



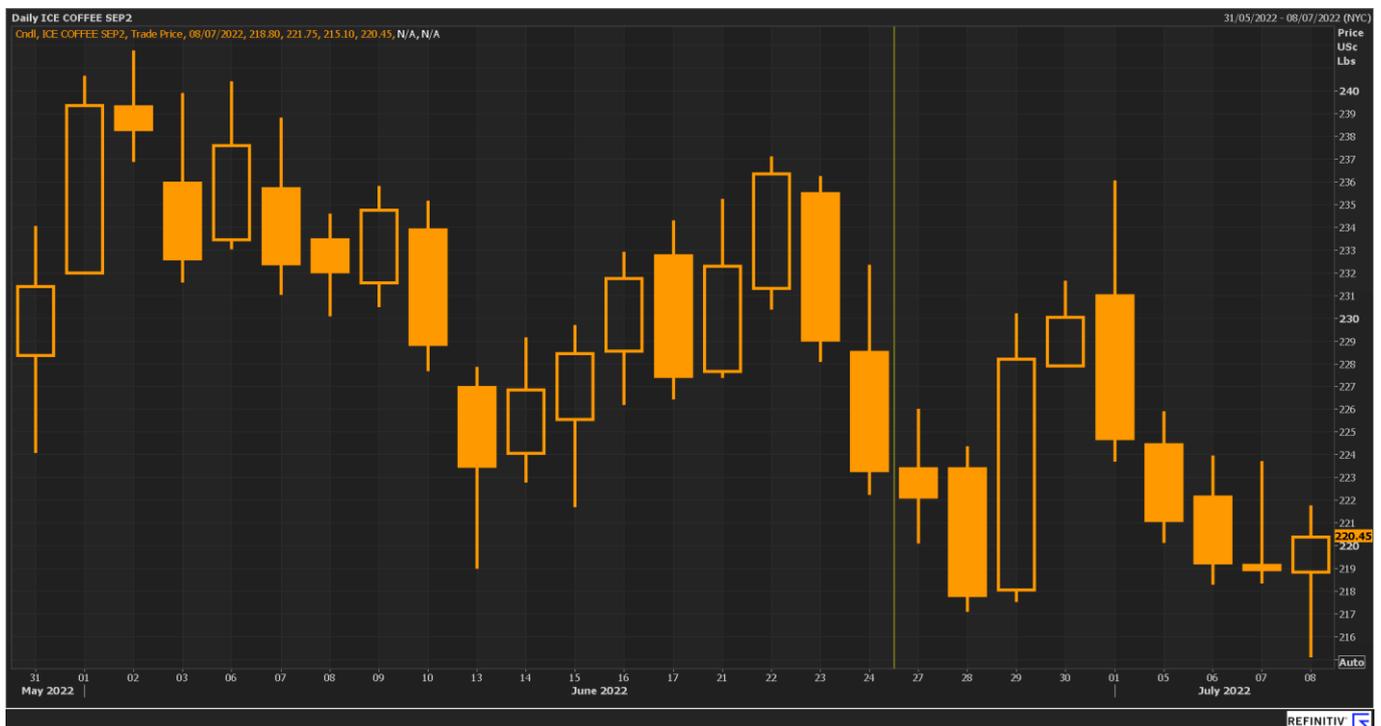
# DRWakefield

EST. 1970

## Fortnightly Market Report

Good day. Welcome to the DRWakefield Fortnightly Market Report. This fortnight we're covering the period Monday 27<sup>th</sup> June to Friday 8<sup>th</sup> July.

### NYC movement:



We entered Monday 27<sup>th</sup> June off the back of two days with large trading ranges. The market opened at 223.45 c/lb and the day's range was only 3.35 c/lb. On Tuesday we tested the 217 c/lb level but closed just above. Wednesday opened at 218 c/lb and closed 10.15 c/lb higher to finish the day trading at 228.25 c/lb, it's interesting to note that this big move was comprised of a comparatively small number of lots; this liquidity issue has become more common place of late with commercials rather quiet. The market took a breather on Thursday and the daily range was small, but we did surpass 230 c/lb. Friday 1<sup>st</sup> of July, however, was a busy day in coffee: the market opened at 231.05 c/lb, saw the fortnightly high of 236.05 c/lb, and then closed at 224.65 c/lb, experiencing a daily trading range of 11.4 c/lb.

The market was closed on Monday 4<sup>th</sup> of July due to the US Bank Holiday and perhaps people continued their celebration into the rest of the week as it was very quiet compared to the week prior. Tuesday 5<sup>th</sup> opened at 224.50 c/lb and for the next few days we trended downwards. Friday 8<sup>th</sup> opened at 218.8 c/lb and hit the fortnightly low of 215.10 c/lb before closing the week out at 220.45 c/lb due to some short covering by the speculators.

The Arabica market remains in backwardation from the September terminal onwards. Will we see a return to Contango soon?

## COT & certified stocks:

The CFTC's COT report with the cut-off Tuesday 28th June showed that the non-commercials reduced their Net Long position by 3,873 lots to total 19,914 lots net Long. Commercials took advantage of the declining price at the end of that week and added 7,154 lots to their gross long position.

