

Harmonics in Coffee Futures

© Branton Kenton-Dau

branton@kenton-dau.com

October 2020

Repetitive harmonics in coffee futures can provide a guide to future price action. These initial observations are based on the analysis of ICE US Coffee C Futures. The contract is rolled on the 14th of the month prior, e.g. the March contract is rolled on Feb 14th. Data is from 1980 to June 2020.

Interval A represents a set number of days:

A

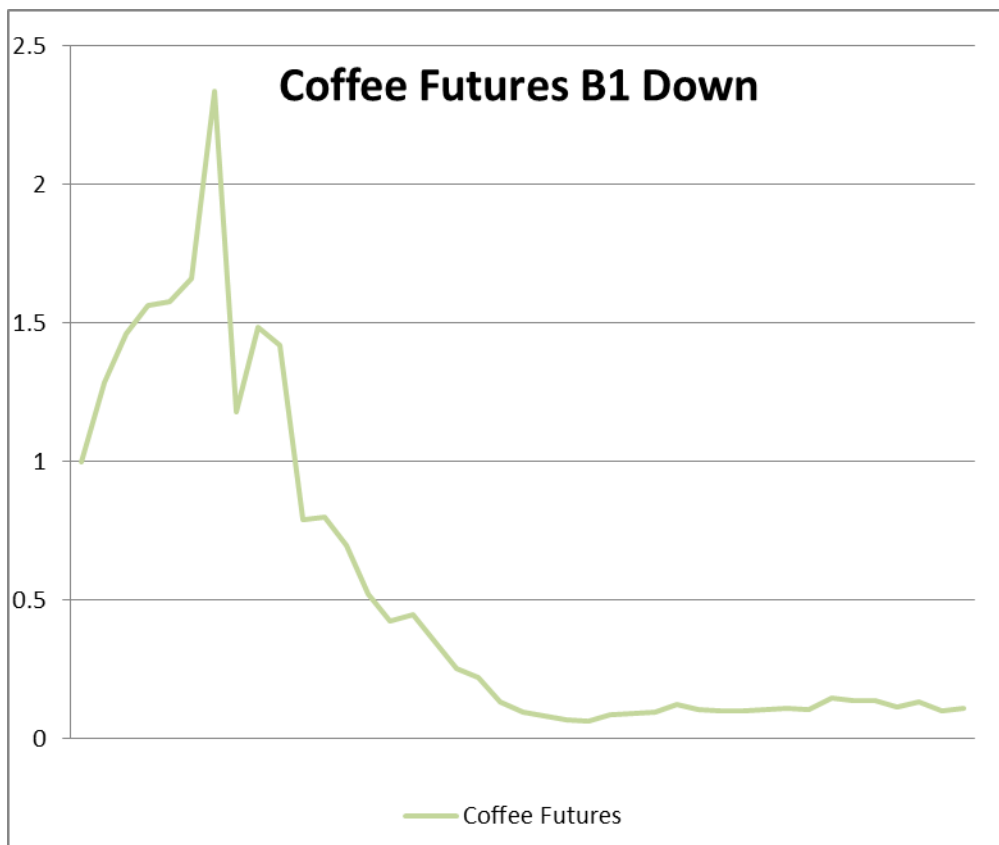
Interval B is half of interval A:

