



# 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 20th March to Friday 31st March.

### NYC movement:



The New York Coffee Market opened at 174.60 c/lb on Monday 20 March. Trading began slowly, as it did across the majority of markets, with players focused on the proposed takeover of Credit Suisse by UBS. However, trading picked up and the market hit highs of 178.80 c/lb, before closing slightly lower at 178.50 c/lb. The following day saw a consolidation of strength as traders were reassured by the steps being taken to save the Swiss bank from insolvency. The market high was 182.85 c/lb, before closing at 180.30 c/lb. Wednesday 22 March was another slow trading day as all eyes were on the Fed's announcement that they would raise interest rates to 5%.

The second week of the reporting period saw the market open at 178.50 c/lb before hitting the period high of 184 c/lb in an early rally. This bullish spike was short-lived and the market quickly fell back below, closing at 176.90 c/lb, 1.60 c/lb below open. The market continued to fall throughout the week, breaking through the support level of 170 c/lb, a strong indicator of a bearish trend. Friday 31 March saw a very small uptick, closing the period at 170.50 c/lb, but time will tell whether this is a turn of tide on the bears or not.

## COT & certified stocks:

After the cyber attacks that the CFTC suffered they had a backlog of COT reports to publish although it looks like we are now up to speed! The latest report, with the cut-off Tuesday 28<sup>th</sup> March. With a general lack of clear direction in NYC movements, the COT categories have not changed significantly either, with both the Commercials and Non-commercials choosing to merely trimming both their Net Long and Net Short Positions.

ICE certified arabica stocks have continued to fall slightly across the reporting period and on 30 March stood at 742,894 with zero bags pending grading.

## Robusta



Whilst Arabica had a largely bearish fortnight, the London Robusta market was looking far more bullish. The market opened on Monday 20 March at 2052 \$/mt, it climbed 42 \$/mt that day, another 42 \$/mt the following day, and a whopping 65 \$/mt on Friday 24 March. These heights were largely sustained the following week, with the market hitting the period high of 2250 \$/mt on 28 March, before closing the fortnight at 2206, \$154 higher than the start of the period.

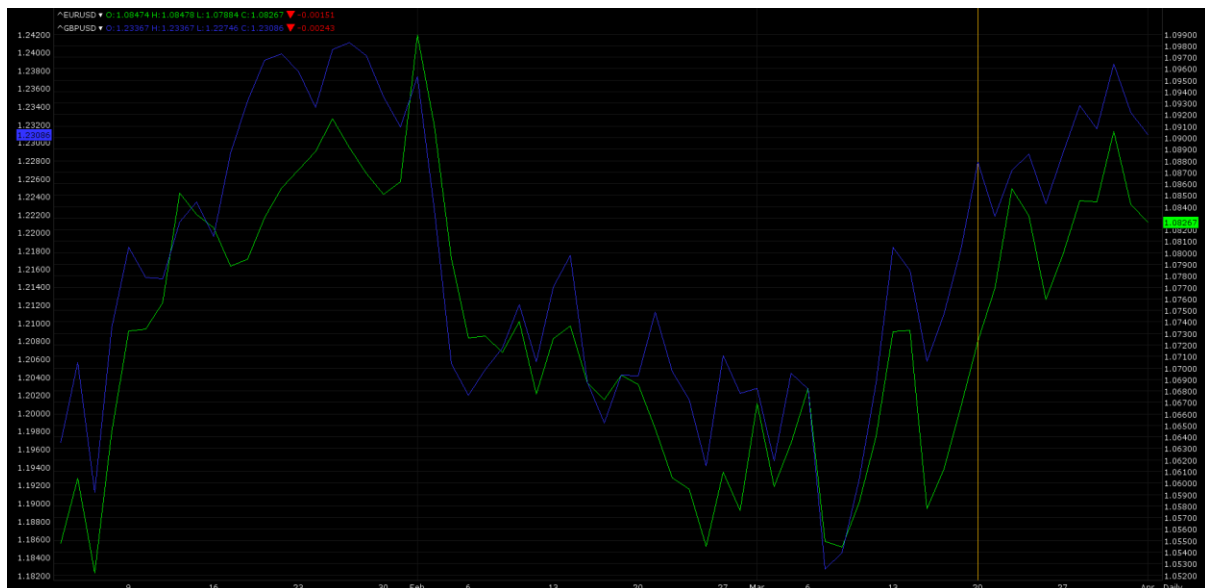
## Origin:

