

Subject: USDBRL Idea/Axe

From: Martin Zeman <[REDACTED]>

Date: Mon, 04 Jun 2018 09:24:22 -0400

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

Cc: Xavier Avila <[REDACTED]>,  
Davide-A Sferrazza <[REDACTED]>,  
Stewart Oldfield <[REDACTED]>

Paul,

I think this trade makes sense:

Ever since we sent the recommendation to buy 1y USDBRL riskies back in mid April, they have come a long way. From the low of 2.25 that we saw, they last traded at 3.5 and bid on (this morning).

I'm recommending holding that position for now. However, I like fading the riskies in the front end, especially pre-elections.

The BCB seems to be keen on reducing volatility above the 3.75 level. They are not really protecting a level per se, but rather, they sell enough USD via the swaps (750 per day) anytime USDBRL seems headed towards 3.80.

The 4m expiry is pre elections, and the 25d r/r have gone from 1.6 to 2.75 or so in the last month. I suggest the following:

Buy a 4m (4th October) 3.60 and sell a 4m 3.90 in equal notional, and earn 1.03% USD in premium.

Vols are 15.75 and 14.0.

We can do 300 per at that level.

Let me know if you have any questions or need pricing variations.

4m 25d riskies:

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