

# 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 Tuesday, December 06, 2011

### Futures Settlements:

	Close	Chg	Today's Volume	AM O.I.	O.I Chg	Protein:	12%	13%	14%	15%
MWZ1	854' 2s	6' 0	17	90	-1	<b>Basis (H):</b>	NQ	+55/+85	+100/+150	+165
MWH2	832' 0s	1' 2	1605	18756	-19	Info:		cars/cars	cars/cars	cars
MWK2	812' 2s	2' 6	543	7458	+337	Change:		no comp	dn 25/dn 10	up 5/dn 10
MWN2	804' 0s	3' 0	326	8479	+73	Mpls Truck	NQ	+30	+55	+65
MWU2	787' 0s	0' 6	281	3744	+72	<b>Portland (H)</b>	<b>12%</b>	<b>13%</b>	<b>14%</b>	<b>15%</b>
MWZ2	791' 6s	2' 4	121	3126	-92	Cash Bids	NQ	5.82-8.72	9.72	10.12-10.52
Totals:			2,903	41,750	+370	Change		up 1	up 1	dn 19-up 1

Cash Exchanges: 243 (OZ) Options: 4

### Wheat Receipts on the Exchange Floor:

84 cars and 0 trains. Year-ago was 87 and 0.

Portland basis was flat & flat to down 20 on the high end.

PNW rail basis flat: +140H Dec, +150H Jan, +153H Feb.

### Commentary:

There was a whole lot of bearish news thrown at wheat this morning, and the market managed to shake it off, rally from early weakness, and close slightly higher. StatsCan issued final production estimates and found an additional 2 million tonnes from their previous estimate. ABARE was also out and now expects all Aussie wheat production to be a new record high of 28.286 MMT. However, the same recent rains that caused the yield gain will most likely downgrade huge percentages of the total crop to feed wheat similar to last year. ABARE also estimated Australia will export a record 21.6 MMT of total wheat, up 6% from their Sep forecast. Thirdly, GASC was in overnight and bought 240,000 tonnes of wheat—1 cargo of Russian at \$244.50 and 3 cargoes of Argentine at \$219.70. Yes that's right, even if the Black Sea runs out of wheat, which they won't, the US is not next in line, not by a long shot. And yet in the face of all this bearishness, wheat managed to trade in a typical Turnaround Tuesday fashion. Part of what's at work here is that funds have drastically reduced their trading heading into year-end, both for the purposes of preserving their meager performance fees (2011 was not the best year for money managers) but also due to the uncertainty over the ongoing EU debt crisis. With funds already holding a large net short position in wheat, there just wasn't the order flow to break the board much. Spring wheat rallied in early trade on an intermarket basis, but late hedge selling pressured the board and most MW-W and MW-KW intermarket spreads ended steady to weaker. Cash basis continues to weaken in the spot market, and calendar spreads came under heavy pressure today. H/K traded from 21 early down to a low of 17 ¾ before the typical late buying pushed it back up to 20 in the close. We continue to see MOC bullspread paper prop up the H/K late in the day. K/N traded from around 9 ½ early down to a low of 7 ½, while N/U actually firmed up and ended in the higher end of the recent 13-18 range. U/Z, which has been inexplicably strong and holding near even money finally weakened to a more rational 5 carry. Z/H continues to trade around 10-20 inverse with very little OI left. The story is basically that it's not cheap enough to warrant stopping but not high enough to warrant putting out new deliveries. The export bid remains strong for 14-15 pro spring wheat, and the rains in Australia will only further that, but low protein spring wheat is unwanted. Canadian export offers on 13% and 13.5% pro are way cheaper than US and millers can still source higher protein HRW at cheaper levels than they can spring. The MW futures market feels weak and we wouldn't be surprised to see additional long liquidation by funds and more pressure in calendar spreads, as well. Duluth stocks were 12.881 m.b., dn 452k from last week but within 250k of the 20-year average for this week. --Austin Damiani

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