

While CME Group exchanges offer a wide diversity of products, perhaps our most important asset may be described as "liquidity." This represents an update regarding liquidity in "flagship" CME Group exchange products, specifically CME Eurodollar, CBOT 10-Year T-note, CME E-mini S&P 500, CME EuroFX, CME Japanese yen and NYMEX WTI crude oil futures through the 2nd quarter of 2010.

Liquidity was generally off a bit during the 2nd quarter 2010 from the very impressive levels recorded during the 1st quarter 2010. This may be attributed to the upsurge in volatility across many major market classes during the 2nd quarter as a result of the European debt crisis and growing prospects of a "double-dip" recession.

Measuring Liquidity – Conceptually, liquidity may be assessed in four different ways as follows.

- *Width* – How tight or wide is the bid-ask spread?
- *Depth* – How deep is the market in terms of the quantity of orders resting on the bid or offer, or beyond the best bid and best offer?
- *Immediacy* – Can one execute a large size market order immediately? Does it require some time to be filled?
- *Resiliency* – Even in the most liquid markets, a large market order will impact prevailing bid-ask spreads. But how long does it require for the market to bounce back to previous levels after a large order is filled?

From a practical standpoint, liquidity measures tend to be limited to the first two of these considerations - market width and depth. We may readily observe these factors on the CME Globex electronic trading platform.

Market width may be quoted in ticks or in dollars for orders of a given quantity (*i.e.*, 25 contracts, 50 contracts, etc.). Market depth may be measured in contracts at different "levels" in the limit order book (*i.e.*, top-of-book or best bid-ask spread; 2nd level or next best bid-ask spread, etc.).

Eurodollar Liquidity - The width of the bid-ask spread for CME Eurodollar futures for a 500-lot order was recorded at \$12.98 in June 2010 or barely above the ½ basis point or \$12.50 tick size but representing a slight uptick from the \$12.77 spread recorded in March 2010. Liquidity at the top-of-the-book fell to an average of 2,655 contracts during

June 2010 from the highs of 6,921 recorded in March 2010. This downtick in liquidity might be attributed to a number of factors.

While economic conditions had thought to be improving several months ago, more recent economic data suggest the possibility that a "double-dip" recession may in store. 1st quarter GDP was reported at +3.0% but down from the +5.7% figure reported for the 4th quarter 2009. While the seasonally adjusted unemployment rate has backed off to 9.5%, latest nonfarm payroll figures have been declining from previous months. Now that the stimulus programs have run their course, the bellwether housing market again appears to be weakening.

Thus, the probability that the Federal Open Market Committee (FOMC) will boost the target Fed Funds rate from the current 0-0.25% during the current year may be slim.

10-Year Treasury Liquidity – The width of the bid-ask spread on a 500-lot order in CBOT 10-year Treasury futures was steady at \$15.75 or just above the minimum tick value of 1/64th (\$15.625) in July 2010. Depth at the top-of-the-book was recorded at an average of 690 contracts in June 2010 and off from the March 2010 high water market of 1,084.

Treasury yields had been rising early in the 2nd quarter in anticipation of a heating economy but more recent economic releases give reason for pause. Hence, trading interest and volume weakened by June.

Stock Index Liquidity – The width of the bid-ask spread for CME E-mini S&P 500 futures for a 500-lot order upticked to \$17.37 in June 2010 from the March 2010 mark of \$12.54, noting that the minimum tick increment equals 0.25 index points (\$12.50). Depth at the top-of-the-book fell to an average of 410 contracts in June 2010.

The stock market hit significant resistance and corrected during the 2nd quarter 2010. This may be attributed to growing speculation of forthcoming economic weakness. Volatility as measured by the S&P 500 VIX Index surged upwards into the 30-40% range as trading volumes expanded. Note that there is a reliable negative relationship between equity market volatility and price direction. *I.e.*, stocks tend to fall quickly on rising volatility; and, rise slowly on declining volatility. This uptick in volatility has resulted in increased volume but on

generally diminished liquidity as a result of faster markets.

