

Carlsquare/Vontobel weekly trading note: Opportunity during the coffee off-cycle

Coffee prices have stabilised at high levels since February 2025. Supply, which is expected to hit a three-year low this year, is pushing up prices, while tariffs between coffee-producing countries and the US and a strengthening of the Brazilian currency (Real) against the USD are likely to hamper and redirect exports. The situation in global equity markets remains uncertain, as can be seen from the technical analysis charts.

Coffee had a great 2024, with Arabica prices rising steadily throughout the year. So far in 2025, futures prices have been broadly flat as traders struggle to price in a turbulent USD and tariffs, with supplies expected to remain below previous years. Brazil, one of the leading coffee producing countries, has seen its real strengthen against the USD. Tariffs and currency changes are likely to hamper and redirect coffee exports, as well as affect the mix between Arabica and Robusta.

For Q1 2025, with 12% of S&P500 companies reporting by 17 April 2025, 71% have reported positive EPS surprises and 61% have reported positive revenue surprises. S&P500 earnings growth is expected to be 7.2% in Q1 2025, with Health Care and Information Technology having the best earnings prospects according to Wall Street analysts.

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