

# Bull Call Spread – Coffee Futures - July 2025 (KCN5)

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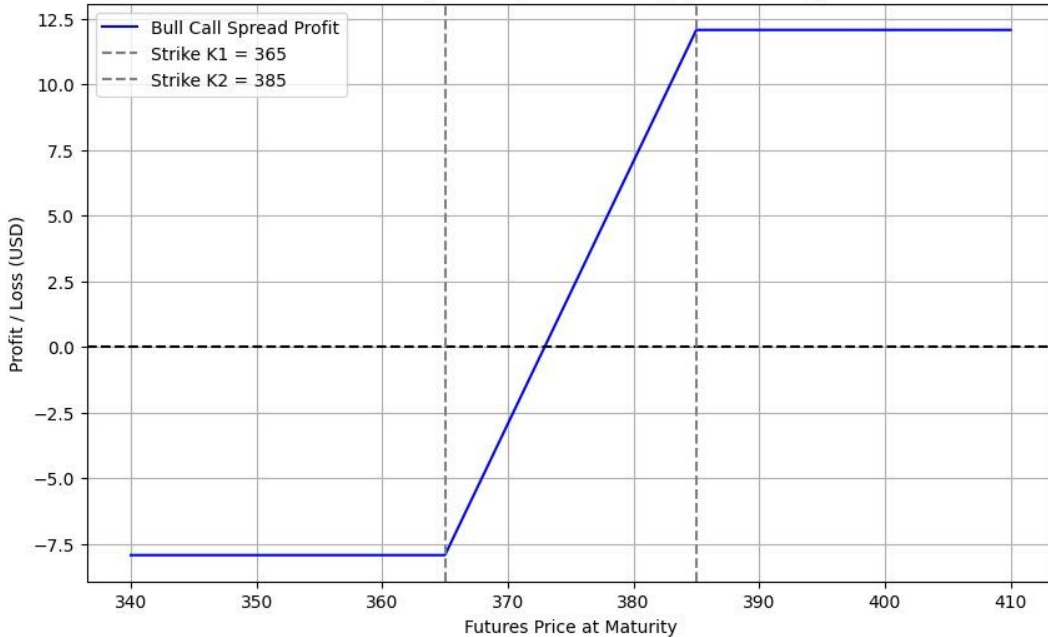
## Macro Overview

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- Brazil exports down: April -28% YoY, YTD -15.5%
- Production cuts: Rabobank sees -13.6%; Volcafe -11M bags
- Drought stress: Minas Gerais rainfall just 16% of normal
- Low inventories: USDA: Brazil 2024/25 ending stocks -26% YoY
- Strong rally: Prices up ~70% in 2024, +20% in 2025 YTD
- Stronger BRL limits exports: Reduces producer selling, supports prices

## Strategy – Bull Call Spread

Bull Call Spread Payoff at Maturity (US Coffee C)