Currency Market Liquidity - The width of the bid-ask spread for a 25-lot lot entered in CME EuroFX or Japanese yen futures was observed at \$15.17 and \$24.14, respectively, in June 2010 and a bit higher than March 2010 figures. (The minimum tick increment in both of these markets is \$12.50.) Liquidity at the top-of-the-book was at 24.5 and 18.3 contracts for EuroFX and Japanese yen futures, respectively. These figures have declined from previous observations.

Volume has surged strongly upwards particularly in EuroFX which has benefited from the volatility associated with the European sovereign debt crisis. Fiscal woes in Greece, Spain and Portugal have raised concerns about the longer-term prospects for continued European monetary union and have prompted bailouts from stronger Euro union nations. However, a downtick in liquidity has accompanied the uptick in volatility.

Crude Oil Liquidity – The width of the bid-ask spread for a 25-lot lot entered in NYMEX crude oil futures was observed at \$29.87 in June 2010 noting the \$10.00 tick size. Liquidity at the top-of-the-book was 7.9 contracts. Again, these figures have declined from March 2010 readings.

Crude oil prices have corrected from above \$80/bbl to just above \$70/bbl. Weighing on energy prices has been mounting concerns of a return to economic weakness.

Caveat - The measures of market liquidity referenced here may be considered conservative. Thus, we describe these measures as “displayed” rather than “true” liquidity. I.e., we are only observing orders that are visibly displayed in the CME Globex limit order books. But some types of orders, such as so-called “iceberg” orders where the customer chooses to display only a portion of the total order quantity, are not included in these measures. Hence, we believe that true liquidity in CME Group markets is generally much superior to displayed liquidity.

Concluding Note - Liquidity is central to a successful futures market. Liquidity in CME Group flagship products, including CME Eurodollar, CBOT 10-year Treasury note, CME E-mini S&P 500, CME EuroFX, CME Japanese yen and NYMEX WTI crude oil futures, has declined a bit over the prior calendar quarter. But this is largely attributed to growing economic uncertainties. While faster markets generally erode liquidity measures, they nonetheless contribute to enhanced volumes.

For more information, please contact ...

Sabrina Su, Financial Analyst
Research & Product Development
(312) 648-3727, xing.su@cmegroup.com

John W. Labuszewski, Managing Director
Research & Product Development
312-466-7469, jlab@cmegroup.com

2nd Quarter 2010 Liquidity Monitor

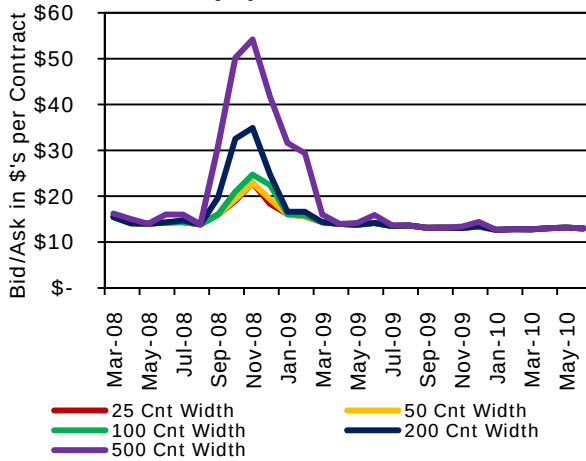
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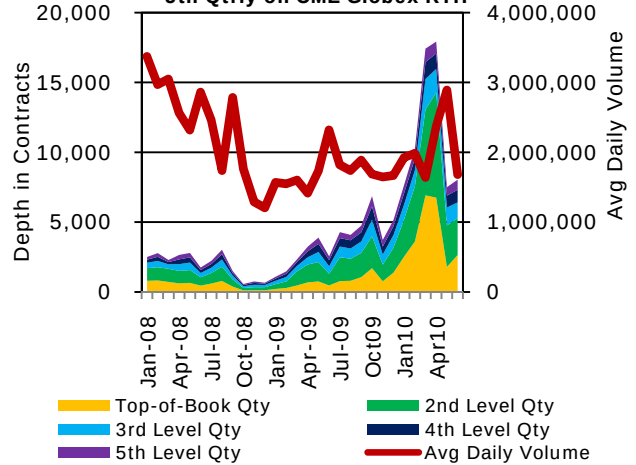


