

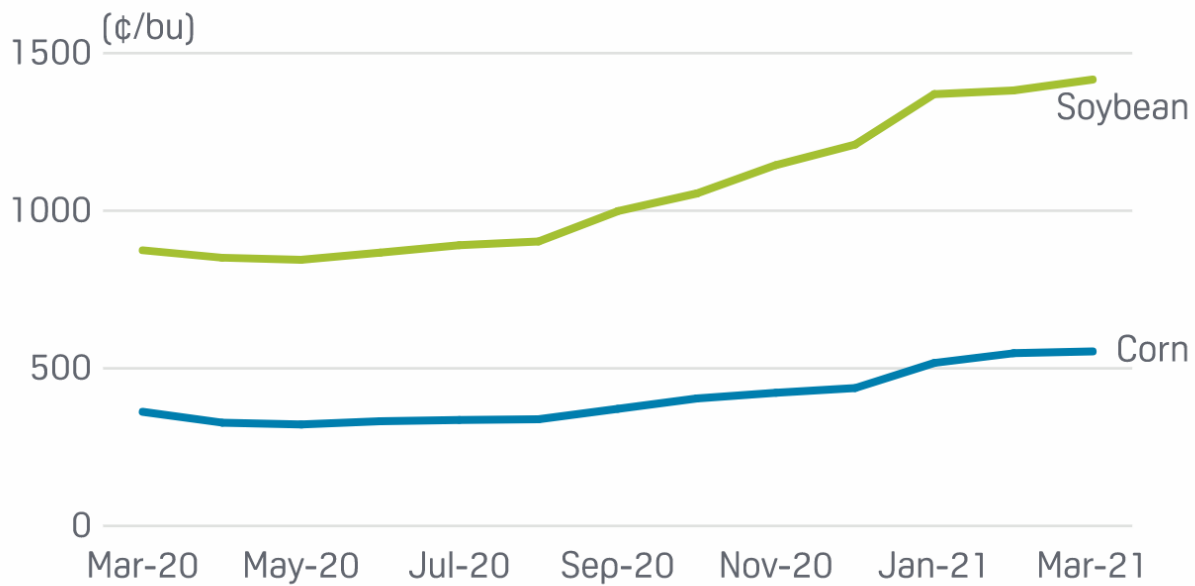
Inside CME Group: Last Quarter's Progress.

May 6, 2021

CME Group's revenues improved from last quarter by 35% but were still down 18% from a tough comparable quarter last year, when the company hit record trading volumes of its derivative contracts. It saw a significant increase in its interest rate products, the largest segment, with volumes increasing 65% from last quarter. It also hit new records for several contracts, including the 30-year Treasury note, SOFR contract (overnight lending rate between banks), and bitcoin. Despite the improvement in trading volumes in interest rates, the environment remains extremely challenged from the return to zero percent rates with the Fed not even thinking about *thinking about* raising the rates anytime soon. Most of the company's interest rate products have been struggling against historically low volatility: up to 95% of the time, going back to the early 2000's, volatility has been higher. Lack of volatility hurts CME's revenues. This low-volatility phase will not last forever.

One of the brighter sectors for CME this quarter was agriculture, specifically the corn and soybean markets which saw 60% revenue growth from a year ago. As shown in the graph below, both corn and soybeans are trading at the highest price seen in years with lots of volatility, prompting commercial farmers to turn to the derivatives market to hedge the risk for future pricing over the rest of the 2021 growing season. There are a number of causes for this price runup. The unusual year of 2020 may be leading countries to stock up on food inventories, rather than sticking with "just-in-time" food purchases. Weather problems in Brazil in the beginning of 2021 means less corn and soybeans coming from that country, a major exporter in the agricultural industry. Probably the largest factor affecting prices is the increased demand coming from China. The USDA expects China to import 3 times the amount of corn as last year and 13% more soybeans. Already, US exporters have shipped 61% of USDA's target for corn and 89% of the target for soybeans for the 2021 year, and we still in the first half of the season. The agriculture sector is set to continue to hit records for CME throughout the year.

CBOT CORN, SOYBEAN 1-YEAR PRICE TREND



Source: S&P Global Platts

One of CME's focuses for years has been on growing its international customer base. This quarter, non-US volumes hit over 6 million contracts, higher than the average for all of 2020. The top 20 international countries saw double digit growth from last quarter. Both European and Asian trading volumes were up 33%, with particular strength in the interest rates, oil, and copper markets. These impressive results are CME's payoff from 20 years of hard work aimed at expanding usage of the company's products all over the world.

CME's solid results during a time of low volatility and low interest rates are showing that its business model of expanded offerings and first-class customer support and experience is working very well.

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