

February 8, 2019

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
March 19	1.0260	-0.0195	-0.0110	-1.30%
May 19	1.0560	-0.0190	-0.0120	-1.31%
July 19	1.0830	-0.0175	-0.0125	-1.32%
September 19	1.1095	-0.0175	-0.0135	-1.34%

Coffee Market

The C market spent the entire week in modestly positive territory until then last hour of trade where it fell sharply. Prices settled lower for the second week in a row and lost 1.3% overall. The activity continues to be dominated by speculative interest and that has been coming mainly on the sell side for the last two weeks as Brazil has seen rain move into the forecasts. Overall though there is little dynamic to the market. Prices have been confined to a nine cent range (I know this sounds wide but historically for coffee it is very small) for the last three months. Today's late drop put the market squarely in the middle of that range. There remains little movement on the physical side. Differentials remain firm overall. Aside from the Brazilian weather concerns, Colombia diffs have been firming as exports have slowed. Mostly this seems a product of coffee being held back due to the low prices but there is also some concerns regarding the potential quality of the midcrop, which is running a little late. The reports on the large speculative positions have not caught up from the government shut down yet but they are estimated to be pushing back toward levels not seen since last October. The macro picture continues to provide little input. The US dollar has been fairly strong this week but remains within recent ranges. The Brazilian Real has found some stability over recent weeks as well.

Technically the market continues to perform as one that is within a range. Short-term signals are mixed but turning negative. Longer-term signals are still slowly turning higher. The recent price action is not strong per se but is indicative of a market trying to establish at least a short-term bottom. Overall, continue to expect prices to work higher near term but expect a range to hold and see prices toward current levels again later in the year. At this point would look to buy new lows if they are seen but otherwise stand aside and let the range play out.

Tea Report

Tea Auction sizes in Kenya are consistently astounding. With around 192,000 packages at auction this week, Mombasa has posted auctions above 160,000 packages every week so far in 2019. That being said, this week left 21% of all packages unsold. Quantities look to remain very high with the offer quantity looking to be around 197,000 packages. However, a dry period has come to the area and the next rains are not expected until the end of March. Malawi is seeing favorable weather conditions, which helped to create a healthy January crop of 7.5 million kilos. However, the demand at auction has not shown as much optimism. This week 51% of all teas were left unsold and there was less overall attention to the auction. Indonesian tea markets saw good interest this week as 75% of all teas sold. Auction volumes have been growing at the Jakarta auction. Sunny mornings and rainy help to grow the bushes and the weather is continuing along seasonal norms. Most of the Northern hemisphere growing areas are waiting for the weather to warm up before the season can officially start. However, the cool weather allows factories to prepare for the upcoming season.

