



CERESHEDGE LETTER

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MGEX WHEAT UPDATE



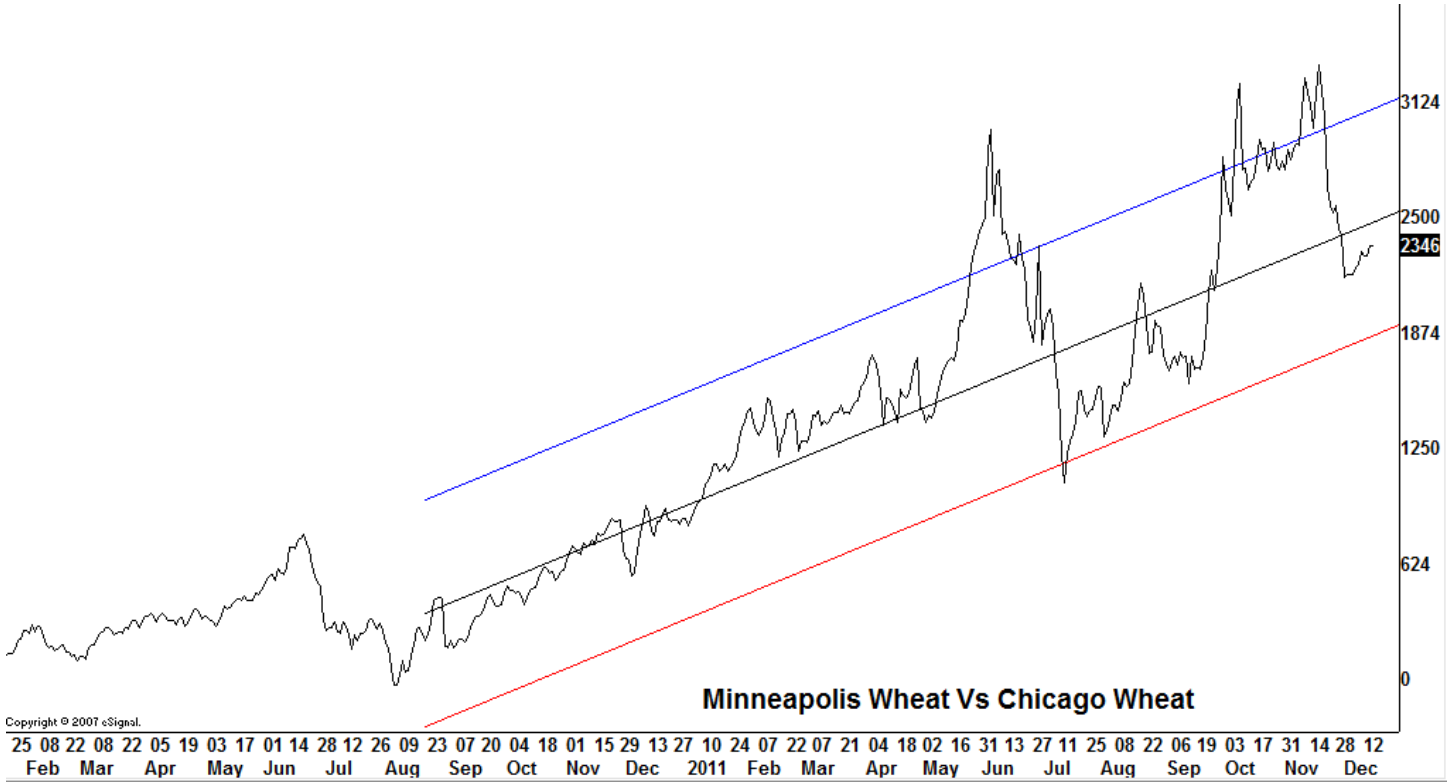
Minneapolis HRS Wheat Futures: MGEX pushed lower after last week's USDA report delivered another bearish cloud over what is increasingly becoming a very weak technical outlook. Nearby futures are now trading close to the recent lows at \$8.10 per bushel, which lies just below major trend line support on the daily chart.

Barring a rapid reversal back above the trend line with a retest of \$8.50 per bushel, the market appears well positioned for a move below the July lows near the \$7.75 level. This area marks the last remaining long term key level support. If this level is breached, a sharp move into the \$6 handle is plausible, which should find some buying interest to form a broad trading range similar to the price action at the end of 2010.

