

Subject: RE: GBP K0 Fwd
From: Xavier Avila <[REDACTED]>
Date: Fri, 22 Dec 2017 00:29:06 -0500
To: Paul Barrett <[REDACTED]>
Cc: Martin Zeman <[REDACTED]>, Joshua Shoshan <[REDACTED]>, Stewart Oldfield <[REDACTED]>

After 11yrs living in UK, I got caught a bit overweight on Brexit so I am somehow short myself (or overweight GBP and clearly underweight EUR being from Barcelona!), and I am keeping it, even increased it at around 0.90, and I think is the right position although a bad Brexit result and a Tory meltdown and a Corbyn government is not an impossibility, and the results could be problematic for GBP.

I did and do not like Brexit (for the UK or EU), and I am a convinced Europeanist so I would not want that UK gets a good Brexit deal as it might incentivize wrong policial movements, yet like all EU things that make the EU such a geat project, we'll find a meddle through last minute agreement that will somehow work for everyone, (both the EU and UK need each other having functioning economies), or maybe not Brexit at all, although that might be me dreaming.

I remember trading EURGBP as low as .61 in early 2000s and talks of joining the EUR at fair value around .72/75. I think .90 ish prices a lot of bad news and it seems assymetric to me. I think fair value should be closer to .80 and I would hope that when some of the Brexit uncertainties get clearer we move towards there, although I was hoping by now we would be closer to .85 ish and things do not seem to be moving down.

I know not everyone agrees with this view, but I remain overweight prob for next 3-6 months and then will reevaluate.

From: Paul Barrett <[REDACTED]>
Date: Thursday, Dec 21, 2017, 23:14
To: Xavier Avila <[REDACTED]>
Cc: Martin Zeman <[REDACTED]>, Joshua Shoshan <[REDACTED]>, Stewart Oldfield <[REDACTED]>
Subject: RE: GBP K0 Fwd

I sold a GBP bond today for some tax planning so want to replace the GBP FX exposure. So you ike EURGBP downside?

Paul Barrett

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[REDACTED]
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From: Xavier Avila [mailto:[REDACTED]]
Sent: Thursday, December 21, 2017 10:38 PM
To: Paul Barrett <[REDACTED]>
Cc: Martin Zeman <[REDACTED]>; Joshua Shoshan
<[REDACTED]>; Stewart Oldfield <[REDACTED]>
Subject: RE: GBP K0 Fwd

Agree, not best moment to sell vol.

Any reason you buying GBP?

What about selling EURGBP? Better carry, less dependant on USD view if you are bullish GBP, I think 8850 still prices a lot of Brexit catastrophe scenarios. Spend the positive carry to buy an ATMS AKI or EKI fwd maybe? not sure how the barrier would look.

Our catalan friends gave us another reason to doubt this EUR euphoria of the last months (you thought SA politics were complicated, ha!!!)

Xavier Avila
Managing Director

Office: [REDACTED]
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From: Paul Barrett <[REDACTED]>

Date: Thursday, Dec 21, 2017, 22:13

To: Xavier Avila [REDACTED]

Cc: Martin Zeman [REDACTED], Joshua Shoshan
<[REDACTED]>, Stewart Oldfield <[REDACTED]>

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I think vol is too low to embed K0s. In fact what I do like is combining the long GBP call with a short GBP KI put (vol also too low for that right now).

Paul Barrett

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From: Xavier Avila [mailto: [REDACTED]]
Sent: Thursday, December 21, 2017 8:49 PM
To: Paul Barrett < [REDACTED] >
Cc: Martin Zeman < [REDACTED] >; Joshua Shoshan
< [REDACTED] >; Stewart Oldfield < [REDACTED] >
Subject: GBP K0 Fwd

We are currently at 1.3370 so not there on the order.

A little idea to cheapen it up, we can look at variations or other ideas tomorrow.

Xavi

GBPUSD Spot	1.3370
GBPUSD 6m Fwd	1.3475
Buy 6m Forward	
Strike	1.3340
American Knock Out	1.4500

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