

From: Martin Zeman [REDACTED]
Sent: 11/21/2018 3:06:24 PM
To: 'Paul Barrett' [REDACTED]; [REDACTED]
CC: Alan Brody [REDACTED]; Gaurang Chadha [REDACTED]; Stewart Oldfield [REDACTED]
Subject: Sell 1y CNH leveraged volswap at 7.7%

Paul,
Forgot to send you this when we talked on Monday. The realized vol in the last month is 4.4% so selling this at 7.7% here makes sense. Essentially you calculate daily vol over a year. So let's say vol stays around 4-5% for 6 months, then there is some kind of a trade war event pushing the vol to 8-9% for a month, then it sells off again until expiry -> over the year you should come ahead being short at 7.7%.

Back end CNH vol is extremely rich, realized vol has never even been close to that level, even including the 2015 deval, the 2016 funding squeeze or the recent depreciation.

One can sell 1y 1*2 leveraged volswap at 7.7%. The highest realized over the past 3 years is only 5.5%.



Martin



Martin Zeman
Director | Key Client Partners