From:	Xavier Avila ████████████]
Sent:	12/5/2017 11:17:19 AM
To:	Paul Barrett ████████████
CC:	Stewart Oldfield ████████████; Joshua Shoshan [████████████]; Martin Zeman

Subject: RE: DB FX trade idea: EURZAR-USDZAR correlation swap
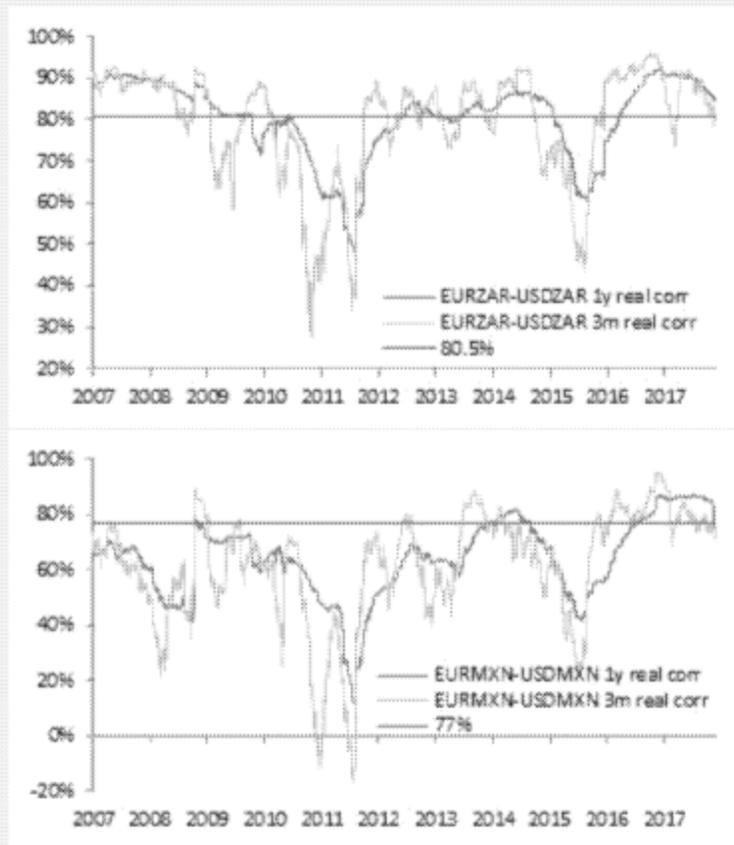
From: Xavier Avila
Sent: Friday, December 01, 2017 5:55 PM
To: 'Paul Barrett ████████████
Cc: Stewart Oldfield <████████████>; Joshua Shoshan <████████████>; Martin Zeman <████████████>

Subject: RE: DB FX trade idea: EURZAR-USDZAR correlation swap

Paul, see below the note and analysis that Vimal put together. Attached also an indicative termsheet, where you can also see the mathematical Definition of Realized Correlation. Thanks and good weekend. Xavi

Following the call yesterday we have attached an example termsheet for a correlation swap.

We have also looked at 2 historical periods where USDZAR-EURZAR correlation realized at significantly lower levels, during 2010-2011 and 2015. Overlaying the realized correlation during those periods with USDZAR, EURZAR and EURUSD FX spot rates (each rebased to 1), we can see that lower realized correlation is driven by significant trends and moves in EURUSD particularly relative to ZAR. This coincided with EURUSD realized volatility rising relative to ZAR realized volatility. In other words EURUSD spot became bigger driver compared to ZAR spot.