By Kira Brecht

ICE July coffee futures surged higher in early trading action Wednesday.
The short-term trend picture has improved in recent days as the market
shrugged off a recent dip under the $1.2500 zone. The longer-term trend remains
bearish and the intermediate-term trend outlook is neutral, but the short-term
trend bias has turned bullish.
ICE July coffee recently traded up 220 points at $1.3490 a pound.
Wednesday's rally move propelled ICE July coffee back above the $1.3200 zone,
which represented the early March low and the bottom of a multimonth neutral
range. From March through late May, ICE July coffee traded in a large sideways
range between $1.3200 and $1.500.
The late May sell-off tugged July coffee to a low at $1.2355, scored on May
27, but the bears failed to defend the push to lower levels. A bullish gap open
emerged on June 1 and the coffee contract climbed back above the $1.3200 zone
this week. Sustained gains above the $1.3200 area will confirm the late May
sell-off as a "bear trap," and will place coffee back within the old multimonth
neutral range between $1.3200 and $1.5000.
The 14-day relative strength index, a widely watched momentum tool, is
pointing higher and supports a near term bullish bias. The coffee market has
climbed above its 20-day moving average line this week at $1.3244, which is a
short-tem bullish signal.
On the upside, initial resistance lies at $1.3675 and then $1.4385, with a
major ceiling at $1.5000.
As long as the $1.3200 level holds as new support for July coffee, the near
term bias will remain positive. The failed breakout below $1.3200 puts coffee
back in the intermediate term neutral range. Coffee is vulnerable to a bounce
back toward the mid portion or the top of the range in a reactionary rally wave.

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