:

- India imports 3,3 MMT SBO
- China imports 0,4 MMT SBO
- Rest of the world imports 8,3 MMT SBO
- Total global SBO trade flow = only 11,5 MMT

STILL: DCE SBO TRADED 2,0 BILLION MT in 2023!

Or to put this in perspective:

DCE-Y traded in 2023

- ✓ 174x of global trade flow, and
- ✓ 32x global annual production

This is the type of liquidity that you want to be part of. Looked at over the year, it is stable in daily volumes, with some added volatility around major festivals like Golden Week.

Globally the story is slightly different, the June-July period is always full of “big” reports thus we can expect liquidity and volatility to expand. We are in a crucial period for growth with both the USDA and WASDE publications attracting attention globally.

At the time of writing this report, we are before this crucial time frame, but the market expectations globally were as followed:

Soybean Oil on Bursa Malaysia Q2-2024: FSOY FUTURES!

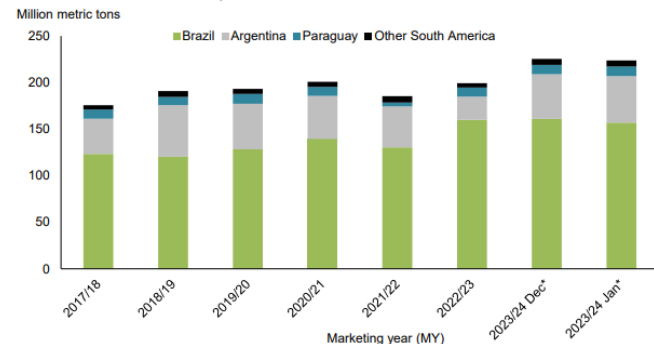
Soybean production globally: ttl 399mmt 23/24

Country	Year	Estimates	Feb. projections	Mar. projections	Change from last month's projections
United States	2022/23	116.22			
	2023/24		113.34		
	2023/24			113.34	
Brazil	2022/23	162.00			
	2023/24		155.00		
	2023/24			155.00	-1.00 ▼
Argentina	2022/23	25.00			
	2023/24		50.00		
	2023/24			50.00	
China	2022/23	20.28			
	2023/24		20.84		
	2023/24			20.84	
India	2022/23	12.41			
	2023/24		11.00		
	2023/24			11.00	
Canada	2022/23	6.54			
	2023/24		6.98		
	2023/24			6.98	

Oilseed, Soybean world production, March projections for 2023/24: 396.85 million metric tons.

Year	Estimates	Feb. projections	Mar. projections	Average price
2022/23				14.20
2023/24				12.65

Production in South America, MY 2017/18-2023/24

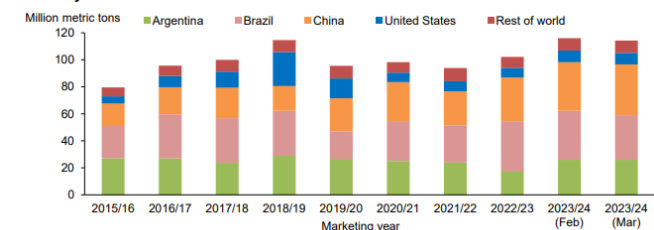


Soybean import globally: ttl 170mmt 23/24

Country	Year	Estimates	Feb. projections	Mar. projections	Change from last month's projections
United States	2022/23	0.67			
	2023/24		0.62		
	2023/24			0.62	
China	2022/23	104.50			
	2023/24		102.00		
	2023/24			105.00	3.00 ▲
European Union	2022/23	13.14			
	2023/24		13.80		
	2023/24			13.80	
Argentina	2022/23	9.05			
	2023/24		6.10		
	2023/24			6.10	
Japan	2022/23	3.33			
	2023/24		3.50		
	2023/24			3.50	
Turkey	2022/23	2.89			
	2023/24		3.10		
	2023/24			3.10	

