



**WEEKLY MARKET REVIEW FEBRUARY 19 – 25, 2010**

February 26, 2010

**‘TERMINAL DECLINE’**

**1. GENERAL**

- a weak market in new york and london caught many off-guard as terminal markets go their own way.
- suppliers in all origins pay less and less attention to terminal market action, and supply and demand imbalances are increasing played out in differentials.
- long term effect of this and the continuing relevance of fund-dominated futures markets in this scenario remains to be seen.
- operational issues dominate the physical market, with late shipments, freight availability and sampling providing major headaches.
- mild arabica situation continues to be extremely tight, with recent drop in colombia diffs now reversing in very thin availability. better quality centrals rising towards colombia levels.
- we estimate spec/fund position on ice at 4,000 lots short and index funds 54,000 lots long. on liffe we estimate funds 23,000 lots short. ice certified stocks at 2.77mio bags, liffe at 5.09mio bags.

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

change vs

	<u>25.02.2010</u>	<u>18.02.2010</u>
ice may 10	129.80	- 6.60
liffe may 10	57.10	-2.13
arbitrage ice may 10/liffe may 10	72.70	-4.47

comments basis ice may 10 at 131.40, liffe may 10 at 1265

ice: more of the same story, worries about the euro zone area strength the dollar and everything else collapses. monday sell off did a lot of damage to a market that was slowly improving the tech picture and thursday action just closed the chapter with a break of several support levels (131.30, 130.30 and 130), keeping bears in control of the game. short-term target is 124.75 – 125.00 area. a close above 137.85 can change the scenario.

support: 130.35, 128.25, 124.75, 121.35 resistance: 133.40, 137.85, 141.00, 145.15.

liffe: additional fund selling and last minute origin fixing price kept the market under pressure, forcing a break of the 1300 support level. the performance this week was not so bad when compared to other markets but there are doubts about the upside potential, considering the amount of coffee unfixed.

support: 1250, 1219, 1177 resistance: 1301, 1342, 1380, 1425.



### **3. BRAZIL**

- local market: the violent ice sell off caused a rise of almost 1 to 1 in fine cup coffees' replacement differentials. exporters are buying constantly to keep up coverage and demand is unbroken. the bleeding of exporters continues, as even the most recent sales are already a loss at today's new levels.
- export market: exporters increased asking differentials but considerable business reported traded. noticeable was also still surprisingly good demand for nearby shipments and requests to ship earlier existing contracts.
- the real performed well against the usd, in comparison with other currencies.
- the sao paulo stock market remained under pressure all week.
- bmf mch 10: \$ 153.50 (down 11.00)
- arbitrage bmf/ice mch/may: - 13.76 (1.72 weaker)
- exchange rate: 1.8300 (deval 0.25 %)

### **4. COLOMBIA**

- local market: the coffee flow remains thin. light demand seems enough to support internal prices. intermediaries start to be worried about their long positions seeing the ice collapsing and the peso not compensating. light to decent rains in all coffee growing regions is good news for the next crop.
- export market: outside demand is smallish but persists for march/april shipments. diffs for may onwards are offered a few cents below nearby shipments.

### **5. MEXICO/CENTRALAMERICA**

- mexico: cold weather and strong winds continue in puebla and veracruz. local prices keep rising further. ongoing outside demand for prime washed and high grown coffees from all directions.
- guatemala: in spite of ice-collapse, cherry and parchment prices continue at the same unchanged lofty levels. sporadic interest from europe for second half 2010 positions.
- honduras: adverse weather conditions continue to hamper the internal coffee flow. also outside activity was subdued this week, diffs nominally a touch firmer.
- el salvador: no news, internally and externally quiet.
- costa rica: harvesting process is coming to an end now. little offers available and only at ever rising differentials.
- peru: first pickings have been reported. outside interest picking up but little biz has taken place.

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

- kenya: this week's auction saw another firming up of both ex-auction and differential prices, this despite the massive drop on the terminal market the day prior auction.
- tanzania: smallish auction with many small lots. as the season draws to a close, prices for better cupping coffee remained very firm.
- ethiopia: sales registrations relatively low following the sharp terminal market decline. steady flow of parchment to ecx awassa. arrivals of sundried (djimmah) coffees increased significantly this week while that of sidamo4/lekempti5 still below expectations.
- uganda: premium washed coffees snapped up by gourmet industry, diffs firm. demand surpass availability.



- png: availability in local market remains smallish & erratic. producers & intermediaries take time to build up stocks before selling. highlands highway is again closed in several places between hagen and goroka. although this has caused much rhetoric from politicians and various affected industries, nothing substantial has been done. fresh biz is limited due to meagre availability.

## 7. ROBUSTAS

- vietnam: domestic flow of coffee picked up after the holidays. excellent industry demand for all qualities & shipments, diffs firming up. accumulated exports reported over 400.000 tons.
- indonesia: local activities rather slow. friday 26<sup>th</sup> february indo market and businesses closed for the muslim 'nabi muhammad saw' holiday. limited fresh industry biz reported, exporters still busy covering shorts to fulfill existing commitments. diffs firming up.
- uganda: internal flow now more or less over, middlemen traders liquidating their stocks at high price levels. industry demand picking up but prevailing rich diffs for primary robustas keeping traded volumes low.
- conilon: diffs for current crop deliveries tending firmer.

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

	this week			last week		
brazil swedish	c	-	17	c	-	18
colombia excelso	c	+	65	c	+	56
honduras hg	c	+	21	c	+	21
kenya ab faq	c	+	170	c	+	150
vietnam gr 2	liffe	+	30	liffe	+	20

regards  
VOLCAFE LTD