



WEEKLY MARKET REVIEW JULY 30 – AUGUST 05 , 2010

August 06, 2010

‘LOW VOLUME AND HIGH PRICES’

1. GENERAL

- despite this month of the year having the reputation of dullness, arabica closed at 12 year highs on friday. quite the august performance.
- both markets traded up further on monday to test long term retracement levels, but failed to close above. markets then traded down and then sideways on low volume.
- agricultural commodities still front page stories. after cocoa, comes wheat - up 68% on the month. again we are reminded how agriculturals are at the mercy of weather events, especially when inventories are low.
- retail price hikes confirmed in the us and parts of europe.
- moderate flow in brazil every day. arabica crop around 66% harvested, conillon completed. arabica maturation delayed in higher regions.
- dollar index steadied out this week after two months of weakness. commodity indices still moving higher despite this small show of dollar strength.
- we estimate spec/fund position on ice long 35,000 lots and index funds 54,000 lots long. on liffe we estimate funds 20,000 lots long. ice certified stocks stand at 2.08 mio bags, liffe certified stocks at 3.53 mio bags.

2. PRICE COMPARISON (all in cts/lb)

	<u>05.8.2010</u>	change vs <u>29.7.2010</u>
ice sep 10	169.85	- 3.20
liffe sep 10	78.92	- 0.32
arbitrage ice sep 10/liffe sep 10	90.93	- 2.88

comments basis ice sep 10 at 170.25 and liffe sep 10 at 1740

ice: market posted a new high monday with renewed fresh fund buying entering after the break of 180 level. once the spec buying dried up, the wave of selling pushed the market lower and erased all the gains. a key reversal figure brought selling to the next session as short-term specs tried to push prices lower and trigger stops. after touching briefly the 165 support area, market rallied back towards 170 area. main volume remains on sep/dec spread, losing 5 to 10 pts everyday as index keep rolling. market trend is still up but expect intra-day volatility to continue high.

support: 165.15, 163.20, 160.00, 155.80, resistance: 174.45, 181.50, 187.25.

liffe: interesting week, with a new high for the move on monday and a gap lower the next day. for sure this gap on the chart doesn't give the bulls a good feeling. after holding the 1700 support renewed buying interest pushed prices back near the gap area. but as long as it remains there, bears will not throw in the towel.

support: 1700, 1660, 1639, 1580 resistance: 1766, 1795, 1845, 1980.



3. BRAZIL

- local market: moderate volume traded every day. outright price level remains attractive for producers. replacement differentials are steady.
- logistics: the port of santos is congested with about 100 ships waiting in the bay, the bulk being for sugar, soybeans, soybean meal and corn.
- weather: conditions continued favourable in coffee belt, while the south reports an historical 20 – 30 centimeters of snow.
- the real traded unchanged the entire week, with record small trading ranges.
- export activities: the export market has been quiet another week. exporters' asking differentials were about unchanged and most buyers remained sidelined.
- bmf sep 10: \$ 202.60(-2.50)
- arbitrage bmf/ice sep/dec – 18 (0.75)
- exchange rate: 1.755 (reval 0.3%)

4. COLOMBIA

- local market: coffee flow has come to a complete stand still. diffs still firm since longs have no pressure to sell below their desired outright levels.
- export market: no real interest from buyers, just monitoring the behaviour of differentials range.
- exchange rate: cop continued its impressive strength vs usd.

5. LATIN AMERICAN MILDS

- mexico: very quiet. weather conditions still having a positive impact in most coffee producing regions.
- guatemala: exports slowed down substantially this month compared to last year. buying / selling ideas still very far apart, little biz taking place.
- honduras: atypically strong rains too early for the season are causing floods, no damage to the new crop is been reported yet. local market very quiet.
- el salvador: forecast for new crop production is around 1.45 mio bags, of which a considerable part is already sold.
- costa rica: heavy rains continued throughout the whole country. new crop development is normal. there some interest for new crop coffees but little biz is taking place.
- peru: roads in the southern coffee production areas had been close due to a 5 day strike. an estimated 70% of the total crop harvested already.

6. AFRICA/PNG

- kenya: next week's auction offering 29.000 bags. qualities very good for this time of the year. industry nibbling at oct/dec shipments, price finding extremely difficult.
- tanzania: first auction after the long summer break. volumes small, prices firm. next auction re-scheduled for august 12th, offering some 10.000 bags of mostly southern qualities.
- ethiopia: modest registrations of sundried coffees during the week. very little coffee offered at ecx, especially djimmah. many exporters reported to be short. ministry of agriculture warning exporters to fulfil contractual obligations, insisting that there is enough coffee in the interior and supply shall improve shortly. fair industry biz in washed qualities, supply of top qualities coming to an end.



- uganda: flow of washed coffees improving. top washing stations producing excellent quality. drugar season starting up with usual mixed views on both crop size & quality.
- png: cherry volumes slowing down. availability of a/x grades remains tight, other grades offered for sept/oct shipment.

7. ROBUSTAS

- vietnam: stop and go – higher market some coffee flows, with a correction the flow stops immediately. exporters seem to have booked some good volume for early new crop shipments but no long-term spreads, these offers however have cooled off a bit. weather is ok.
- indonesia: new record arrival of asalan this week, around 14.000-15.000 tons, aided by strong liffe. nearby offers a tick cheaper however still very little forward business reported. idr stronger this week as the central bureau of statistics reported gdp rose 5.9% in the 1st half 2010 compared to a year earlier.
- uganda: faq starts to slow down as we enter the last parts of the season. demand remains patchy - nearbys fairly cheap but decent premiums seen for spreads. the shilling comes back to 2200 mark v usd.
- brazil: some activities both in the internal and export market. rallies are rewarded with a cheaper diff, however they immediately get more expensive if liffe weakens.

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

	this week			last week		
brazil swedish	c	-	24	c	-	26
colombia excelso	c	+	60	c	+	60
honduras hg	c	+	22	c	+	22
kenya ab faq	c	+	190	c	+	190
vietnam gr 2	liffe	-	70	liffe	-	70

regards
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