

October 2, 2020

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
20-Dec	1.0895	+0.0190	-0.0470	-3.74%
21-Mar	1.1095	+0.0175	-0.0425	-3.21%
21-May	1.1235	+0.0170	-0.0425	-3.17%
21-Jul	1.1375	+0.0165	-0.0415	-3.05%

Coffee Market

The C market posted a two-month low once again as the slide continued. Prices lost about 3% week to week. Once again large speculative funds were the providers of the price pressure, but this week saw selling from both sides as long liquidation was augmented by new shorts being added. Scale down industry buying continues and has been increasing in volume the closer the market gets to a dollar. Origin selling was minimal. Despite crops being underway in Central America there was little pressure seen as crops are a bit delayed and there remains slack demand. So, despite firmer differentials producers are holding back at this point. There remains little news. Brazil continues to monitor weather that remains hot and dry. Some selling was generated this week against longer range weather forecasts showing some rains about two weeks from now. Honestly this situation could push the market either way as funds react to forecasts. Reality is that if the weather remains dry for a few more weeks focus will shift to crop estimates and potential reduced production. There is already talk of a notable decline for the next crop overall. The macro picture added some pressure as well as there was a general "risk off" tone across many markets in the wake of the presidential debacle, I mean debate. Followed by news our President had contracted Covid, general economic uncertainty abounds.

Technically the market ended the week a mixed bag overall. Some indicators hooked higher at the end and generated a few weak buy signals. Overall, the market is entering a support zone on the charts that should provide a base for the recent rally to turn. Chart patterns continue to point to a broad range. The market may still be feeling out the boundaries of that range buy overall an acceleration lower from current levels seems unlikely. At this point would continue to view prices near 110 as good value to extend coverage. Beyond that would remain patient into continued volatility.

Tea Report

This week there have been some positive outlooks for the tea world. Weather in East Africa has been favorable for tea production and the crops are high or increasing. The Kenyan tea auction had a lower volume offered with 133,340 packages vs the previous week's 141,000 packages. There is hope that crops and quality are increasing could help the market. The next couples of weeks show a steady increase in auction quantities. The hope is that quality will push the demand higher as well. Asian tea markets are still struggling with logistics issues. There is also hope that constraints will be relaxed as the season is coming to an early end. For the time being, prices remain firm. India's crop figures were released for August. A total decrease of 7.3% doesn't sound quite as bad as expected. But when looking at the different regions, it tells a different story. North India has had a deficit of 18.6% compared to 2019 while South India only has a 1.1% decrease. September saw conducive weather and good outturn for leaf. It will be interesting to see how the crop figures look for September. Auctions varied widely across North and South India. One South India auction sold 82% of the offerings while another South Indian auction had 60% of the offerings *unsold*. Pay attention to the next couple of weeks.