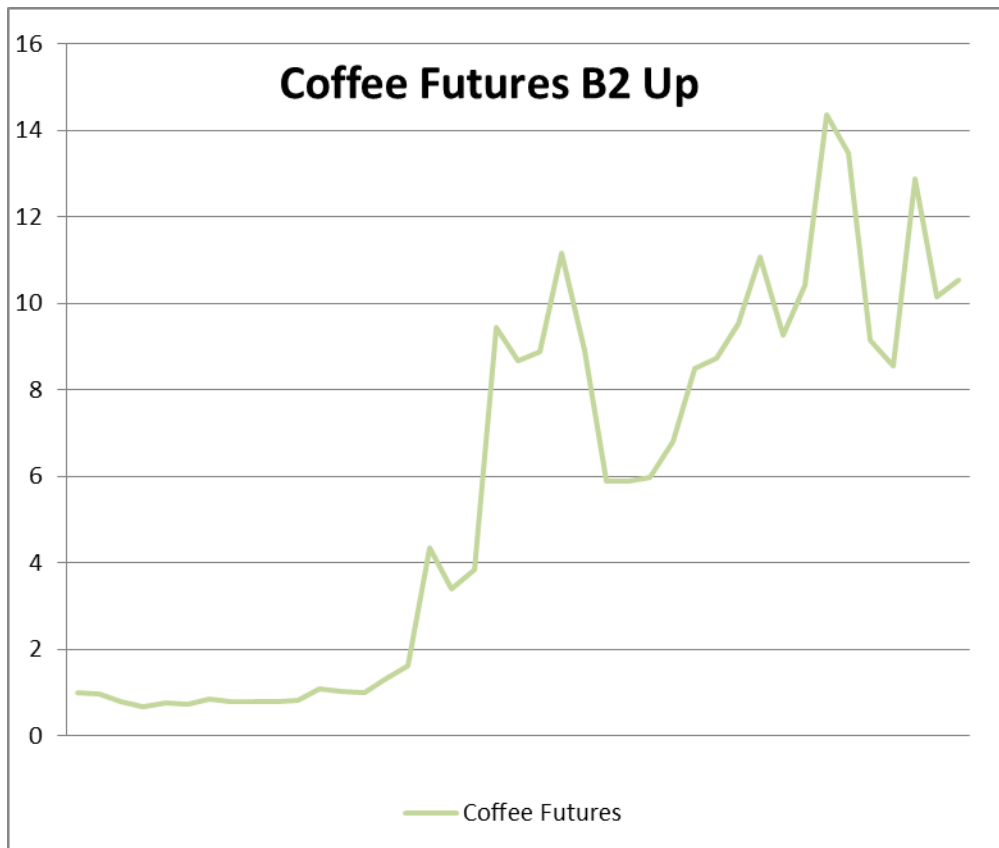
B1

B2

Interval B has the following general price pattern:

