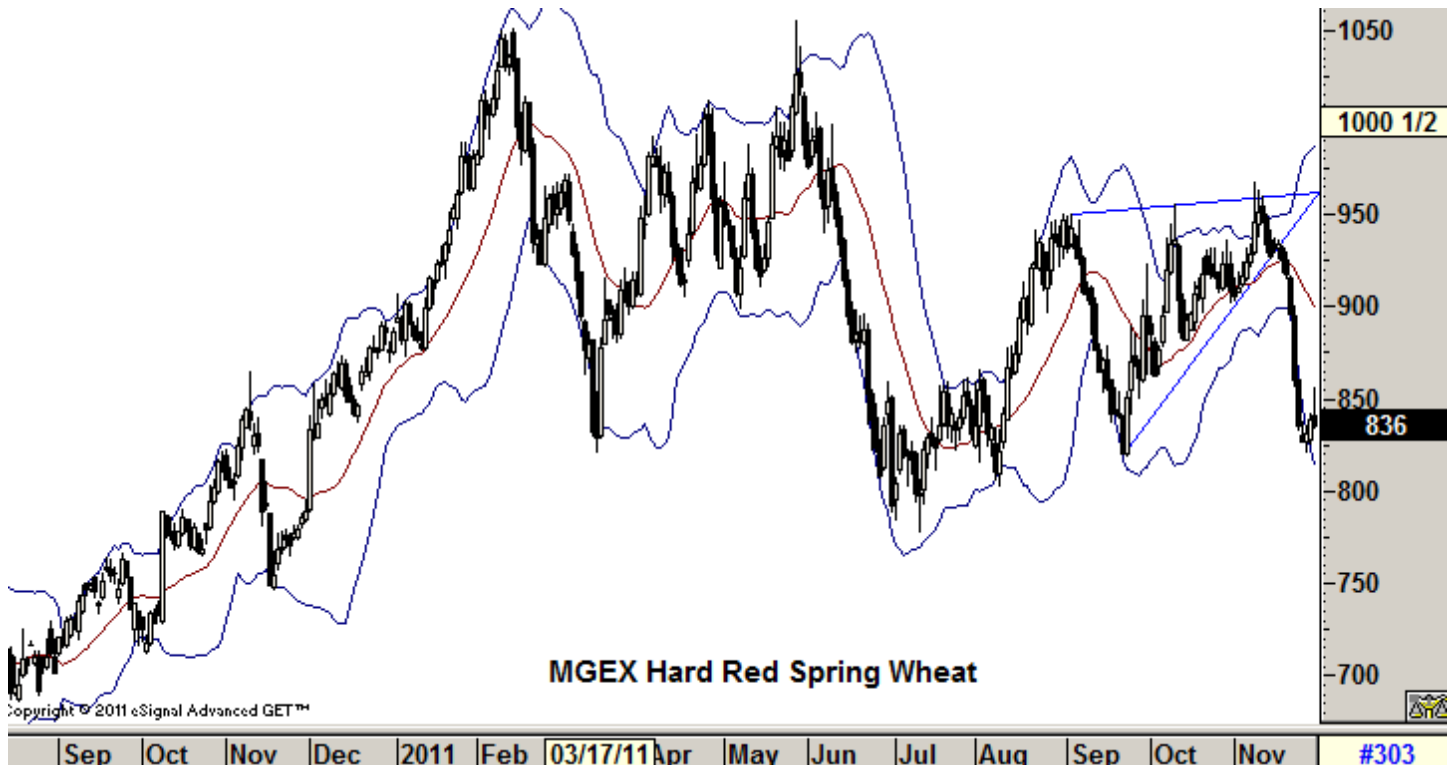




CERESHEDGE LETTER

By Jonah S. Ford, Senior Analyst December 1, 2011

MGEX WHEAT UPDATE



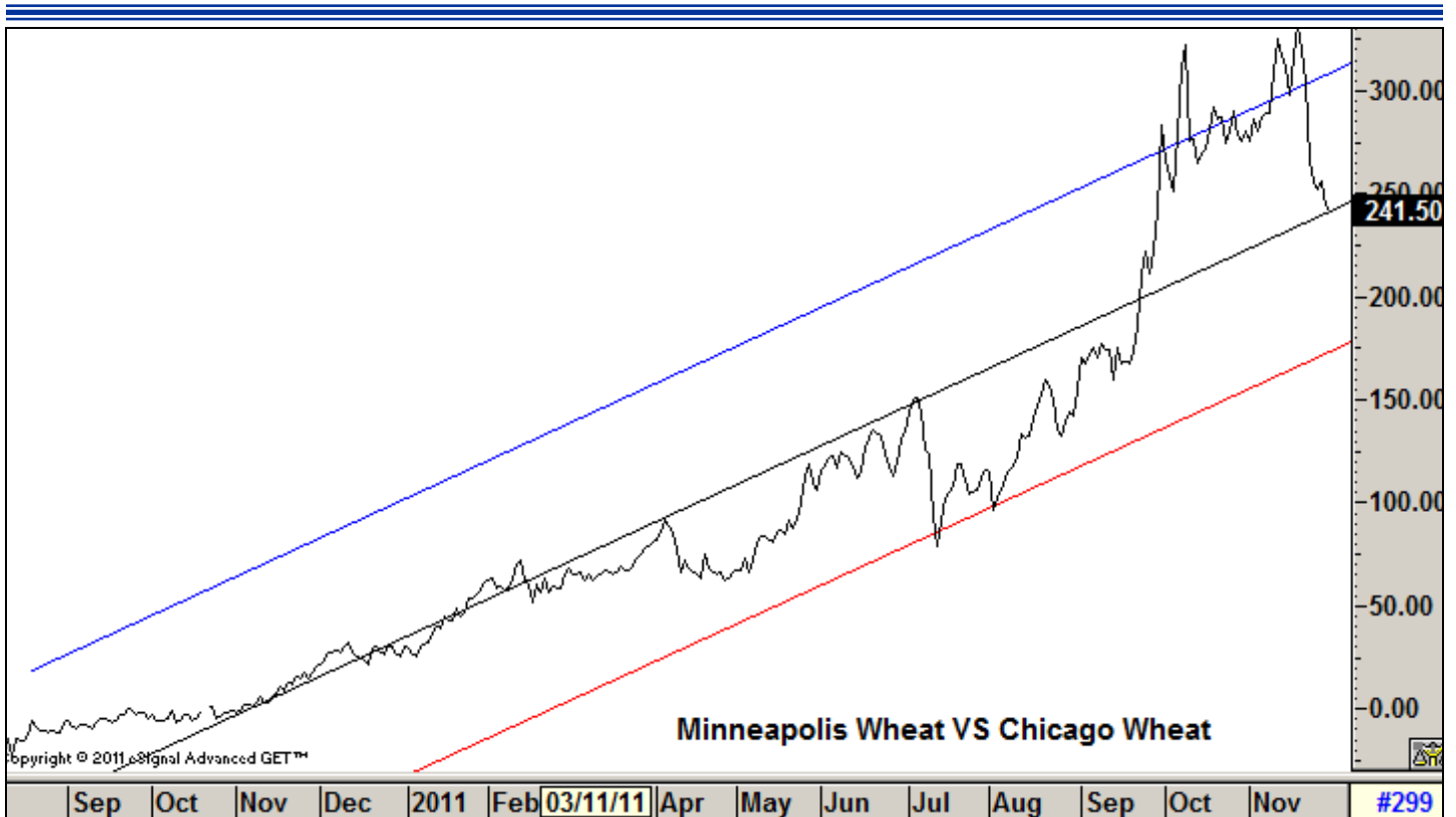
Minneapolis HRS Wheat Futures: MGEX fell alongside the rest of the grain complex, as the failure of the initial breakout of two weeks ago was confirmed in the Thanksgiving week slide. This was a significantly bearish development for Spring Wheat chart, which is now trading at the lower end of the long term range once again.

The move above \$9.50 per bushel represents a failed up-thrust out of a rising wedge chart pattern, which signaled a reversal when market slipped back below trend line and moving average support at the \$9.00 per bushel level. Momentum selling ensued, carrying the market to the major lateral support at \$8.20 per bushel.

This has been a significant congestion area for the price to recover from during all major sell-offs of 2011, and suggests a retracement back to 9.00 is likely in the near-term. A continuation to below \$8.00 would imply a long term bear market has been established, with low odds of a recovery.