China basically is the only real market for soybeans

Global soybean stocks



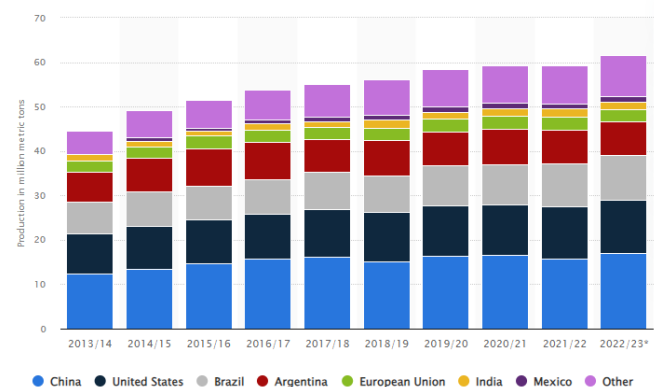
Note: Stocks for the United States as of September 1 and stocks for Argentina, Brazil, and China as of October 1. Source: USDA, Economic Research Service using USDA, Foreign Agricultural Service, Production, Supply and Distribution data.

Soybean Oil production globally: ttl 61.91mmt 23/24

Country	Year	Estimates	Feb. projections	Mar. projections	Change from last month's projections
United States	2022/23	11.90			
	2023/24		12.26		
	2023/24			12.26	
China	2022/23	17.20			
	2023/24		17.56		
	2023/24			17.56	
Brazil	2022/23	10.23			
	2023/24		10.35		
	2023/24			10.21	-0.14 ▼
Argentina	2022/23	5.99			
	2023/24		7.01		
	2023/24			7.01	
European Union	2022/23	2.72			
	2023/24		2.83		
	2023/24			2.83	
India	2022/23	1.55			
	2023/24		1.89		
	2023/24			1.89	

Oil, Soybean world production, March projections for 2023/24: 61.68 million metric tons.

Year	Estimates	Feb. projections	Mar. projections	Average price
2022/23				0.65
2023/24				0.51

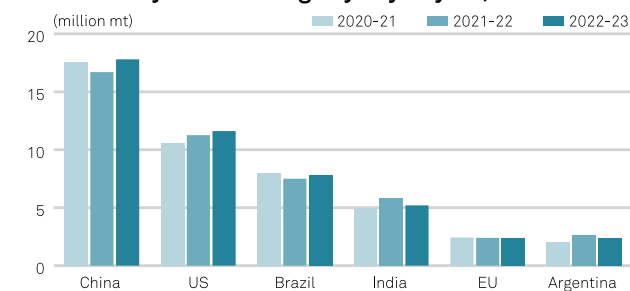


Soybean Oil consumption globally: 60.72mmt 23/24

Country	Year	Estimates	Feb. projections	Mar. projections	Change from last month's projections
United States	2022/23	12.07			
	2023/24		12.34		
	2023/24			12.34	
China	2022/23	17.00			
	2023/24		17.70		
	2023/24			17.80	0.10 ▲
Brazil	2022/23	7.68			
	2023/24		8.43		
	2023/24			8.43	
India	2022/23	5.40			
	2023/24		5.15		
	2023/24			5.15	
European Union	2022/23	2.36			
	2023/24		2.51		
	2023/24			2.51	
Argentina	2022/23	2.05			
	2023/24		2.25		
	2023/24			2.25	

Oil, Soybean world domestic consumption, March projections for 2023/24: 60.86 million metric tons.

Domestic soybean oil usage by key buyers, sellers



Source: USDA

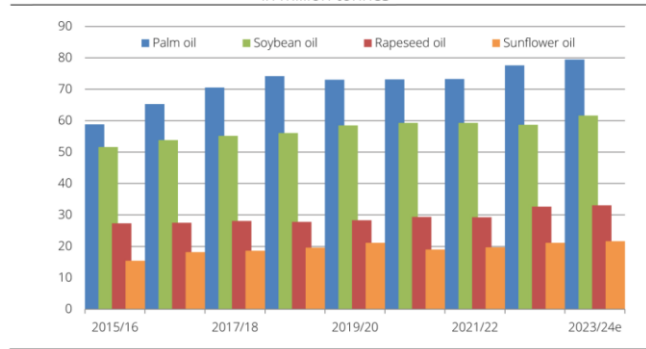
Soybean Oil on Bursa Malaysia Q2-2024: **FSOY FUTURES!**