B1 down B2 up



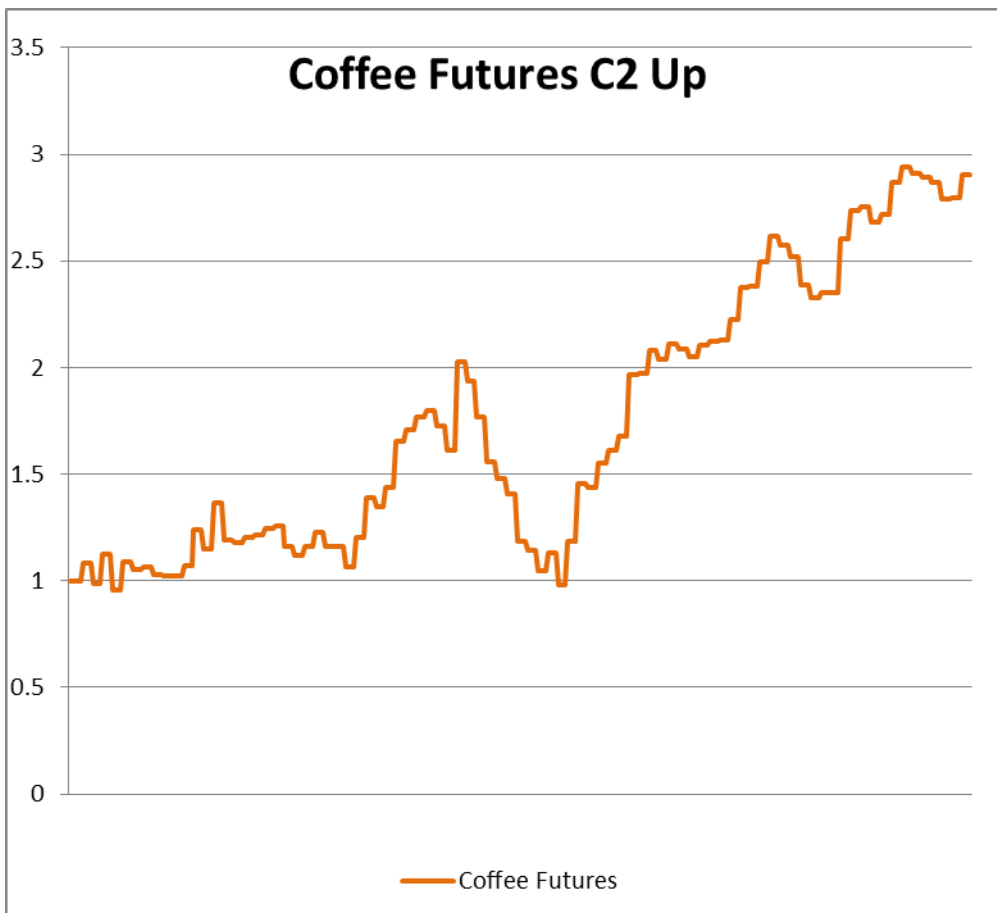
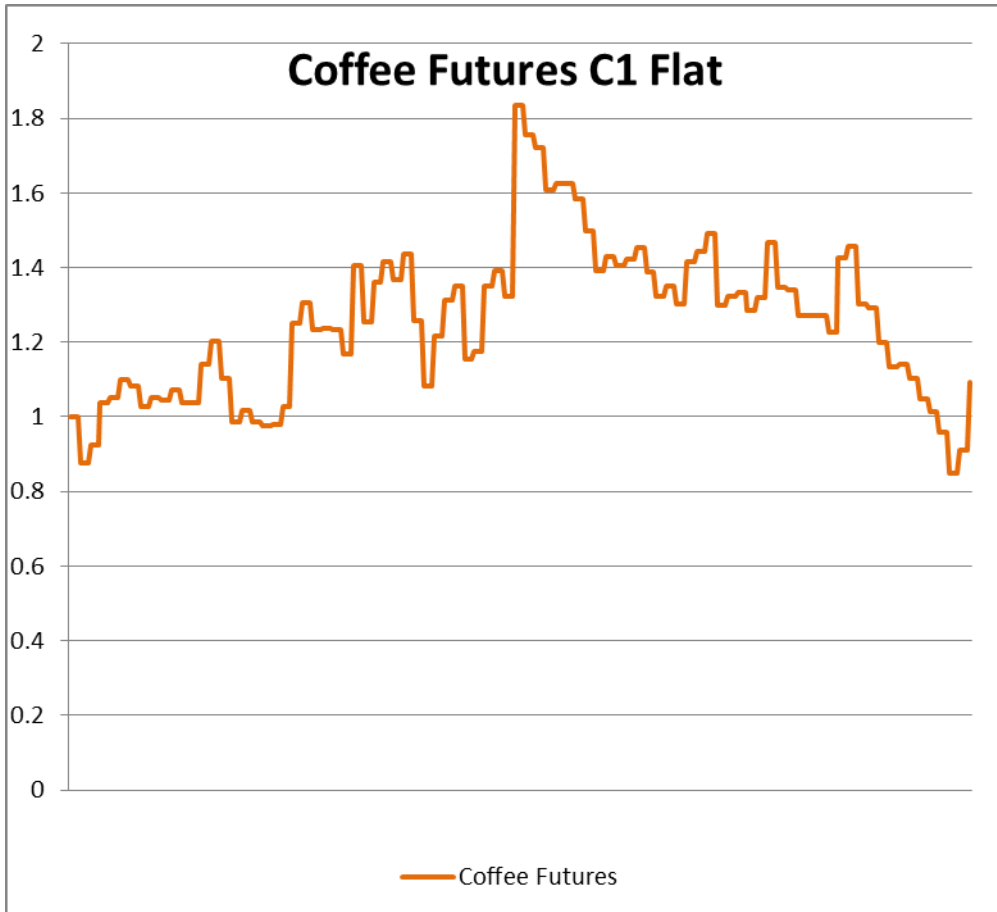