**Brazilian** diffs continue to be fairly volatile. The weather forecast is currently on side for a large crop and a healthy harvest. Therefore, many producers are holding off selling, they are under no immediate pressure to do so and so are in the position to hold off and wait for stronger prices. As a result, the pace of sales has been relatively slow. On top of which, whilst current weather seems to be setting the crop in good stead, reports on predicted crop volume are still uncertain and include a degree of guesswork at this stage still. This is also making some producers hesitant to sell their fresh crop, as they are not wanting to over-commit and then not have the coffee to fulfil their requirements.

The upcoming **Colombian** crop is currently expected to match that of last year (11 million bags total). The fly crop this year was 7% down, but the main crop is expected to be 7% up based on current flowering, and so will balance out the difference. Differentials have come down following the Swiss Coffee Dinner where one large player bought a significant volume of coffee from one exporter at lower differentials, which moved Colombian differentials down across the board. Hopefully their head wasn't too sore the next day!

In **Peru**, initial reports are coming in that this year's crop will be 10-15% up on last year, which is great news as initial fresh crop offers are starting to roll in. Currently, the weather conditions are looking pretty favourable for harvesting, so long as heavy rains don't start falling. Historically there has always been very little rainfall in Peru during harvest season, but in the last few years climate change has caused the rains to become more unpredictable. If rain falls whilst the coffee is being dried it has the potential to damage the quality as drying for most producers is done on open patios where the coffee isn't covered.

### Currency & Macro outlook



It's been a largely bullish fortnight for Sterling, opening at 1 USD to 1.227 GBP, and closing at 1 USD to 1.233 GBP, almost hitting its 10-month high, and only dropping to 1 USD to 1.222 GBP at its weakest. Across the whole month of March, it gained nearly 4% on the US Dollar, beating almost all its major rivals. The 31<sup>st</sup> of March also saw the confirmation that the UK has officially avoided recession as growth for Q4 of 2022 was revised to 0.01% growth, up from 0.0%. Meaning overall growth for 2022 was 4.1%. As a result of this many forecasts have been revised, with HSBC stating they 'no longer see the UK suffering a recession, despite the real income squeeze and energy shock'.

The Euro also had a strong couple of weeks against the US Dollar. Opening the fortnight at 1 USD to 1.072 EUR, it hit heights of 1 USD to 1.091 on 30 March, before tempering a little and closing at 1 USD to 1.085 EUR. As we have seen both the Sterling and the Euro track similarly in gaining ground against the US Dollar, it is indicative of Dollar weakness, as well as Sterling and Euro strength. The Fed's decision to further raise interest rates to 5% on 22 March saw an increase in value of both currencies this side of the pond, meaning it served to weaken the Dollar.

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

**FX Data**

	<b>09.12.22</b>	<b>09.01.23</b>	<b>23.01.23</b>	<b>06.2.23</b>	<b>21.02.23</b>	<b>06.03.23</b>	<b>20.03.23</b>	<b>03.04.23</b>
<b>GPB/USD</b>	1.22	1.215	1.235	1.205	1.204	1.201	1.217	1.230
<b>EUR/USD</b>	1.05	1.066	1.086	1.117	1.068	1.063	1.065	1.083
<b>US Dollar Index</b>	104.7	103.46	101.82	103	108.85	104.6	103.58	102.47
<b>BRL/USD</b>	5.24	5.22	5.20	5.15	5.167	5.19	5.27	5.06
<b>COP/USD</b>	4812	4911	4595	4654	4920	4786	4845	4653
<b>ETB/USD</b>	53.5	53.6	53.7	53.7	53.7	53.8	53.8	53.9
<b>VND/USD</b>	23598	23487	23443	23463	23745	23712	23584	23467