

September 4, 2020

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
20-Dec	1.3400	+0.0280	+ 0.0765	+ 6.57%
21-Mar	1.3455	+0.0290	+ 0.0720	+ 6.24%
21-May	1.3540	+0.0290	+ 0.0695	+ 5.88%
21-Jul	1.3620	+0.0290	+ 0.0680	+ 5.80%

Coffee Market

The C market tested the year's high this week as the price surge continued. Prices rose over 6% week to week as larger speculative funds continued to add to their net long position. They are now holding their largest long position since late 2016, though they are far from their largest long position. The rally is feeding on itself a little at this point. As funds buy the higher prices have started to see some short covering as smaller commercial operations feel the financial constraints of margin calls. So, to some degree higher prices beget higher prices. There remains little news. The physical market has picked up a bit again as the C market rally has eased differentials slightly. There remains some reluctance around forward offers in general, but things are slowly picking up. Brazil remains focused on weather now, which is seasonally dry. Rains through October will spark the flowerings for the next crop. Central American crops are slowly starting and so far, there seem no concerns around available labor. In general, the market remains well supplied near term and attention will be on consumption trends moving into the winter season in the Northern hemisphere. The macro picture is providing little direct input at this point. Overall, the Us Dollar is weak which is lending some light support to commodities in general.

Technically the market ends the week on a high note but is pushing well into overbought territory. Despite the strong close the need for a correction is pressing to the rally and at this point would expect prices to retreat somewhat over the coming weeks. While the long-term view remains that a wide range will be in play for the coming months, short term a decline will not likely test the lows. Would be on the lookout for a 10-12 cent pullback in prices but this will be within the context of an ongoing rally. Still expect this move to test the 145 area and establish the higher end of the range that will likely hold prices through the first half of next year. Prices below 120 should be eyed as a possible buying opportunity for now but otherwise would continue to stand aside and let the rally play out.

Tea Report

This week's tea auctions in India proved that it is not bulletproof. Demand fell slightly this week across Indian auction centers. Some grades fell in price as much as 15usc. There was still good overall demand, but excellent cropping conditions have been reported. With warm and wet weather, the crops are improving but the quality is slipping. Production is in full swing across the region. Kenya saw good demand at auction this week. 24% of the 138,438 packages were unsold. There was irregular demand and interest. Dust grades saw impressive levels of demand while main leaf grades saw demand following quality closely. Crops figures for July were released this week. July saw 36.5 million kgs produced compared to the 31.5 million kgs in 2019. Indonesia saw another tough week as broker's pushed prices higher which then caused withdrawals. Many lots were then sold with negotiations outside of the auction house.

