



**WEEKLY MARKET REVIEW JULY 10 – 16, 2009**

July 17, 2009

**‘OVERALL QUIET – TOUGH TIMES FOR TRADERS’**

**1. GENERAL**

- physical market: interest/demand for first half 2010 gaining momentum, with brazil taking the lead earlier in the week. vietnam robusta shipments going slow – reason for concern?
- the tight colombian situation continues, nearby biz paralyzed
- first brazil put option auction this week for 1 m bags followed by another auction next week, bringing the total program to 3 m bags. origin diffs showing firming tendency
- industry appearing as scale down buyers, adjusting/lowering buying targets/levels in line with falling ny market
- ny certified stocks as of july 16th: 3.561 m bags
- liffe certified stocks as of july 13<sup>th</sup>: 6.069 m bags
- we estimate spec/fund position on ice close to square and index funds unchanged 42,000 lots net long. at liffe estimate funds at 2000 lots short.

**2. PRICE COMPARISON (all in cts/lb)**

change vs

	<u>16.07.2009</u>	<u>09.07.2009</u>
ice sep 09	115.65	0.00
liffe sep 09	64.09	2.77
arbitrage ice sep 09/liffe sep 09	51.56	- 2.77

comments basis ice sep09 at 116.60, liffe sep09 at 1430

ice: one week passed and market is trading exactly same level where it was. there were two days of good support around 113.00 and everybody thought it was ready for a big correction. wrong assumption. thursday action proved it is still walking on a thin edge and big volatility in both sides can happen as bids/offers are light. short-term consolidation between 113.35 – 119.55 range is possible.

support: 114.60, 113.35, 109.00, 106.60 resistance: 119.55, 120.20, 121.75, 125.40, 128.20

liffe: technical picture continues improving. market is trading almost 200 dollars above since a new low three weeks ago. despite further certified stocks increase it has been able to go up. a close above 1450 is necessary to keep the positive mood. sep/sep arbitrage traded between 51 and 54.5 this week.

support: 1384, 1340, 1313, 1275, 1250 resistance: 1450, 1463, 1507



### **3. BRAZIL**

- local market: another week with almost no trading activity. replacement value remains extremely firm at around U -12.00 c/lb. producers are sidelined avoiding sales at current low prices and exporters not ready yet to give in.
- export market seems to be at a complete standstill. offering differentials about unchanged as last week. compared to replacement level, diffs remain quite attractive.
- first put auction for 1 mio bags took place. prices translate into at least R\$ 285 for the farmer. next week there will be a second auction with 2 mio bags on offer.
- recent rains caused some delays in new crop coffees coming to the market.
- bmf sept 09: \$ 131.40 (+0.90)
- arbitrage bmf/'c' sep/dec: 19.36 (0.39 firmer)  
exchange rate: 1.9302

### **4. COLOMBIA**

- local market: coffee flow remains decent even increased a bit versus last week.
- export market: bits and pieces traded for nearby shipment at unchanged differentials. although availability is limited, not all coffee is absorbed at current inflated prices. first smallish new crop business reported at around 30 c/lb discount to current levels.
- exchange rate: the dollar has lost ground within the range, getting dangerously close to the 2'000 level. high 2133, low 2012 and close 2024.

### **5. LATIN AMERICAN MILDS**

- mexico: fill in demand for better cupping high grown coffees. some interest for new crop coffees showing up but price ideas are still far apart. weather has been dryer than normal, coffee so far not affected.
- guatemala: new crop origin offers do not yet attract a lot of attention.
- el salvador: some improved rains remain irregular. low grade leftovers on offer.
- costa rica: weather promising for coffee plantations. current crop sold out – absolutely no coffee on offer. new crop offers do not spark interest.
- peru: demand from all markets increased, no new sales have been reported. internal prices equivalent ice +16.00 / +20.00 c/lb.

### **6. AFRICA/PNG**

- kenya: no auction this month. dry mills receiving early crop parchment coffees, cup quality reported very good, bean size small. smallholders receiving final payments of last crop, general euphoria due to decent past crop volume as well as high price levels. underlying industry interest in all qualities from grinders to aa.
- tanzania: harvesting of new crop progressing well in southern highlands and lower lying areas northern regions. crop negatively affected by drought conditions past 9 months. specialty industry looking for top quality coffees sept/oct shipment onwards, biz limited due to smallish volumes offered & stiff asking diffs.
- ethiopia: ecx coffee prices increased sharply this week following devaluation of local currency. national bank devalued the birr by about 10 pct against usd amid dwindling forex reserve. among many other reasons a major cause of dramatic foreign exchange decline is sharp reduction of coffee exports by approx 30 pct during past fiscal year.
- uganda: early crop drugars delivered to kampala, prices high. fly crop bugisus not yet available.
- png: local coffee activities slowing down. ongoing uncharacteristic wet conditions contribute to slowing down of arrivals. physical market rather quiet, diffs firm.



## 7. ROBUSTAS

- vietnam: physical market remains firm although thin volumes are being bought at slightly softer differentials by shorts. july shipments are expected to be lower in 65-70'000 mt range. the vnd exchange rate continues to be problematic. official currency rate closed at 17'800. heavy rains this week in all coffee areas.
- indonesia: local situation tightens correlating with vietnam. farmers hording their coffee waiting for better prices. any coffee that comes to the market is readily snatched up by various exporters. usd/idr weakened in line with indonesia stock exchange movement. it is now trading in the 10'020 to 10'175 range.
- uganda: higher prices have significantly improved the flow of faq to the market place helping to ease the earlier rather tight conditions. external market is neglected and sellers remain defensive/withdrawn.
- brazil: local market remains sidelined as nobody is in a hurry to sell at current prices. export differentials reached a two digit premium.

## 8. ORIGIN DIFFERENTIALS FOR AUG/SEP SHIPMENTS FOB

	this week			last week		
brazil swedish crop 08/09	c	-	22	c	-	22
colombia excelso	c	+	65	c	+	60/65
honduras hg crop 08/09	c	+	8	c	+	8
kenya ab faq	c	+	70	c	+	70
viet gr 2	liffe	-	20	liffe	-	20

regards,  
VOLCAFE LTD