

COMMODITIES

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Coffee Hits a 7-Month High

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NEW YORK -- Coffee futures rose to seven-month highs, driven by speculative buying and a bullish underlying outlook.

Strength in stocks and a weaker U.S. dollar helped to underpin prices.

July coffee on ICE Futures U.S. gained 2.90 cents to \$1.3230 a pound on Tuesday, off the \$1.3245 high and the contract's strongest point since Oct. 6. The contract's 9.9% gain since May 1 is driven primarily by speculators as coffee end users sit on the sidelines awaiting market developments. Selling from producers is only mildly dulling gains, analysts said.

Prior to this month's rally, coffee prices had been supported by tight physical supplies and strong demand. With speculators now adding to the gains, industry observers are uncertain how much more steam is left in the near term.

"Coffee is a jittery market capable of rather large moves," said Sterling Smith, vice president at FuturesOne in Chicago. If bullish technical-chart strength continues, it could jolt July futures to \$1.40-to-\$1.45 resistance levels, he said.

If that isn't possible, July coffee could top out at \$1.3450 to \$1.3500 before consolidating lower toward the \$1.25 to \$1.28 level, said Jaime Menahem, coffee broker at Alaron Trading in Miami.

Gains could be crimped as profit-taking could set in ahead of Memorial Day weekend, said Boyd Cruel, an analyst at Alaron Trading in Chicago.

Unexpected frosts during the onset of the Brazilian coffee harvest would spark a rally, though current weather conditions are minimizing a weather premium in the market, analysts said. No damaging cold is expected for Brazil's developing crop, with temperatures forecast near to above normal through Saturday, according to DTN Meteorlogix, a private forecaster.

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