

May 31, 2019

# COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
July 19	1.0460	+0.0280	+0.1130	+12.70%
September 19	1.0710	+0.0290	+0.1150	+12.55%
December 19	1.1065	+0.0295	+0.1155	+12.11%
March 20	1.1410	+0.0305	+0.1195	+11.70%

## Coffee Market

The C market continued its surge this week, posting its best rally in eight months. Prices gained almost 13% on the week, as the market was able to maintain the momentum seen into the long weekend last week. The rally continues to be more macro related than anything but prices have moved enough to put a spark under the physical market as well. Buyers were mostly speculative with larger funds continuing to cover short positions and smaller speculators adding longs. Fund buying continues to be driven by the threat of a trade war with China. Corn prices have surged 25% over the last two weeks as large funds scramble to cover very large short positions. This is lending strength to commodities across the board as they are pulling in all positions. Smaller spec buying is opportunistic against this fund cover. Some industry buying has been noted. Many have been holding back buying over recent weeks as there seemed to be no bottom to the market but the rally has shaken that mindset. Origin selling was noted all the way up, as producers are happy to sell these much-improved levels. Physical business picked up slightly but differentials remain very firm despite the C market move. The macro picture also saw a stronger Brazilian Real add some tail wind to the rally.

Technically the market is trying hard to make the argument that a major low is in place. The near term technical picture is positive, though a little over bought. The longer-term picture is turning positive as well but still has some work to do. Overall, though at least a minor low is in place and this could see the market consolidate at higher levels for some time. Right now, the market is testing some critical resistance points so the next few sessions could prove significant. If funds cover in a big way then prices into the 110/115 area could be seen quickly. If not, though it is doubtful that the move will have too much more to offer. Bigger picture chart patterns are not particularly bullish and a push back toward recent lows is still a possibility. At this point would remain sidelined until at least the next notable pullback in prices is seen. That should lend some clarity on how big a move to expect overall.

## Tea Market

This week saw little change in tea auctions across the world. There is still patchy rainfall in the Kenyan growing areas with relatively warm weather. The crops should be seeing an increase in the coming weeks as favorable conditions continue. Northern Asian growing regions are warm and wet. These favorable conditions are allowing producers to be well into their spring flush. Indonesia is also seeing a considerable amount of rain with high temperatures. The crops are good now but there is less demand at auction. Darjeelings are selling well at auction but the second flush should help to increase demand. Higher grades of well-made whole leaf teas are selling at firm levels but many other grades lost some ground in the auction houses. The trade dispute between China and the United States has now gone so far as to include some agricultural products; tea has made that list. There could be some added tariffs for those importing Chinese teas to the US. This will surely be something to keep an eye on in the coming weeks.

