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**From:** Tazia Smith [REDACTED]  
**Sent:** 7/2/2014 11:56:37 AM  
**To:** [REDACTED]  
**CC:** Paul Morris [REDACTED]; Vahe Stepanian [REDACTED]; Nav Gupta [REDACTED]  
**Subject:** Airlines stocks weak [C]  
**Attachments:** Delta.pdf; Airline Weekly 6.26.pdf; pic16377.gif; pic21776.gif

Classification: Confidential

Hi Rich - I'll let you decide whether you want to highlight to Jeffrey.

Airline stocks are down today (American is off over 3% and Delta is down ~4.75% right now). This is driven by Delta's traffic and margin commentary (see below). I spoke with our Airline analyst team and bottom line, they believe near-term pressure is an entry point for clients to buy for the long-term. They point to continuing improving business trends (even at the low-end of estimates, Delta's margins will be up 300bps (~14% vs. 11%) year over year), continued stock buy-backs, and continued additions back to indices etc as additional tailwinds for the shares.

Jeffrey is clearly already long the AAL, which DB has a 12mo target of \$45 on. DB likes DAL shares here with an implied ~26% upside to their \$48 target. I don't know that Jeffrey needs/wants to add to his airline exposure, but a similar risk reversal set up in DAL prices as follows:

DAL spot ref 38.45  
S DAL Jan15 38 put ~3.70  
B DAL Jan15 38 call ~4.15

I actually like just selling puts too:  
S DAL Jan15 37 puts ~3.20 (collect ~8% for 6mos, or create the stock at 33.80)

And of course could do something with AAL on weakness too.

All My Best,  
Tazia

(See attached file: Delta.pdf)(See attached file: Airline Weekly 6.26.pdf)

----- Forwarded by Tazia Smith [REDACTED] on 07/02/2014 11:28 AM -----

**From:** "Tazia Smith (DEUTSCHE ASSET MANAG)" <[REDACTED]>  
**To:** undisclosed-recipients:;  
**Date:** 07/02/2014 11:26 AM  
**Subject:** (BFW) Delta Sell-off 'Seems Aggressive' Given Margin Guidance: C

(BFW) Delta Sell-off 'Seems Aggressive' Given Margin Guidance: C  
owen

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