WEEKLY MARKET REVIEW SEPTEMBER 18 - 24, 2009 September 25, 2009

'ICE IS LIKE A BAD JOKE – EVERYONE SAW THE PUNCHLINE COMING'

1. GENERAL

- late in the week new york finally sprung a well-laid bull trap, collapsing into a void and breaching all stops, supports and anything else the chartists could throw at it.
- institutional "investors" seem to have been the main casualties, although the lower market raises concerns in origin ahead of the main sales season, especially if the collapse turns into a prolonged down trend.
- both london and bmf markets were slow to react to the new york action, leading to tightening arbs across both boards.
- first half of the week saw brisk physical business, especially on the origin side, and especially out of brazil. ice's change of direction switched focus to the consuming side, and improved demand for both paper and spots.
- new crop business still slow, especially direct from origin.
- we estimate spec/fund position on ice 15,000 lots long and index funds at 46,000 lots net long. at liffe estimate funds short -8,000 lots. ice certified stocks unchanged at 3.36m bags, liffe up slightly to 6.39m bags.

2. PRICE COMPARISON (all in cts/lb)

		change vs
	24.09.2009	17.09.2009
ice dec 09	129.30	- 6.75
liffe nov 09	63.50	- 5.62
arbitrage ice dec 09/liffe nov 09	65.80	- 1.13

comments basis ice dec 09 at 128.30, liffe nov 09 at 1400

ice: if last week was a victory for the bulls, this week's winners are the bears. after three attempt to go through 138 and re-test last month's highs (141.65) the market completely collapsed thursday and broke several support lines. down action is not over, considering funds increased their long position during the rally and didn't have enough time to liquidate. a close above 131.50 is necessary to avoid more long liquidation.
support: 125.10, 123.20, 119.90, 116.40 resistance: 131.50, 133.90, 135.75, 138.30.

liffe: market lost more than 100 dollars this week after having problems in the last two weeks to keep the bull pace. buying interest was over but selling orders were still there. market needs to find a short-term support to attract buying interest again. tough work with vietnamese crop a few months away.
support: 1381, 1349, 1336, 1300 resistance: 1428, 1473, 1527, 1552.

3. BRAZIL
- local market: into the early week's highs, there was again more volume showing up and replacement levels widened by another 2 or 3 c/lb. yesterday's collapse will cool off the market, and a possible continuation of the weakness will have differentials narrowing again.
- export market: some business reported at current cheap levels, but a possible tightening of exporters' asking differentials will likely leave buyers sidelined.
- yesterday's generalized sell off in all markets also brought some weakness to the sao paulo stock exchange and even the real lost 1% vs the usd (after making fresh highs at 1.89), but nevertheless the uptrend of the real remains unbroken.
- bmf dec 09: $ 150.55 (down 5.55)
- arbitrage bmf/'c' dec/mch: -18.44 (2.56 firmer)
- exchange rate: 1.8100 (unchanged)

4. COLOMBIA
- local market: no real improvement in the flow of coffee, as expected. internal market prices remain stable despite pressure from buyers to push differentials lower.
- export market: buyer's and seller's price ideas for new crop shipments are still between 5 to 10 c/lb apart thus barely any busienss reported.
- exchange rate: continues to firm. high 2.006, low 1.911 and close 1.924.

5. LATIN AMERICAN MILDS
- mexico: internal market shows light interest in prime washed qualities for nov/dec delivery whereas outside demand was focused on better qualities for shipment first half 2010.
- guatemala: quality of first low grown deliveries looks fine. coffee flow is expected to pick up during october. some specialty biz has been concluded but price ideas on mainstream coffee remain far apart.
- honduras: industry follows the differential development very carefully but decisions were postponed due to local political situation.
- el salvador: outside demand has picked up, fair volume was traded at slightly softer diffs.
- costa rica: weather conditions continue favorably in the central valley and the tarrazu growing region. fairly good demand from the usa, especially for better grades.
- peru: shipments during jan-aug were 1.5 m bags, 12% below last year. buying interest was concentrated on labelled coffee, conventional qualities were neglected, diffs again a touch lower.

6. AFRICA/PNG
- kenya: the final auction of the 08/09 crop was held beginning of this week. the firmer 'c' and strong differentials may have staved off much buying interest from the industry, but did little to dampen buying spirits.
- tanzania: around 15.000 bags have changed hands during this week's auction at fairly firm levels.
- ethiopia: this week national bank coffee sales registration soared by 33% compared to the previous week whereof natural coffees were the majority. very high asking prices from exporters and very expensive stocks at ecx hamper further sales potential.

- uganda: washed coffees are slowly coming to the market amidst plenty of interest. drugars are running slow for the time of the year mainly due to heavy rains.
- png: high prices in line with the increase at ice saw improved arrivals. this is despite the wet weather during the week. september exports are expected to be large. forwarders' warehouses and shipping agents' equipment are all being stretched. the australian and asian market continue to take small volumes of various grades for nearby shipment. all other regions remain quiet.

7. ROBUSTAS

- vietnam: weather conditions continue to remain beneficial for the coming harvest. the domestic market remains quiet and focus has turned to the new crop but differentials fail to attract much interest.
- indonesia: extremely quiet week due to ramadan. sporadic roaster interest but little biz has been reported.
- uganda: the outlook for the central region robusta crop does not look bright at this stage with volumes likely to be a bit lower than last year due mainly to the impact of the dry weather during the first half of the year. internal values for the small volumes currently available are rich.
- brazil: biz at standstill as nearby needs seem to be covered and present offering levels are considered as too high.

8. ORIGIN DIFFERENTIALS FOR NOV/DEC SHIPMENTS FOB

	this week			last week		
brazil swedish	c	-	20	c	-	22
colombia excelso	c	+	32	c	+	35
honduras hg	c	+	2	c	+	3
kenya ab faq	c	+	70	c	+	72
vietnam gr 2	liffe	-	90	liffe	-	90

regards,
VOLCAFE LTD