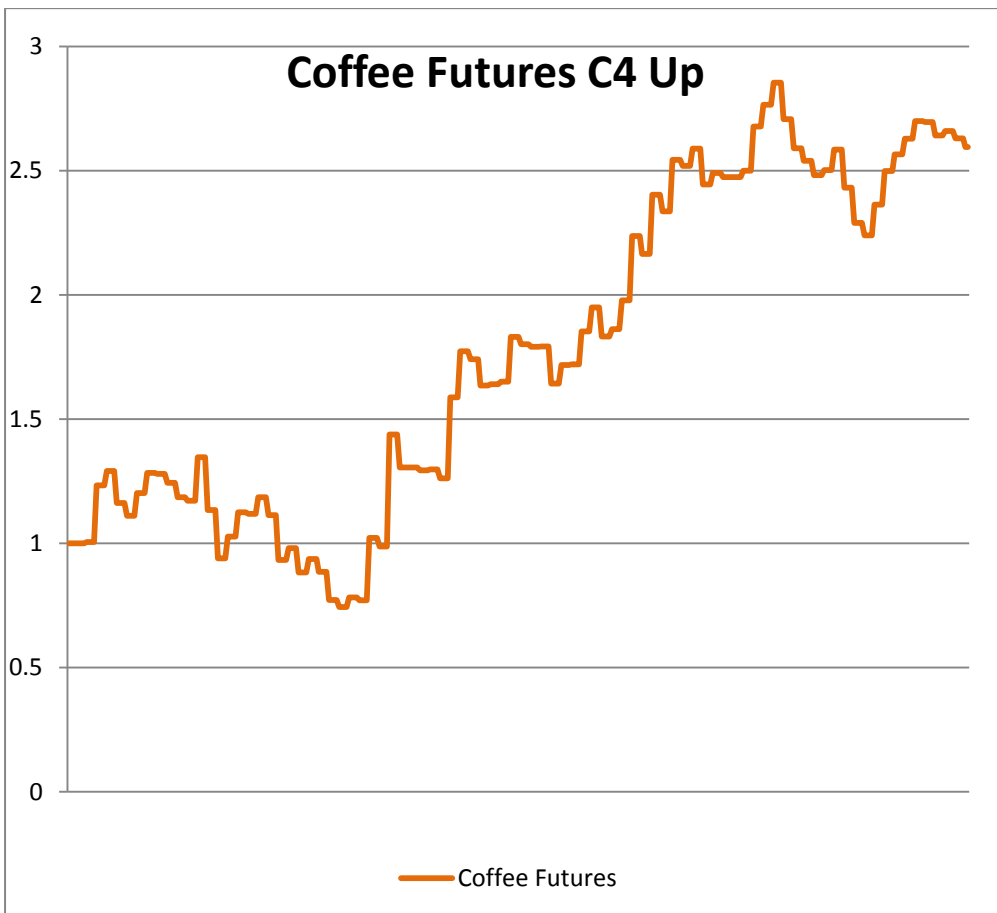
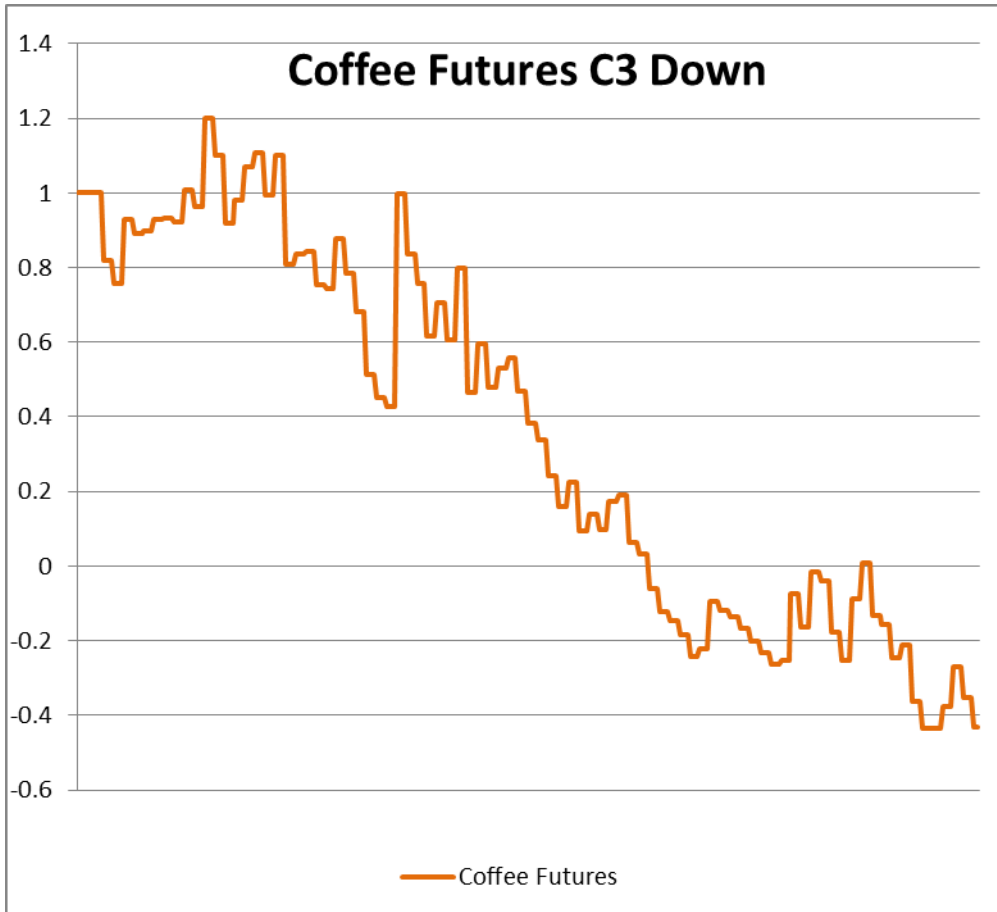
There are several ways to get a more granular view of B. One is to divide it into 4 equal periods, C.

