

Subject: It's very hot - SEK Correlation Ideas

From: Martin Zeman <[REDACTED]>

Date: Tue, 10 Oct 2017 09:30:57 -0400

To: "Paul Barrett ([REDACTED])" <[REDACTED]>

Cc: Davide-A Sferrazza <[REDACTED]> ,

Xavier Avila <[REDACTED]> ,

Joshua Shoshan <[REDACTED]> ,

Vahe Stepanian <[REDACTED]> ,

Stewart Oldfield <[REDACTED]>

Good morning Paul,

I know we can't trade options just yet, but we're looking at some bullish SEK ideas this morning, thought I'd share with you based on George Saravelos' research piece.

Here are some of our preferred bullish-SEK expressions in the Correlation space.

Spot Refs: 1.1790, 8.0775, 1.3190

1) USDSEK Digital Puts w/ EURUSD DKO's

3m USDSEK 7.80 Digital Put w/ EURUSD DKO 1.14-1.22
6.5% offer

3m USDSEK 7.80 Digital Put w/ EURUSD DKO 1.13-1.23
9.3% offer

3m USDSEK 7.90 Digital Put w/ EURUSD DKO 1.14-1.22
11% offer

USDSEK 7.80 Digital outright would be 23% offered.

USDSEK 7.90 Digital outright would be 34.5% offered.

2) GBPUSD Lower, USDSEK Lower Dual Digitals

3m Dual Digital
GBPUSD < 1.30

USDSEK < 7.90
6% offer

Individuals: 33%, 34.5%

3m Dual Digital
GBPUSD < 1.30
USDSEK < 8.0
8.75% offer

Individuals: 33%, 47.5%

And a full Dual Digital Grid ...

{cid:image006.png@01D3419E.4D9672E0}

From: George Saravelos [mailto:george.saravelos@db.com]
Sent: Tuesday, October 10, 2017 3:58 AM
Subject: It's very hot

We are very bullish on the Swedish krona. To start with, Swedes have the world's hottest property market. Comparative data updated by the OECD last week show that Sweden has taken the pole position from New Zealand this year, with Swedish real house prices now double their thirty-year average. More significantly, unlike runners-up New Zealand, Australia and Norway, Sweden has seen valuations rise far above pre-crisis peaks (Figures 1& 2).

The international comparison stresses the urgency for the Riksbank to normalize policy. In line with the typical negative relationship with house prices, the Swedish current account has deteriorated over the past decade (Figure 3). Positive wealth effects from rising house prices have combined with exceptionally low real rates in raising consumption ratios. Hence, if the Riksbank leaves policy normalization too late, it runs the risk of triggering not only a house price correction but also a sharp drop in domestic demand. But growing financial stability risks are only one reason why we expect the Riksbank to start hiking rates sooner than currently priced, that is before July 2018. Two recent developments matter more acutely with a view to the next meeting on 26 October.

First, some board members including Floden have indicated that the government's expansionary budget for 2018 would need to be taken into consideration at the next meeting, implying that it exceeded previous Riksbank assumptions. Easier fiscal policy going into the election year and beyond provides the Riksbank with a tangible pivot to justify tighter monetary policy.

Second, Governor Ingves last week implicitly acknowledged that services inflation could be overshooting forecasts. Recall that board members attributed strong prints in June and July to a steep increase in volatile prices for package holidays. But the last print for August was again stronger than the Riksbank forecast despite softer prices for package holidays (Figure 4). This suggests that the recent increase in services inflation is broad, durable and driven by strong domestic growth. Importantly, a day after Ingves' comment, the services PMI for September came in exceptionally strong at 63.8. We thus expect strong details in this week's inflation print for September to justify a re-assessment of services inflation as being persistently stronger than previously forecast.

To sum up, we remain long SEK against EUR and CHF in anticipation of a hawkish Riksbank turn by year-end. While hardly contrarian, our impression from recent client marketing is that SEK longs are far less extended than in the summer.

FX daily by Robin Winkler : http://pull.db-gmresearch.com/cgi-bin/pull/-DocPull/1272-6DA8/7165222/DB_FXDaily_2017-10-10_2f57d05d-ec69-43bc-acef-227c25d3f353_604.pdf

Theme #4 in our FX Blueprint by Robin Winkler: http://pull.db-gmresearch.com/cgi-bin/pull/DocPull/13519-C6ED/96421186/-DB_FXBlueprint_2017-09-24_GDPBD00000314565.pdf

{cid:image001.png@01D3419C.73CE9B60}

{cid:image002.png@01D3419C.73CE9B60}

{cid:image003.png@01D3419C.73CE9B60}

{cid:image004.png@01D3419C.73CE9B60}{cid:image005.png@01D3419C.73CE9B60}

{cid:image001.gif@01D259D5.3E2DF0F0}

Martin Zeman
Director | Key Client Partners

Deutsche Bank Wealth Management
DB Securities Inc

345 Park Avenue, 10154-0004 New York, NY, USA

Tel. [REDACTED]
Mobile [REDACTED]
Email [REDACTED]

KCP products and services are intended and available only for persons who are sophisticated institutional investors within the meaning of the FINRA Rule 4512(C)(3), and who are capable of evaluating the strategies, characteristics and investment risks of, and exercising independent judgment in evaluating, the ideas and products discussed herein. Trades and transactions are subject to relevant internal approvals of DBSI or its affiliates prior to execution, and the execution of any transaction or idea discussed herein is conditional on your becoming a client of Deutsche Bank. Key Client Partners (KCP) products, investment ideas and solutions and related matters discussed herein are provided for discussion purposes only, and strictly on a non-advisory basis. The KCP Americas desk does not provide investment advice. The information set forth herein is confidential and personal to you and is being presented for your information and for discussion purposes only. Any reproduction and/or redistribution thereof (in whole or in part) or disclosure of its content without our written consent is strictly forbidden. This communication does not create any legally binding obligation on the part of DBSI or any of its affiliates.

This communication may contain confidential and/or privileged information. If you are not the intended recipient (or have received this communication in error) please notify the sender immediately and destroy this communication. Any unauthorized copying, disclosure or distribution of the material in this communication is strictly forbidden.

Please refer to <https://db.com/disclosures> for additional EU corporate and regulatory disclosures.

Deutsche Bank does not render legal or tax advice, and the information

contained in this communication should not be regarded as such.