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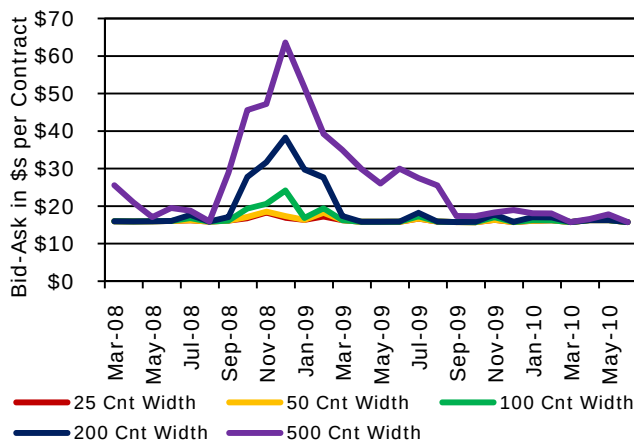
Eurodollar Market Width
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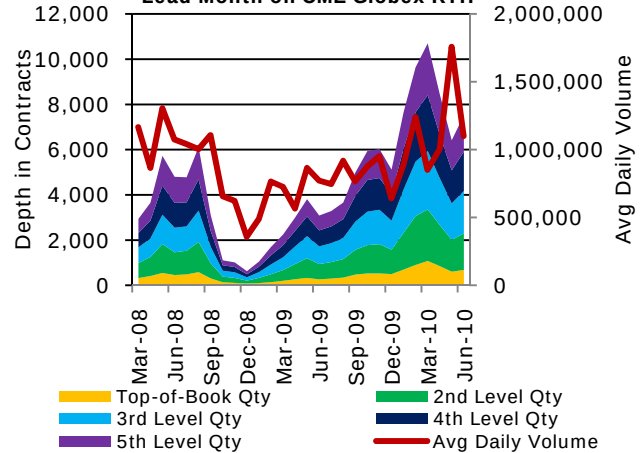
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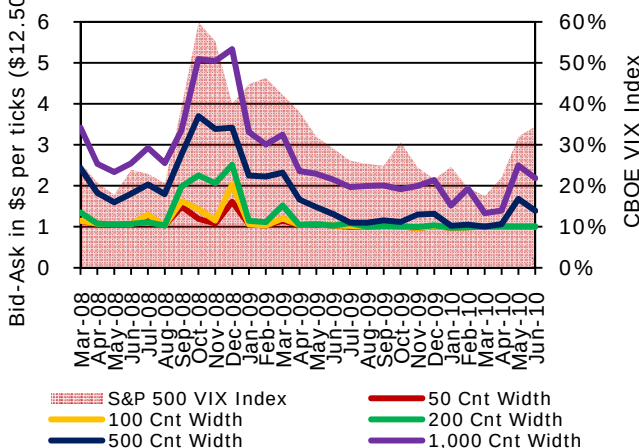
10-Year Treasury Market Width
Lead Month on CME GLOBEX RTH



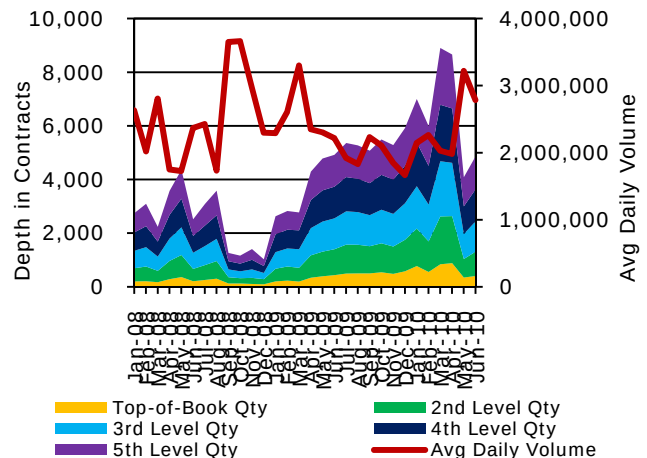
10-Year Treasury Market Depth
Lead Month on CME Globex RTH



