

FRONTIER FUTURES, INC.

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MGEX WHEAT RECAP Tuesday, January 17, 2012

Futures Settlements:

	Close	Chg	Today's Volume	AM O.I.	O.I Chg	Protein:	12%	13%	14%	15%
MWH2	808' 4s	7' 2	1589	15333	+120	Basis (H):	NQ	+120	+160	+165/+200
MWK2	792' 2s	6' 4	686	8344	-30	Info:		13.6pro train	cares	cars/cars
MWN2	783' 2s	5' 4	347	8151	+178	Change:		no comp	up 50/up 45	up 25/up 35
MWU2	767' 2s	2' 6	162	5430	+48	Mpls Truck	NQ	+25	+50	+60
MWZ2	772' 0s	0' 4	188	3827	+66	Portland (H)	12%	13%	14%	15%
MWH3	782' 4s	1' 0	35	234	+41	Cash Bids	NQ	8.29-8.34	9.29-9.34	9.74-9.89
Totals:			3,007	41,319	+423	Change		up 8	up 8	up 8-dn 12

Cash Exchanges: 550 Options: 21

Wheat Receipts on the Exchange Floor:

67 cars and 1 train. Year-ago was 101 and 1.

Cash: Delivered Rail Chicago/Beyond. Mpls is -15, Duluth -25

Portland spot basis was flat to down 20.

PNW rail basis unch: +125H spot, +135H for Feb, +140H for Mar.

Commentary:

Soybeans rallied to higher levels today on disappointing weekend rains in South America, and corn and wheat tagged along for the ride. Significantly larger spec position limits for ag futures went into effect today and this added to the supportive tone.

As we expected, there was no visible ETF liquidation out of MW today. Volume, in fact, was very light. It seems more likely that any large shift of longs from MW to W will occur slowly over time with the funds buying W every time they issue new shares and selling MW with redemptions, up until a roll or rebalance date in which case all bets are off.

MW intermarket premiums and calendar spread inverses firmed up today. MH-KH gained 4 cents to end at 135 ½ and MH-WH bounced a nickel to 204. Incidentally, that puts these spreads right back to where we were just before Friday's close. H/K rallied from around 13 to trade up to 16. Volume was very light until late in the session when about 200 H/K traded 16 inverse. K/N mostly traded 9 to 9 ¾ and N/U quickly bounced back to 15+ once it became apparent there wasn't going to be a huge selloff in MWN. U/Z went out 6 ½ by 5 ½ carry. MZ/KZ briefly touched 50 again in intraday trade before finding selling pressure. The chart is showing resistance at 50 and we wonder if a 35-50 range isn't developing. We expect new crop Canadian hedging to keep steady pressure on the back end. Implied volatility was lower in the hard wheat contracts with paper selling KWH straddles and offering MWH 800 puts. Cash was firmer, up about 25 cents, in the spot market on anything that was spreadable west. Expect the market to continue focusing on west coast demand for 13.5+ pro for now. MWH should then weaken as we approach deliveries and fund roll. --Austin Damiani



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