

January 11, 2019

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
March 19	1.0385	- 0.0030	+0.0245	+2.31%
May 19	1.0720	- 0.0040	+0.0270	+2.48%
July 19	1.1010	- 0.0050	+0.0260	+2.42%
September 19	1.1305	- 0.0045	+0.0290	+2.49%

Coffee Market

The C market posted modest gains for the fourth straight week as it continues to drift near recent lows overall. Prices gained a little over 2% week to week but the overall tone is a bit apathetic. Industry buying continues into the lows though in smaller volumes. Larger speculators and funds remain on the short side of the market but have not been actively trying to pressure for new lows. Overall, it seems the market is starved for news. Physical business remains light and a bit hand to mouth, as differentials remain firm. There is ample supply available so there seems no pressure to buy into the strong diffs. There remains little news. Some talk is circulating about recent rain patterns in Brazil and effects to the developing crop. At this point, it bears watching but it is early to worry too much. Overall, the developing crop is expected to see a cyclical downturn of roughly 12 to 15% versus last year's bumper production. If that percentage starts to grow, it could start to see a market impact but so far, the market is expecting lower production. This is helping support the market into the recent lows but it is not yet enough to drive prices higher. On a macro scale, there is a lot of noise but little clear direction. The continued shut down of the US government has seen the Dollar weaken a little (and no spec position data released). Since the start of the year there has been little in the way of consolidated market movement.

Technically the market is sending mixed signals near term and this is not abnormal for a consolidating period. The recent test of last year's low was somewhat positive as the market failed to make new lows but the modest bounce and sideways action is not particularly encouraging for bulls either. Bigger picture long-term chart patterns continue to suggest the market should enter a range bound period after the long-term downtrend seemingly bottomed late last year. At this point, there is nothing to suggest that this is not the case. Overall would continue to expect a broad range for the market in the months ahead and at this point prices are at the low end. Continue to see value at these levels overall though there is little pressure to buy at this point.

Tea Report

Kenyan tea auctions continue to set records with large auctions this week. With so much tea on the block, demand lessened and prices eased by 5-15usc. Most of the changes in demand and price were driven by the quality slipping a little bit. Crops are good in Malawi with the presence of warm and wet weather conditions. However, the demand at auction was poor leaving around 75% of teas unsold. Sri Lanka had a reduced auction with less demand this week. Crops are down in the west but steady elsewhere. Prices are following quality very closely. With minimal production, the Indian auctions were small with good to fair demand. The weather is cool and dry with crops easing. Argentina is seeing warm and wet weather as well and is rolling right along in production. The green leaf is plentiful and the season is off and running.

