

Subject: Fw: One idea for diverging policies - calls on global dispersion [C]
From: Paul Morris <[REDACTED]>
Date: Fri, 30 Jan 2015 10:26:26 -0500
To: Stewart Oldfield <[REDACTED]>

Classification: Confidential

From: Daniel Sabba
Sent: Friday, January 30, 2015 10:23 AM
To: jeffrey E. <jeevacation@gmail.com>
Cc: Vahe Stepanian; Richard Kahn <[REDACTED]>; Paul Morris
Subject: RE: One idea for diverging policies - calls on global dispersion [C]

Classification: Confidential

Jeffrey,

Our London desk was able to improve the ATMF strike to 11.15% and their offer still at 2.4% (1.9% mid) on this trade. Given the trade has little delta at inception, our desk is able to set the initial strikes for the structure at market on close today for all markets (SPX, EEM, SX5E, HSCEI, NKY), even though Asia has already closed. Attached is a draft term sheet for the trade.

Regards,

Daniel

From: Daniel Sabba
Sent: Thursday, January 29, 2015 5:12 PM
To: Daniel Sabba; jeffrey E.
Cc: Vahe Stepanian; Richard Kahn; Paul Morris
Subject: RE: One idea for diverging policies - calls on global dispersion [C]

Classification: Confidential

Jeffrey,

Per our conversation, we received your order to bid on this structure at the indicated terms for \$100k premium (~\$4.166mm notional). As discussed, we communicated your overnight order to our London desk and we will revert tomorrow on whether the transaction has been executed.

Thank you,

Daniel

From: Daniel Sabba

Sent: Thursday, January 29, 2015 2:54 PM

To: 'jeffrey E.'

Cc: Vahe Stepanian; Richard Kahn; Paul Morris

Subject: One idea for diverging policies - calls on global dispersion [C]

Classification: Confidential

Jeffrey,

As we look at the world, the enormous dispersion of monetary and fiscal policies is obvious. One transaction we have used in the past to articulate this theme, and it trickling down to equity markets, are calls on dispersion. This is an OTC transaction in which a client pays a premium and receives a payout based on the average realized dispersion across global markets. It is a way to be economically short correlation and long volatility across markets, similarly to outperformance index options. I have plotted the historical ly average realized dispersion between S&P500, EuroStoxx50, Nikkei, EEM and HSCEI to illustrate.

{cid:image001.jpg@01D03BE6.7A4FEE80}

Indicative Transaction Terms:

Client buys: European Call on Dispersion, quanto USD

Dispersion Basket: SPX, EEM, SX5E, HSCEI, NKY

Expiry: 18 Dec 2015
Strike: ATMF (11.2%)
Offer: 2.4%

where

Final Payout = Notional * max(Average Realized Dispersion – Strike,0)

Average Realized Dispersion = Average(absolute value of Individual Dispersion for each Index i)

Individual Dispersion for Index i = Final Performance for Index i – Average Performance

Average Performance = average (Final Performance for each Index i)

Final Performance for Index i = (Final_level(i)/Initial_level(i) -1)

Please let us know when would be a good time to connect.

Regards,

Daniel

Daniel Sabba

Key Client Partners

Deutsche Bank Securities Inc.

Tel. [REDACTED]

Mobile [REDACTED]

Email [REDACTED]

