
INTRODUCTION TO

SOYBEAN OIL

FUTURES

WHAT IS SOYBEAN OIL?

A vegetable oil extracted from soybean seeds that is pale yellow to brownish yellow.

The second most consumed vegetable oil worldwide for cooking, frying, shortening and margarine.

High smoke point (257°C) which enables setting oil at higher temperatures for deep frying.

WHERE DOES SOYBEAN OIL COME FROM?



Soybeans are cracked and dehulled.



The dehulled soybeans are crushed into flakes.



Soybeans are harvested from the plants.



Oil is separated from the soybean flakes.



BENEFITS OF SOYBEAN OIL



Rich in omega-3 and omega-6 fatty acids that help to maintain good cholesterol level.

High level of vitamin K that supports bone health and regulates bone metabolism.



A good ingredient for baked goods as it mixes well with other oils and fats.



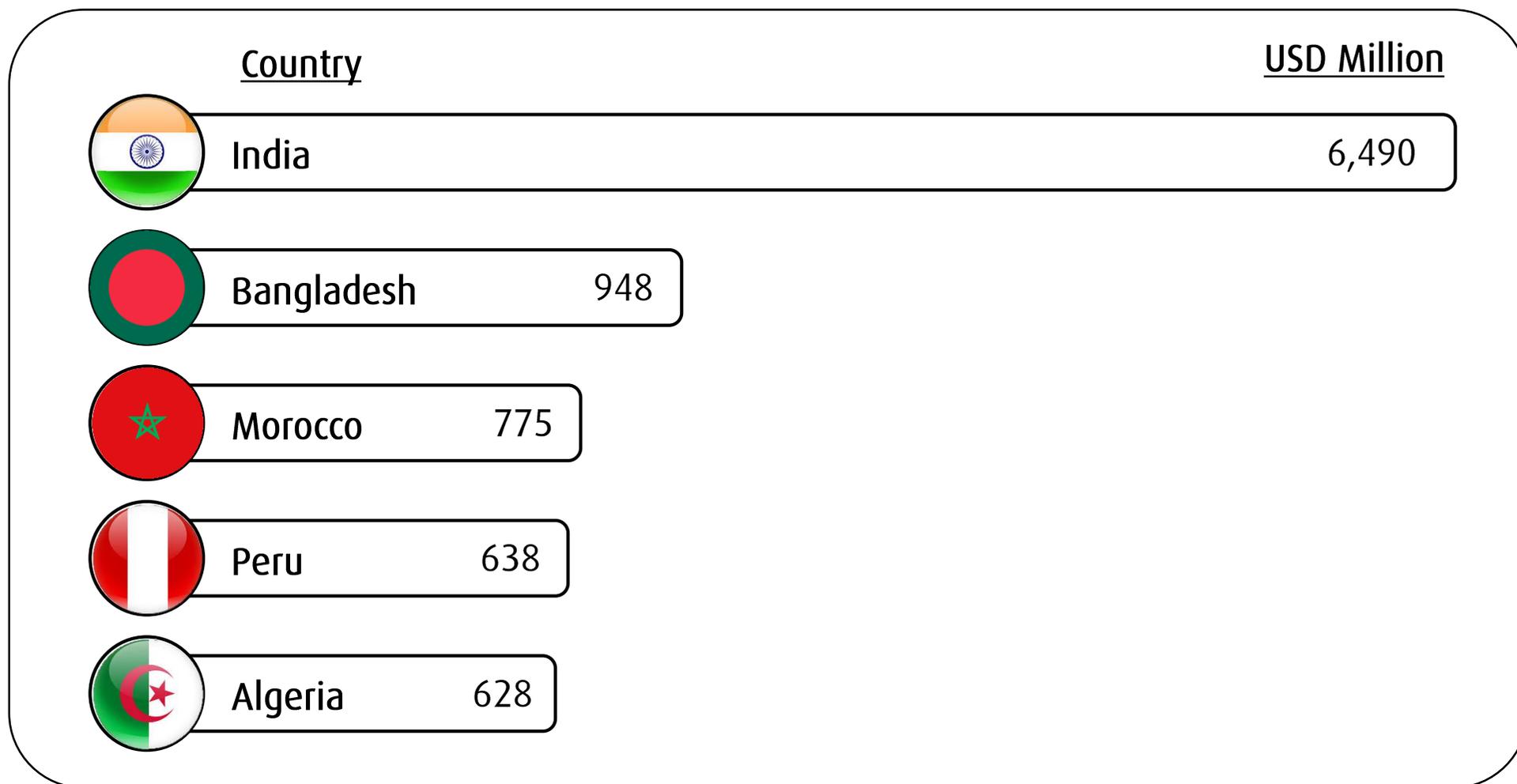
Clean and natural taste that enhances the natural flavours of prepared food.

