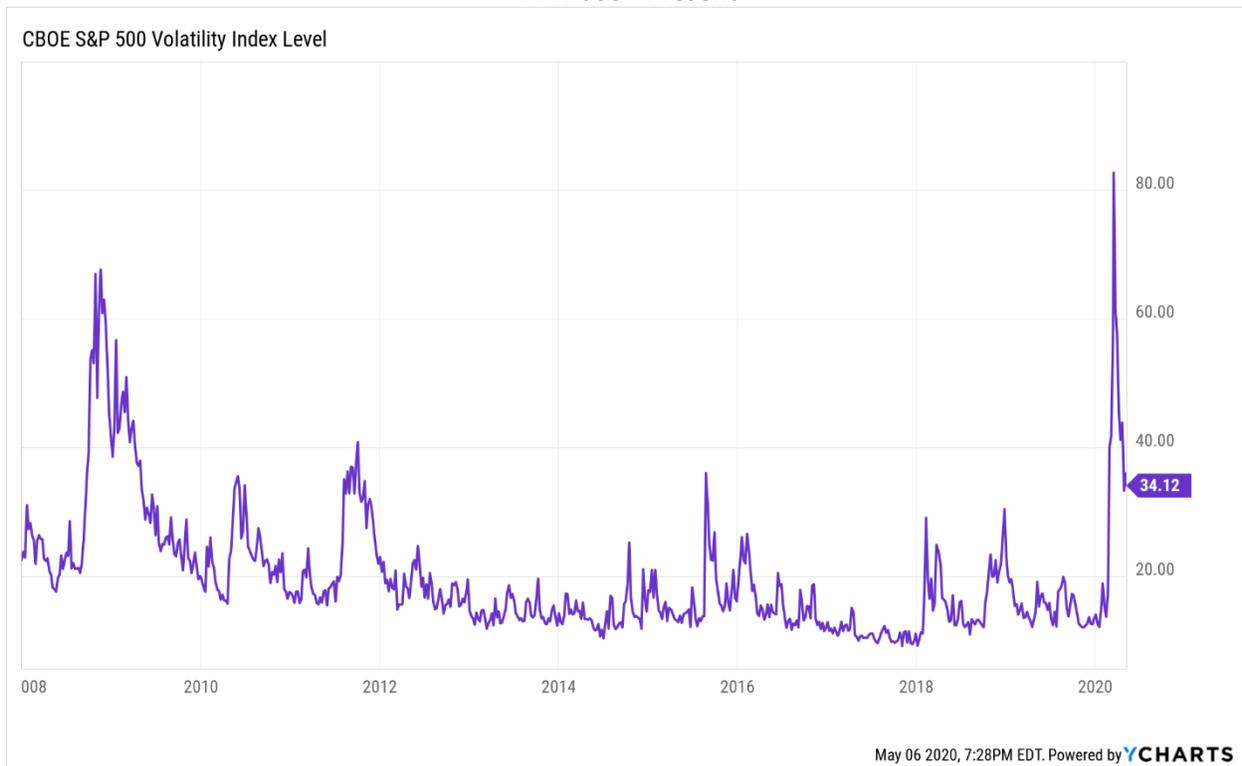


Inside CME Group: Last Quarter's Progress.

May 7, 2020

This *Inside* report on CME's first quarter will be a welcome break from the Caterpillar/Cummins "the sky just fell on us" reports of the past few days. CME also experienced unusual and extreme events due to the pandemic, but because it's in the trading and market risk management business, it generally benefited from recent events. It posted a 29% revenue increase and 45% average daily contract volume increase from the first quarter of 2019, a direct result of the increased market volatility of the first quarter.

VIX 2008 - Present



As you can see from this chart of the VIX, an index that tracks market volatility, the volatility of the couple of months surpassed levels of the global financial crisis. CME experienced its highest volume day in history on February 28th when trading volumes hit 58 million contracts.

CME manages the WTI crude oil futures contract, which famously made headlines in April by trading below \$0 the day before the contract settled. A lot of Wall Street's questions to CME this past quarter were related to the WTI contract, and what implications, if any, CME sees from recent actions. Negative prices for commodities that are physically settled (meaning the buyer of the contract must take delivery of the commodity) aren't actually all that unusual and can appear during extreme market conditions. The sudden lack of oil demand from consumers worldwide due to the Shutdowns on top of an oversupply and lack of storage certainly merit "extreme market conditions". CME predicted negative prices would happen for the May WTI contract and were prepared to handle the activity. (Side note: the May contract actually settled around \$10/barrel, only hitting negative prices as speculators scrambled to get out of their positions in the hours before settlement). CME has seen increased usage of WTI as a global crude oil

benchmark, and only expects the contract to get stronger over time. Many different types of customers from all over the world are using the contract. Overall crude volumes at CME increased 148% this past quarter in Asia and 48% in Europe, meeting CME's goal of increasing its international customer base.

CME's portfolio of diverse products that cater to a wide variety of customers continues to pay off. We suspect the market will remain fairly volatile in 2020, paving the way for another good year for CME.