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**Sent:** 1/10/2019 4:47:17 PM  
**To:** Paul Barrett ( [REDACTED] ) [REDACTED]  
**CC:** Stewart Oldfield [REDACTED]  
**Subject:** USDRUB EKIKO? -> Christian's models: How attractive is EMFX and FI as we start the year?

Paul – revisiting the USDRUB EKIKO structures we discussed in the past.

Below is research that Christian Wietoska just put out and RUB stands out as the currency with the biggest upside.

With USDRUB at 67.00, you could:

- Sell 6m USDRUB 66 Call with KO 64 and EKI 73 and get paid 3% (the Knock-in is at expiry only)
- If you did this for 9mths expiry, you get paid 4%ish

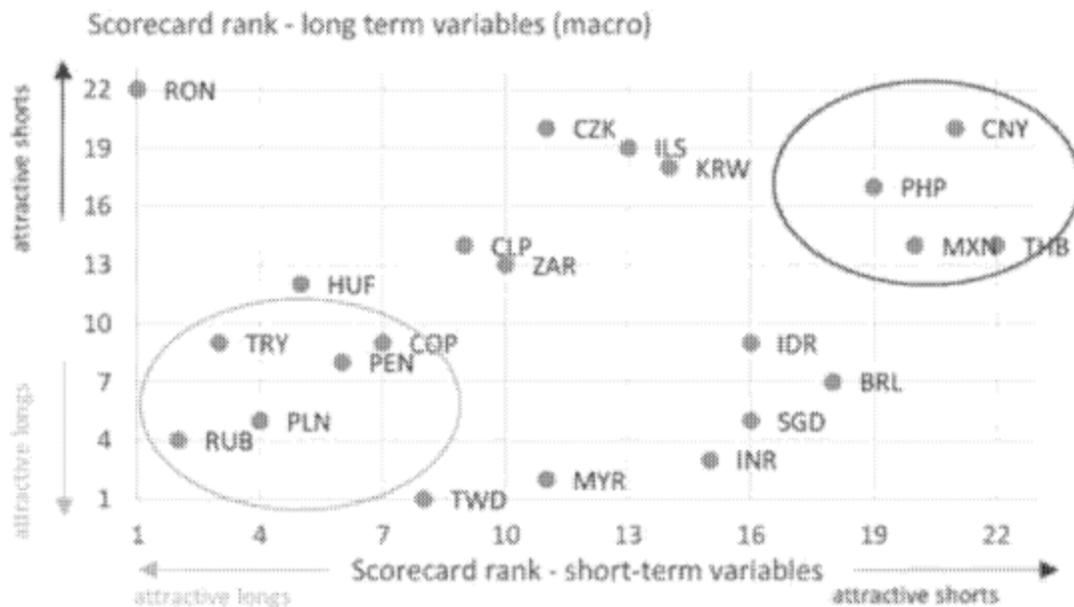
Look at the chart of USDRUB last 12 months. If you believe oil will revert to 60-70, this trade makes sense. USDRUB traded below 64 before August, before the big down move in oil.

This morning, Christian updated his models, and published a rigorous overview of how well they performed and what they tell us now. It's supporting our view that EMFX > EMFI for the time being (and certainly with a falling USD tailwind), and while models can't solve for everything (except the one that gets to '42'), it's a good framework for thinking about risk as we begin the year. It's certainly worth a look:

[https://research.db.com/Research/api/1.0/file/2795-72a97c56\\_1359\\_11e9\\_af35\\_4686e008e6eb\\_604?fileToken=YYY122\\_4yf9wv7EWbladR%2blkDxRuDegPbvBJ2UhJoTz0phfNhk%2ftaKSw4Br9ALoNQBq9FrXnTmnJWAo2b8J08BAmrInuWN%2f%2f72Hd6aErQc03nG2ks%3d](https://research.db.com/Research/api/1.0/file/2795-72a97c56_1359_11e9_af35_4686e008e6eb_604?fileToken=YYY122_4yf9wv7EWbladR%2blkDxRuDegPbvBJ2UhJoTz0phfNhk%2ftaKSw4Br9ALoNQBq9FrXnTmnJWAo2b8J08BAmrInuWN%2f%2f72Hd6aErQc03nG2ks%3d)

For EMFX, Christian has broken this down into aggregate fundamentals (long-term valuation) score and the technicals (short-term valuation) score.... and I like this chart plotting which currencies look good on both scores. So, RUB PLN and TRY (!) are attractive, and CNY PHP and THB are not.

Figure 8: Long-term (fundamental) vs short-term (technical) valuation



Source: Deutsche Bank, Bloomberg Finance LP