



WEEKLY MARKET REVIEW MARCH 05 - 11, 2010

March 12, 2010

‘SUPPORTIVE FUNDAMENTALS AND CURRENCIES’

1. GENERAL

- ice stepped away from the lows, and liffe pulled up its socks and also made a small effort to the upside. both markets traded below-average volume and key currencies were supportive.
- milds situation unchanged, brazil business still attractive, and robusta market firmer on light volumes.
- good demand across the board, with nearby and spot offers thoroughly investigated.
- certified stocks draw down by 3% on both exchanges through the last fortnight.
- the brazil real hit 1.76 this week, and continues to trend stronger against a background of strong bovespa and economic performance, and several ipos on the cards in near future. the ice price in real is approaching the lowest level since sep/oct last year.
- we estimate spec/fund position on ice at 1,000 lots short and index funds 54,000 lots long. on liffe we estimate funds 25,000 lots short. ice certified stocks at 2.69 mio bags, liffe certified stocks at 4.96mio bags.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>11.03.2010</u>	<u>04.03.2010</u>
ice may 10	133.75	3.55
liffe may 10	56.11	-0.54
arbitrage ice may 10/liffe may 10	77.64	4.09

comments basis ice may 10 at 134.35, liffe may 10 at 1248

ice: market broke last two weeks range and closed at the highest level since 22<sup>nd</sup> of february. longs profit taking and origin selling are providing resistance but with the technical picture improving shorts may get impatient. fundamentals are back in play but can't forget there is still a lot of concern about the euro zone economic situation. april options expire today and 135 strike carries the biggest calls open interest.

support: 132.80, 130.10, 128.25, 124.75 resistance: 135.00, 137.25, 141.00, 144.55.

liffe: contract hit new low this week and bounced few dollars back. roasters continue to buy scale down while origin and system funds are sellers. bear trend is still intact and will not change unless closes above 1300.

support: 1214, 1200, 1177, resistance: 1252, 1310, 1342, 1380.



### **3. BRAZIL**

- local market: daily volumes traded were quite impressive this week. several buyers are competing amongst each other and outright prices in real/bag were about unchanged. main sellers are cooperatives. replacement differentials were about unchanged, as ice rose a little and the usd slightly dropped vs the real.
- export market: exporters increased again asking differentials, but cheapest offers are still extremely attractive vs ongoing tight local market.
- feb 2010 exports were 2,23 mio bags and 12 running months start at 30,1 mio bags, incl soluble, reduced by 400 k bags vs feb 09.
- brazilian gdp dipped 0,2 % in calendar year 2009, the 6<sup>th</sup> best performance amongst g20 countries.
- bmf may 10: \$ 166.00 (up 4.00)
- arbitrage bmf/ice may/jly: - 9.91 (0.53 weaker)
- exchange rate: 1.7700 (reval 1.25%)

### **4. COLOMBIA**

- local market: very little coffee changing hands, intermediaries are still sitting on inventories. exporters are very disciplined buying hand to mouth taking no position would that be on the long or short side, strictly back to back.
- export market: light but fair interest keeps on coming to the market.
- exchange rate: quiet week. high 1905, low 1875, close 1895.

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

- mexico: local market prices continue their rally, suppliers trying to sell their last big quantities at exorbitant prices.
- guatemala: excellent interest from north american industry for second, third and fourth quarter arrivals. europe and asia quiet.
- honduras: the flow of the parchment in honduras has decreased dramatically. prices still firming.
- el salvador: situation remains unchanged. no offers available.
- costa rica: outside demand subdued. coffee flow coming to an end now, little material available.
- peru: industry pushing differentials which are now well above 20. coffee flow still slim.

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

- kenya: auction diffs firming up again. good cupping coffees found healthy support. availability of undergrade coffee on the increase. industry biz erratic, covering all grades and positions. rain showers continue throughout the country, with flooding occurring in some regions. too early to predict possible impact on next main crop.
- tanzania: meager 5.000 bags faq/grinders auctioned. interest rather lackluster with many lots left alone without any bids. new crop expected to become available july onwards.
- ethiopia: very active week, industry/trade focussing on sundried qualities.
- png: wet weather continues to play havoc with poorly maintained highlands highway. on a positive note: cherry volumes in the eastern highlands have increased marginally, as we move into april, volumes expected to increase significantly. ongoing industry interest in all qualities remains largely unsatisfied, exporters stocks depleted.



**7. ROBUSTAS**

- vietnam: good demand seen for light volumes on offer at ever firming diffs. buyers concentrate on immediate needs, forward offers become harder to find as pipeline stocks are drawn down. news that the retention scheme of 200.000 tons has been approved continues to lack details. march exports start at a firm pace, on target for 110-115.000 tons. the dong stabilized at 19100 and reports circulate of a high inflation risk this year.
- indonesia: local market continues firm. industry looking for prompt shipment, diffs in sl. positive territory.
- uganda: diffs remain firm. sudanese buyers remain active and absorbe decent volume.
- conilon: no biz reported. firm asking diffs killing all interest.

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

	this week			last week		
brazil swedish	c	-	15	c	-	16
colombia excelso	c	+	66	c	+	66
honduras hg	c	+	22	c	+	22
kenya ab faq	c	+	180	c	+	170
vietnam gr 2	liffe	+	50	liffe	+	30

regards  
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