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Create A Synthetic
Basis with NCI

Minneapolis Grain
Exchange

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Hello:

The **MGEX financially settled index contracts** provide a variety of options for traders. One possibility is to create a **synthetic basis position**.

Consider an elevator that wanted to establish a **long basis position** during planting time in May of 2006. However, they were unable to enter as many local forward cash contracts as they desired. The merchandiser could **supplement their long basis positions** for the October harvest by **purchasing the October NCI futures and selling the December CBOT corn futures**.

The spread between the NCI and the CBOT futures is effectively a **national average basis**. A synthetic short position is created by selling NCI and buying CBOT futures. Conversely, the long position is created by buying NCI and selling CBOT.

To learn more and see the **historical average NCI –CBOT corn spread** [click here](#).

You can also contact me at 612-321-7151 with any questions regarding synthetic basis trades with the MGEX agricultural index contracts or go to <http://www.mgex.com>

Best Regards,

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