

## WEEKLY REPORT

October 14, 2019 – October 18, 2019

Traders came back from Basel to find a market looking to build off its higher close from the previous week as the “C” settled at 94.85 +1.15 on Monday. Consensus from the Swiss Coffee Dinner was that the Brazil 19/20 crop will hover around 70 million bags and that although there is expected to be a worldwide deficit of 5 to 1 million bags depending on the source, the initial outflow of coffee early in the year should help stem any immediate shortfalls. As we’ve mentioned previously, consensus also stated that all eyes will continue to be on the cert drawdowns as this is one of the key factors to be considered in an eventual market upturn or lack thereof. Monday saw the beginning of a trend in large growths in OI which continued through the end of the week. OI for the week totaled an increase of over 14K lots and a whopping total of over 41K lots since last Tuesday. Some have speculated that the very large number of spreads that began trading and continued into this week added a disproportionate amount of volume to OI although we believe it can also be inferred that the non-commercial funds continue to add shorts to their already large short positions. Tuesday saw outright volume overshadowed by the huge amount of spread trades (almost 30,000 spreads). The spot Z9/H20 spread has tightened significantly off the recent low off -370 as it traded into -335 on Friday. The aforementioned “eyes on certs” could have contributed to Wednesday’s choppy downturn as the GCA reported a certified stock increase for the month of September. A weakening Real combined with the cert increase pooled to pull the rug of support from the “C” to settle it at 93.55 -.90. London fared much worse as heavy selling, supposedly from triggered Vietnam stops, massacred Robusta to levels not seen since 2010 as LRCc2 traded a double bottom of 1211. The X9/F20 continued to weaken as it traded choppily out to -31 and into -26 during the day. Weakness continued into Thursday with spreads making up a large chunk of the day’s trading volume and pressure on the “C” continued as it settled 92.90 -.65. KCZ9 tested the recent double low (92.20/92.25) as it stopped at 92.35 and rebounded slightly for the settle but leaves the doubt as to whether we will test the level again in the near future. Friday started as expected from the previous day’s action as both markets began trading quietly with NY towards the lows and London midrange but took a surprising turn nearing mid-day. A curious article began circulating with a headline suggesting a coffee shortage which some might have taken at face value if they just read the headline. Nevertheless, the actual body of the article presented two very varying viewpoints (<https://www.bloomberg.com/news/articles/2019-10-18/in-a-global-coffee-glut-top-brazil-grower-has-run-out-of-beans>). Some traders have indicated the market upswing initiated around the same time this article started circulating. The link is attached here so you can come to your own conclusions. Notwithstanding the reason for the rally, the NY “C” posted an impressive recovery over 3 cts off the lows at its high of 96.20. The settlement at 95.70 +2.80 was almost as impressive. London also recovered nicely to settle +22 at 1216 basis November. A strengthening Real helped provided support as it also experienced an upswing around this time and traded into 4.11 off the day’s low of 14.16 (at the time of this report). It might be too soon to call today’s action a game changer although technically it does provide some breathing room off the double bottom mentioned above and the small gap left on the KCc2 chart (90.55/90.85). At the very least, it provides a breath of fresh air and a change of pace to start the weekend.

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Template: C:\Users\lmones\AppData\Roaming\Microsoft\Templates\Normal.dot  
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Title:  
Subject:  
Author: Microsoft account  
Keywords:  
Comments:  
Creation Date: 10/18/2019 3:09:00 PM  
Change Number: 2  
Last Saved On: 10/18/2019 3:09:00 PM  
Last Saved By: Microsoft account  
Total Editing Time: 0 Minutes  
Last Printed On: 10/18/2019 3:10:00 PM  
As of Last Complete Printing  
Number of Pages: 1  
Number of Words: 588 (approx.)  
Number of Characters: 3,358 (approx.)