



**WEEKLY MARKET REVIEW APRIL 23 - 29, 2010**

April 30, 2010

**'SELL IN MAY AND RUN AWAY', 'SELL NOW WORRY LATER', 'TRUST THE OLD WISDOM?... REALLY?'**

**1. GENERAL**

- stand off between buyers and sellers continues. the latter relying on nearby tightness, while buyers sit and wait for large quantities of coffee coming from Brazil very soon.
- confusion reigns, market players take passionate opposite views on what awaits us for 2<sup>nd</sup> half 2010. all in the end rests on Brazil's crop size, timing, and flow.
- Brazil new crop differentials edge lower, while centrals are totally unavailable going forward. no changes in Colombia flow: shallow arrivals and low yields. Peru not yet available in size due to delayed crop.
- currency again became a factor to the market, with the US dollar strengthening in reaction to negative news about Greece and Portugal. the correlation quickly fades though.
- we estimate spec/fund position on ICE at 4,000 lots short and index funds 53,000 lots long. on LIFFE we estimate funds 18,000 lots short. ICE certified stocks at 2.405 mio bags, LIFFE at 4.48 mio bags.

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

	<u>29.4.2010</u>	change vs <u>22.4.2010</u>
ice jly 10	134.60	3.15
liffe jly 10	59.96	-0.41
arbitrage ice jly 10/liffe jly 10	74.64	3.56

comments basis ice jly 10 at 134.75 and liffe jly 10 at 1320

ice: inability to breach support at 130 basis July prompted the market rally to the top end of the recent trading range circa 135 on short covering. fund buying was noted with technical indicators turning positive. origin selling seen at the highs in light volume with larger offers seen 2-3 cents above. market still rangebound, needs a break of the recent range to encourage more activity. good spread activity seen across the board with prices coming in circa 15 points.

support: 133.20, 130.20, 128.25, 124.75 resistance: 135.00, 138.70, 141.45.

liffe: stale origin fixing was seen in May with the approach of first notice day. good industry buying seen on any dips. system funds were also seen as sellers on the weakness earlier in the week. a break of the recent high would encourage additional short covering. origin selling was seen into the rally but in limited quantities.

support: 1306, 1280, 1248 resistance: 1330, 1354, 1409, 1421.

**3. BRAZIL**

- local market: daily volumes traded remained smallish, with current crop fine cup qualities at same sky high price level, resulting somewhere around ICE +10. the first lots of new crop arrived at the market. of course premature and not fully representative yet, discounts vs current crop ranged between 10 and 25 real/bag. the high green bean percentage and defect composition at this early stage of the crop is quite usual.
- export market: odds and ends trading only nearby, but most buyers not yet ready to pay up on new crop compositions.



- the nearby bmf firmness continued and k/n arb even reached a premium over ice, whilst the u/z arb gave away a bit of recent gains into the rally.
- the central bank rose interests (selic rate) by 0.75 % to now 9.50 % p.a. and the real won further ground.
- bmf may 10: \$ 175.80 (up 7.30)
- arbitrage bmf/ice sep/dec: -17.09 (weaker 0.50)
- exchange rate: 1.7300 (reval 2.00%)

#### **4. COLOMBIA**

- local market: coffee flow remains slow in most growing regions with huila being one of the few exceptions. rainy weather continues which should prevent the broca to develop further.
- export market: scattered demand for mainstream as well as labelled coffees from north america and europe but generally another quiet week.
- exchange rate: the usd/cop made new highs this week. high 1981, low 1935 and close 1958.

#### **5. LATIN AMERICAN MILDS**

- mexico: diff's even firmer for last parcels of the crop been traded. good rains registered within last days that will allow a positive flowering for next crop production.
- guatemala: the rainy season started with intensive thunderstorms. the government weather agency forecasts a normal rainy season for 2010 which will be beneficial for the agricultural sector in general and specifically for coffee. brisk outside demand for the entire quality range, mainly from north america and asia.
- honduras: a few origin offers appear in the market but asking levels don't attract much buying interest.
- el salvador: a slow week internally with registrations of only 6.000 bags. ongoing demand for better cupping spot lots but little material available.
- costa rica: industry demand for third and fourth quarter shipments cannot be satisfied.
- peru: slight demand for certified coffees, while some shorts for these coffees in local market do not allow diff to ease, quite the contrary. coffee flow is still slow. exports down 25% as of today compared vs last year.

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

- kenya: some 16.000 bags auctioned, prices all over the board reflecting the huge quality swings. firm prices seen across the board as we now enter the stage of season where fortnightly auctions ensue. next auction listed for may 11th. container biz continues to gourmet industry.
- rwanda: fair biz in 'ordinary' quality for july/aug/sept shipment, diffs in positive territory underlining the overall demand in fresh summer crop coffees.
- ethiopia: fairly good activity with industry focus on sundried qualities and undergrades. severe shipment delays due to: shortage of export bags / electricity rationing / trucking delays from addis to djibouti etc.
- uganda: smallish drugar biz. fly crop bugisu attracting attention.
- png: drier weather conditions resulted in improved arrivals. wet weather during past months delaying harvesting of new crop season by 4-6 weeks. sporadic biz reported for july shipment onwards, diffs firm. worldwide demand surpasses availability. march exports reached 60.000 bags.



**7. ROBUSTAS**

- vietnam: even with a small recovery the market is very quiet with reluctant sellers. hardly any forward shipments offered or at expensive prices. the remaining 25% or so unsold coffee remains in strong hands and no pressure to be expected. dong is strong. more rains expected.
- indonesia: same as last week, only that the flow of asalan has picked up this week. still no aggressive sellers. industry competing with domestic roasters for nearby positions.
- uganda: little activity. western crop still some 4 weeks away, liquidity expected to improve early june for july shipment.
- conilon: no news. decent rally needed to trigger some selling.

**8. ORIGIN DIFFERENTIALS FOR JUNE/JULY SHIPMENT CTS/LB FOB**

	this week			last week		
brazil swedish	c	-	18	c	-	16
colombia excelso	c	+	50	c	+	51
honduras hg	c	+	24	c	+	24
kenya ab faq	c	+	200	c	+	200
vietnam gr 2	liffe		level	liffe		level

regards  
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