

19 August 2022



SUMMARY

Macro remains a key driver. The FED’s July meeting minutes sounded a touch less hawkish, which is interpreted by the market as a softer rate hike come September. Friday COT suggested funds are back to buying agriculture futures due to strong cash markets and the strong BRL. Robusta saw the second-largest new longs on record (+12,554 contracts) which has a slightly bearish feel as larger-than-expected fund long positions means less fund buying firepower looking forward. New Arabica pending gradings have come a halt and at the current grading pace and pass-rate, it will not change the bigger picture that much. Overall, NY at 210cts is in the high side historically speaking but the fundamentals are still bullish (albeit less so than a couple of months ago). LDN did an amazing job at narrowing the Arbitrage, but we suspect that there is a Dead Cat Bounce in the agenda of some main big traders.

MACRO

The main question for most business actors is still about inflation: have we passed the peak or not? The latest CPI/core CPI would suggest that the top is behind and markets expect that the FED will be less hawkish. That explains why equities have risen since mid-June. However, this enthusiasm might end soon. In most of countries, people and industries are suffering from the inflation which does not cool down in reality. It becomes more and more obvious that Central Banks can only reduce the inflation coming from the excess of demand, but they are powerless against the price increase caused by the disruption of supply chains, which is the main driver. On top of that, we should keep in mind that the risk of recession is still high. It will most probably take place within this year in Europe and in many emerging countries.

The geopolitical situation remains tense as the conflict in Ukraine bogs down and the US keep putting pressure on China by announcing a major trading agreement in process with Taiwan. The world is facing a trust issue as most of countries are trying to diversify their supply chains and outlets partners to reduce their dependency.

Inflation Rate Europe						
World	Europe	America	Asia	Africa	Australia	G20
	Turkey		79.6		78.62	Jul/22
	Moldova		33.55		31.83	Jul/22
	Estonia		22.8		21.9	Jul/22
	Ukraine		22.2		21.5	Jul/22
	Lithuania		21.6		21	Jul/22
	Latvia		21.5		19.3	Jul/22
	Belarus		18.1		17.6	Jul/22
	Czech Republic		17.5		17.2	Jul/22
	Bulgaria		17.3		16.9	Jul/22

Inflation Rate Europe						
World	Europe	America	Asia	Africa	Australia	G20
	Bulgaria		17.3		16.9	Jul/22
	Macedonia		16		14.5	Jul/22
	Bosnia and Herzegovina		15.8		14.4	Jun/22
	Poland		15.6		15.5	Jul/22
	Russia		15.1		15.9	Jul/22
	Romania		14.96		15.05	Jul/22
	Montenegro		14.9		13.5	Jul/22
	Kosovo		14.2		14.1	Jul/22
	Hungary		13.7		11.7	Jul/22
	Slovakia		13.6		13.2	Jul/22



TECHNICAL ANALYSIS - ARABICA

We are approaching some support zones where the current down trend could be stopped. These supports are on the blue trending line at U-210 cts and on the BB lower band at U-206 cts . The Stoch is high. It means that there is a risk to go Long at this stage. An Arbitrage or NY Long position could be considered if NY slides in the range between 206 and 210 and in case the chart starts showing some signs of recovery.



TECHNICAL ANALYSIS - ROBUSTA

London has not been over 2200 usd more than 2months since Aug 2011. It means that we have entered the ATH zone. The monthly chart shows us that each long-term rally (5 in in the last 18 years) since 2004, has been followed by a Dead Cat Bounce. Hence a DCB might be in progress now, especially with the current Robusta fundamentals which are not supportive.



OTHER MARKETS

DXY is strengthening again and approaching 108 and peer currencies still under pressure. Metals and energies have recently experienced a massive sell off from Hedge Funds. Equities have nicely recovered since mid-June but they are taking a pause now due to mixed signals issued by the Fed. Some commodities such as cotton have recently switched from demand concerns to supply worries, in other words, it means that Fundamentals are driving this market again instead of Macros.