

# FRONTIER FUTURES, INC.

880D Grain Exchange Building, 301 4<sup>th</sup> Ave S, Minneapolis, MN 55415

612-672-9868

adamiani@ffutures.com

## MGEX WHEAT RECAP Thursday, July 15, 2010

### Futures Settlements:

	Close	Chg	Today's Volume	AM O.I.	O.I Chg
MWU0	612' 4s	29' 2	7327	19050	+580
MWZ0	628' 4s	29' 2	5713	16110	+289
MWH1	646' 0s	30' 2	1816	5852	+91
MWK1	655' 4s	29' 2	779	1776	+73
MWN1	663' 0s	27' 6	1247	6921	+115
MWU1	670' 6s	25' 0	378	1164	+64
Totals:			17,849	52,512	+1274

Cash Exchanges: 603

### Wheat Receipts on the Exchange Floor:

99 cars and 2 trains. Year-ago was 105 and 1.

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

Protein:	13%	13.5%	14%	15%
<b>Basis (U):</b>	-40 +10	+15	+50 +85	+200n +250
Info:	singles	singles	train at 50	nom/singles
Change:	unch-up 40	dn 4-dn 25	up 10-unch	unch
Mpls Truck	-95 (dn 10)		-10 (dn 10)	+75 (unch)
Duluth Truck	NQ	NQ	NQ	NQ
<b>Portland (U)</b>	12%	13%	14%	15%
Cash Bids	NQ	NQ	NQ	NQ
Change				
Portland cash prices are NQ as no one can find a bid. Hmmmm....				

### Commentary:

Wheat market commentary is beginning to sound like a broken record—up, up, and away, again. We rallied overnight in sympathy with European markets, which exploded higher after Stratagie Grains cut their estimate of EU wheat production to 129.5 million tonnes. This compares with the USDA's projection from last week at 141.82 million tonnes. That's a dent, all right. Paris futures had rallied to the equivalent of \$0.40/bushel higher by the grain open this morning, and we tracked them fairly well. There is no sign of the heat letting up, and news stories are picking up with some sensational articles out there citing crews in Moscow spraying down the roads to keep the asphalt from melting, not to mention the purported epidemic of drowning among inebriated Russians seeking any reprieve from the heat. Sounds like a wheat trader wrote that story... Domestically, we're awash in wheat with the USDA projecting the highest ending stocks-to-use ratio since the 1986-1987 crop year and we can't find any export business, but with global production getting ratcheted down, there is the potential for export demand to pick up later in the crop year. This potential is contributing to what looks like a squeeze in the deferred Chicago calendar spreads. The WZ0-WH1 traded into 14 cents (up 6 ¾) while the WZ0-WN1 spread traded to 31 ¼ (up 15 cents). There is a lot of risk out there right now.

Admittedly, we were a little slow to catch on to the wheat rally, but we have been bearish the MW-W and MW-KW intermarket spreads for weeks now, and would still caution against trying to pick bottoms. The cards are stacked against spring wheat for the moment—record carryout projected by the USDA, a seasonal sell kicking in for mid-July, and the order flow bias of fund buying in Chicago and hedge selling in Minneapolis. We do think that with the Russian wheat crop about 50% spring and the Kazakh crop predominantly spring, that Z-H, Z-K, and Z-N1 bullspreads are a good option in the event of a more robust export program down the road. Good luck and don't get run over. —Austin Damiani

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