

February 1, 2019

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
March 19	1.0370	-0.0220	-0.0310	-2.90%
May 19	1.0680	-0.0215	-0.0310	-2.78%
July 19	1.0955	-0.0210	-0.0310	-2.66%
September 19	1.1230	-0.0210	-0.0310	-2.60%

Coffee Market

More of the same this week as the C market continues to chop back and forth within the recent range. Prices lost ground for the week (down 2.9%) after six consecutive weeks of small gains. Movement came from speculators trading off weather forecasts for the most part. Recent weeks have seen smaller to mid-sized speculators building long positions mainly basis dry weather effecting the developing Brazil crop. This has lent a lot of volatility to the market though for two reasons. The weather forecasts change for one and the conviction of these smaller players is much less that of the larger funds and they are liquidating and reinstating positions as the forecasts change. Hence, the market trading both ends of a six and a half cent range on the week. Overall, the market remains fairly range bound. At this point, the weather in Brazil is somewhat of a concern but not yet major factor. The crop is already due to be smaller than the last record crop with estimates ranging from 10% to 20% (by some factoring in the weather). Crops out of Honduras, Colombia and Vietnam are all forecast to be lower by some degree than last year and some estimates are starting to look for global supply and demand for the upcoming crop cycle to move back into a deficit situation after this year's surplus. Physical business remains hand to mouth as differentials remain firm overall. The macro picture has been lending little clear input. The Us Dollar has been weak overall.

Technically the market weakened a bit near term but indicators are mixed. Overall, the slight uptrend since the December lows remains intact but it is certainly not exciting to chart based traders. Bigger picture the idea of a wide range for the coming year continues to hold merit. Continue to view current levels as value within the context of the projected range and would expect the market to work slowly higher over the coming months.

Tea Report

Kenya continues to output enormous amounts of tea despite the somewhat warm and dry weather. Reports are stating that the dry period may last into March or April. Indonesia is also seeing some dry areas. Indonesian tea auctions met strong demand this week. Crops are currently fair to good but with more of the dry weather on the way, farmers are weary. There is some tea coming out of South India but there are some reports of frost in the growing regions. Chilly nights are not helping the growing areas to produce quality teas for auction. Cropping is seasonally low and auction levels are moving sideways rather than gaining or losing ground. Yet, there is still fair demand at auction. Northern India is still too cold for producing to begin but the factories are being maintained awaiting the arrival of their season.