USAGE OF SOYBEAN OIL



DEMAND FOR SOYBEAN OIL

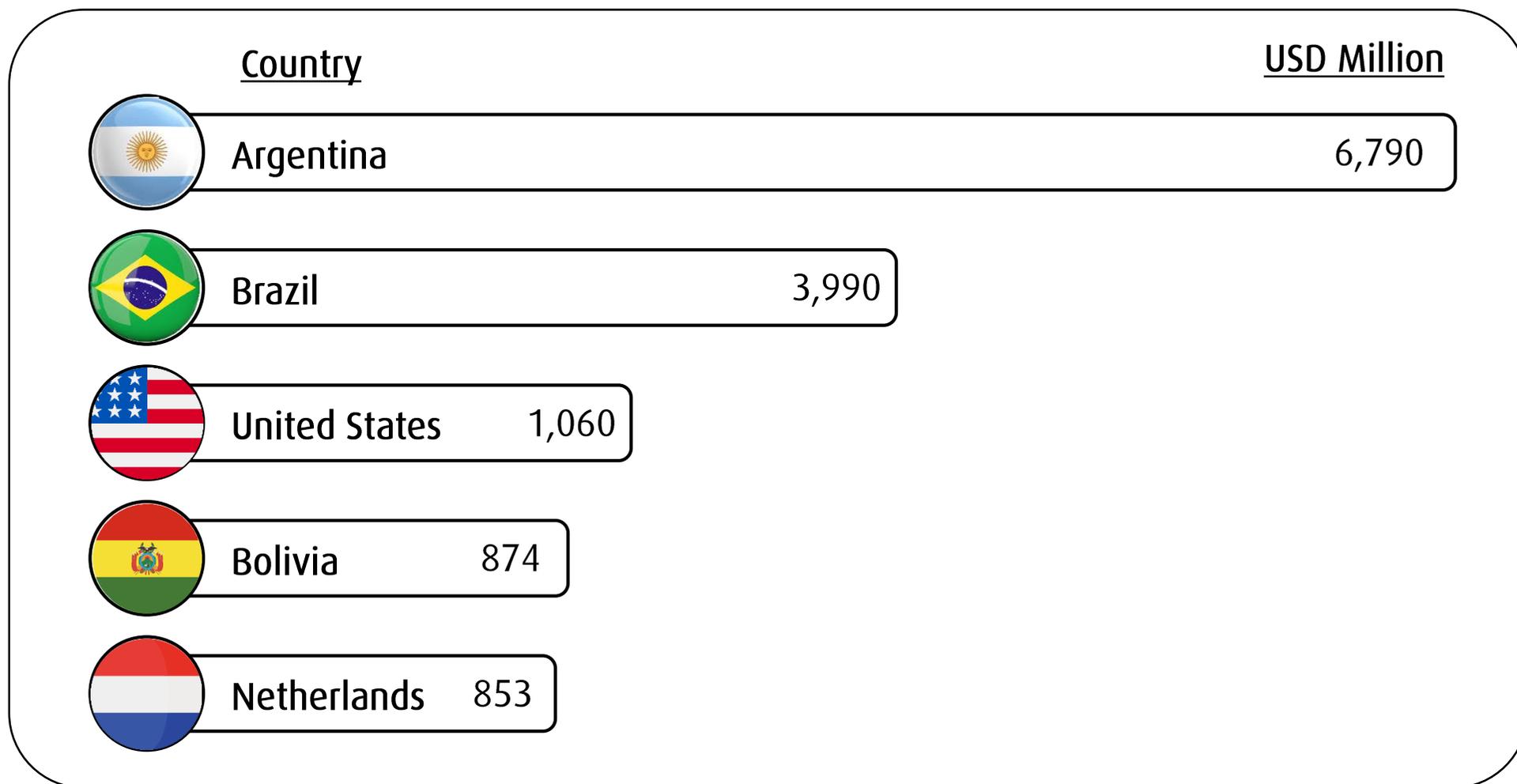
The top 5 global importers of soybean oil in 2022 are shown below:



India was the largest importer of soybean oil in 2022 and it imported most of the soybean oil from its neighboring country, **Nepal**.

