

MGEX WHEAT RECAP  
Thursday, March 12, 2009

**Futures Settlements:**

	Close	Chg	Today's Volume	AM O.I.	O.I Chg
MWH9	634' 4s	9' 4	5	14	-8
MWK9	617' 6s	12' 2	1382	10518	-245
MWN9	609' 0s	11' 4	601	6930	+13
MWU9	612' 2s	12' 2	251	4187	-3
MWZ9	623' 6s	12' 2	152	3174	+0
MWH0	635' 2s	13' 6	26	411	-16
Totals:			2,421	25,341	-250

Cash Exchanges: 190

Carlot Receipts: 23 singles and 0 trains

<b>Cash: Minneapolis Rail-Spot-(Basis K)</b>				
Protein:	13%	13.5%	14%	15%
Basis:	+40	+85+90n	+135N/140	+230N260N
Info:	singles	singles/nom	nom/singles	nominal
Change:	up 5	unch	unch	unch
Mpls Truck	+0	+60	+110	+150
Duluth Truck	NQ	NQ	NQ	NQ
<b>Portland (K)</b>	<b>12%</b>	<b>13%</b>	<b>14%</b>	<b>15%</b>
Cash Bids	5.93-6.28	6.93-7.08	7.82-7.93	8.42-8.68
Chg	up 12	up 12	up 12	up 12
Portland basis was steady.				

**Commentary:**

Grains exploded to the upside today, with corn leading the charge. CK9 closed 20 ¼ cents higher, more than erasing yesterday's eleven-cent loss, and closed near daily highs and above the 50-day moving average of 383 ¾. The next technical objective in that market is 390 ¾, the 100-day moving average. WK9 also posted solid gains, but is still about 8 cents lower than where it was two days ago before the USDA report. Resistance is at 550. Supportive inputs today included aggressive fund buying and impressive rallies in equities and energies. April crude is currently up \$4.50/bbl and the S&P is up 30, gains of 11% and 4%, respectively. Fill up your gas tanks tonight, as gas was up 9 cents, a gain of roughly 7%. Weekly export sales were supportive at 363,000 wheat vs. expectations of 200-500, 1.09 million corn vs. 400-800 expected, and 837,000 beans vs. 200-500 expected. The fund buying in grains is presumably short covering. Coming in to today's session, net fund short positions were estimated at: 40,000 Chicago wheat, 45,000 corn, 8,000 soybeans, and 20,000 soybean oil. There are maybe 8,000 longs in KC and Minneapolis and about 10,000 bean meal longs. As I've been trying emphasize all week, this massive fund short position makes the market ripe for an explosive rally of this sort. Expect today's strength to spill over into tomorrow.

Given the fund positions and the slow pace of farmer selling, a rally in the futures market could easily extend 25-40 cents for wheat and 20-30 cents for corn. Remember seasonals? This is the time of year to be long. If a rally develops, expect Chicago wheat to gain on both Minneapolis and KC wheat. Although there is still a weather market in KC, dry areas have been shrinking and forecasts have been getting wetter. As for spring wheat, the combination of the strong basis, a rally in futures, and upcoming planting input costs could easily lead to increased farmer selling and weakness in both calendar and intermarket spreads. Moreover, the USDA is projecting spring wheat to have the highest ending stocks-to-use ratio of any class of wheat, at 40.6%. That compares with 29.5% for soft red, 31.1% for hard red, and 32.2% for all wheat.

K/N traded from 7 ½ to 8 ¾ in light volume. In intermarkets, MWK-WK traded out to 96-97 in early trade but had eased to 92-93 late. It closed 92 ¾. MWK-KK mostly traded 45-47 but also softened late, trading 42-44 late and settling 41 ¾. MWN-WN traded from 75-77 early to 71-73 late. —Austin Damiani

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