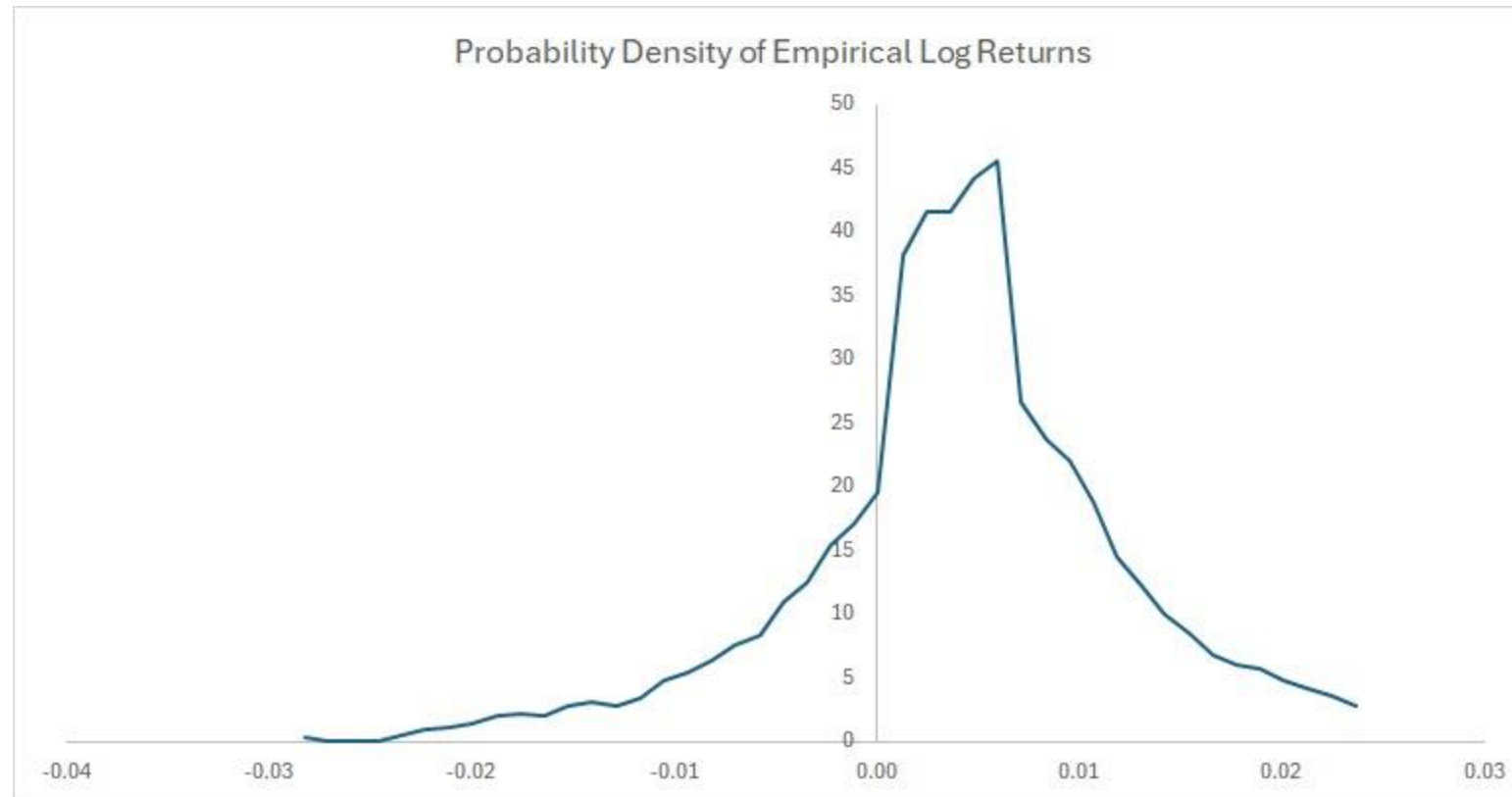
**Borrow 1M USD**  
**Invest 1M Bull Call Spread USD**  
**Maturity 1 Month**

**Bull Call Spread is constructed by:**

- Spot Price=374.65\$
- Buying a call at K1=365\$ (in-the-money call)
- Selling call at K2=385\$ (out-of-the-money call)

## Monte Carlo Simulation

We used Monte Carlo Simulation to determine the probability of maximum gain & loss and chose K1 and K2 accordingly



## Currency Hedging (\$)

### Strategy

Result	Formula	Value
Maximum profit/contract	$(K2 - K1 - \text{Cost})$	$385 - 365 - 7.93 = 12.07 \text{ USD}$
Maximum loss/contract	Cost of the strategy	$22.60 - 14.67 = 7.93 \text{ USD}$

Number of contracts:  $1M / 7.93 = 126,103.4$

Result	Value
Max Gain	$126,103.4 \times 12.07 = 1,522,068 \text{ USD}$
Max Loss	$126,103.4 \times 7.93 = 1M \text{ USD}$

### Hedging with selling USD Forward Contract

- Spot Rate EUR/USD : 1 EUR = 1.1255 USD
- Forward Rate 1 Month EUR/USD : 1 EUR = 1.1276 USD
- 1 USD = 0.8871 EUR (Forward 1 Month)

#### Final Results :

- **Max Total Gain:  $1,522,068 \times 0.8871 = 1.35M \text{ €}$**
- **Max Total Loss:  $1M \times 0.8871 = 887,100 \text{ €}$**

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# THANK YOU FOR LISTENING

