

By Julie Wernau

Coffee prices enjoyed a rebound Friday as Brazil, the world's largest **coffee** producer, saw its currency jumped as much as 2% higher amid a burgeoning corruption investigation in Brazil led to the detention of the country's former president.

When the real strengthens against the dollar, it discourages sales of the dollar-denominated product as producers await more favorable exchange rates.

Coffee for May delivery rose 2.7% to end at \$1.2105 a pound on the ICE Futures U.S. exchange, its highest close since Feb. 5.

Brazilian markets are rallying as an investigation into widespread government corruption widens. Former President Luiz Inacio Lula da Silva was detained for questioning in the case. He has denied any wrongdoing and blasted the prosecutors for being "arrogant".

The country's president, Dilma Rousseff has not been charged and also denied any wrongdoing. But market participants speculate that she could be unseated and replaced with a more market-friendly government.

The Bovespa rose 3.5% and is up 17.5% on the week at a time when emerging markets stocks as a whole rose 3.5%. The Brazilian real was up 1.8% against the dollar recently.

"While little occurred on a fundamental basis, the **coffee** markets in the past week were higher, taking cues from a stronger Brazilian currency," commodities firm ED&F Man's Volcafe said in a note.

While wages were down slightly in Friday's jobs report, the U.S. economy created new jobs, encouraging some investors to return to a badly beaten commodities sector as a hedge against inflation, said James Cordier, found of Tampa, Fla.-based asset manager Optionsellers.com.

"Commodities were like a four-letter word," Mr. Cordier said. "The psychology has turned."

In other markets, raw sugar for May dropped 0.1% to end at 14.83 cents a pound, cocoa for May closed up 1.9% at \$3,008 a ton, frozen concentrated orange juice futures for May fell 2.8% to end at \$1.205 a pound and May cotton settled up 1.3% at 57.11 cents a pound.

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