

May 12, 2017

COFFEE AND TEA MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
July 17	1.3495	+0.0070	-0.0075	-0.55%
September 17	1.3730	+0.0065	-0.0070	-0.51%
December 17	1.4065	+0.0070	-0.0085	-0.60%
March 18	1.4405	+0.0065	-0.0095	-0.66%

Coffee Market

The C market closed little changed week to week once again as it continues to trade sideways. Specs continue to dominate the activity but even they are increasingly skittish. After selling the market to one year lows a few weeks ago they have juggling positions back and forth in indecision. At this point they likely remain around 12-14k lots short which is about where they were into the late April lows. Industry buying has thinned after seeing good activity into the lows. Presumably new lows would bring in further buying but there is little to push the market higher. Origin selling remains thin as well. There remains little real news. Brazilian weather remains benign. Colombian mid-crop flow is a little late due to weather, keeping differentials firm despite stronger overall production. There was some talk of leaf rust showing up in Honduras again but that story gained little traction. Overall the market remains in a very apathetic state. The macro picture saw a stronger Dollar overall though half the week's gains evaporated today. Basically the strength has been in speculation of an interest rate hike pending but today's inflation data was weaker than expected. This dampened expectations for a hike in the short term.

Technically the market actually shows a weak positive bias short term. That said the range bound action continues to lack conviction on the charts. Near term chart patterns at this point suggest a short term bounce toward 140/143 could set the stage for another new low toward 125. This fits in with a longer term chart forecast suggesting a major low would be registered around 120 during the second quarter. Overall short term action will likely continue to be choppy but overall current levels still seem to represent good value.

Tea Report

Demand was relatively good across world tea markets.

Things continue an upward trend in Kenya as rains are gradually increasing. Meteorologists remain a bit pessimistic over whether the rainy season will bring the region, who has been struggling with drought, to par with annual rainfall norms. The Kenyan market experienced good demand-mostly attributed to increase activity from the Middle East. Malawi bounced back from last week's no auction with reasonably good demand across all offerings. Crop intakes are declining but that is not unexpected as it is part of the areas seasonality. Markets in Sri Lanka experience fair demand driven partially by an increase in activity from North American buyers. The country continues to be hot across the board with scattered afternoon showers being reported in some areas. North India's market remained steady as prices and quality both performed as expected. Southern markets remain a bit on the softer side as demand continues to lag behind supply. As a whole, India is experiencing favorable weather which is expected to result in increased yield and quality. Indonesia tea markets fell off their upward trend but remained fair. Favorable weather conditions have resulted in increased crops but some regions are beginning to report less rein which is characteristic of the impending dry season.

