

By Kira Brecht

ICE December coffee futures pressed lower in early trading Wednesday. A recent counter-trend rally move stalled at \$1.2335 and that ceiling now stands as strong near-term resistance. The primary long-term trend pattern remains bearish and unless the bulls muster enough strength to crack the \$1.2355 zone the near-term trend bias will remain sideways to lower.

ICE December coffee recently traded down 75 points at \$1.2010 a pound.

The ICE December coffee contract has been spiraling lower in an orderly long-term downtrend pattern for nearly a year. The daily chart shows a major peak at \$2.3150, hit in mid-October 2014. From there, the coffee market has fallen steadily to the contract low hit Sept. 24 at \$1.1455.

The December coffee futures weekly chart reveals a "bullish reversal" week Sept. 25, as the contract hit a new low, but then closed higher on the week. Thus far, this week's action has held below the Sept. 25 weekly high at \$1.2335, as a lack of follow-through buying has been seen.

However, the bullish reversal could mark out a short-term low at \$1.1455, which precedes a consolidation period. Markets can correct in two ways, either through a counter-trend price move or via time in a sideways consolidation mode. Daily momentum as seen in the 14-day relative strength index is lackluster, near midrange levels at 47% in early trading Wednesday. Momentum is not revealing a strongly trending market currently, which favors near term consolidation.

In the short term, ICE December coffee remains vulnerable to sideways corrective activity between major resistance at \$1.2335 and major support at \$1.1455. Short-term support lies at \$1.1785 and declines below that floor would leave the coffee contract vulnerable to slippage back toward the contract low.

The longer-term bear trend remains dominant and a decline below \$1.1455 would signal a resumption of the primary downtrend. But in the very short-term coffee is vulnerable to some sideways "backing and filling" in the wake of the recent weekly bullish reversal.

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