

Month	Settle	Daily Change	Weekly Change	%Change This Week
23-Mar	\$1.8870	+0.0800	+0.1395	+8.61%
23- May	\$1.8575	+0.0550	+0.1110	+6.47%
23- Jul	\$1.8425	+0.0470	+0.0995	+5.68%
23- Sep	\$1.8230	+0.0415	+0.0910	+5.08%

Coffee Market

The C market posted solid gains this week, jumping 7% and touching four-month highs. Buying was a bit mixed, but funds and speculators outweighed limited industry buying. The move was augmented a bit by the expiration of the March contract coming into play and a three-day weekend forcing a bit of short cover. The structure of the market is widening again (nearby month more expensive the next delivery month), and this is catching sight of large specs. Last year we saw this “backwardation” reach unprecedented levels and collapse spectacularly but it is indicative of underlying supply concerns and large speculators and funds are attracted to such conditions. Whether the market has a supply issue or not remains to be seen but recent impression of Brazilian production for the developing crop has the supply/demand balance outlook more balanced than a surplus. A lot of time to go before we really know the output, but the overall picture should keep prices fairly steady. Physical business remains sporadic and differentials firm overall. Not much else to talk about honestly. The macro picture continues to provide sporadic influence. Overall, commodities in general have been quite mixed.

Technically the consolidation and late new high on the week paints a positive overall picture. Indicators are positive across the board and not showing any signs of fatigue. Chart patterns are positive as well. From an Elliott view specifically a now impulsive formation is in place off the January low. This points to the decline from last year’s high being complete and changes the perspective a bit for the months ahead. While a challenge of last year’s high would take a significant fundamental event the likelihood of challenging recent lows has drastically changed as well. At this point would move significant support up into the 170/160 range and use that as a target area to add coverage as needed. The likelihood of testing the 200 or higher range has grown as well. Would not look to change the idea of a patient approach at this point but would see averaging into forward prices into the above range as good value through the rest of the year.

Tea Market

The demand continued to follow the qualities up this week which continues the trend we’ve seen over the past couple of years with no signs of deviation. Many producers are worried about a rebalancing that’s coming to flush out the excess inventories and many are beginning to focus efforts on quality rather than quantity. Kenya and Malawi saw down weeks in terms of demand while most other origins were around normal and the crop is looking promising in Argentina. The logistics situation does seem to be on the way down as rates are much closer to pre-pandemic levels, albeit still expensive, and pushed bookings seem to be few and far between. Now all that is needed is the demand to follow!

