

FRONTIER FUTURES, INC.

880D Grain Exchange Building, 301 4th Ave S, Minneapolis, MN 55415

612-672-9868

adamiani@ffutures.com

MGEX WHEAT RECAP Monday, February 22, 2010

Futures Settlements:

	Close	Chg	Today's Volume	AM O.I.	O.I Chg
MWH0	516' 4s	8' 0	3905	7741	-959
MWK0	528' 4s	9' 0	3556	12865	+827
MWN0	540' 4s	10' 4	476	9856	+115
MWU0	551' 6s	9' 0	88	5172	+26
MWZ0	569' 4s	9' 2	57	6252	+19
MWH1	584' 6s	9' 0	6	691	+27
Totals:			8,119	43,086	+46

Cash Exchanges: 919

Wheat Receipts on the Exchange Floor:

0 cars and 0 trains. Year-ago was 181 and 5.

Cash	Delivered Rail Chicago/Beyond. Mpls is -15, Duluth -25.			
Protein:	13.0%	13.5%	14.0%	15%
Basis (H):	+33	+100 +125	+170 +240	+320 +360
Info:	singles	singles	singles/nom	singles/train
Change:	dn 17	dn 5-up 20	dn 30-unch	dn 80-dn 40
Mpls Truck	-25	+50	NQ	+90
Duluth Truck	NQ	NQ	NQ	NQ
Portland (H)	12%	13%	14%	15%
Cash Bids	NQ	5.57-5.89	6.77-6.89	7.69-7.87
Change		up 8-up 9	up 8-up 9	up 8-up 9
Portland cash prices were mostly up 8-up 9 with MWH0.				

Commentary:

The trend of opening the week with a short-covering rally continued in force today, with corn the upside leader this time. All four Mondays in February (or Tuesday if Monday was a holiday) have seen wheat rally. The balance of the week usually makes up for it, and futures have spent most of February bouncing around in a range from about 505 to 480, basis WH0, with one stab up to 509 since making the move low to 466 ½ on February 4th. The large spec short position (although reduced to 65,000 on Friday's CFTC report, as of the prior Tuesday) has been a supportive factor, while persistently bearish fundamentals have acted as an anchor. We'll be looking for a lower open tonight on country selling, but these markets are more chop than trend lately.

Interior basis is firming up for corn and beans as another cold weather system moves in this week. There was some chatter about rain in Argentina slowing harvest and/or affecting quality, but it feels like people are just reaching for a story to explain the market action. In South America, weather forecasts call for dry weather in the 10-day over Argentina and southern Brazil, with northern Brazil expected to get more rain. The trade is talking about 20% complete on the Brazilian bean harvest. The producer response to today's rally will largely determine if it can continue or not. The market will probably continue firm until the pipeline fills up. \$3.75 seems like a great spot for producers to cash out of some unsold inventory that was \$3.50 just a couple of weeks ago.

Spring wheat volume was heavy today as H0 open interest liquidates ahead of first notice. Over 2500 H-K traded today, with most of the volume early in the session at 11 and 11 ¼. By the end of the day, it was back out to 12 bid at 11 ¾. Thursday afternoon is first intentions, Friday is first notice, and Monday, March 1st is the first of the 63 days of storage you'll be responsible for if you stop wheat against the H0 contract. With 24 million bushels in Duluth, 800 receipts in circulation from the Z9 expiration, and the H-K spread only paying 1.75% interest, we expect there to be substantial deliveries or for the spread to grind out to weaker levels. Full carry with 3% money is 13 cents.

—Austin Damiani

Any statements contained herein are derived from sources believed to be reliable, but are not guaranteed as to accuracy or completeness. No responsibility is assumed with respect to any such statement, nor with respect to any expression of opinion herein contained. This is not a solicitation of any order to buy or sell by the author, nor by Frontier Futures, Inc. There is a risk of loss when trading commodity futures.