E-Mini S&P 500 Market Width
Lead Month on CME Globex RTH



E-Mini S&P 500 Market Depth
Lead Month on CME Globex RTH



2nd Quarter 2010 Liquidity Monitor

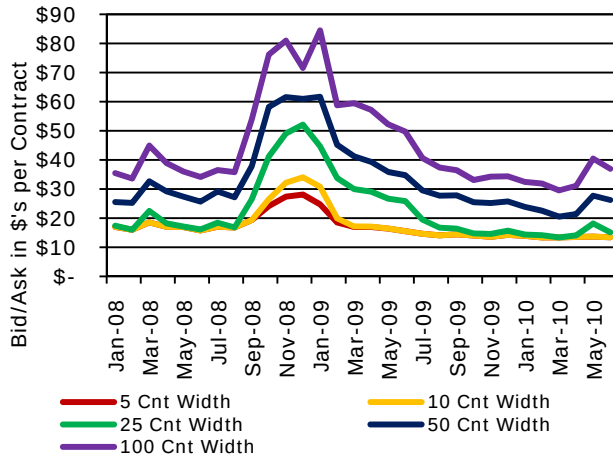
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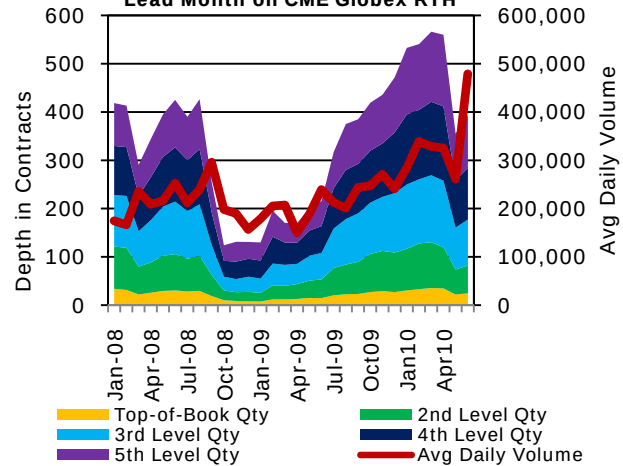


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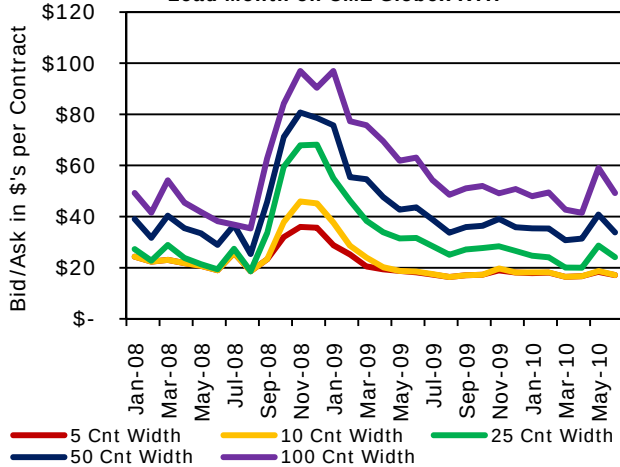
EUR/USD FX Market Width
Lead Month on CME Globex RTH



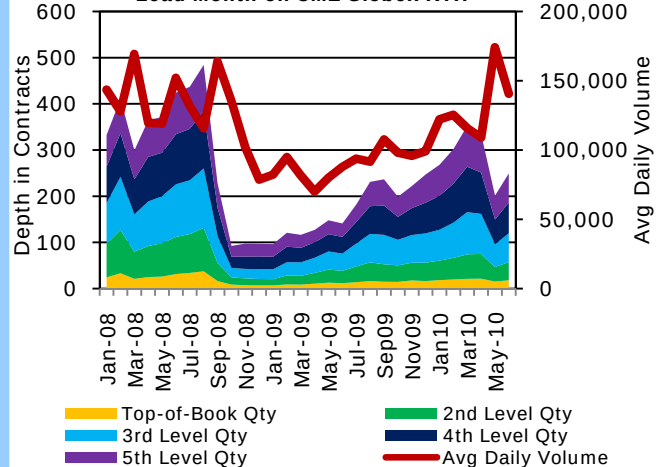
EUR/USD FX Market Depth
Lead Month on CME Globex RTH