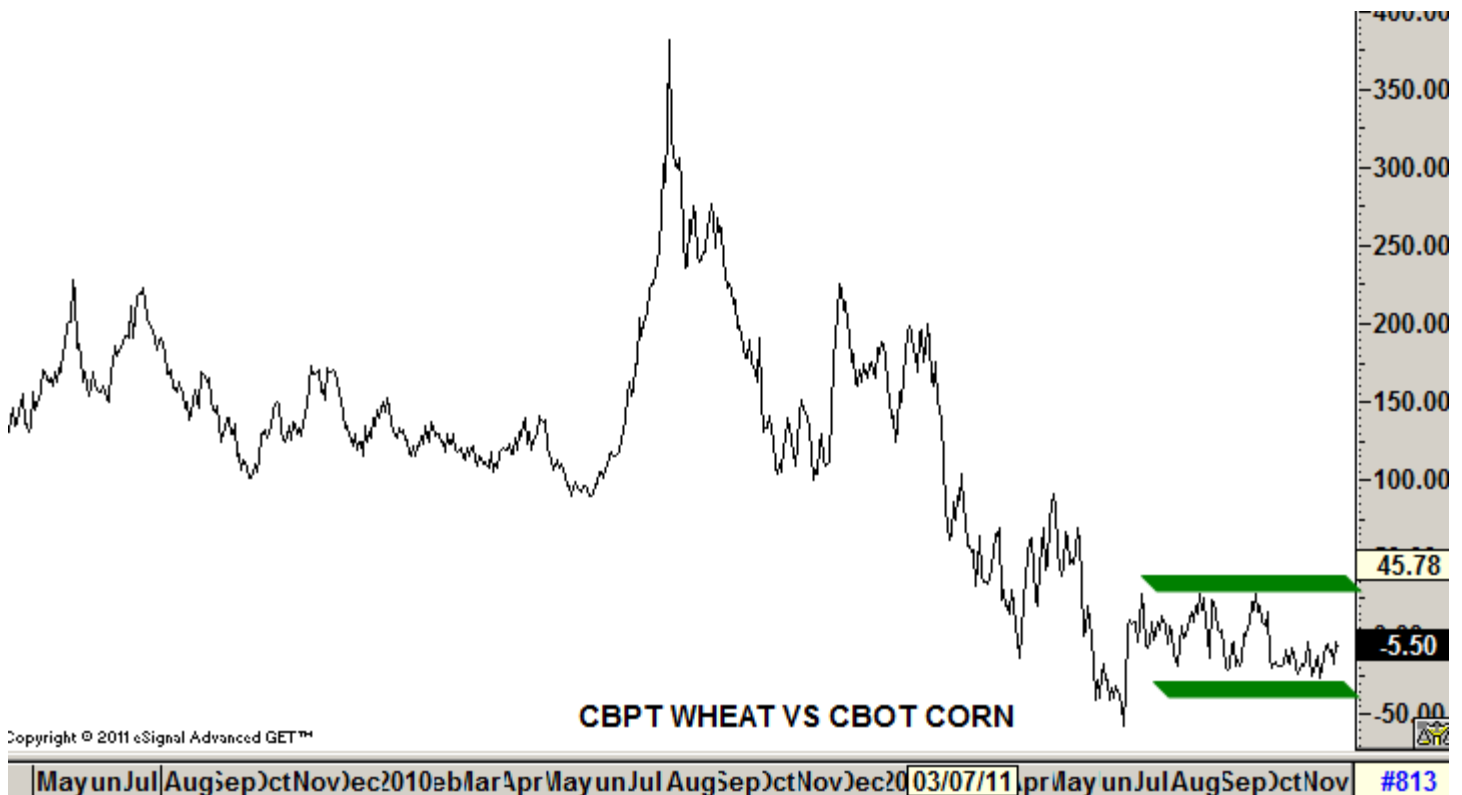
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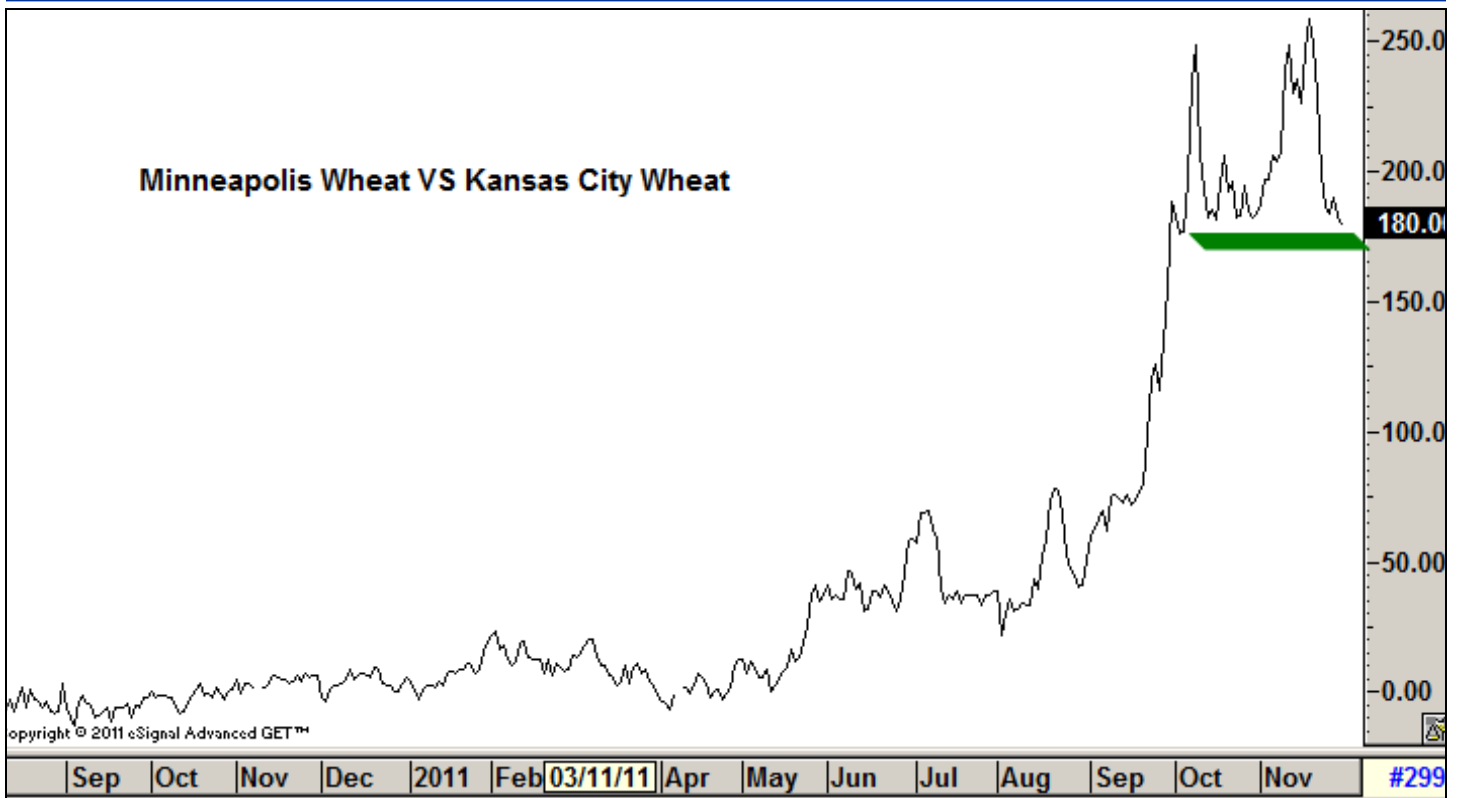
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MGEX/CBOT Wheat Spread: Minneapolis failed to hold its uptrend as the wheat complex sold off, losing significant ground against Chicago futures in the process. The spread signaled a bearish reversal after failing to hold the linear regression channel support at \$3.00, and is now testing mid-band support near \$2.40. Failure here invites a retest of \$1.70 to complete the reversal.

Wheat vs. Corn Spread: CBOT Wheat continues to labor off the bottom of the sideways channel on the wheat/corn spread chart. With gradual gains over the course of the volatile grain trading last week, the spread appears poised for another rally towards the 20-cents premium resistance.





MGEX/KCBT Wheat Spread: Minneapolis underperformed Kansas City futures to close below \$2.00 premium once again. The spread chart is now poised at key support just below \$1.80, which will need to hold to for MGEX to maintain its long term leadership position for this pair. A move below the support would encourage further liquidation, anticipating a test of the \$1.00 premium level.

KCBT vs. CBOT Spread: Kansas City could not muster a rally against CBOT Wheat despite the steep losses across the complex. This spread remains the weakest overall, losing ground in both up and down flat-price swigs. Look for a continuation of the move to the 40-cent premium level.

