__Inside CME Group: Last Quarter's Progress.__

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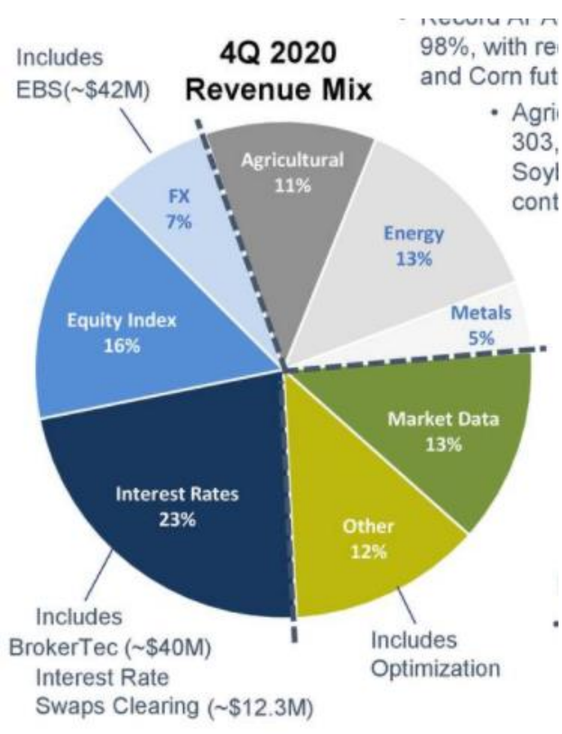
CME Group's fourth quarter revenue came in 3% lower than a year ago but was better than the prior quarter, a common trend for Outlook's companies this earnings season. The global electronic marketplace for derivatives trading is known for its interest rate products, as half of the volume traded is in that business category. That's why when the Fed lowered rates in early 2020, CME's stock dipped, and has only started to slowly recover now. Even in the zero-interest rate environment of the past year, full year revenues were still higher than 2019, although only slightly.

Highlights from the past quarter include:

Record trading volume in its equities, metals, and natural gas derivatives markets, with 2020 marking the fifth consecutive year of record volumes for the metals business segment.
International revenue up 7%.
Record market data revenue, due to the increased usage of data in automated trading platforms and in the development of new financial derivative products.
A 6% dividend raise.
Interest Rate products now account for 23% of revenue. Although such products are still about half of the volume of products traded, since other products have higher fees they are becoming a larger percentage of CME's revenue each year. The pie chart below, showing CME's well-balanced sources of revenue, looks dramatically different than it did a decade ago when CME was mainly driven by the volume of hedging and betting on short-term interest rates.



Even in the interest rates business segment, bright spots began to emerge last quarter. Trading activity grew in the back part of the rate curve, which means increased volumes for longer-term Treasuries. The 2 year Treasury yield versus the 30 year Treasury yield has spread out to 1.81%, an environment not seen since early 2017. Another product called Treasury Inflation-Protection Securities or TIPS, is designed to protect investors from a loss in purchasing power of their money by linking the Treasury to inflation. Both the 5-year TIPS and 10-year TIPS are implying inflation rates of 2.2-2.3% over the next 5 and 10 years, a level of expected inflation not seen since 2013. The market is expecting strong economic growth *and* inflation, which will eventually bleed into rising interest rates and more benefit for CME.