



CME Group Attracts Bullish Call Buys as Market Volatility Rises

Ticker/Price: CME (\$185.50)

Analysis:

CME Group (CME) with buyers active for more than 900 September \$185 calls from \$7.80 to \$8.40 today and follows buyers at the strike last week near \$8.10. CME has also seen small buyers in the September \$210 calls while the June \$180 calls still have over 1,500 in OI. Shares have been strong recently out of a multi-month downtrend and testing VPOC from November/December today. Long-term, setting up well under \$195 with a breakout targeting \$220. The \$65B company trades 25X earnings, 2.5X book and 60X cash with a 1.63% yield. CME is targeting 11.6% and 10% EPS growth through the next two years with revenue growth of 6.8% and 4.1%. The company is coming off a muted quarter with the downbeat volatility in Q1 depressing fees although they did post their third highest futures and options quotes in history. They expect to continue gaining share in WTI, Nat Gas, and throughout the Ag complex which remains volatile. CME sees growth in the 2H through new products like Micro-ES contracts and tools aimed at educating new market participants as well as cross-selling new non-core products to their established base. Their integration of NEX also remains ongoing with their \$200M synergy target on track. The deal expands their FX business beyond spot. Analysts have an average target for shares of \$190 with 6 buy ratings and 6 hold ratings. Barclays with a \$193 PT but sees “tough sledding” in the near-term due to rate expectations flattening out and the business nearly 25% of their volumes. Institutional ownership rose 25%. Short interest is 1.6% and up from 1.1% in February.

Hawk Vision:



Trading Strategy: CME has made a strong run with the recent counter-market trade and prefer **ICE** to it on fundamentals.

Confidence Ranking: \$\$