SUPPLY OF SOYBEAN OIL

The top 5 global exporters of soybean oil in 2022 are shown below:



In 2022, Argentina exported soybean oil to India, Bangladesh, Peru, Morocco and Chile.

FACTORS AFFECTING DEMAND AND SUPPLY

WEATHER CONDITIONS

Droughts, floods and pests can reduce crop yields thus decreasing the supply of soybeans.



COMPETITION FROM OTHER SUBSTITUTES

Other competitors such as palm oil and canola oil can decrease the demand for soybean oil.

DIETARY HABITS

Consumers with increased health awareness will shift towards healthier oil like soybean oil.



POPULATION GROWTH

The demand for food and cooking oil increases when the population grows.



GOVERNMENT POLICY

Demand and supply are affected by import/export restrictions, subsidies for farmers and biofuel mandates.

TRADE AGREEMENTS AND TARIFFS

The price of soybean oil increases when tariffs are imposed on imports or exports.

ECONOMIC FACTORS

Exchange rates, inflation and interest rates will influence the price of soybean oil.

TECHNOLOGY

Technology in food processing and agriculture will increase the efficiency of soybean oil production.

WHAT ARE SOYBEAN OIL FUTURES

A fully electronic, exchange-traded contract listed on CBOT under CME Exchange.

Product code: ZL
Contract unit: 60,000 pounds

Minimum price fluctuation:
0.01 = 1 tick
1 tick = USD 6.00

Available to trade 23 hours in a day.

15 monthly contracts of Jan, Mar, May, Aug, Sep and 12 monthly contracts of Jul, Oct, Dec

Last trading day:
the business day prior to the 15th day of the contract month.

Source: Bakerpedia, Drugfuture, Food Insight, Fortune Business Insight, Healthline, SNI Global, Statista, United States Department of Agriculture



WHY TRADE SOYBEAN OIL FUTURES

Added portfolio diversification beyond traditional stocks and bonds

DIVERSIFY

High liquidity which allows easy market entry and exit

LIQUIDITY

Provide greater leverage through margin trading

LEVERAGE

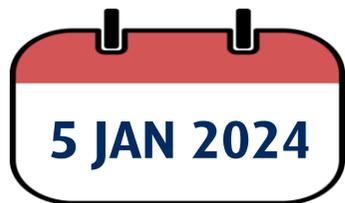
Used as a benchmark to trade the underlying in physical market

PRICING



TRADING EXAMPLES

Bullish Market



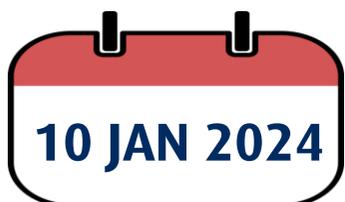
You think the price of ZL will go up and BUY 1 lot @45.78



You close your position and SELL 1 lot @55.78

Gross Profit
= Price Difference x Contract Size
= (55.78 - 45.78) x USD 600
= **USD 6000**

Bearish Market



You think the price of ZL will go down and SELL 1 lot @45.23



You close your position and BUY 1 lot @35.42

Gross Profit
= Price Difference x Contract Size
= (45.23 - 35.42) x USD 600
= **USD 5,886**



Mezzanine Floor, Block B, Plaza Zurich, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur



+603-2080 8678



helpdeskfutures@hlib.hongleong.com.my



Disclaimer:

The information contained herein is subject to change from time to time. You are advised to read and understand the applicable terms and conditions. The information contained herein is intended for your general information only and should not be relied on for investment purposes or taken as advice. You are advised to make your own independent evaluation of the information provided and obtain independent financial, legal or other advice before making any investment decision. Nothing in this document or the information provided constitutes or forms any part of any advice, offer, inducement, solicitation or invitation to buy or subscribe for any services or securities on Hong Leong Investment Bank Berhad's part. This content has not been reviewed by the Securities Commission Malaysia.