

March 1, 2019

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
March 19	.9695	+0.0230	+0.0050	+1.09%
May 19	1.0020	+0.0185	+0.0020	+0.30%
July 19	1.0285	+0.0180	+0.0020	+0.29%
September 19	1.0550	+0.0160	+0.0010	+0.09%

Coffee Market

The C market posted its first week-to-week gain in five weeks. Gain is relative though with prices up less than ½ percent on the week. Still it is worth noting since the market did see another fresh low for the year in early week's trade. The dynamic was the same. Larger speculators and funds continue to sell the market, adding to already large short positions. The buy side remains thin as the industry is already sitting on good cover. Origin selling has been noted from Brazil but it has been sporadic. The decline seems somewhat self-fueling at this point, as the fund selling is more a function of money flow rather than a "coffee" play in itself. Physical business has taken on an odd dynamic. Differentials remain very high across the board and many origins are feeling the pain of prices being well below the cost of production. Colombia offers have dried up almost all together as producers refuse to sell. Any physical business has been focused on nearby inventory that is already in consuming countries. These are trading at high differentials but the low C market price is making those more attractive. Forward business is very light and sporadic at best. This dynamic cannot last forever but so far, the market is not testing the fund sellers resolve at all.

Technically the downtrend is overdone and the late week "rally" is actually starting to turn some indicators higher. On the longer-term scale, a weekly candlestick chart reversal formation (a hammer) is visible as well. Any turn in the market has the potential to be sharp given the recent performance. Overall, the big picture still projects a push back toward 130/140 at some point this year. That said the decline has lasted longer and pushed lower than any expectations. At this point would continue to buy slowly into new lows but otherwise stand aside into any notable strength to see how things play out.

Tea Report

There was another large tea auction in Kenya this week. Hot and dry weather prevails in the area but there is still a large volume of tea to intake. There was decent absorption with an intake around 88%. Malawi's tea auction saw lively demand with 96% being absorbed. Producers are hoping this amount of demand prevails in the coming weeks. There was fair demand in the Indonesian market this week with only 15% of all offering left unsold. Vietnam is starting to see spring plucking but staying aware of El Nino's effect. Southern India is seeing a dry spell resulting in low yields. Tensions between India and Pakistan may affect exports from India. Pakistan, as a large tea importer, could cause a lot of swing in various directions depending on how the situation turns.