A close back above \$8.50 is needed to reverse the bearish forecast and shift to a neutral bias, with prospects for such a recovery diminishing substantially in the event of a close below \$8.00.

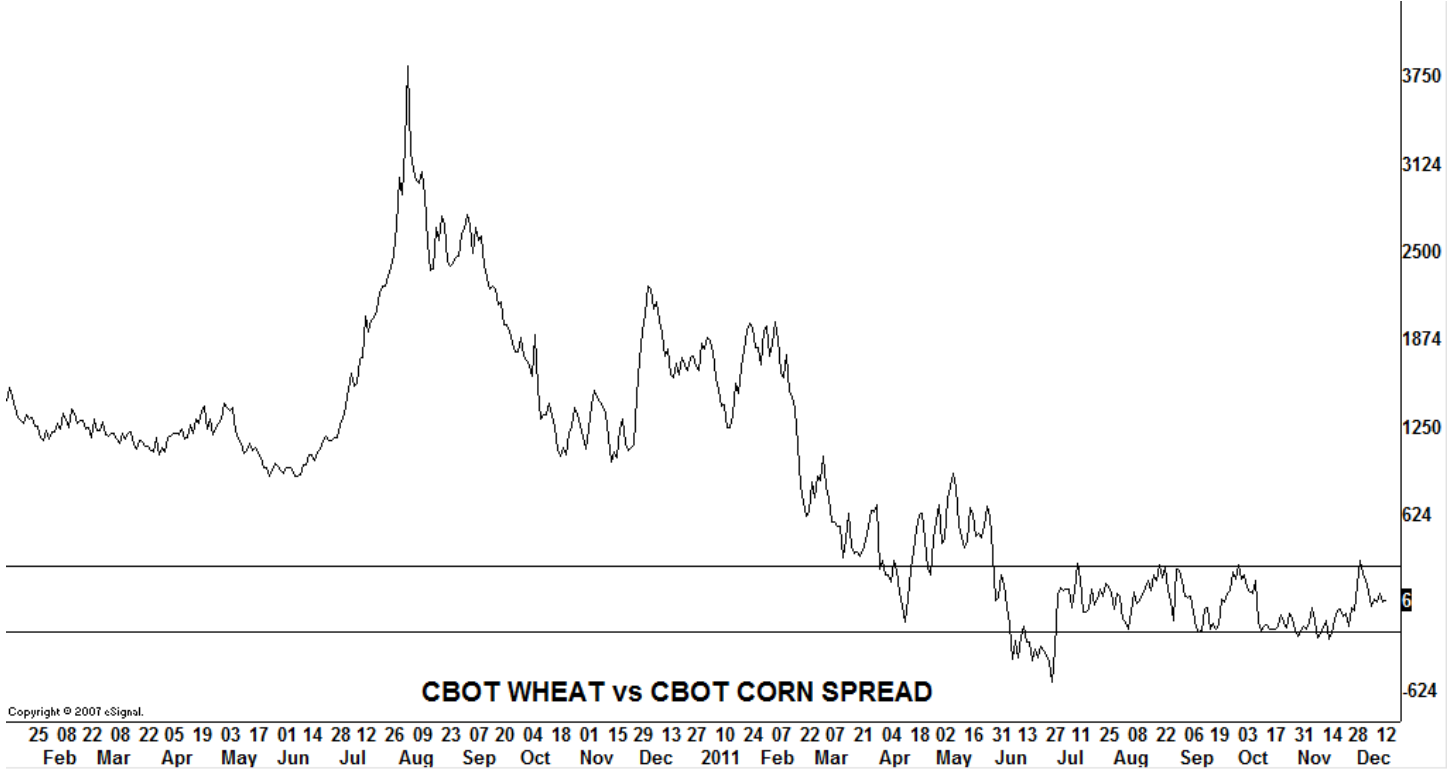
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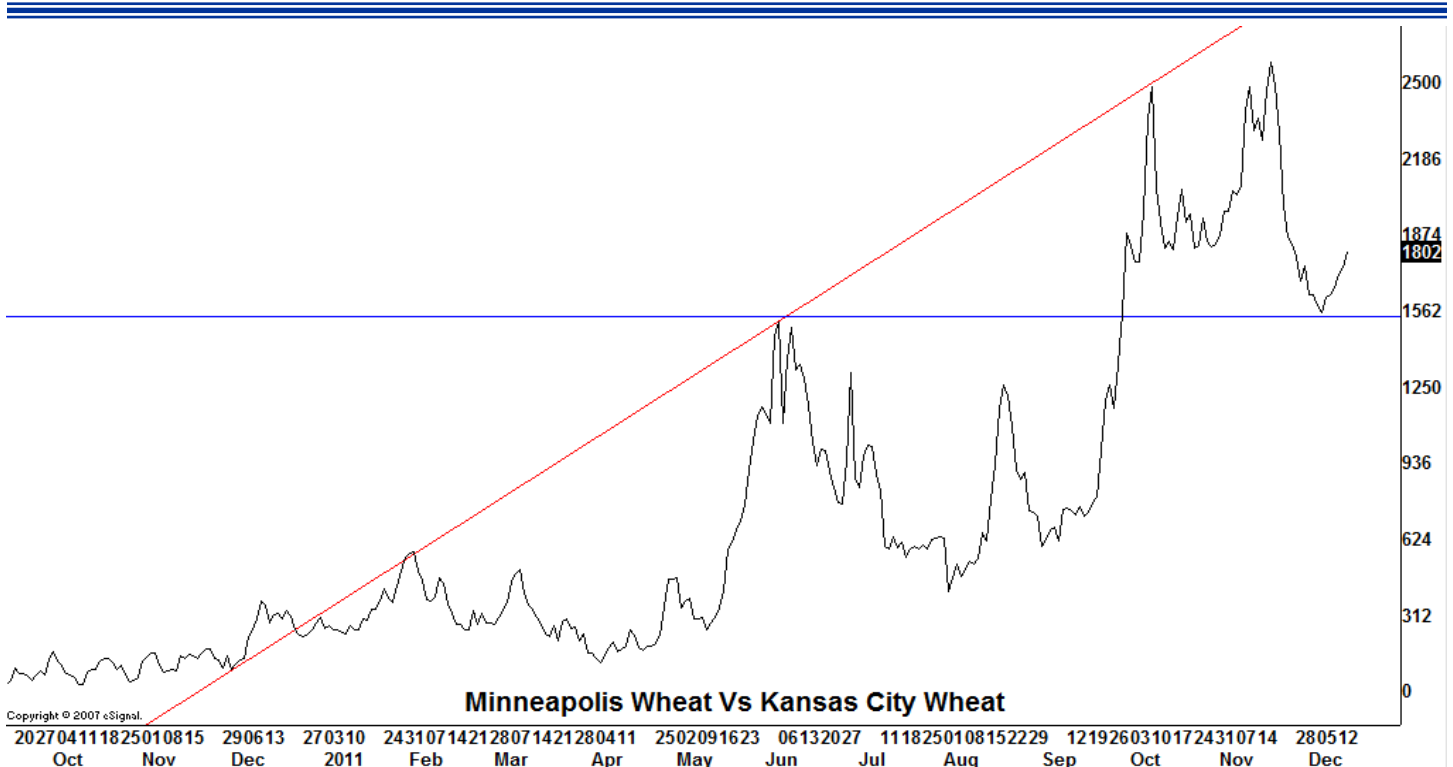
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MGEX/CBOT Wheat Spread: Minneapolis turned higher relative to Chicago as weakness in the complex continued to hold favorable for the spread chart. The turn places the premium on a good trajectory to recover the \$2.50 level, and is likely to trade sideways to higher from there as the grains remain soft overall. Major support for the spread remains at the \$1.90 premium level.

Wheat vs. Corn Spread: CBOT Wheat is holding just slightly above par value with corn futures after completing a retest of the 20-cents over level on the spread chart. The sideways channel continues to build, projecting a move to 20-cents under par as the next likely move for the spread from here.





MGEX/KCBT Wheat Spread: Minneapolis recovered against Kansas City as the USDA report proved friendly to the spread values. Currently at \$1.80 per bushel premium, MGEX appears well positioned for a continuation of this rally back above the \$2.00 level in the near term. A longer term retest of the \$2.50 highs is likely as well, but may require a renewed uptrend in wheat to materialize.

KCBT vs. CBOT Spread: Kansas City remains solidly in third place amongst the wheat complex, now bouncing along the 50-cent premium level to Chicago. This spread remains the weakest performer, and a resumption of the trend lower may result in an accelerated move towards eventual price parity. Major support rests at 35-cents premium on the daily chart.

