

May 24, 2019

# COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
May 19	.8825	-0.0090	0.0210	+1.03%
July 19	.9330	-0.0020	0.0205	+4.72%
September 19	.9560	-0.0020	0.0195	+4.54%
December 19	.9910	-0.0020	0.0205	+4.48%

## Coffee Market

The C market showed some signs of life as it touched three-week highs. Week to week prices rose almost 5% though it took a frost threat and a supportive macro picture to post those modest gains. Overall, the larger story remains the same, abundant supply, short funds and a well-covered industry. Early in the week, though cooler temps in one of Brazil's growing regions sparked a bit of speculative buying. While the threat seemed minor, overall, the harvest is in its early stages and it is a critical time. To this point, no damaging cold has been reported. It is the season though and even though the threat of catastrophic frost has mostly been eliminated as the production areas have migrated north, a news story using the "F" word strikes a bit of fear in anyone holding a short position. Funds remain a large short in the market but there has been little threat to their position so far. Origin selling was noted into today's highs. A weaker Brazilian Real continues to make even current C market levels a reasonably attractive sale for Brazilian producers. In general, producers continue to struggle under the low prices though and the market continues to look for some way to prevent the seemingly inevitable production declines that will likely be seen over the coming crop cycles. So far, a lot of noise on this front but no clear direction or action has been taken. Outside of coffee, commodities in general were firm this week. Talk of tariffs between the US and China put some upward momentum into the sector overall.

Technically the market has turned slightly positive near term but there is no evidence of a major turn being in place. Indicators are turning positive on some longer-term charts as well but so far, the overall structure of the charts off the recent lows appears corrective. While additional gains are likely over the coming days (perhaps another 5-7 c/lb), chart patterns are suggesting the new lows are just as likely before too long. Long-term charts continue to target 85 cents overall. At this point would prefer to let this short-term strength play out and be ready to buy again when new lows are eventually seen.

## Tea Market

Demand followed odd trends this week across world tea markets. In Kenya, tea of all sorts saw less demand. The devalued Rupee right before the start of the auction affected many of the buyers. This week was still a "small" auction with 120,000 packages. "Small" is only compared to previous auctions this year and the year to date auction. Temperatures are still favorable and the crop is gradually increases despite the patchy rainfall in some growing areas. High quality teas suffered with demand this week in Sri Lanka. Crop figures show a drop against this time last year by about 16%. High grown teas are seeing bright morning but it is more of the low grown tea that are seeing useful rains. Indonesian auctions saw fair demand with only 25% of all offerings unsold. Narendra Modi won the election for Prime Minister of India this week by a landslide. This was the highest turnout in history for the Indian general elections with 67% of the people voting. As for Indian Teas, the second flush is about to be upon us for both Assam and Darjeeling by the end of May.

