



WEEKLY MARKET REVIEW OCTOBER 02 - 08, 2009

October 09, 2009

‘DOLLAR-FLU PANDEMIC SPREADS’

1. GENERAL

- the new york market has been a roller-coaster for the past few months, although the rides are getting tighter and quicker.
- coffee is buffeted by the macro picture, as all asset classes gain ground and the usd takes a long-expected beating.
- physical business starts to pick up. buyers and traders eye the possible differential bargains that such a market normally brings.
- origins, especially centrals, sticks to their guns and refuse to be bid down.
- a sudden surge in colombia demand by a near-by short sees diffs head the other way, tightening to +35c. flow continues poor.
- brazilians, while no doubt welcoming the rise in new york, point to the dollar weakness as a good reason not to change their differential ideas.
- we estimate spec/fund position on ice up to 20,000 lots long and index funds at 48,000 lots net long. at liffe estimate funds short 8,000 lots. ice certified stocks at 3.31m bags, liffe at 6.35m bags.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>08.10.2009</u>	<u>01.10.2009</u>
ice dec 09	137.90	11.20
liffe nov 09	67.17	5.35
arbitrage ice dec 09/liffe nov 09	70.73	5.85

comments basis ice dec 09 at 137.00, liffe nov 09 at 1465

ice: strong outside factors (gold, oil, currency) and a break of technical resistance levels of 135.35 and 137.05 triggered buying taking us to the highs of the week. very few offers of any size above offering little resistance to the rise. some profit taking noted scale up from 138.00. structure tightened with z/h trading into -2.75 from -3 earlier in the week. arb selling seen in the z/f at 70cts and h/h scale up from 71cts. decent outright volume seen this week.
 support: 134.90, 131.50, 130.00, 127.85 resistance: 139.00, 141.65, 143.50, 146.45.

liffe: new crop offers seen early in the week keeping a lid on the pace of any rise. spec and arb related buying were noted at the beginning of the week. small amount of fund short covering was also seen towards the end of the week. profit taking seen from 1480. nearby structure x/f seen tightening into -22 from -30 on fund rolling.
 support:1446, 1424, 1381, 1340 resistance: 1488, 1527, 1552, 1590.



3. BRAZIL

- local market: the market is slowly waking up. neither internal prices nor replacement levels were much changed, but ice and the exchange rate oscillated nervously, offsetting each other.
- export market: exporters kept differentials for good cup qualities unchanged. for fine cup coffees one even has to pay more than before the rally.
- bmf dec 09: \$ 159.60 (up 8.75)
- arbitrage bmf/'c' dec/mch: -19.99 (4.43 weaker)
- exchange rate: 1.7360 (re-valued)

4. COLOMBIA

- local market: differentials are firming up internally, as some demand starts to show up with no change in coffee flow. the ice rally as of yet is not compensating the dollar weakness.
- export market: nearby interest starting to pile up resulting in firming differentials. roasters don't seem ready to change their mind for forward spreads although some business reported.
- exchange rate: the usd/cop falling. high 1.943, low 1.857 and close 1.876.

5. LATIN AMERICAN MILDS

- mexico: internal market remains tight. everybody is waiting for the fresh coffee to come to market. weather conditions normal which enables the cherries to develop nicely. very first pickings reported in the chiapas region.
- guatemala: intermediaries are paying sky-high prices for the first low grown coffees becoming available. export market remains mostly neglected with industry waiting patiently for differentials to come their way.
- honduras: some very low areas are reporting first pickings. weather pattern has been on the dry side and very warm. nevertheless enough humidity is around not to hamper the ripening process. very little business going on, even though more interest is shown. however, most exporters don't trust the bids with "low" differentials yet and prefer to wait, which is partly also influenced by the current political situation.
- el salvador: internal market remains at a standstill. weather conditions are improving the development of the coming crop.
- costa rica: climate conditions remain favorable for coffee trees. producers are taking advantage of the rally and are fixing contracts.

6. AFRICA/PNG

- kenya: auction unchanged firm. no imminent improvement on coffee flow expected, fortnightly auctions will continue for the foreseeable future.
- tanzania: some 2000 tons new crop arabica changed hands at this week's auction, diffs very firm. weather conditions continue dry.
- ethiopia: local activities remain subdued. industry focus on current crop sundried qualities, nearby availability tight.
- uganda: drugar flow picking up significantly. active industry interest continues.
- png: higher terminal market brought some coffee to local markets, however general coffee flow continues to reduce in line with off season. sizeable industry interest for 1st half 2010 shipment.



7. ROBUSTAS

- vietnam: internal market still rather slow ahead of the main crop where picking has just commenced. weather conditions remain relatively neutral. excellent demand seen for all new crop positions.
- indonesia: asalan volume has been disappointing this week with only around 800-1000 mt. quite some interest from industry popping up but shippers remain sidelined as they are concerned over the tight supply.
- uganda: there is a trickle of coffee to the marketplace but quiet conditions prevail pending the new crops. external demand is muted as selling ideas remain fairly rich.
- brazil: internal coffee flow improved finally a bit. offering prices remain sky-high at around +20.00 c/lb fob.

8. ORIGIN DIFFERENTIALS FOR NOV/DEC SHIPMENTS FOB

	this week			last week		
brazil swedish	c	-	22	c	-	20
colombia excelso	c	+	32	c	+	30
honduras hg	c	+	1	c	+	1
kenya ab faq	c	+	75	c	+	70
vietnam gr 2	liffe	-	100	liffe	-	100

regards,
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