

May 5, 2023

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
23- May	\$1.9100	+0.0460	+0.0115	+0.61%
23- Jul	\$1.8805	+0.0510	+0.0210	+1.08%
23- Sep	\$1.8560	+0.0510	+0.0240	+1.15%
23- Dec	\$1.8375	+0.0540	+0.0295	+1.38%

Coffee Market

Another choppy week that saw prices test three-week lows before a strong rebound left things little changed week to week. Early pressure was seen from continued speculator selling after last week's weak close. Good industry buying provided support as prices neared 180 though and prompted larger funds to cover some newer shorts into the weekend. The market has been bouncing around over recent weeks basically as it waits for any notable fundamental developments to take a direction off. Things remain quiet on that front. Inching toward frost season in Brazil but so far cooler temperatures are not a factor. The physical side of the market remains quiet. Light demand was seen despite differentials easing a bit further on the week. Otherwise, consumer stocks continued to slowly erode, which could be the offset of the light demand for new forward business. The macro picture continues to provide volatility across most commodities. This week's small interest rate hike saw the Dollar weaken again which may have helped the late week spike.

Technically the market is a mixed bag near term. Indicators are hooking higher with a few weak buy signals issued so far. Chart patterns saw the market find support into strong Fibonacci retracement levels and the candlestick chart shows a positive reversal off of last week's low. At this point would still see potential for the market to see prices toward the 215/220 level over the coming months. This is a chart-based analysis at this point and would likely take a fundamental event to support such a move, so time will tell. Bigger picture, would continue to see value in prices below 170 to extend coverage but otherwise would try and remain sidelined if possible. Lower prices would seem likely later in the year if everything progresses as planned.

Tea Market

The bottom of the market is still extremely weak but there was some nice upward movement with some of the higher quality teas in South India which has not always been the case over the last few months. Origins in the Southern Hemisphere are in the process of shutting down, but good rains were seen in Africa and Asia as output picks up. The next issue on the horizon is the surplus of tea in the market in combination with Egypt and Pakistan, two of the biggest tea consuming countries, having currency issues making it difficult to import enough to offset the oversupply. There are a few indicators showing that some consuming markets are running down their inventory to a level that might see increased imports over the coming months.