The CFTC's COT report with the cut-off Tuesday 5<sup>th</sup> July saw the Commercials largely unchanged, and the non-commercials increased their Net Long Position by 3,734 lots to total 23,648 lots Net Long.

Certified US Arabica stocks have continued to drop and now sit at 790,000 bags, their lowest level since 1999! Cue Prince. With new crop Brazilian shipment on the horizon, we will see this drawdown pause and will semi washed Brazils play a large a role as last year?

## Robusta:



The Robusta market opened at 2,053 \$/mt, lost some value on Monday and Tuesday and then ticked up to reach its fortnightly high on Wednesday at 2,066 \$/mt. There was a reversal in sentiment, and we saw 6 bear days in a row. Similar to Arabica, although we did experience the fortnightly low of 1,937 \$/mt on Friday, the market ended up closing 43 \$/mt higher than open, to finish the week at 1,981 \$/mt.

## Origin:

Although climate change is changing weather patterns, July remains the likeliest month for frost to occur in **Brazil**. Therefore, much attention is paid to what's going on over there this month: this time last year it was July 22<sup>nd</sup> when we saw the first big bull spike in Arabica. Historically speaking Arabica highs tend to be short lived but since that first spike we have been in a high price climate now for nearly a year. The Arabica crop started late due to weather problems and this has kept differentials firm. Although the crop numbers are smaller than they could have been, Brazil is still enjoying an 'on' year so we are seeing more volume come through than this time last year. The BRL strengthened against the US Dollar towards the end of May and has been slowly weakening ever since; it now sits around 5.25.

**Indonesia** was one of the first coffee origins to experience the meteoric rise in ocean freight rates. This time last year it was difficult to get any booking, even harder to get a booking that did not roll, difficult to get a shipping container and impossible to ship without paying the extremely expensive spot rates. This made Indonesian coffee far dearer to roasters on an FCA Warehouse at destination basis. This was partly mitigated by the fact that Indonesian FOB pricing was, historically speaking, very low. However, although ocean freight did come down in 2022, FOB pricing has risen considerably and now even commercial Indonesian coffee is very expensive. The

volatility of this origin's pricing has been difficult for roasters who use a big percentage of it in their portfolios; we do not expect this to change in 2022 as pricing for the upcoming harvest in August is holding firm.

The **Peruvian** harvest has begun in the higher altitude areas and competition is high this year. As Colombian differentials have soared skywards, many roasters are finding value in Peru. Will Colombians price themselves out of the market? In the short term people are still buying Colombian coffee but in the long term if current pricing persists, we may see a move away from that origin and Peru historically has been the closest substitute. We are already seeing this with Peruvian pricing having increased considerably compared to this time 3 months ago. There is a particular premium for Rainforest and Organic certified coffee. The price gap between Rainforest and Organic single cert coffee and Fairtrade Organic coffee is diminishing as there appears to be a supply shortage of Rainforest coffee. With the EU's focus on deforestation-free commodities in the political pipeline, we see demand increasing for Rainforest.

## Currency & Macro outlook



Well, we spoke about the prospect of Euro/Dollar parity and we are not that far away! The US Dollar Index reached 20 years highs in June and in this risk off environment, everyone is hungry for USD. The Greenback has certainly benefitted from the unstable macro environment as investors look for a safe haven to park their money. The FED moving quicker than the BoE and the ECB has also given fuel to this move. We expect the FED and the BoE to continue raises at the next few meetings and the ECB has come out confirming it that intends to raise interest rates for the first time in 11 years later this month in a bid to combat inflation across the eurozone. Inflation is not the only concern in Central Bankers' meetings nowadays; many economists fear the prospect of Stagflation, the situation where there is simultaneous high inflation and economic stagnation or high unemployment. What is certain, is that the path to recovery is long and windy and that the strength of the US Dollar is making coffee more expensive in both the UK and EU.

GBP/USD started off trading at 1.225 and dropped to below 1.20 a week later. There was a slight rally towards the end of the week but it could not push past 1.205 and closed the week out straddling the 1.20 level.

The Euro suffered a more dramatic fall, from 1.05 to 1.01 and saw no pullback.

We hope you enjoyed this report and see you in two weeks! Till next time coffee folks!

**FX Data**

	<b>16.05.22</b>	<b>30.05.22</b>	<b>13.06.22</b>	<b>27.06.22</b>	<b>11.07.22</b>
<b>GBP/USD</b>	1.224	1.264	1.22	1.227	1.196
<b>EUR/USD</b>	1.042	1.075	1.16	1.058	1.181
<b>US Dollar Index</b>	104.4	101.4	104.5	103.9	1.07.4
<b>BRL/USD</b>	5.06	4.72	4.98	5.24	5.25
<b>COP/USD</b>	4103	3926	3935	4131	4411
<b>ETB/USD</b>	51.4	51.5	51.7	51.9	52.1
<b>VND/USD</b>	23086	23175	23205	23245	23339