

March 20, 2020

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
May 20	1.1970	+ 0.0700	+ 0.1295	+12.13%
July 20	1.1975	+ 0.0630	+ 0.1130	+ 10.42%
September 20	1.2010	+ 0.0565	+ 0.0990	+ 8.98%
December 20	1.2095	+ 0.0525	+ 0.00835	+ 7.42%

Coffee Market

Wow, where to start. The C market was not immune to the global crisis this week and it saw some of its most volatile trading in years. The week started on a negative note as the global meltdown across markets started to impact things. Prices surge midweek though as governments started to enforce stricter limits on the population to try and stem the spread of Covid19. Rumors of a port shutdown in Brazil sparked a twelve-cent intraday rally in the C market and woke everyone up to what the near-term future could look like. While prices settled down a little bit over the coming days the tone in the market is much different. While there was not shut down of Brazilian ports there have been some port restrictions in other origins (Honduras and Peru) and many ports are seeing slowdowns as governments try and limit the numbers of people interacting. While critical industries are allowed to keep flowing the scare sparked a change in everyone's thinking. The spot physical market exploded as the industry tried to secure enough inventory to wait out potential slowdowns or cut offs in supply. So far things are flowing though likely a little slower. The unknown is the big issue and likely will be for weeks or months to come. This is all on top of coffee being right in the heart of a mild deficit year on global supply and demand. The macro picture continues to be under pressure overall as the economic fallout of the crisis continues to look grim. Overall the nervousness and volatility in the market will see it prone to sharp moves and potential overreactions to any news story in the coming weeks.

Technically the market is in a positive stance and it closed very strong. Near term chart patterns are pointing toward 130 or so and there is certainly the possibility of a push higher than that in coming weeks. Would continue to try and buys dips as volatility continues though prices toward a dollar may become harder to come buy through the summer months. Expect a broad range overall but the boundaries of that may move higher than expected. Would be cautious overall and look to try and mitigate as much risk as possible, looking to extend coverage as the nearby month remains below 120.

Tea Report

Due to fears surrounding the COVID-19 outbreak, Argentina instituted a global quarantine, but tea continue to move to port, with some minimal delays. The previous shutdown in China has disrupted container availability in some regions, but shipping is catching up and the upcoming season is expected to be minimally impacted. In Kenya the auction was held as usual with the tea on offer remaining at the 200,000 level, with most of it moving out the door. Weather has remained good in the region as well. The first flush has begun in parts of North India and will move to the higher elevations in the next week or so. Indonesia has seen significant depreciation of the currency, causing disruptions to their market leaving much on offer unsold. Sri Lanka continues to see poor weather, but with high demand for what is on offer, likely due to the current uncertainty of supply chains.

