

August 28, 2020

## COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
20-Dec	1.2635	+0.0405	+ 0.0655	+ 5.51%
21-Mar	1.2735	+0.0375	+ 0.0575	+ 4.81%
21-May	1.2845	+0.0375	+ 0.0605	+ 5.02%
21-Jul	1.2940	+0.0390	+ 0.0635	+ 5.36%

### Coffee Market

The C market had a strong showing this week as prices turned higher once again. It posted its highest close in five months, gaining over 5% week to week. The driving force was once again focused on larger speculative buying as funds added about 5k lots to their net long position. A declining stock environment added to the positive sentiment on the market as the industry tries to come to terms with consumption. Overall consumption will be down due to covid but opinions are widely varied on the actual number and impact to supply. The market had been looking at a small estimated supply demand deficit prior to covid. The debate focuses on whether that moves to a balance or a surplus is at the heart of the argument around C market pricing. While neither outlook is particularly bullish to prices it does open debate on whether the market could return to recent lows. Physical business did pick up a bit as the C market rebound saw differentials ease slightly again. They remain firm overall and in contrast to the sharp market rally, but they are seeing some more activity. The Brazil focus now shifts to rains and flowerings for the next crop though it is early in that process. As Central America gears up for harvest period there will be intense focus on labor availability. The macro picture lent a little overall support to commodities as the Dollar weakened after the Us Federal Reserve announced a policy shift to keep interest rates low and allow for higher inflation in an effort to stimulate the job markets.

Technically the strong close and overall positive indicator bias point the market higher near term. The recent correction reacted sharply off the 50% retracement of the Jun/Jul rally and the chart is showing some evidence of building a longer-term base. That said there is ample opportunity for near term volatility to increase further and there is nothing underlying to suggest a major move higher in underway. Overall, the action continues to support the outlook of an overall range bound market that is pushing the boundaries of that range higher. Would continue to watch for a push toward 150 near term but further buying opportunities toward 110 over the coming months. For the moment would continue to be a spectator into market strength.

### Tea Report

Strong demand continues at Tea auctions in the Indian growing regions. But we know now that it is not bulletproof. Prices have started to ease in Northern tea centers as quality starts to slide. There were still plenty of buyers at auction and still good demand and absorption. CTC grades had around 85% sold while orthodox grades sold a bit better with as high as 98% sold. With still short supply in India, teas were sold but it could become more of a selective area as crops increase. Most other tea auctions were selective. In Kenya, a slight dip in absorption was met with some higher prices. 25% of offerings were unsold but the higher quality teas gained anywhere between 2-20 usc. Price and demand followed closely to quality. There is slight hope for the short rains that are due to Kenyan growing regions in October. The current forecast has predicted under-performance, but some growers are hopeful. Indonesia has rebounded from last week with only 40% of the teas at auction unsold. Weather is hot and dry with scattered showers in Sumatra.

