



WEEKLY MARKET REVIEW JULY 23 – 29, 2010

July 30, 2010

‘MONEY TALKS’

1. GENERAL

- a combination of aggressive fund buying, short covering and absence of selling from origin allowed ice to once again stampede to the top of the range.
- coffee continues to demonstrate a solid performance to the financial world, which no doubt reinforces confidence to the move.
- talk of retail price increases becomes louder in most markets. we will probably see some increases in the coming days.
- differential reactions are so far mixed. brazil good cups traded a bit softer, while better qualities only marginally. milds in general so far stable.
- currencies firm in main origins. colombian peso closes the week at 1840.
- we estimate spec/fund position on ice long 38,000 lots and index funds 54,000 lots long. on liffe we estimate funds 20,000 lots long. ice certified stocks stand at 2.12mio bags, liffe certified stocks at 3.53 mio bags.

2. PRICE COMPARISON (all in cts/lb)

	<u>29.7.2010</u>	change vs <u>22.7.2010</u>
ice sep 10	173.05	11.35
liffe sep 10	79.24	2.54
arbitrage ice sep 10/liffe sep 10	93.81	8.81

comments basis ice sep 10 at 173.00 and liffe sep 10 at 1742

ice: yesterday saw the breakout of the continuation pattern, above 170 c/lb, to the highest close in twelve years, as funds added to their longs, and day traders were stopped in above the range. open interest confirmed new longs. volume for the day was decent after a light week. next target has to be old contract high of 176.50. nearby structure sep/dec still weak at -0.70 as funds longs are rolling, while structure remains firm further down the board.

support: 169.80, 164.60, 161.60, 155.80, resistance: 174.60, 176.50, 179.75, 187.25.

liffe: lack of conviction in the robusta contract this week, with some very light volumes daily. market still has to regain highs made in last month, whereas new york has asserted itself up to six week highs already. lack of roaster buying, as roasters already have good paper coverage compared to new york, and are in no hurry to extend coverage. in terms of blends, robusta must be looking very cheap with the nearby arbitrage trading out to 95 c/lb intra-day, and looking to head to a dollar again.

support: 1736, 1724, 1660, 1639 resistance: 1769, 1785, 1795, 1845, 1980.

3. BRAZIL

- local market: better prices brought more volume to the market. producers have successfully abstained from selling into weakness and confidently waited prices come back to them. replacement differentials remained steady even into the rally, especially for washed qualities.
- export market: whilst exporters offers again a touch weaker, many buyers preferred to wait and see for the time being.



- impressive how bmf kept up with ice advance.
- the real spent this week quietly trading in narrow range.
- bmf sept 10: \$ 205.10 (up 15.20)
- arbitrage bmf/ice sep/dec: -18.75 (unchanged)
- exchange rate: 1.7600 (unchanged)

4. COLOMBIA

- local market: intermediaries are in no rush to sell with actual positive ice. the mitaca is over and the main crop will start in about 6 weeks. diffs remain firm.
- export market: enough demand to absorb the little availability even at higher differentials.
- exchange rate: cop making new lows and reevaluating more vs usd.

5. LATIN AMERICAN MILDS

- mexico: heavy rains continued, no damage reported on coffee producing regions. producers interested on fixing their new crop cherry at current mkt levels.
- guatemala: widespread rains continue over most coffee producing regions, although at a lower intensity. hardly any biz taking place, still buying/selling ideas are far apart.
- honduras: good demand for local consumption coffee for which levels close to historic highs are being paid. current crop demand collapsed and sporadic interest for new crop noted, but nothing firm. plenty of rain all over the country.
- el salvador: exports 09/10 official figures as of end of july showing 881K bags.
- costa rica: some highways are closed due to heavy rains. no coffee damage yet reported, crop development normal. diffs remains fully steady.
- peru: short week due to peruvian national holiday. good flow of the coffee is expected for the weekend. still some buyers around trying to cover their very low price shorts booked since jan/feb.

6. AFRICA/PNG

- kenya: next auction listed for august 10th with approx 28.000 bags on offer. commercial mills working hard ensuring regular flow of early crop coffee for next few auctions.
- tanzania: official crop estimate 60.000 tons, latest field reports would suggest 55.000 tons to be more appropriate. harvesting in all regions proceeding well. quality of new crop generally expected to be very good. weekly auctions expected to resume sept onwards.
- ethiopia: decent volume registrations this week. good industry appetite for washed qualities remains obvious, top qualities yirga/sidamo sold out. rumours circulating that export industry running short of sundried qualities. ministry of agriculture urging exporters to execute contracts in time.
- burundi: in the vacuum of any official auction/tenders, non-traditional coffee trade houses reported to actively sourcing coffee via direct biz from local producer groups.
- uganda: ongoing wet and cloudy weather holds the bugisu crop back, however smallish volume ripe cherry beginning to arrive at washing stations.
- png: arrivals remain reasonable. high local prices enables some parchment coffee to be airfreighted into town centers from remote areas. until recently exporters were cautious sellers. good arrivals over past months have most exporters relaxed in making fresh offers ex stock. active biz in all qualities to worldwide destinations.



7. ROBUSTAS

- vietnam: local coffee flow came to an abrupt halt this week, it looks like current crop supplies have come to an end. new crop coffee flow expected to start a tick later this year, mid october/beginning of november. more activity however in new crop sales (short-term spreads only) with differentials at attractive levels and good business reported. talk about a new stockpiling program hit the news. shortage of containers are hampering smooth export logistics.
- indonesia: good flows of asalan this week again, active local market with exporters competing for the arrivals. nearby diffs remain steady despite strong liffe, forward offers are being handled cautiously by exporters. idr broke the strong technical support at 9000, as good economic fundamentals boost the appeal of domestic bonds and stock. trading range expected between 8930 - 8990.
- uganda: the faq flow remains fairly good as we approach the last quarter or so of the season. quality and retentions are excellent. logistics remain tip top apart from the odd shortage of containers in kampala. the shilling trades c. 2230.
- brazil: quiet internal market, export price ideas eroding slowly but still not matching lower buying ideas.

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

	this week			last week		
brazil swedish	c	-	26	c	-	25
colombia excelso	c	+	60	c	+	60
honduras hg	c	+	22	c	+	20
kenya ab faq	c	+	190	c	+	180
vietnam gr 2	liffe	-	70	liffe	-	70

regards
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