

# FRONTIER FUTURES, INC.

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## MGEX WHEAT RECAP Tuesday, December 13, 2011

### Futures Settlements:

	Close	Chg	Today's Volume	AM O.I.	O.I. Chg	Protein:	12%	13%	14%	15%
MWZ1	851' 4s	6' 6	31	34	-7	<b>Basis (H):</b>	NQ	+88	+140/+150	+180
MWH2	830' 0s	6' 4	1034	17595	-640	Info:		13.6 cars	cars/cars	cars
MWK2	810' 4s	2' 4	378	7724	+196	Change:		unch/dn 37	up 20/unch	up 20/unch
MWN2	801' 2s	2' 0	188	7549	-39	Mpls Truck	NQ	+30	+55	+65
MWU2	776' 4s	1' 6	79	4263	+41	<b>Portland (H)</b>	<b>12%</b>	<b>13%</b>	<b>14%</b>	<b>15%</b>
MWZ2	778' 6s	1' 6	66	2767	+134	Cash Bids	NQ	8.40-8.70	9.60-9.70	10.10-10.40
Totals:			1,799	39,948	-310	Change		up 6	up 6	up 6

Cash Exchanges: 370 EFR: 79

Wheat Receipts on the Exchange Floor:

86 cars and 1 train. Year-ago was 44 and 0.

Portland basis was flat.

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

### Commentary:

Commodities got a boost today on sharply higher energy prices, and wheat took it as an opportunity for a round of moderate short-covering, as did the beans. Summer-like hot weather in South America appears to be the last hope of bulls. It is, incidentally, summer in South America. Corn, still burdened by an onerous net long position held by money managers, was unable to sustain higher trade today.

Other than an anomalous midday bounce, KC continues to be the dog of the three wheat contracts. The eastern 2/3 of KS and nearly all of Ok are slated to receive 0.25" to 0.50" over the next couple days. Chicago and Mpls rallied in lockstep today. Volumes are pitifully light across the ag markets.

In intermarket spreads, MH-WH was mostly stable today trading around the 230-level. MH-KH was more volatile, trading from a low of 170 up to nearly 177 right after the opening, falling back to 170 when KC popped midday, then it was back to 174-175 on the close. Spring wheat intermarket premiums generally feel heavy in the front-end, as do the inverses. MW calendar spreads today rebounded from yesterday's sell-off. H/K traded from 16 up to around 19 on the close with the now routine bullspread order propping it up MOC. We now believe this is commercial activity, as the CFTC reports do not reflect any meaningful spreading activity among large specs. Cash in the spot market remains weak, but like futures, there just isn't much trading. But for example, today's 13.6 pro cars out of MT trading +88H makes you wonder what 13.0's with any manner of damage/dockage/high S&V would be worth. It certainly doesn't make one want to own MWH at +20 to MWK. Things can change in a hurry, but for the time being H-N spreads feel like a sale. Duluth stocks came in at 12.385 mb, down 500k from WA, but in line with the 20-year running average for this week of 12.626 mb

GASC tendered after the close yesterday and bought 180,000 MT for Mar 1-10 shipment. They bought 60,000 MT of Arg from Dreyfus at 226.00/MT, 60,000 MT of Russian from Aston at 243.98/MT, and 60,000 MT of French from Cargill at 240.50/MT. Interestingly, there was a 55,000 tonne cargo of US SWW offered at the same CIF price as the Argentine cargo of 60,000. So for the first time in months, US wheat is actually competitive into Egypt. A sale of US wheat into Egypt might spook out a few fund shorts. And in a short-covering rally, you don't want to be long MH vs WH.

--Austin Damiani

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