Global Vegetable Oil production: 222.85mmt 23/24

2023/24 vegetable oil production to hit record levels

Global vegetable oil production in million tonnes

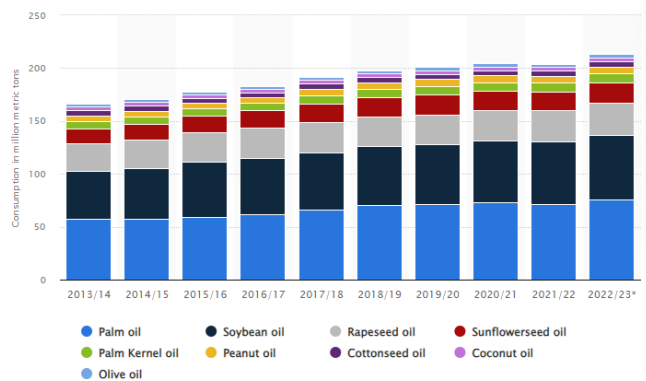


Source: USDA

Note: e= estimated

Global Vegetable Oil Consumption per type:

Ttl 218.15mmt 23/24 with 89mmt exported only!



2022/23*

- Palm oil 76.04
- Soybean oil 60.32
- Rapeseed oil 31.21
- Sunflowerseed oil 18.58
- Palm Kernel oil 8.78
- Peanut oil 6.51
- Cottonseed oil 4.99
- Coconut oil 3.78
- Olive oil 2.87

How will the FSOY contract benefit me?

Products	Crude Palm Oil Futures		Options on Crude Palm Oil Futures		Mini USD/CNH Futures	
	Mth Volume	Mth-End Open Interest	Mth Volume	Mth-End Open Interest	Mth Volume	Mth-End Open Interest
Aug/23	1.234.009	209.007	550	3.400	0	0
Sep/23	1.273.983	221.984	900	3.050	0	0
Oct/23	1.380.491	213.479	1.350	2.850	0	0
Nov/23	1.146.551	206.142	975	3.000	0	0
Dec/23	1.030.344	214.704	125	2.700	48	4
Jan/24	1.460.634	213.617	4.450	5.100	128	2

First, the FSOY contract is a new contract, with new specs on a market that is not yet used to it. It will take time, effort, and guts to start to trade it. First mover advantages are in place, and for those of you keen to explore new potentials, this is the type of market you should consider.

Still, the same was the case on the FCPO contract that these days has the above volumes changing hand.

Most of the FCPO volume is traded via Foreign Institutions, and we expect them to be equally interested in the FSOY contract:

Crude Palm Oil Futures (FCPO)

Category	Aug/23	Sep/23	Oct/23	Nov/23	Dec/23	Jan/24
Foreign Institutions	57%	58%	57%	56%	56%	56%
Domestic Institutions	9%	9%	10%	11%	11%	11%
Foreign Retail	0%	0%	0%	0%	0%	0%
Domestic Retail	26%	25%	26%	24%	23%	25%
Locals	8%	8%	8%	9%	10%	8%
TOTAL	100%	100%	100%	100%	100%	100%

Options on CPO Futures (OCPO)

Category	Aug/23	Sep/23	Oct/23	Nov/23	Dec/23	Jan/24
Foreign Institutions	89%	85%	94%	94%	50%	99%
Domestic Institutions	11%	15%	6%	6%	50%	1%
Foreign Retail	0%	0%	0%	0%	0%	0%
Domestic Retail	0%	0%	0%	0%	0%	0%
Locals	0%	0%	0%	0%	0%	0%
TOTAL	100%	100%	100%	100%	100%	100%

Mini USD/CNH Futures (FCNH)

Category	Aug/23	Sep/23	Oct/23	Nov/23	Dec/23	Jan/24
Foreign Institutions					52%	73%
Domestic Institutions					0%	2%
Foreign Retail					0%	0%
Domestic Retail					48%	25%
Locals					0%	0%
TOTAL	N/A	N/A	N/A	N/A	100%	100%

The core value to you, as trader or consumer, is the access to new markets to hedge and speculate. Spreads vs other products, some of these we will explain on the following pages.



