

September 11, 2020

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
20-Dec	1.3245	+0.0075	-0.0155	-1.94%
21-Mar	1.3340	+0.0080	-0.0115	-1.60%
21-May	1.3435	+0.0090	-0.0105	-1.48%
21-Jul	1.3535	+0.0100	-0.0085	-1.40%

Coffee Market

The C market basically chopped around on the shortened week after an initial sell off failed to gather steam. Prices lost about 2% week to week and the market traded a fairly narrow range as it consolidated. Funds were small net buyers on the week but were not aggressive at all. There was some light sporadic industry buying noted as well. Origin selling was modest. There is little news in the market at this point. Brazil is on weather watch as dry weather continues. Rains are needed to help the next crop set and flower. To be fair "rainy season" doesn't usually begin until October but the weather has been dry for some time. While this is not unusual the weeks leading up to the first major flowering are a stress point every year. Central American harvests are progressing with no reported delays or issues so far. Physical business remains sporadic and differentials overall remain fairly firm. The macro picture was quite choppy on the week and not providing any direct input.

Technically the week finishes with the market still showing a weak positive bias overall, but indicators are overbought. Chart patterns are a little negative. A negative hanging man formation is visible on the candlestick chart and Elliott patterns are suggesting a larger correction over the coming week or so. While higher levels are likely to be tested still the market seems poised to pullback further first. Would expect to see prices dip toward the mid to low 120s before an eventual test toward 145/150 is seen later in the year. At this point would remain sidelined as the range plays out. A push toward 120 would be an opportunity to cautiously extend coverage if needed. Also expect volatility to remain high for the time being. The market still appears to be setting the boundaries of the broader range for the coming year.

Tea Report

The Kenyan tea auction saw fair demand and steady quantities of tea this week as around 136,000 packages were up at auction. Some large buyers were not present this week, allowing some types to sell at easier rates. Demand followed closely to quality as many types slipped with the lack of interest. PF1s, as a whole, sold easier this week. There will be larger sale next week with about 141,000 packages. The colder season is prevailing, and many areas have begun to prune the bushes. The off season in Malawi and Argentina have made it to where there is limited stock available. Some logistics concerns have begun to pop up in Malawi but not enough to cause delays at this point. India is still seeing strong demand and high prices. In some cases, producers are making the switch to the local market as it is a little more profitable at this point. Quality has not been the driving factor with limited supply but has begun to slip due to floods in some growing regions. The prices driving ever higher in India has caused many buyers to look elsewhere for like-origin teas. This has been the benefit of origins like Sri Lanka lately. We are finally seeing some upward movement in the Sri Lankan market.

