

FRONTIER FUTURES, INC.

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MGEX WHEAT RECAP Tuesday, January 24, 2012

Futures Settlements:

Close	Chg	Today's Volume	AM O.I.	O.I Chg	Protein:	12%	13%	14%	15%	
MWH2	803' 6s	0' 4	1923	14291	-133	Basis (H):	NQ	NQ	+130/+155	NQ
MWK2	791' 0s	5' 0	775	9383	+134	Info:			cars/cars	
MWN2	784' 2s	5' 6	432	8548	+112	Change:			dn 20/dn 15	
MWU2	764' 4s	6' 4	178	5513	-14	Mpls Truck	NQ	+40	+65	+75
MWZ2	770' 6s	8' 6	319	4218	+61	Portland (H)	12%	13%	14%	15%
MWH3	780' 4s	9' 2	24	299	+1	Cash Bids	NQ	8.34	9.34	9.74-9.94
Totals:			3,651	42,252	+161	Change		up 1	up 1	up 1

Cash Exchanges: 447 Options: x

Wheat Receipts on the Exchange Floor:

148 cars and 2 trains. Year-ago was 92 and 1.

Portland spot basis was flat.

PNW rail basis unch: +130H spot, +140H for Feb, +145H for Mar.

Commentary:

Wheat and corn shrugged off heavy rains in Argentina and continued their surge higher today. Beans opened a dime lower on the heavier-than-expected rains and wetter forecasts but were pulled back to positive territory by the rally in corn and wheat. Weekly gains were extended to 23 cents for WH and 19 cents for CH. The primary fundamental driver has been the cash market, where corn basis has surged to as much as 80 over at the gulf amid thinning pipeline supplies, slow farmer selling, and the recent pickup in export demand. There was some market chatter about Russia potentially limiting exports based on a calculation of their shipments to date, but they are already 75% done with their program for the year anyway and are no longer the most competitive origin regardless. Argentina's agriculture secretary confirmed that there would be no export restrictions (other than the routine process of granting licenses) on their program. Another factor to today's trade is that managed money funds have plenty of bullets. For the week including the USDA's bearish January report, managed money accounts sold 100,000 futures contracts combined between CBOT wheat, corn, beans, meal, and oil. Now we have a bullish cash market story, export demand at the gulf, and bottoming action on the charts in the days following the USDA report, and the money managers are clamoring to get back in and kicking themselves for listening to the USDA. As they say in NY, there's nothing more bullish than a sold-out bull. Upside targets are pre-report levels of 650 in WH and CH and 1240 in SH. This late Jan-early Feb timeframe is historically a fantastic selling opportunity for the seasonally-minded trader.

Spring wheat was completely and utterly left behind on today's rally. MWH is simply stuck in this 795-810 range and was just hammered with selling on every attempt to push higher. Aggressive bearspeading was also a feature with H/K trading in heavy volume from 16 on the open down to a low of 11 1/2. With MW's inertia and the rally in KW and W, intermarket premiums got crushed, and in the front-end in particular. MH-WH dropped 13 1/4 cents to 170 1/4, just shy of breaching the chart low from earlier this month at 168. MH lost 12 cents on KH to go out at 118, also within spitting distance of the Jan chart low at 111 3/4. If wheat and corn prices continue to rally, we would fully expect MW-intermarket premiums to continue to decline. We're not as confident, though, that we would find such willing sellers of spring wheat in a breaking market on trade below 800. Remember on the washout report day two weeks ago, MH-WH bounced 27 cents and MH-KH 20. H/K is starting to break down amid weakness in the spot market. The only cash bid is coming off the west coast. --Austin Damiani

TRADING IN COMMODITY FUTURES OR OPTIONS INVOLVES SUBSTANTIAL RISK OF LOSS. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.