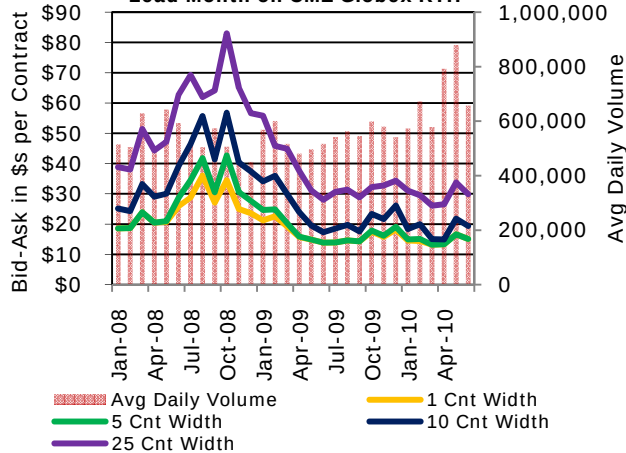
JPY/USD FX Market Width
Lead Month on CME Globex RTH



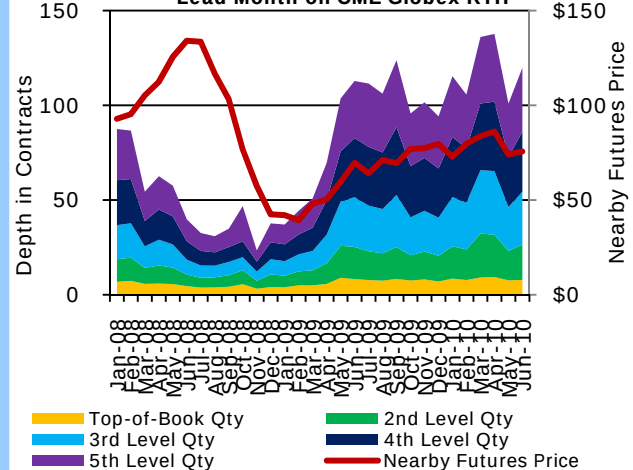
JPY/USD FX Market Depth
Lead Month on CME Globex RTH



Crude Oil Market Width
Lead Month on CME Globex RTH



Crude Oil Market Depth
Lead Month on CME Globex RTH



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Market Width in USD (For Qty as Indicated)

	Min Tick	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10
Eurodollars (500-lot)	\$12.50	\$16.21	\$16.02	\$30.76	\$41.70	\$16.01	\$15.91	\$13.14	\$14.43	\$12.77	\$12.98
10-Year T-Notes (500-lot)	\$15.625	\$25.56	\$19.49	\$28.89	\$63.59	\$34.99	\$29.98	\$17.38	\$18.95	\$15.76	\$15.75
E-mini S&P 500 (500-lot)	\$12.50	\$30.32	\$22.53	\$34.49	\$42.68	\$29.01	\$16.37	\$14.47	\$16.46	\$12.54	\$17.37
EuroFX (25-lot)	\$12.50	\$22.52	\$16.12	\$26.45	\$52.13	\$29.96	\$25.88	\$16.39	\$15.67	\$13.39	\$15.17
Japanese yen (25-lot)	\$12.50	\$28.93	\$19.38	\$33.54	\$68.11	\$38.33	\$31.64	\$27.14	\$26.56	\$20.08	\$24.14
Crude Oil (25-lot)	\$10.00	\$51.43	\$62.69	\$64.14	\$56.61	\$44.87	\$28.06	\$28.83	\$34.30	\$26.09	\$29.87

Market Depth in Contracts (Top-of-the Book)

	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10
Eurodollars	724	463	390	134	481	479	1,068	1,389	6,921	2,655
10-Year T-Notes	329	461	314	77	200	274	481	506	1,084	690
E-mini S&P 500	174	210	130	100	198	440	503	579	845	410
EuroFX	22.3	30.6	19.1	8.1	12.1	14.7	23.3	27.2	35.7	24.5
Japanese yen	21.5	31.7	16.5	7.1	9.0	11.9	15.1	16.6	21.5	18.3
Crude Oil	5.8	4.6	4.3	4.1	5.1	8.3	8.4	7.1	9.2	7.9

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