



FEATURED OPTIONS RADAR REPORT



CME Put Sales Confidence in Recent Rally

Ticker/Price: CME \$181.75

Analysis:

CME Group (CME) large vote of confidence on 12/3 with an opening sale of 1,250 March \$180 at-the-money puts for \$11, a \$1.375M position and most notable in open interest. Insiders have been active too in 2020. In June, a director bought \$350,000 in stock at \$178. CME has seen some December \$175 calls trade recently but many closed and a lot of put buying from earlier this year in the January expiration is near zero. CME has a very strong long-term chart despite being a laggard in 2020 and recovering the last four weeks back above the 200-day MA. Shares have room back to a big volume node around \$205, although over-heated short-term. The \$65.25B company trades 27.1X earnings, 13.25X sales, and 45.8X cash with a near 2% yield. CME has had a challenging year due to lower volumes around metals and energy but looking for early 2021 recoveries while the exchange has expanded their product reach into new areas like water and micro-Index futures. Rates trading has been sluggish but the company optimistic that despite Fed policy they can see volumes stabilize as issuance continues to be heavy. CME continues to have a treasure-trove of market data which they can monetize and the launch of their EBS Quant Analytics tool expected to see strong traction into year-end while an overall sharper focus on operational efficiencies through the pandemic likely makes them a strong company in 2021. Analysts have an average target for shares of \$185. Deutsche Bank positive on 11/11 citing a "more bullish view" on equity markets and long-term interest rates post the U.S. election results. Atlantic upgrading to Overweight with a \$195 PT in September. Short interest is 1.57%. Hedge fund ownership rose 9.25% in Q3, Viking Global a buyer of 1.833M shares and Harding Loevner a new buyer of 1.585M shares. Edgewood is a top holder with 9.58M shares.

Hawk Vision:



Hawk's Perspective: CME has been my least favorite exchange in 2020 but prospects for a turnaround next year are better with their metals/energy exposure and potential for better services revenue as they move more into quantitative analytics offerings

Confidence Ranking: \$\$