



DRWakefield

EST. 1970

Fortnightly Market Report

Good day. Welcome to this edition of the DRWakefield Fortnightly Market Report. This fortnight we're covering the period Monday 6th March to Friday 17th March.

NYC movement:



Monday 6th of February opened at 178.05 c/lb and we were wondering if the bearish move of the last 7 working days would continue its descent. However, this was not to be the case, as the market regained some value and closed 2.25 c/lb higher at 180.30 c/lb. The next day we hit the fortnightly high of 183.45 c/lb and what followed was some choppy trading with the market whipping across some key technical levels but with no clear direction. The recent COT data shows that roaster coverage is quite light which supports the idea that we're in a very tentative market with people unsure how to act. The week closed at 177.80 c/lb, not even half a c/lb different than how it started.

Monday 13th had a sizeable daily trading range at 7.55 c/lb and closed the day at 181.15 c/lb. The couple of days that ensued saw us approach the 170 c/lb level but the closest we got was 171.05 c/lb. There was a lot of chit chat about the 170 c/lb level and it appeared a lot of speculators were gearing up to go short if we surpassed it but in the end, it bounced back up to close at 172.60 c/lb. Thursday saw the market gain a further 7.45 c/lb and we closed out the week at 176/60 c/lb.

COT & certified stocks:

Although we have been receiving COT reports over the last couple of weeks, we have still been lagging behind current data due to the publishing of backlogged reports as a result of the cyber attacks. However, the CFTC has now nearly caught up! We're now only a week behind schedule.

The latest report we received was the CFTC's COT report with the cut-off Tuesday 7th March that showed how the Non-Commercials changed from a Net Long position of 556 lots, to a Net Short position of 539 lots. Still on the fence, but leaning into a slightly different direction.

ICE certified arabica stocks fell for the first week during our reporting period and then rose to 789 thousand bags on Friday 17th of March.

Robusta



London opened Monday 6th of March at 2,160 \$/mt and it was a fairly quiet few days of trading that followed. It did shoot up on the Thursday to a high of 2,188 \$/mt (the fortnight's high) but it could not hold this level and closed at 2,168 \$/mt. The bears ruled the roost for the next 4 days and we slid to hit the fortnightly low of 2,051 \$/mt on the 15th. Robusta closed out the reporting period at 2,064 \$/mt

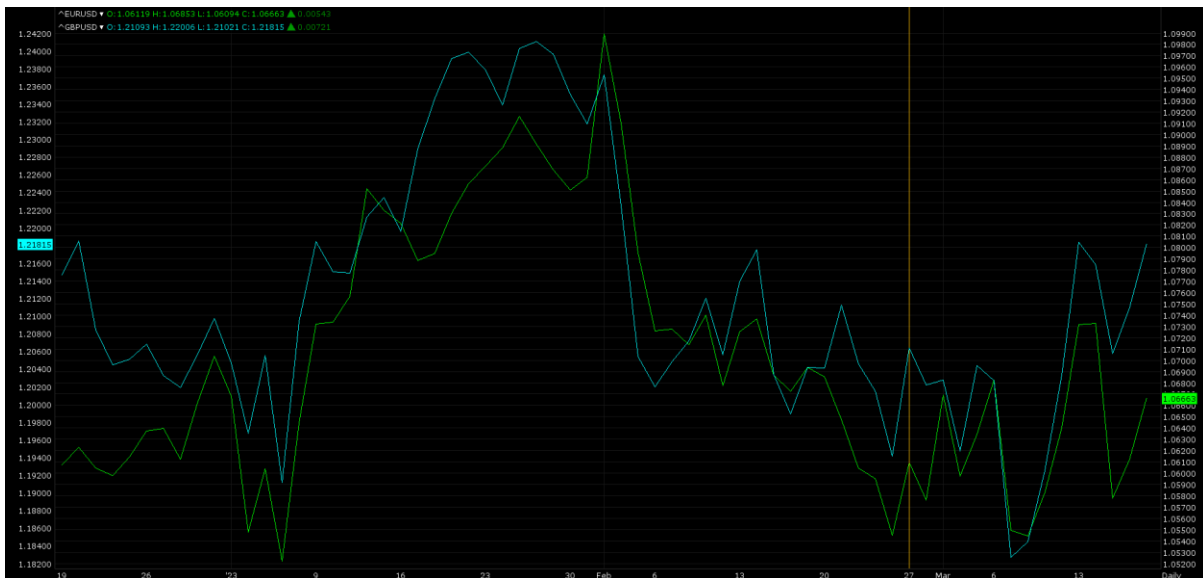
Origin:

The spread of prices offered from **Brazil** continues to be large, with differences of up to 15 c/lb depending on who you ask. It seems nobody is quite sure on the volume of this harvest with crop predictions coming in that vary more than the FOB diffs just mentioned. Is consensus a thing of the past? Or is it simply that the consensus is uncertainty? Rainforest continues to be in short supply and it will be interesting to see if this supply remains tricky going forward. Perhaps with the recent deforestation commodity bills in the EU, we will see more farmers turning to the seal as a way of securing access to the European market?

