



WEEKLY MARKET REVIEW AUGUST 13 - 19 , 2010

August 20, 2010

‘ONE HUNDRED AND EIGHTY’

1. GENERAL

- 180c provided a handy resting area for the second, third *and* fourth positions on ice, as the market took a breather from the past month’s frantic activity. darts players will recognise the significance..
- bears tried feebly to plant some negative stories, but then got lost in the woods. the failure to retrace strengthens the outlook for both markets.
- brazil came to life, as good internal volumes traded at softening diffs, perhaps reflecting the fact that farmers are pretty chuffed with current prices.
- roasters are largely split into two camps – those who sell by the cup and those that sell off the shelf. the former is substantially more comfortable than the latter.
- can a 100c arb between arabica and robusta go even higher? we’d love to know. if anyone has the answer, please call +41 52 264 9484.
- we estimate spec/fund position on ice long 38,000 lots and index funds 55,000 lots long. on liffe we estimate funds 20,000 lots long. ice certified stocks stand at 2.05 mio bags, liffe certified stocks at 3.54 mio bags.

2. PRICE COMPARISON (all in cts/lb)

	<u>19.8.2010</u>	change vs <u>12.8.2010</u>
ice dec 10	179.85	2.30
liffe nov 10	79.42	-0.68
arbitrage ice dec 10/liffe nov 10	100.43	2.98

comments basis ice dec 10 at 181.10 and liffe nov 10 at 1767

ice: the market spent the entire week inside the range set on monday, denying bets on a correction. if the outright price didn’t move, the structure did, with the nearby spread weakening out by around 50 points to -2.55 yesterday. spreads further out weakened by around a cent during the week, but have since tightened again, and are still inverted. price still in the upper bollinger channel, bullish technicals intact.

support: 175.40, 171.80, 166.85, 164.10 resistance: 182.90, 188.30, 190.00.

liffe: london market has endured thirteen days in a 78 dollar (3.5 cent) range. however the lows and highs are getting higher, and it closed the bearish gap from the beginning of the month, but there was no follow through. spreads also weakening a touch.

support: 1745, 1729, 1700, 1660 resistance: 1797, 1843, 1954.



3. BRAZIL

- local market: a very active week. producers sell into higher prices and exporters are ready buyers. replacement differentials are a couple of cents softer. activity in all sectors at full speed. arbitrage bmf/ny very much unchanged, but the sep-dec spread exploded to about 9-10 usd premium.
- logistics: timely shipments become more difficult for several reasons, congested port, lack of equipment etc.
- weather: continues dry and fresh.
- export activities: considerable volume was reported to various directions for shipments 2nd half 2010 to mid 2011. diffs again a few cents lower.
- bmf dec 10: \$ 209.05 (plus 4.05)
- arbitrage bmf/ice dec/mar – 21.86 (-0.11)
- exchange rate: 1.7550 (reval 0.85%)

4. COLOMBIA

- local market: the internal flow has come to a halt. the ice movement washed out the remaining stocks held by producers and intermediaries and now there is nothing left. the main crop is still a month away, quality looks good.
- export market: industry interest for last quarter 2010 and forward spreads picked up this week. selling ideas for last nearby positions remain unchanged. buying ideas for next year have been lowered.
- exchange rate: the cop tested and broke the 1800 level and quickly bounced back to 1820. high 1842, low 1795, close 1820.

5. LATIN AMERICAN MILDS

- mexico: rains continued with no negative impact to coffee plantations. nevertheless good new crop development shall soon be seen after the poor climatic conditions suffered earlier in the year.
- guatemala: rainfalls continue almost on a daily basis. this year will be one of the wettest rainy seasons in recent years. producers/intermediaries show interest to sell ice at current high levels. outside demand exists but buying ideas are below origin prices.
- honduras: brisk demand for better cupping spot lots, little material left now.
- el salvador: a rather quiet week internally and externally.
- costa rica: buying interest picking up a bit, mainly for shipments first quarter 2011.
- peru: good weather conditions allowed flowering to start in central and north coffee regions. locals suffering problems with lower market purchases not being fulfilled. some demand seen for north american and european market.

6. AFRICA/PNG

- kenya: close to 23.000 bags auctioned this week, outright prices overall steady but differentials for better grades somewhat softer. next auction listing 18.000 bags of similar qualities. there is already a trend of falling supply and soon we might see fortnightly auctions, a worrying scenario.
- tanzania: 2nd auction of the season achieved ongoing very firm prices for all better qualities. whilst some traditional roaster buyers resist current high outright prices there is an obvious interest in top grades from 'non traditional' buyers.



- ethiopia: modest sales registration this week in both washed and sundried qualities. local suppliers to the ecx are relaxed, selling only small lots to take advantage of the very firm daily auction prices. availability of sundried coffee improved slightly this week. however, overall available volume not sufficient to allow exporters to cover their commitments. massive shipment delays continue.
- uganda: availability of washed coffees picking up, rather early this year. drugar season reported as rather weak in volumes.
- png: arrivals slowing down as we move away from the main season. heavy rains in the port of lae causing vessel loading delays. strong interest from pacific region for 1st quarter 2011.

7. ROBUSTAS

- vietnam: diffs for nearby shipments offered a tick easier, traded volumes do not confirm the trend. buying interest now focussing on new crop. weather in daklak mainly cloudy with some light scattered showers. however, rainfall remains 20/25% below average continuing the shortage of hydro-electric power for the south of vietnam.
- indonesia: asalan volume remained similar to last week, around 13.000 tons. farmers tend to hold back some of their coffees releasing them probably towards the end of the ramadan period. domestic prices remain firm and hardly any business concluded this week. industry looking at november shipment onwards.
- uganda: total exports for the year, after a slightly disappointing july export number, are expected to be around 2.9m bags. the south and western coffee crops are coming to an end. the overall outlook for the central robusta crops remains positive but earliest shipments probably not until november.

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

	this week			last week		
brazil swedish	c	-	27	c	-	25
colombia excelso	c	+	61	c	+	63
honduras hg	c	+	17	c	+	18
kenya ab faq	c	+	170	c	+	185
vietnam gr 2	liffe	-	70	liffe	-	80

regards
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