B			
C1	C2	C3	C4

Interval C has the following general price pattern:

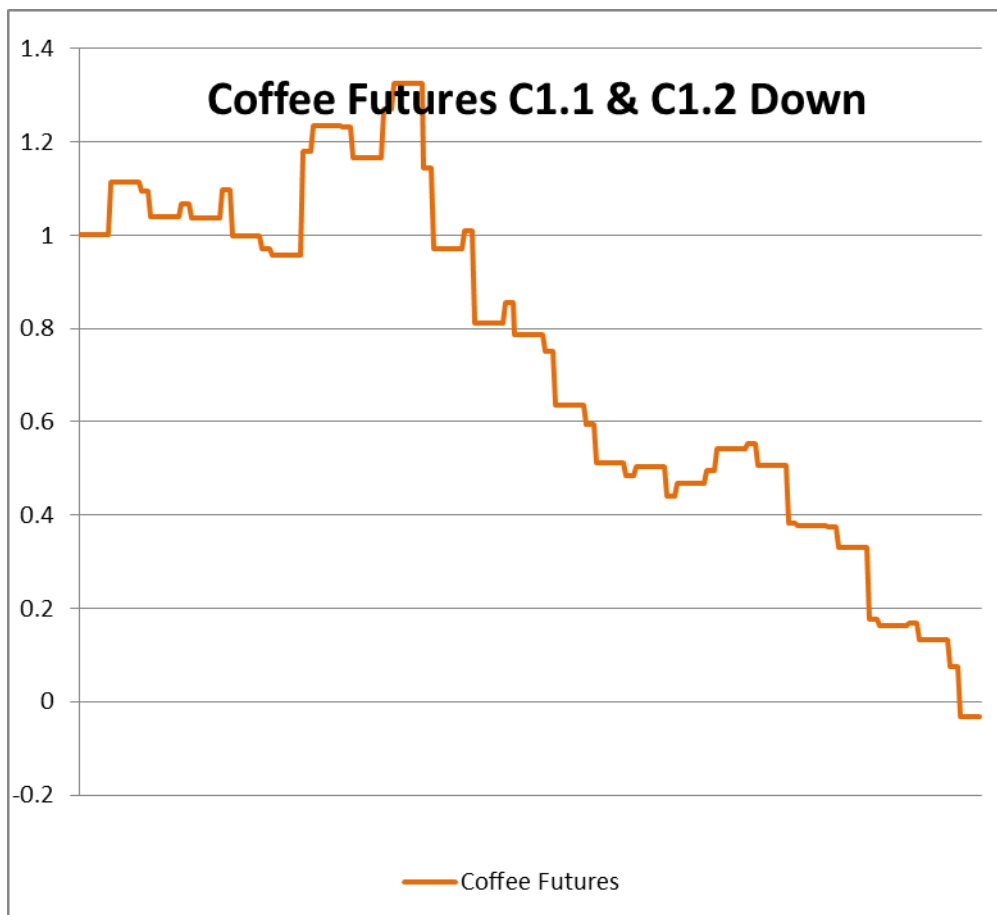
C1 flat	C2 up	C3 down	C4 up
---------	-------	---------	-------

