the dislocation in EM continues and we'd like to offer the **below idea that can be traded in a note format and offers a 17-18% annual net coupon.** If you don't like Turkey, but would like to see a similar payout structure in Brazil, Mexico, Rubble or a basket or EM currencies, we can price that up as well.

- this is not principal-protected (client is short an at-expiry knock-in barrier = EKI) but the whole point is that spot, forwards and vol are currently extended and 2 out of 3 (forwards + vol) are likely to come back in the next 12-18 months as political risk in Turkey goes down and inflation dynamics stabilise
- We have set the final autocall super-high (ATMF = at-the-money-forward) so that if client doesn't get autocalled the likelihood of them receiving the snowball coupon is still relatively high

In a note format, the indication we have from WM CRM was that they would give this a 75% LTV.

IN PLAIN ENGLISH, THE CLIENT TAKES ADVANTAGE OF A DISLOCATION IN TURKEY, RECEIVES AN ANNUALIZED COUPON OF 17-18%, AND WHEN USDTRY TRADES BELOW 4.75 ON ANY QUARTERLY OBSERVATION, THE TRADE ENDS. THE RISK TO THE CLIENT IS MODELED IN THE MARK-TO-MARKET ANALYSIS BELOW.

IF USDTRY NEVER FIXES BELOW 4.75 ON ANY QUARTERLY OBSERVATION AND ENDS UP ABOVE 8.90 IN 5 YEARS, THE CLIENT INCURS A SIGNIFICANT LOSS (SEE ANALYSIS BELOW.)

Refs:
USDTRY Spot = 4.75
USDTRY 5y forward = 8.90

Indicative terms:

Format	Autocallable Swap
Tenor	5 years, subject to early autocall
Underlying	USDTRY FX Rate
Observation Dates	Quarterly from Trade Date
Autocall Barrier	ATMS (= initial level as of Trade Date) for first 19 observation dates but ATMF level for last observation date
Client pays	3m$LIBOR on a quarterly basis, subject to early autocall
Client receives	5.20% x t (t = 1,2....20) if USDTRY < Autocall Barrier (and the swap stops) else 0 on that observation date.
If never autocalled	Then client is short USDTRY EKI Call Option with Strike = ATMS and EKI = ATMF

Scenario Analysis assuming $10M notional - at yearly intervals* (the analysis is the MtM on the leg the client receives and does not include the 3mLibor payments)

USDTRY Spot Scenario	USDTRY Autocallable Swap MtM as of					
	Trade Date	Trade Date+1y	Trade Date+2y	Trade Date+3Y	Trade Date+4y	at Maturity
3.00	434,548	2,506,839	4,547,947	6,615,062	8,702,309	10,400,000
3.40	399,115	2,458,923	4,499,751	6,565,840	8,680,736	10,400,000
3.80	319,582	2,354,432	4,405,681	6,486,303	8,650,596	10,400,000
4.20	138,685	2,101,845	4,255,904	6,405,653	8,635,510	10,400,000
4.60	-290,675	1,665,865	3,880,006	6,327,389	8,732,346	10,400,000
5.00	-968,630	898,766	3,282,830	6,156,333	8,847,394	10,400,000
5.40	-1,764,484	-1,764,484	2,449,747	5,569,924	8,721,061	10,400,000
5.80	-2,619,886	-2,619,886	1,394,751	4,607,107	8,247,953	10,400,000
6.20	-3,481,588	-3,481,588	203,379	3,362,585	7,558,745	10,400,000
6.60	-4,297,245	-4,297,245	-1,015,976	1,945,424	6,600,819	10,400,000
7.00	-4,968,063	-4,968,063	-2,186,240	480,324	5,346,136	10,400,000