

MGEX WHEAT RECAP
Monday, November 16, 2009

Futures Settlements:

	Close	Chg	Today's Volume	AM O.I.	O.I Chg
MWZ9	574' 2s	18' 4	3054	10287	-8
MWH0	590' 4s	19' 0	2156	16113	+344
MWK0	603' 0s	19' 2	143	4486	+48
MWN0	614' 4s	18' 4	197	8134	-49
MWU0	627' 4s	19' 6	251	2344	+28
MWZ0	644' 6s	18' 6	233	5910	+271
Totals:			6,060	47,506	+640

Cash Exchanges: 1,034

Funds net long 4,650 as of 11/9, up 2,000 from 11/2.
DB is long the spec limit of 6,500 contracts.

Cash: Minneapolis Rail-Spot-(Basis Z)				
Protein:	13%	13.5%	14%	15%
Basis:	+15B +40	+50 +75	+145 +200	+315 +325
Info:	train bid 15	train/train	singles	nominal
Change:	unch-up 25	dn 25-dn 15	dn 15-up 20	unch
Mpls Truck	-30		+30	+80
Duluth Truck	NQ	NQ	NQ	NQ
Portland (Z)	12%	13%	14%	15%
Cash Bids	NQ	5.74-5.84	7.14-7.24	8.14-8.24
Change		up 18	up 18	up 18
Portland basis was steady with MWZ, but most exporters are only bidding for guaranteed protein.				

Commentary:

Commodities were up all day and never looked back. Wheat was no exception, with most contract making fresh daily highs in the close. WZ9 traded through and closed above its 200-day moving average at 560 ¾, while the US dollar index scored new contract lows late in the session. The market is pricing in extremely low interest rates, extended weakness in the US dollar, and inflated commodity prices. It all sounds like a bubble to us, but who are we to stand in front of billions of dollars of (borrowed) hedge fund money that wants to completely ensure that US wheat is priced high enough to avoid any actual export business. Maybe I'm confused, but in my mind if the dollar is down 1%, that makes wheat about a nickel cheaper on a relative basis. And we're up 25 cents... The Russians are the real winners here, I think. In the meantime, the markets are hanging on the every word—and maybe even facial expression—of policy makers and central bank officials. Today, Fed Chairman Ben Bernanke pledged to keep interest rates extremely low in the near future to encourage economic growth. He did add that they would be monitoring weakness in the dollar, but clearly inflation is the theme of the week. Gold and silver all moved to new highs, as well, and even though grain fundamentals may not warrant higher prices, grain traders have learned to go with the flow (as in the money flow) or else get run over.

In typical fashion, spring wheat lost about a nickel to Chicago while KC lost 3-4 cents. Spring wheat is getting back into support areas on both MZ-WZ and MZ-KZ in the 10-15 area. A few more big rally days like today, though, and spring wheat might be pushing even money against Chicago. Exports are dismal all around, so it's hard to base projections on anything other than money flow. And right now, the money is flowing into Chicago. See, we have this convergence problem here in Minneapolis... The Z-H spread here grinded to weaker levels throughout the session, touching a low of 17 on volume of just under a thousand. With Duluth stocks heavy and exports routine at best, we expect Z-H to slowly grind to 18 or so in the coming weeks. Remember higher prices add to the full carry calculation.

After the close, the USDA reported significant crop progress, with corn jumping up to 54% complete (vs. 37% last week and 89% average), beans to 89% complete (vs. 75% last week and 96% average), and winter wheat to 90% planted (vs. 86% last week and 95% average). The soft red winter wheat states are looking better now, as well, with IL 77%, IN 85%, MO 54%, and OH 95%. These are in line with trade expectations. Technicals are all strong but we're still just tracking the dollar. —Austin Damiani

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