

do nav trade

On Thu, Mar 13, 2014 at 9:24 AM, [REDACTED] > wrote:
Classification: Confidential

Jeffrey -

Consider the USDRUB 1-mo binary for ~25.5% (very sensitive to spot, so indicative level, we'd work an order 26% or better).

vanilla calls for comparison,
1mth 3% OTM vanilla call is ~0.57%/0.67% (12.4% / 13.25% vol)
2mth 4.25% OTM vanilla call is ~ 0.96%/1.08% (12.2% / 13% vol)

Nav highlights the binary below, where the payout is much cleaner. Ruble weakens 3% (european observation)in this example, and payout is \$1mm for \$255k invested:

1-MONTH USD/RUB 3% OTM BINARY CALL costs 25.4% of payout
European Digital on USD/RUB
Strike: 37.55
Payout: USD 1,000,000
Payout Ccy: USD
Expiry: Fri 11-Apr-2014
Settlement: Mon 14-Apr-2014
ZoneCut: MO
Premium: USD 255,000
Premium Date: Fri 14-Mar-2014

This Digital pays the owner USD 1,000,000 if USDRUB is above 37.55 at the time of expiry.

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