Soybean Oil on Bursa Malaysia

Q2-2024: *FSOY FUTURES!*

How can I use the FSOY and FCPO futures to de-risk my book and enhance my profits?

Here are some general trade ideas that can be considered by using the FSOY and FCPO futures:

1. **BOPO** spreads (Soybean Oil vs Palm Oil) in various forms:
 - a. DCE-Y vs DCE-P
 - b. DCE-Y vs DCE-P in USD
 - c. DCE-Y active vs BMD-3 in USD
 - d. CME BO vs CME CPO
 - e. FSOY VS FCPO
 - f. FSOY vs FCPO IN USD (CME FUTURES)

2. **Seasonality**
 - g. FSOY seasonality (DCE-Y copy in USD)
 - h. FCPO seasonality in MYR
 - i. FSOY vs FCPO seasonality in USD

OTHER IDEAS THAT CAN BE CONSIDERED IN GENERAL

3. **BOGO/BOHO/BODI** spreads (or Soybean Oil vs Gasoil / Heating Oil /Diesel in the energy complex)
 - j. CME-BO vs nearby Diesel
 - k. FSOY vs nearby Diesel
 - l. FSOY vs nearby heating oil
 - m. FSOY vs nearby ICE gasoil

4. **SOYCOMPLEX** spreads
 - n. Oil share on CME or DCE
 - o. Oil share on FSOY vs CME S and SM
 - p. Board crush on CME or DCE
 - q. Board crush FSOY vs CME S and SM
 - r. Soy Products vs each other

Charts for the various Trade Ideas:

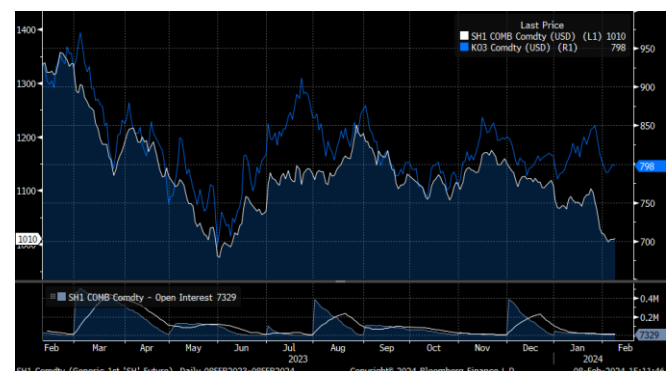
1a: The long-term range to get in, is when spreads are >500CNY top either side with a 200CNY target range



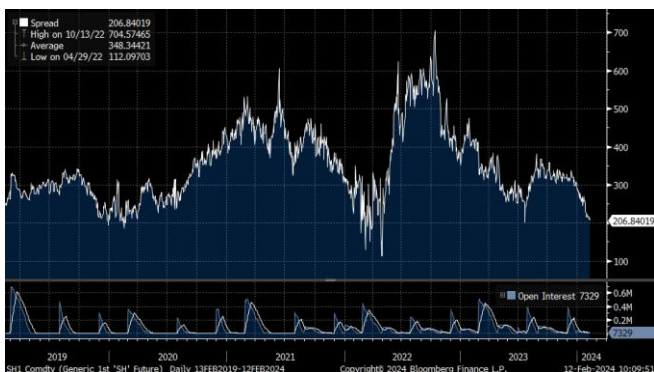
1b: The long-term range to get in, is when spreads are >\$55 to either side with a \$25 target range



