

SPOTLIGHT OPTION TRADE



CME Group Coiled as Volatility Contracts, Looking for Expansionary Move

TRADE SNAPSHOT

TICKER	CME
SECURITY	CME Group
SECTOR	Financial - Exchange
CURRENT PRICE	\$183.43
LONG/SHORT	Long
TARGET	\$200
STOP	\$177
TIMEFRAME	2 Months

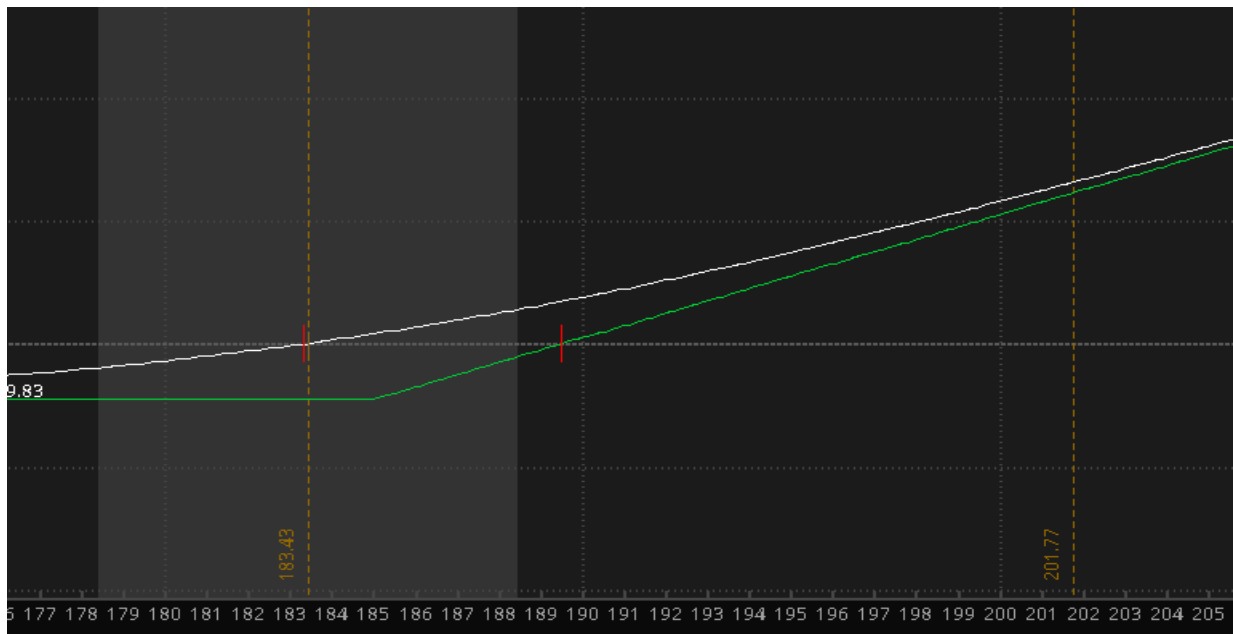
Trading Strategy: Long the CME March \$185 Calls at \$4.50 Debit or Better

Net Debit/Credit: Debit of \$4.50

Profitability Zone: CME Shares Above \$189.50 on March OpEx

Greeks: Delta 46; Gamma 3; Vega 28; Theta -5

Options Volatility / Trade Simulator View:





Technical Analysis: CME shares pulled back the last few weeks in a narrow bull wedge pattern with a much stronger uptrend intact and weekly RSI back near a 50 level of support. Shares can break out and target new highs on a move above \$190.



Fundamental Analysis: The \$64.85B financial trades 25X Earnings and 13X FY19 EV/Sales with a 1.53% dividend yield. CME is exiting 2018 with 33% topline growth seen in Q4 and sees robust growth for the first three quarters on 2019. CME likely benefitted from volatility across asset classes in Q4 with higher trading volumes. Analysts have an average target of \$201 on shares and short interest is low at 1.6% of the float and down 30% Q/Q. Barclays resumed coverage at Overweight with a \$210 target in early December citing strong organic growth, the NEX acquisition, upside to volumes, a diversifying customer base, and a warranted multiple as a defensive financial with no credit exposure and potential for additional EPS upside levers. UBS cut shares to Neutral in late November on valuation, tough comps for 2019 and potential NEX integration noise. Berenberg upgraded to Buy with a \$220 target on 11-20 expecting unsettled markets providing a supportive backdrop for volumes at its core interest rate and currency products and investors underappreciating the strategic optionality of the NEX Group acquisition. Hedge Fund ownership was down 8.2% in Q3 filings.

Options Activity:

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paid	Symbol
1/4/2019	CME 100 15 FEB 19 170 PUT	504	52	\$3.12	-0.95%	-0.24	29.79%	27.60%	\$171,360	.CME190215P170
1/3/2019	CME 100 17 JAN 20 200 CALL	190	129	\$11.80	61.64%	0	#ERROR!	0.00%	\$224,200	.CME200117C200
1/2/2019	CME 100 (Weeklys) 25 JAN 19 180 PUT	717	37	\$2.72	-12.26%	-1	--	100.00%	\$195,024	.CME190125P180
12/28/2018	CME 100 15 MAR 19 180 CALL	697	196	\$12.70	18.14%	0.633	26.81%	58.72%	\$885,190	.CME190315C180
12/21/2018	CME 100 15 MAR 19 190 CALL	660	638	\$5.50	1.85%	0.5	20.91%	45.92%	\$363,000	.CME190315C190
11/28/2018	CME 100 15 MAR 19 200 CALL	901	104	\$2.75	-37.07%	0.26	17.08%	22.76%	\$247,775	.CME190315C200
11/6/2018	CME 100 18 JAN 19 195 CALL	1,009	969	\$2.50	21.95%	0.3	16.35%	27.40%	\$252,250	.CME190118C195
9/19/2018	CME 100 17 JAN 20 150 CALL	100	278	\$28.00	-10.05%	0.76	20.00%	70.14%	\$311,000	.CME200117C150

Potential Catalysts: Earnings 2-14-19

Disclaimer:

Not Investment Advice or Recommendation

Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.

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