



**WEEKLY MARKET REVIEW JULY 16 – 22, 2010**

July 23, 2010

**‘SUMMER LOUD DRUMS GET LOUDER’**

**1. GENERAL**

- continued volatility in terminal markets and its effect on diffs for the select group of tradable coffees keeps operators on their toes. almost a sin to walk out for cup of coffee, let alone take some days off.
- weather, weather, weather. strong rains in colombia/central america, cold weather on the pacific side of south america and penguins washing up on the beaches of rio de janeiro remind us how delicate it all has become.
- talk of nearby shorts in col following aggressive buying attitude by major player forces diffs to trade back up into the 60's. rains and firmer peso not helping.
- brazilian market totally dictated by terminal action. only on rallies are reasonable volumes seen, liquidity still in the good cups.
- lots happening in the financial world that could affect commodities, especially a “hottie” like coffee. let's keep our eyes on the screens.
- we estimate spec/fund position on ice long 30,000 lots and index funds 53,000 lots long. on liffe we estimate funds 15,000 lots long. ice certified stocks stand at 2.13mio bags, liffe certified stocks at 3.50 mio bags.

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

	<u>22.7.2010</u>	change vs <u>15.7.2010</u>
ice sep 10	161.70	-5.40
liffe sep 10	76.70	-2.81
arbitrage ice sep 10/liffe sep 10	85.00	-2.59

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

ice: an attempt to breach 170.00 basis sep early in the week failed, profit taking and origin selling were seen. lack of follow through buying market saw aggressive liquidation through 165.00 and again through 160.00. industry scale down buying was seen scale down into support at 155.00. market feels rangebound 155/170 basis sep. volumes have been light. u/u arb trading 81/86 c/lb. structure nearby u/z trading out to -.80 on rolling. structure further out remaining firm, trading at small premiums.

support: 157.60, 155.40, 151.10, 145.15, resistance: 163.30, 166.90, 170.85, 176.50.

liffe: the weakness in the spread u/x trading out to -20 and liquidation into a lack of bids below saw the market trade at the low of 1660 basis sep. industry buying was seen in the jan and march giving support. volumes have been light. profit taking circa 1750/1769 will keep a cap on any rally. a break is needed of the weeks high to bring in additional interest.

support: 1660, 1639, 1580, 1515 resistance: 1761, 1795, 1845, 1980.



### 3. BRAZIL

- local market: volume got again reduced into the huge dip this week and replacement differentials at the end of the day were firmer.
- export market: more volume reported traded in the good cup segment at again unchanged weak differentials out to 1<sup>st</sup> half 2011, despite a firmer local market and firmer real.
- more strength at sep bmf, which traded into over 3 usd premium over december.
- the real spent this week quietly trading in narrow range.
- bmf sept 10: \$ 189.90 (down 6.50)
- arbitrage bmf/ice sep/dec: -18.75 (firmer 0.15)
- exchange rate: 1.7600 (revaluation 0.60%)

### 4. COLOMBIA

- local market: diffs going higher this week, while physical biz concluded remains low. rains continue to dampen the little coffee flow seen of the small volume that is left.
- export market: very quiet since actual replacement levels are not in line with international mkt ideas.
- exchange rate: tight range for the usd/cop. room for corrections is expected.

### 5. LATIN AMERICAN MILDS

- mexico: some interest for new crop seen from us industry. heavy rains covering most of the country have been reported, so far no damage seen on coffee regions.
- guatemala: exports down by 2.1% vs. last year. strong rains also over most coffee producing areas. roasters looking at new crop coffees but since price ideas are too far apart exporters are holding back.
- honduras: buyers and sellers remain distant with new crop ideas. crop development is still positive.
- el salvador: continues active on new crop, a large percentage of the crop 10/11 appears to be sold already. diffs unchanged from last weeks.
- costa rica: quiet days for new biz as millers withdraw after mkt drop. some postings on new crop biz taking place, quantities so far smallish.
- peru: suffering a cold front with intensity not seen since 1975 hitting southern areas where some damages are expected. low temperatures and rain are moving to northeast with no effect to coffee plantations yet.

### 6. AFRICA/PNG

- kenya & tanzania: auction break – activity to resume mid august.
- ethiopia: modest sales registrations. few remaining lots of washed qualities traded with hefty prices at ecx. suppliers of sundried qualities seem to withhold/postpone bringing coffee to the exchange, determined to push up daily auction prices. fairly active biz in top quality washed, spot europe.
- rwanda: total crop approx 18.000 tons whereof approx 4.000 tons fully washed. whilst fw qualities already committed/sold to us gourmet industry, semiwashed coffees 'ordinary-grade' available/traded for aug/sept/oct shipment.
- uganda: arrivals of washed bugisu qualities remain very slow amidst increasing demand.
- png: although arrivals continue at reasonable rate, indications are that volumes start to shrink. the majority of coffee in the lower part of valleys has been harvested, buyers now travel to remote & higher areas to source coffee. port activities disrupted by heavy rain. sporadic industry biz to world wide destinations.



**7. ROBUSTAS**

- vietnam: local market fell silent this week, purchasable volumes dropped to single figures and in some cases exporters have been completely unable to buy. external demand has been relatively light. rains are steady. differentials continue sideways with no substantial changes.
- indonesia: increased asalan deliveries this week, it looks we are hitting the peak of the season. first estimations are that over 50% of the crop is harvested. differentials remained sideways and a gap between buyers and sellers ideas have widened.
- uganda: excellent demand from a wide range of directions stiffens forward differentials considerably. the south and western crops are past peak and internal competition is lifting faq values quite quickly.
- brazil: local demand picked up this week again, some good nearby volumes traded. export offers are again a tick lower and now in the minus, however the buying and selling still pretty far apart.

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

	this week			last week		
brazil swedish	c	-	25	c	-	26
colombia excelso	c	+	60	c	+	55
honduras hg	c	+	20	c	+	20
kenya ab faq	c	+	180	c	+	180
vietnam gr 2	liffe	-	70	liffe	-	70

regards  
VOLCAFE LTD