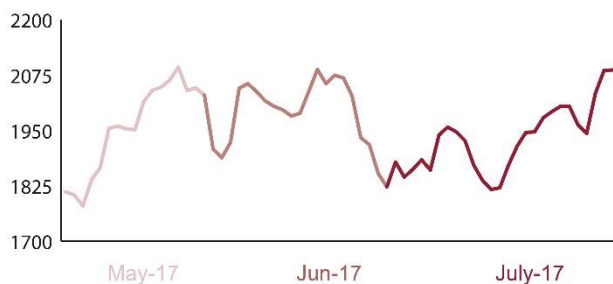


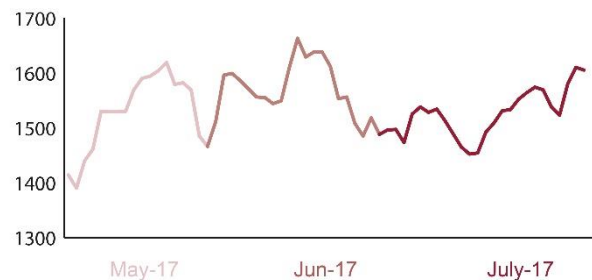
## Cocoa Beans Data focused

July saw overall price volatility reduce from just above 30% to 25% on an annualized basis. The market continued to trade range bound with lower lows and lower highs versus June. Despite rather muted industry and origin participation we saw a technical and macro driven rally to close out the month with another attempt to push the spec shorts out. The headlines focused on main report releases through the month, first of which was global grind figures. Often used as a proxy for cocoa demand, global grind numbers for Q2 came in broadly below market expectations with 16/17 grind projection at +4-5%. This was followed by the release of the main confectioner result reports (Hershey, Nestle, Lindt, Mondelez) which painted a rather underwhelming outlook for chocolate demand year to date.

New York close, 2<sup>nd</sup> month USD/Mt



London close, 2<sup>nd</sup> month GBP/Mt



## Cocoa Powder Increased interest for cover extension

Following the typical holiday period seasonality, the activity was on the low side. Nevertheless, an increased amount of inquiries emerged as more market participants consider cover extension. Indeed, prices remained stable and historically are very attractive while there are ongoing risk elements in the market. With the 16/17 crop year more or less final, the market started focusing more on the uncertainty around next year's Supply and Demand, as well as the political environment in Ivory Coast. Foreign exchange volatility fueled some price changes in affected markets.

Activity is expected to increase in the coming months as more buyers take advantage of the prices that offer a good risk mitigation opportunity with regards to their cover needs.

## Cocoa Butter Firm holiday season ratios

While terminal prices gradually increased toward the end of July, cocoa butter ratios remained firm. Nearby availability is very tight as the largest share of production is already committed and there is little evidence of extra stock replenishment. Some delays persist as well due to logistical issues in origin flows to destination markets. As a result the stress on short term availability is slowly spilling over into Q1 2018 where ratios strengthened, trading at a larger premium to Q2-Q4 2018 positions. Although the amount of activity was low due to the holiday season, the cocoa butter market remains firm as we go into the peak season.

## Cocoa Liquor Getting ready

With the summer holiday season in full swing one would expect it to be relatively quiet, however we see strong take-off from all our factories as the industry is clearly gearing up for the peak season! Outright prices at attractive levels combined with a healthy demand for dark chocolate, liquor ratios remain well supported into 2018. The replenishment of stocks from origin remains sluggish, therefore we expect tightness on the nearby months to continue.