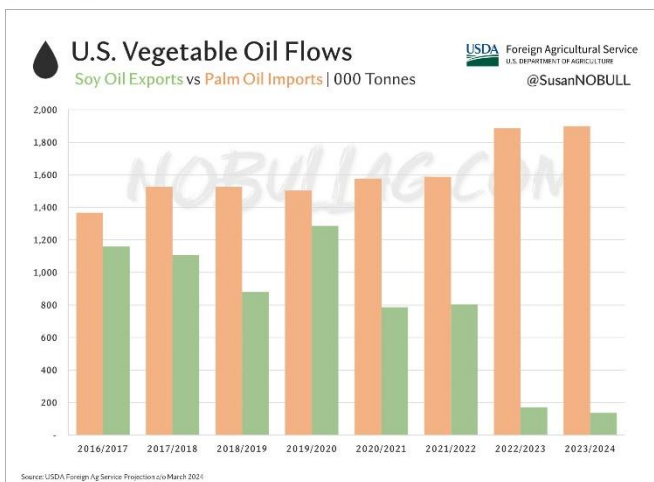
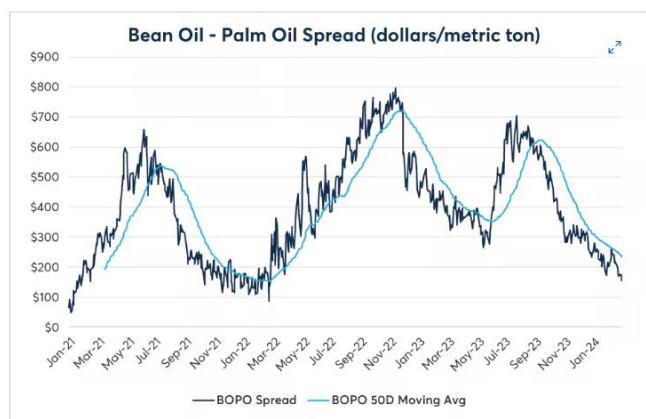
1c: The long-term pivot is \$350, so trade to either side from <\$250 and >\$450 with a \$100 target range. Note DCE-Y here can be replaced by the FSOY futures now!



Soybean Oil on Bursa Malaysia Q2-2024: **FSOY FUTURES!**



1d: Futures to futures on CME, spreads are big but pivot around the same \$350 levels, so trade the same directional moves as 1e.



1e and 1f: Have no charts yet, due to the new contracts, but the above spread ideas are the same, just in USD and easier to trade via the FSOY vs FCPO futures!

2g: Go long FSOY in March around the POC conference, short in June, long again in July and flat in November.



2h: Go long FCPO ahead of the anticipation for a generally bullish POC conference, short from June onwards into the summer and ahead of the Globoil conference, long again into the Christmas rally ending Dec 20th.

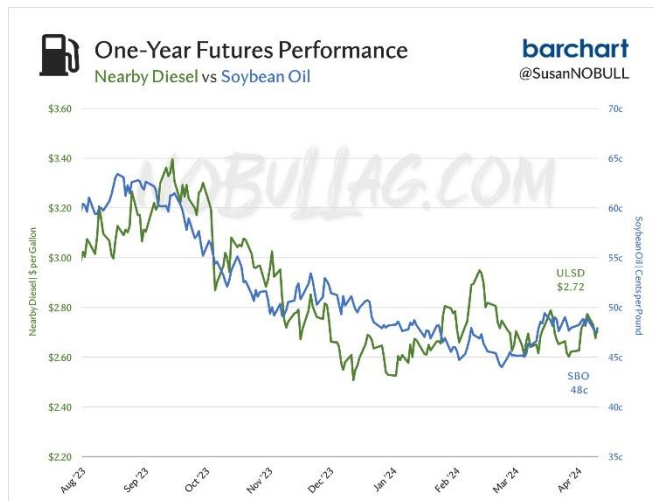


2i: go long the spread (long FSOY, short FCPO) in April, get out in August. Go short the spread in November and get out before Christmas.

