

June 7, 2019

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
July 19	1.0095	-0.0110	-0.0365	-3.49%
September 19	1.0360	-0.0105	-0.0350	-3.27%
December 19	1.0730	-0.0095	-0.0335	-3.03%
March 20	1.1090	-0.0090	-0.0320	-2.80%

Coffee Market

The C market posted one of the most volatile weeks in recent memory as it traded in a wide range. The biggest one day decline in 8 years was seen midweek as larger specs and funds squared off on both sides of the market. Overall the market saw a range of over eight cents and traded back and forth quickly. The above-mentioned spec/fund sector dominated trading. Larger fund shorts have been buying back long-standing positions in recent weeks and have been the main driver of the recent surge of recent lows. The buying had been thinning early in the week and it is estimated that they have more than halved their short positions. That said, they do remain short overall and that became evident on Wednesday when some large sell orders hit the market. Prices collapsed as smaller spec longs liquidated into a vacuum of support. It appeared that remaining larger fund shorts were selling anew to defend their positions. This sector remains on edge with potential tariffs and trade wars forcing them to reduce their exposure to many markets. While the volatility was exciting it had little impact on the physical side of the market. Some business was seen on a forward basis, but overall differentials remain firm and the market place is unsure of the direction. The rally was welcomed by most, but producers are still suffering with the overall low prices and not selling aggressively. Brazil is in the midst of the harvest though so far progress has been slow due to unsettled weather. The macro picture continues to be dominated by the above-mentioned trade uncertainty.

Technically the market turned positive recently, but this week saw things get a little overbought. The rally retraced roughly 50% of the decline off of the October rally high and ran out of gas. At this point short term chart patterns are not indicating a major trend change has occurred. The decline off of this week's highs is actually suggesting the recent lows will likely be revisited over the coming weeks. That said volatility has increased quite a bit, so it will not likely be a straight path. At this point would remain on the sidelines unless the market drops quickly back to the lows. Would then look to buy lightly on a scale basis and see if long term targets toward 85 cents could come into play.

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.

