



**2) Tactically position for higher EURUSD - 2 week view (now)**

BUY EUR50mm 2week expiry 1.40 strike European Style EURUSD Calls @ 6bp (EUR30,000)

This is a low cost contrarian short term tactical call. Most investors myself included are bullish USD in the medium term (see trade 3)

but in the very short term I see EURUSD higher because:

- i) Despite ECB preparing the markets for QE, the price action of EURUSD (broadly unchanged) has been quite bullish compared to what one would expect
- ii) Speculators don't appear long EURUSD to us. Majority are short or flat.
- iii) implied volatility is 5.25% (offer for 2week options) which is very very low historically. So this is a penny option, highly convex, pain trade bet against other speculators betting on QE

If my view is wrong 6bp is lost. If i'm right i'd plan to exit in a week making 4-6x

Scenario Analysis - Premium in bp of EUR notional

EURUSD call option prices	
Spot	1.382

Spot	At exp	1w	2w
1.42	141	142	145
1.41	71	76	84
1.4	0	24	37
1.39	0	4	11
1.382	0	1	4

<< 4bp is mid mkt, offer is 6bp

**3) Position for a Stronger Dollar - 1year view (now or soon)**

Buy 1y expiry European style digital binary option on EURUSD struck 5% below spot @ 21% of payout (which i think is too cheap)