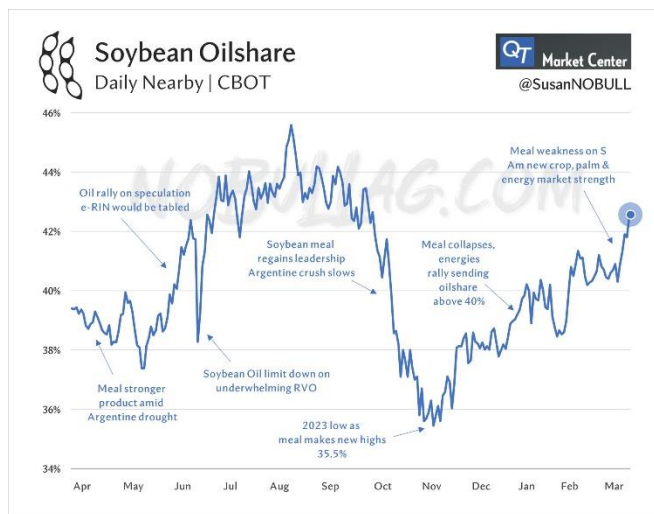


Soybean Oil on Bursa Malaysia Q2-2024: FSOY FUTURES!

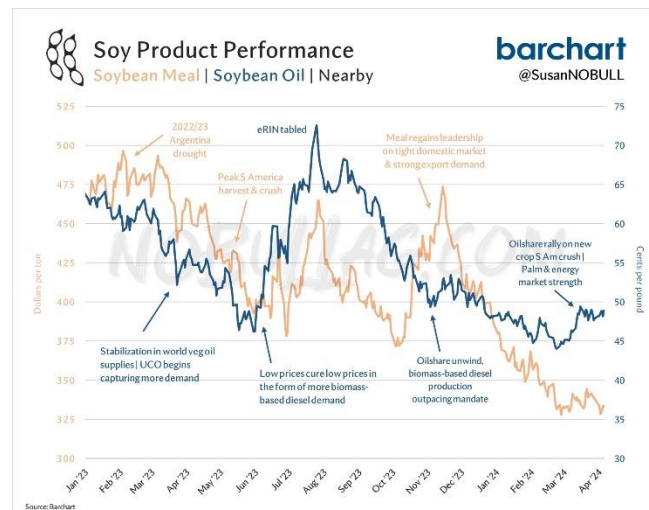
3j: Soybean Oil is more and more becoming an energy product, so can be hedged with for example Diesel or Gasoil.



4n: Oil share can be traded everywhere but using the FSOY futures for the oil leg = really adding the global demand to the equation!



4r: Trade relative performances of the various Soyabean products. Use FSOY to show “real” physical demand:



Conclusions:

The new FSOY futures contract that was launched on the 18th of March 2024 has opened a whole new range of potential spread opportunities.

It can easily be accessed by your existing futures clearing brokers around the world and could have potential margin credit savings when trading both FCPO and FSOY in spreads at the same time, on Bursa Malaysia exchange.

For more information about the product, the tools, the opportunities, and the potential to you feel free to reach out to the author of this report, or to the Bursa Malaysia product development team.

Disclaimer and Important Disclosures

The information in this report is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell, or otherwise deal in any particular investment. Please be aware that, where any views have been expressed in this report, the author of this report may have had many, varied views over the past 12 months, including contrary views. Many views are being always generated, and these may change quickly. Any valuations or underlying assumptions made are solely based on the author's market knowledge and experience. Furthermore, the information in this report has not been prepared in accordance with legal requirements designed to promote the independence of investment research. The given material is subject to change and although based upon information that we consider reliable; it is not guaranteed as to accuracy or completeness. PRETB Pte Ltd believes that the information contained within this report is already in the public domain. The material is not intended to be used as a general guide to invest or as a source of any specific investment recommendations. Investors with any questions regarding the suitability of the products referred to in this presentation should consult their financial and tax advisors.

This material does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Persons into whose possession this document may come are required to inform themselves of and to observe such restrictions.

This document is confidential. It may not be reproduced, distributed, or transmitted without the express written consent of PRETB Pte Ltd which reserves all rights.

