



WEEKLY MARKET REVIEW JANUARY 30 – February 05, 2009

February 06, 2009

‘U-TURN’

1. GENERAL

- after a slow erosion, then a sharp drop, the ‘c’ performed an about-turn yesterday, skipping back into positive technical territory. liffe on the other hand, although also rallying strongly, still looks to be in a more precarious position, barely touching the moving averages with its fingertips.
- a quiet week for brazil, with internal market subdued, and fob market for both current and new crop firming up slightly. excellent weather continues for new crop development.
- colombia is waiting for a good, prolonged dry spell to trigger good flowering for the 09/10 main crop. there is still a few weeks' grace before any continued rainfall becomes again critical. internal market this week was stable, while export market saw increased volume of offers.
- vietnam selling still restrained, even after tet, but indonesian new crop offers for may shipment are softening. industry already has good robusta coverage.
- nybot certified stocks as of feb 9th: 4.227 mn bags (down 47,000 on the week).
- liffe certified stocks as of jan 26th: 3.317 mn bags (up 491,000 on the fortnight)
- we estimate spec/fund position on ice around 4,000 lots net long (plus index funds 34,000 lots net long), and on liffe around 3,000 lots net long

2. PRICE COMPARISON

(all in cts/lb)

change vs

	<u>05.02.2009</u>	<u>29.01.2009</u>
ice mar09	119.20	-2.30
liffe mar09	74.80	-3.31
arbitrage ice mar09/ liffe mar09	43.40	1.00

comments basis ice mar09 at 118.50, liffe mar09 at 1650.

ice. has attempted lower numbers but found support at 114.00 and again has rallied strongly with lack of any evident selling to cap the rally. without a break of 123.50 and 112.70 to the downside the market feels as though it's rangebound. good spread activity in h/k as the rolling starts prices ranging between 2.25 and 2.10.

support: 114.10, 112.70, 110.00, 106.70 resistance: 119.85, 123.40, 125.85, 128.25

liffe: also attempted lower numbers and found good industry and trade support at 1600. no follow through selling found the market rallying towards the weeks high of 1685. without a break of this level the market also rangebound.

support: 1599, 1585, 1562, 1542. resistance: 1691, 1745, 1845

3. BRAZIL

- local market: business has been clearly slower early week due to weak ice combined with a stronger real. producers either withdrew or just kept selling ideas unchanged and found only few exporters in need of coverage. replacement differentials firmed a couple of cents.
- export market: the most aggressive offers have disappeared even though price levels remain historically cheap. main interest is still for 09/10 crop coffees.



- weather conditions have been quite excellent and should help to off set negative effects of the reduced fertilizer usage.
- bmf mch09: \$ 131.50 (-3.20)
- arbitrage bmf/'c' mch/may: 21.60 (+0.22)
- exchange rate: 2.2850 (revaluation 0.25%)

4. COLOMBIA

- local market: differentials remain firm, outright prices relatively stable at historic levels thanks to the dollar strength while ice was losing ground.
- export market: slightly increased quantity of offers came to the market for nearby shipments, mitaca months and even for the upcoming main crop.
- a dry spell is absolutely needed to secure a good flowering and thus a big potential for the 09/10 main crop. it isn't happening yet but not too late either.
- exchange rate: another strong week for the dollar. high: 2500, low 2415 and close 2453.

5. LATIN AMERICAN MILDS

- mexico: ripening process of high grown coffee is still delayed due to colder than usual weather. increasing demand from u.s. and asian industry but little biz has been reported.
- guatemala: ongoing short covering by exporters and intermediaries is still making for a very firm local market. many exporters are still withdrawn and only smaller quantities are changing hands.
- el salvador: total registrations are now at 600.000 bags, exports so far 220.000 bags. fairly good activity this week. offers and demand increased, diffs seem to be peaking.
- honduras: rains returned delaying the harvesting process further and keeping the internal market on fire. short covering by exporters is painful as internal market trades considerably above export diffs.
- costa rica: coffee is still scarce internally. excellent industry and trade demand from several directions cannot be satisfied. diffs continue strong.

6. AFRICA/PNG

- kenya: good volumes traded this week, focus on nearby shipment, differentials remain unchanged compared to previous week. quality remains quite good.
- ethiopia: despite the fact that auction price at the coffee exchange remains still firm a good volume of sales have been registered at the national bank. business rather slow because of declining ice.
- burundi: ongoing appetite even though coffees have seen their freshest days. all coffees auctioned have been sold at persistent high differentials.
- tanzania: fair demand in all qualities from all regions at firm diffs.
- png: cherry volumes have remained high this week in the western highlands province but wet weather has slowed down parchment arrivals in all provinces. business rather slow which is normal being out of the crop.

7. ROBUSTAS

- good demand from industry for 2nd half 2009 positions while nearby extra demand can be absorbed by the remaining spots. supply pattern at origin remains rather sluggish with most origins withdraw from offering these positions.
- vietnam: domestic sales were active earlier in the week, keeping a lid on the market, but there was no follow through selling into the lows. light consistent industry appetite is seen for all positions. the dong remains weaker in unofficial markets and the government is subsidizing its lending to exporters with a 4% reduction in interest.



- indonesia: the flow of fresh asalan has come down considerably this week as most farmers and local traders are holding back stocks. with the absence of the domestic manufacturers the exporters took a chance and absorbed all the ammunition which came to the market. weather pattern has improved slightly. cloudy sky and scattered showers spread over the coffee growing region. new crop interest remain strong. industry is bidding for various qualities for may shipment onwards. differentials soften slightly compared to previous weeks indicating the crop pressure is just around the corner.
- brazil: good activities have been reported in the local market this week. short covering kept the local prices on high levels. the external market remain paralysed. new crop offers are still overvalued. at current fob levels it is impossible to move a single bag.

8. ORIGIN DIFFERENTIALS FOR FEB/MAR SHIPMENT CTS/LB FOB

	this week			last week		
brazil swedish crop 08/09	c	-	21	c	-	22
colombia excelso	c	+	23	c	+	24
costa rica hb crop 08/09	c	+	21	c	+	20
honduras hg crop 08/09	c	+	2	c	+	2
kenya ab faq	c	+	55	c	+	56
viet gr 2 (cif)	liffe	-	40	liffe	-	40

regards,
VOLCAFE LTD