



WEEKLY MARKET REVIEW JULY 02 – 08, 2010

July 09, 2010

**‘THE CALM AFTER / BEFORE THE STORM’**

**1. GENERAL**

- a dull week compared to the fireworks we have come to expect. terminal markets more or less behaved themselves, physical markets were sluggish and there was not even much football for distraction.
- in a surprise move, the brazilian government chose to announce a delay to a (previously only rumoured) 5m bag retention program due to current high prices. good to see our south american friends still have something to smile about.
- unlike the brazilian footballers, the euro made a second half comeback and reached levels not seen since the end of april.
- demand, especially in producing countries, continues to show good strength. any hiccups in supply are going to be bull fodder from here on in.
- we estimate spec/fund position on ice long 30,000 lots and index funds 56,000 lots long. on liffe we estimate funds 15,000 lots long. ice certified stocks stand at 2.18mio bags, liffe certified stocks at 3.47mio bags.

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

	<u>08.7.2010</u>	change vs <u>01.7.2010</u>
ice sep 10	162.10	-6.15
liffe sep 10	76.93	-3.17
arbitrage ice sep 10/liffe sep 10	85.17	-2.98

comments basis ice sep 10 at 162.50 and liffe sep 10 at 1710

ice: lack of follow through buying and negative macro news brought profit taking and liquidation through 160.00 basis sep, taking us to the week's low of 156.85. market has been volatile with the low volumes. structure has weakened with the nearby sep/dec trading out to -1.00 remaining firmer from dec/mar onwards. u/u arb traded into circa 83 c/lb. any weakness has seen industry buying while strength has seen origin selling but not in great size. a break of 165.00 could see a rally where origin offers will be waiting.

support: 160.00, 156.85, 155.40, 148.15 resistance: 163.95, 169.25, 176.50.

liffe: also followed ny lower with liquidation and profit taking on the negative macro news. sep traded at 1795 before a fall to 1639 where support was seen scale down into 1600. structure remains firm on supply/demand issues with sep/nov trading out to +7 and nov/jan out to +40. a break of the recent high of 1795 will see additional spec/fund buying. origin selling was noted in small quantities from 1750 up.

support: 1639, 1595, 1515, 1474 resistance: 1738, 1795, 1980.



### 3. BRAZIL

- local market: daily volume traded was somewhat reduced, as on top of the ice correction the real also regained some value, and producers for the time being resisted selling into lower levels. fine cup coffee replacement differentials even firmed a couple of cents on increased exported demand. in general, a rather quiet week that allowed producers and exporters to catch up on contracts.
- only moderate volumes reported traded.
- weather remained good but a change to wetter conditions is predicted.
- the real rose slightly, and the sao paulo stock market regained a few percent in quiet conditions.
- bmf sept 10: \$ 188.40 (down 4.00)
- arbitrage bmf/ice sep/dec: -20.20 (firmer 1.55)
- exchange rate: 1.7650 (revaluation 1.75%)

### 4. COLOMBIA

- local market: despite the swings at ice, not much is happening in the internal market. it has been pretty rainy and the coffee flow remained slow.
- export market: some biz has been reported but quantities were smallish. diffs again a shade lower.
- exchange rate: the highs of last week have not been questioned, while the 1.875 level has been tested twice. this week's range: high 1914, low 1875 and close 1885.

### 5. LATIN AMERICAN MILDS

- mexico: the rainy season started this week. the last few lots, mostly of inferior quality, are being offered internally at very high prices. outside demand remains subdued.
- guatemala: a rather quiet week, internally and externally.
- honduras: a few leftovers appeared at the origin but buying interest was lukewarm. new crop is being offered at slightly softer differentials.
- el salvador: additional new crop biz is taking place, differentials again a touch lower.
- costa rica: little activity has been reported this week.
- peru: about 75% of the chanchamayo crop has been harvested and even slightly more in cusco. the crop advance in northern areas is only about 35%. producers are keen to sell in order to benefit from the high prices. outside demand was sluggish.

### 6. AFRICA/PNG

- kenya: auction break – resuming 10.08.10
- tanzania: smallish volume current crop changing hands at proud diffs.
- ethiopia: only moderate volume registrations reported this week, mainly sundried qualities. heavy shipment delays continue to cripple logistics out of djibouti. ministry of agriculture released eleven month (july 8, 2009 to june 7, 2010) export figures – total 144,000 tons earning 444mio usd.
- uganda: brisk interest for washed qualities goes unfulfilled as fresh coffee from higher elevations in the mount elgon range still ripening and not yet available.
- png: arrivals becoming less consistent as intermediary suppliers take longer time to source coffee from remote areas. june exports likely to exceed 120,000 bags, 20% above june 2009. total exports for 09/10 coffee year to date reached 716,000 bags, 10% above 08/09. ongoing industry interest in all qualities at firm diffs.



**7. ROBUSTAS**

- vietnam: the local market became active as the market fell, but then went quiet as prices bounced. differentials remain steady while industry interest is lower due to seasonal factors. most demand seen for end year positions.
- indonesia: asalan deliveries reached approx. 12,000 – 12,500 mt this week. sporadic rains continue in coffee growing areas interrupting the flow of asalan somewhat. currency is slightly stronger at 9020, and trading in thin volume. with stronger idr and recent soft liffe market, differentials have tightened a bit. business was fairly slow this week, as most of the exporters are well sold for nearby.
- uganda: robusta exports in june totaled 179k bags down from june09 exports of 210k with year to date robusta exports 400k bags lower than last year's robusta exports for the first nine months. coffee flows reasonably well with the weak shilling and higher liffe keeping internal prices relatively attractive for farmers. overseas demand is decent enough with business reported in a fairly wide range of differentials.
- brazil: no news

**8. ORIGIN DIFFERENTIALS FOR AUG/SEP SHIPMENT CTS/LB FOB**

	this week			last week		
brazil swedish	c	-	24	c	-	24
colombia excelso	c	+	55	c	+	58
honduras hg	c	+	20	c	+	23
kenya ab faq	c	+	190	c	+	200
vietnam gr 2	liffe	-	60	liffe	-	70

regards  
VOLCAFE LTD