



**WEEKLY MARKET REVIEW FEBRUARY 12 – FEBRUARY 18, 2010**

February 19, 2010

**‘Fed up; coffee down’**

**1. GENERAL**

- in case anyone was in any doubt what drives this market, the fed’s actions immediately weakened new york, stopping the recent rally in its tracks. enough to make a fundamental trader thoroughly fed up.
- both brazil and vietnam were absent for most of the week, as the far more important business of partying (carnival/ tet, call it what you will) took center stage.
- colombia diffs might have fallen from the skies, but the crash zone is still being investigated. somewhere in the mid +50’s seems to be the consensus.
- other central coffees were fully firm, if available at all.
- eafca conference in mombasa wraps up; good participation noted and a very positive atmosphere.
- we estimate spec/fund position on ice at 4,000 lots short and index funds 54,000 lots long. on liffe we estimate funds 21,000 lots short. ice certified stocks at 2.84 mio bags, liffe at 5.27mio bags.

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

change vs

	<u>18.02.2010</u>	<u>11.02.2010</u>
ice mar 10	1362420	2.75
liffe mar 10	59.24	-1.13
arbitrage ice may 10/liffe may 10	77.16	3.88

comments basis ice may10 at 135.50, liffe may10 at 1305

ice: despite pressure from outside influences coffee has had a steady week. fund selling was seen into trade and industry buying. lack of follow through selling saw the market hold. encouraging macro numbers mid week saw short covering into light origin selling and profit taking. market has a rangey feel about it 130.50-137.50. needs a break above or below to bring renewed interest. after trading into -1.30 spot spread settled at 2.3 on liquidation prior first notice day.

support: 133.60, 130.35, 124.75, 121.35 resistance: 137.85, 141.00, 145.15, 149.50  
liffe: with continued pressure from origin london has been unable to follow any lead from ny to rally. funds have been noted as continued sellers. industry well covered nearby with buying interest seen in sep onwards. weight of origin selling causing the nearby spreads to weaken circa 5 dollars on the week. support seen 1270-1300 basis second month. A break and close needed above 1350-1375 to bring in any short covering.

support: 1300, 1250, 1219, 1177 resistance: 1342, 1380, 1425, 1448



**. BRAZIL**

- local market: the long carnival weekend reduced physical activity. in general it is the same story, fine cup coffees are scarce and asking prices remain firm at better than even money, washed offers almost non existent, whilst weaker/rioy coffees are easily available in size. replacement differentials firmed for most qualities.
- export market: in general a short and slow week as well, but odds and ends of top quality and washed coffees for 1<sup>st</sup> half 2010 positions traded at firmer differentials.
- the real won further ground against the usd.
- plenty of welcome rains reported in mogiana and also south minas.
- bmf mch 10: \$ 164.50 (up 1.30)
- arbitrage bmf/ice mch/may: - 12.04 (1.76 weaker)
- exchange rate: 1.8250 (reval 1.50 %)

**4. COLOMBIA**

- local market: after last week's selling wave, internal biz stabilized and differentials traded sideways during the last few days. some intermediaries are still sitting on expensive inventories and hold on to it. production regions have seen beneficial rains which are quite a relief in an overall dry weather pattern.
- export market: outside demand was patchy with modest volume traded to the u.s. and asian markets. differentials for nearby shipments traded around the mid 50's, later shipments a touch lower.

**5. MEXICO/CENTRALAMERICA**

- mexico: bad weather in puebla and veracruz continues to delay picking of cherries and deliveries to wet mills. internal prices remain firm. fairly good roaster demand for prime washed and high grown coffees from european and asian markets.
- guatemala: internal cherry and parchment prices remain unchanged. after a fairly active last week, industry demand slowed down again.
- honduras: rainy and cold weather hampers internal coffee flow. ongoing outside demand at stable differentials.
- el salvador: situation unchanged, exporters abstain from offering further ammunition.
- costa rica: little activity internally and externally. offering differentials a touch firmer.
- peru: industry starts nibbling at new crop but little biz was reported this week.

**6. AFRICA/PNG**

- kenya: after a comprehensive and informative eafca conference, diffs in this week's nairobi auction softened somewhat reflecting the overall lower quality of the catalogue. scattered fresh industry biz throughout the week.
- tanzania: smallish auction, grinders attracting most buying interest. kigoma coffee won 'taste of harvest' top price. results announced during eafca closing ceremony in mombasa.
- ethiopia: very active week with substantial sales registrations. overall registrations (07.07.09-12.2.10) reached 82'000 tons whereof 36'000 tons washed, 25pct above same period last season.
- uganda: drugar season starts to pick up. excellent industry demand in washed qualities continues, traded volumes small due to limited availability.
- png: industry enquiries for nearby shipment are being met with a degree of caution, coffee flow remains limited. export figures for january reached meagre 40'000 bags, 35 pct below same period last year.



**7. ROBUSTAS**

- vietnam: tet doldrums. some exporters gearing up to switch open liffe march contracts into may or july.
- indonesia: very slow arrivals of asalan, the new crop is eagerly awaited but still a couple of months away. no new business taking place as buying ideas far away from selling ideas and no one in a hurry to take a risk on differential. exporters are very cautious.
- uganda: the heavily demanded faq flow is fading away as we approach the end of the season. rich offering differentials deter overseas buyers for the time being.
- conilon: carnival doldrums.

**8. ORIGIN DIFFERENTIALS FOR MCH/APR SHIPMENT CTS/LB FOB**

	this week			last week		
brazil swedish	c	-	18	c	-	18
colombia excelso	c	+	56	c	+	63
honduras hg	c	+	21	c	+	20
kenya ab faq	c	+	150	c	+	180
vietnam gr 2	liffe	+	20	liffe	+	10

regards  
VOLCAFE LTD