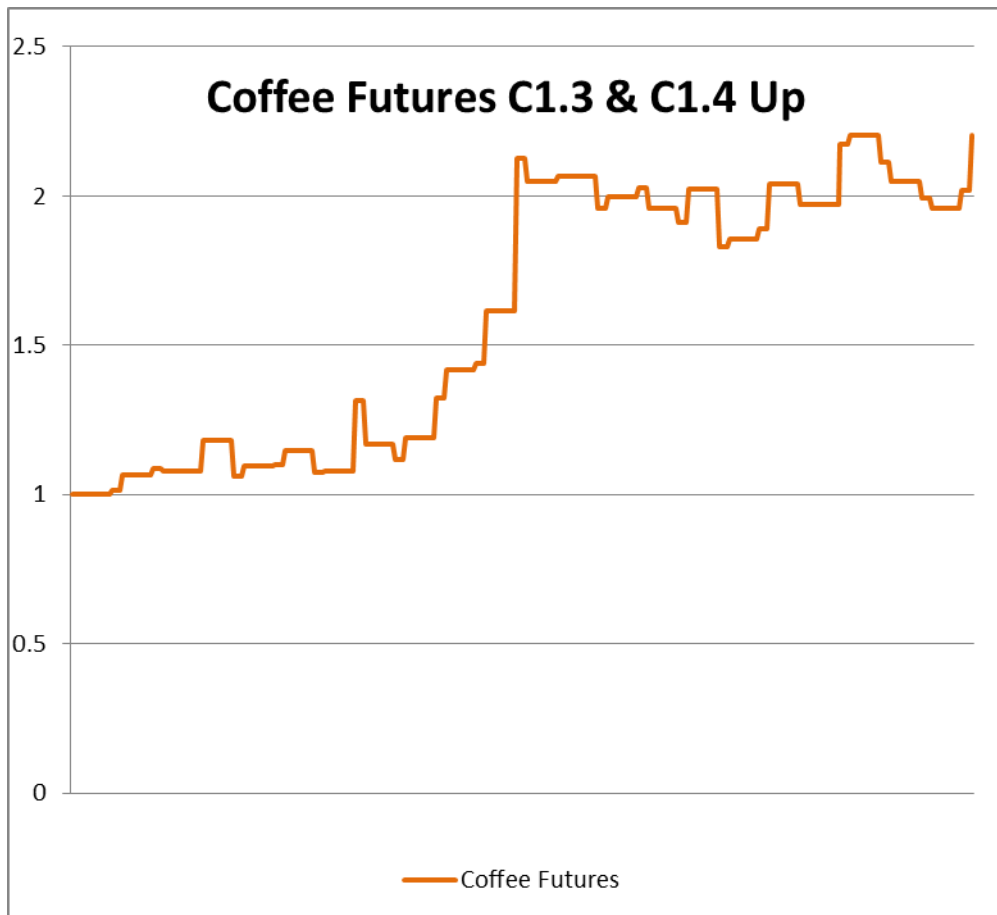




Again, if we wish we can gain a more granular picture of C. For example, C1 is actually not as flat as it looks. C1 can be divided into 4 sequential periods (i.e. all the same day length as C1, just occurring one after the other). We find there are two down periods followed by two up periods. Their combination makes C1 look flat:

C1.1 dwn C1.2 dwn C1.3 up C1.4 dwn





This brief introduction gives some indication of the influence of harmonics in coffee futures. Ten years of research has shown the presence of harmonic patterns in other commodities and indeed non-commodity datasets. For more information please contact me.

END.