

CRUDE PALM OIL FUTURES (FCPO) CONTRACT

Crude Palm Oil Futures (FCPO) is a Ringgit Malaysia (MYR) denominated palm oil futures contract traded on Bursa Malaysia Derivatives (BMD) which acts as the world's price discovery benchmark for Crude Palm Oil since 1980. The contract allows traders to gain leveraged exposure in Crude Palm Oil for a small capital outlay and provides ample prospects for directional trading, hedging, arbitraging and intra-commodity spreading.

Products and Byproducts of CPO



Top Producers

(tonnes/year):

- 1) Indonesia (36.5 mil)
- 2) Malaysia (19.9 mil)
- 3) Thailand (2.5 mil)
- 4) Colombia (1.6 mil)
- 5) Nigeria (1.0 mil)

Data for 2017



Top Importers

(tonnes/year):

- 1) India (9.4 mil)
- 2) EU (7.5 mil)
- 3) China (5.1 mil)
- 4) Pakistan (2.9 mil)
- 5) Nigeria (1.5 mil)

Source : MPOB website

Factors Driving The Market

- Demand - Export and Local Consumption
- Supply – Inventories and production
- Prices of other edible oils
- Weather events or natural disasters
- Import/export policy changes
- Government policy changes
- Currency movement – USD/MYR
- Changes in taxation and import duty
- MPOB crop data
- Cargo surveyor export data
- Trade wars and geopolitical issues

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Key Features of CPO Futures Contract (FCPO):

- ❖ Global ease of access, traded electronically on CME Globex
- ❖ Transparent prices, offering clear comparison for cross-hedging activities
- ❖ Futures position secured by BMD clearing house
- ❖ Physical delivery of crude palm oil at registered Port Tank Installations
- ❖ Inclusion of traceability of tendered CPO up to Palm Oil Mill, aligned with the requirements and processes of MSPO
- ❖ Hedge up to 3 years forward , providing users a more effective hedging instrument and increase the permutation for spread

Key Statistics for FCPO in 2017:

- ❖ Average daily volume : ~ 46K contracts
- ❖ Average open interest : ~ 222K contracts
- ❖ Average daily trading range : ~ 37 Ringgit (37 ticks)

Key Data:

- ❖ Cargo surveyor AMSPEC and SGS exports data
(10th of the month, every 5th day thereafter)
- ❖ MPOB monthly report (10th of the month)



DO YOU KNOW?

Palm oil is naturally trans-fat free, making it the preferred choice by the food industry as a replacement for unhealthy trans fats.

Contract Specifications (Source: Bursa Malaysia website)

Product	Crude Palm Oil
Product Symbol	FCPO
Contract Multiplier	25 metric tonnes
Minimum Price Fluctuation	RM 1.00
Value per Tick	RM 25.00
Settlement	Physical Delivery
Trading Hours (Malaysian Time)	1 st Session: 1030 – 1230 2 nd Session: 1430 - 1800

OPTIONS ON CRUDE PALM OIL FUTURES (OCPO) CONTRACT

To complement the successful Crude Palm Oil Futures (FCPO) contracts, Bursa Malaysia Derivatives Berhad has launched OCPO contract in 2012. The OCPO, which uses FCPO as its underlying contract, offers another risk management tool for industry participants to better meet their hedging needs.

OCPO gives the option contract holder the right, but not the obligation, to buy or sell the underlying, FCPO, at the specified strike price on a specified date in the future.

OCPO offers hedgers an alternative to manage potential downside risks and requires a smaller initial outlay compared to futures trading.

Key Features in OCPO:

- ❖ At least 11 strike price intervals of RM50 per MT multiples for each contract month
- ❖ No daily price limits on OCPO
- ❖ European-style options, meaning it can only be exercised at maturity date
- ❖ Exhibited Year-on-year growth in open interest, with more than 26,000 open interest in OCPO at end-2017
- ❖ Initial margin requirement is calculated based on the CME SPAN methodology, which is the industry standard for portfolio risk assessment



DO YOU KNOW?

Launched in 2012, OCPO is actually the first Asian exchange-traded agricultural options product.

Contract Specifications (Source: Bursa Malaysia Derivatives)

Product	Options on Crude Palm Oil Futures Contract (OCPO)
Product Symbol	OCPO
Underlying Instrument	Crude Palm Oil Futures (FCPO) Contract
Exercise Style	European Style
Contract Size	One FCPO contract (of a specified month) of 25 metric tons (MT)
Tick Size	RM0.50 per metric ton (RM12.50 per contract)
Trading Hours (Malaysian Time)	1 st Session: 1030– 1230 2 nd Session: 1430 - 1800

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