
From: Tazia Smith [REDACTED]
Sent: 1/28/2014 12:40:19 PM
To: jeffrey epstein [jeevacation@gmail.com]; Paul Morris [REDACTED]
Subject: Re: Depressed options volatility makes 'Renmimbi weaker' hedges very cheap | KCP Capital Markets [C]

Classification: Confidential

Understood, Jeffrey. long USDCNH calls was the trade, taking the other side of a crowded long/overvalued CNY and inexpensive entry:

- 1) Buy a 1y expiry, 6.2 / 6.7 strike USDCNH call spread. Premium (offer) ~0.43% of USD notional. Spot breakeven 6.226
- 2) Buy a 1y expiry, 6.3 / 6.8 strike USDCNH call spread. Premium (offer) ~0.30% of USD notional. Spot breakeven 6.318

USD

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From: Jeffrey Epstein [jeevacation@gmail.com]
Sent: 01/28/2014 12:27 PM EST
To: Tazia Smith; Paul Morris
Subject: Re: Depressed options volatility makes 'Renmimbi weaker' hedges very cheap | KCP Capital Markets [I]

sorry, questions about what do you think about china , are silly,,,,,,,,, lets pick a trade , have some back up and move. I am a trader / investor not as atrologist

On Tue, Jan 28, 2014 at 12:24 PM, Tazia Smith <[REDACTED]> wrote:
Classification: For internal use only

Jeffrey -

Curious for your view on China. We're concerned about the defense of China's stability (even by our own Global Markets Research analyst, Jun Ma). China may be re-rating for longer-term stability as an 'emerged' market, but that our DB GEM Equity Strategist, Jean-Paul Smith, and his team may have the downside risk right in the nearer-term.

Bulls point to estimates that the AUM in the **trust sector** only totalling Rmb 10.1 trillion (arguably too low), and that 93% of AuM in trust products could be "backed" (38% by central government, 34% by local governments, and 21% by large financial groups). But Bears highlight that (a) bailouts by authorities won't be a sustainable solution to increasingly regular defaults, (b) they suggest the inherent moral hazard problem that will perpetuate high-risk borrowers leveraging the shadow banking system (vs. the proposed quotad bond market issuance and bank securitization channels