

December 18, 2020

# COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
21-Mar	1.2525	-0.0135	+0.0365	+3.29%
21-May	1.2710	-0.0140	+0.0370	+3.08%
21-Jul	1.2860	-0.0145	+0.0365	+3.00%
21-Sep	1.2990	-0.0145	+0.0355	+3.13%

## Coffee Market

The C market continued to work higher this week posting three-month highs. Prices gained 3% week to week. Early speculative and fund buying pushed the market higher quickly to begin the week. The fresh highs attracted modest Origin selling but the market was able to hold the gains through the end of the week even as volume thinned. Funds continued to add to their net long on the week. There remains little physical activity. Differentials are remaining firm (and even increasing a little) despite the rally. As the market focuses more and more on the supply side of the next year it is becoming increasingly concerning. Output reductions are expected from Brazil and Central America due to recent weather events. There are also some concerns starting to circulate over the Colombian midcrop development as well due to poorly timed rain. Obviously only time will tell and there is still the impression of more than ample supply nearby due to Covid reductions in consumption. More and more reports are suggesting though that demand, while down, was not as severely impacted as originally expected. While that still may not mean the market will head into a deficit next year it is not as oversupplied as originally thought and the production reductions are starting to permeate the market mentality. The macro picture was modestly positive overall as vaccine roll outs give a glimmer of hope for the global economy. The US Dollar was weaker overall as well.

Technically the market ends the week mostly positive though a few overbought indicators turned lower today. The price action continues to build a base for higher levels it seems. Would continue to expect near term price action to push toward 140/145. While it would not be surprising to see that by year end the window is obviously closing fast on the year. Still would expect those levels even if it takes a few weeks into the new year. Looking forward this test of the upper end of the range will likely see the market stay at higher levels through the first quarter of the new year. Overall continue to see levels toward 115/110 as good value but otherwise would stand aside and let the range play out.

## Tea Report

Logistics remains a concern in most Asian origins. Indonesia is seeing favorable weather conditions, but the berth space is tight for shipping. The season in North India has finished but there is not enough tea for buyer's preference. The remaining teas will more than likely be sold until the end of January. South India is still producing now and is seeing reasonable output. Temperatures are dropping which is a good sign for increasing quality. Wet weather can be seen in East Africa and Argentina. Argentina needs rain for better output. Although the rain is needed to produce, the demand is not there currently. COVID may seem to affect the away-from-home market, i.e. restaurants, in North America. But the exact impact is unknown right now. East Africa is seeing good amounts of tea come through auction with 165,526 packages offered this week. Good demand was able to leave only 14.26% unsold.