Harvest data from **Guatemala** show that the 22/23 crop is smaller than the 21/22 harvest. Anacafe (Guatemala's national association for coffee growers) data shows it could be as much as up to 25%. There continues to be a crisis for finding enough pickers for coffee farms as thousands of Guatemalans have emigrated to the US and even if farmers can find pickers, the price to pay one has increased by 120% compared to this time last year. We have heard some farmers say that the reduction in volume is welcome this year as they simply cannot get all the cherries off their trees.

Cyclone Yaku has caused [intense flooding](#) across **Peru**. All our partners are safe but the rain has wreaked havoc on infrastructure across the country. In the northern coffee lands the cities of Piura, Chiclayo and Jaén have experienced major landslides and road closures. Currently the road from Chiclayo to Jaén and Chiclayo to Piura are blocked by overflowing rivers. Coffee exports will be delayed as a result but it's expected that the roads will reopen very soon and luckily March is not a busy shipping month for Peru so the impact on the coffee flow will be small: had this happened in the second half of the year, it would have been a very different story. It's predicted the worst is over but the Peruvian Meteorological Service expects there to be significant rains till the end of the month.

Currency & Macro outlook



It's been a busy fortnight on the macro scene! The collapse of Silicon Valley Bank (SVP), Silvergate and Signature has sent jitters across the global financial system. The increased systemic risk is not US centric, with the illiquidity fears spreading across the pond to big European lenders such as Credit Suisse too. The Swiss National Bank stepped in to act as a backstop but this will only provide short term relief as it will take some time to fix the rot at Credit Suisse, which has been in dire straights for quite some time. That said, the market does seem broadly confident in the ability of major banks (backed by the Fed, other central banks and the Federal Deposit Insurance Corporation) to handle any liquidity issues that may arise. The salient outcome is that the Fed will now likely be more dovish at their meeting later this week.

The Fed is facing in an interesting dichotomy between inflation and bank liquidity; Raise interest rates by a large amount (50bps) in order to help lower inflation which is proving to be stubbornly high, or leave interest rates at 4.75% in order to not place more strain on a

clearly stressed banking industry. What's likely is that they will meet in the middle and raise rates by 25bps. The European Central Bank (ECB) raised their rate by 50bps last week and this should see the Euro claw back some more value against the Greenback.

Why are we talking so much about interest rates in a coffee report? Well, for two reasons. How the FED, ECB and Bank of England manage their rate rises (or lack thereof) will have a large impact on the strength of their currencies, and therefore the price of your landed coffee price. Additionally, hawkish and doveish moves by the FED have the ability to move global markets pricing and coffee is no exception and has increasingly become susceptible to global macro moves. Therefore, central banks will continue to feature heavily while the rascal inflation is still on the scene.

GBP/USD started the fortnight at 1.205, plummeted to 1.182 on the 7th of March and then quickly recovered all the value it had lost and soared higher, up, up and away, to close the period at 1.218.

The Euro started at 1.060, and broadly tracked the Pound, falling to 1.504 on the 7th, and then rising to close out the fortnight at 1.066. The reason for the plummet? The Fed hinted it was prepared to increase the pace of rate hikes to tame inflation. However, the banking issues aforementioned went on to dampen this bullish sentiment surrounding the US Dollar.

We hope you enjoyed this report. Till next time coffee folks!

FX Data

| | 28.11.22 | 09.12.22 | 09.01.23 | 23.01.23 | 06.2.23 | 21.02.23 | 06.03.23 | 20.03.23 |
|-----------------|----------|----------|----------|----------|---------|----------|----------|----------|
| GPB/USD | 1.20 | 1.22 | 1.215 | 1.235 | 1.205 | 1.204 | 1.201 | 1.217 |
| EUR/USD | 1.04 | 1.05 | 1.066 | 1.086 | 1.117 | 1.068 | 1.063 | 1.065 |
| US Dollar Index | 105.8 | 104.7 | 103.46 | 101.82 | 103 | 108.85 | 104.6 | 103.58 |
| BRL/USD | 5.37 | 5.24 | 5.22 | 5.20 | 5.15 | 5.167 | 5.19 | 5.27 |
| COP/USD | 4857 | 4812 | 4911 | 4595 | 4654 | 4920 | 4786 | 4845 |
| ETB/USD | 53.4 | 53.5 | 53.6 | 53.7 | 53.7 | 53.7 | 53.8 | 53.8 |
| VND/USD | 24780 | 23598 | 23487 | 23443 | 23463 | 23745 | 23712 | 23584 |

