

**From:** Martin Zeman [REDACTED]  
**Sent:** 11/20/2017 10:22:20 AM  
**To:** Paul Barrett [REDACTED]  
**CC:** Stewart Oldfield [REDACTED]  
**Subject:** [/] A bad night for Angela Merkel: Tactical Trade Idea

Morning Paul,

By the time I finished pricing this below, spot ran lower 20 pips. Still, think this might make sense in some variation or other....

**On the back of the breakdown in coalition negotiations in Germany about which I wrote earlier this morning**, we put together a few ideas on how to play EURUSD lower over the coming weeks. Our base case is that negotiations will continue and some sort of coalition will emerge. **But volatility in EURUSD will remain**; should there be a call for snap elections in Germany (stranger things have happened over the last 18 months – think back to Brexit and the US elections), EURUSD will most likely sell off substantially.

### EURUSD Spot ref = 1.1770

#### **Buy 2 month EURUSD 1.1350 One Touch for 14.25%**

- This trade provides for 7x payout (meaning for a EUR 100,000 payout anytime EURUSD trades at 1.1350 over the next 2 months, you only have to spend EUR 14,250 today).
- In case of a call for snap elections in Germany, EURUSD would probably have a sharp move lower.
- The risk on this trade is the loss of upfront premium paid (14.25% of payout notional amount)

#### **Buy a 2 month 1.1350 Digital Put (payout EUR 100k) versus Selling 1.2300 Digital Call (payout EUR 100k) -> Zero Cost**

- This trade is zero cost
- The buyer of the digital put gets paid EUR 100k if at expiry EURUSD is below 1.1350 and will have to pay EUR 100k if at expiry EURUSD is above 1.2300
- If at expiry EURUSD is somewhere between 1.1350 and 1.2300, the options expiry worthless

The main risk to these trades would be continued strength in date out of Europe, which would have the potential of reversing the very dovish ECB stance.

