

From: Tazia Smith [REDACTED]
Sent: 5/12/2014 9:40:04 AM
To: jeevacation@gmail.com
CC: Vinit Sahni [REDACTED]; Nav Gupta [REDACTED]; [REDACTED]; Paul Morris [REDACTED]; Vahe Stepanian [REDACTED]; [REDACTED]
Subject: Copper - positive momentum from China cap mkts reform

Good Morning Jeffrey -

Your copper option is **\$300,000 bid (-\$31,250 p/l)**, vs. ref of 6883. This is **up from \$239,583 as of Friday**. Research and desk commentary is below.

Bid as of 9:20am 5/12, 3m spot ref 6883, \$240/mt. This compares to mid of \$252/mt with 0 vol, \$240 represents 0.6% vol (0.75% standard, tightened it). Vega on the option Vega = \$20.27/mt. Source: DB Commodities Trading, 5/12/14

As you know, China announced its "New National Nine Rules" (in contrast to the earlier "National Nine Rules" issued in 2004), which outline meaningful changes to increase open-ness in Capital Markets out of China on 5/9. DB research summary below, bottomline takeaway: "Under such endeavor, China capital markets will be much more diverse, structured and transparent in the future, and will a) mobilize massive private savings; b) encourage inward portfolio flows; and c) lift market sentiment and valuation."

From Matt's team:

"Copper is a popular choice for use as collateral in financing trades. Now China is proposing that local governments would be able to issue bonds rather than rely on, among other things, using copper as collateral for financing trades. Indeed it is expected that use of SPVs will be come increasingly difficult. This should be bearish for copper after the regulation is passed. Meanwhile, we think that before the regulation is passed, people are trying to secure as much copper-backed financing as they can, which has resulted in a scramble for copper, and a spike in price. I would further qualify and say that the news announcement has not resulted in a scramble for physical copper yet, but an expectation for the scramble, which itself is sufficient to spike up the price. "

5/12/2014						
Live						
Description	Trade Date	Expiration	Notional	Cost Basis	MTM*	MTM* P/L
USDJPY Triple One-Touch 101 Call*	11/21/2013	11/20/2014	1,000,000 USD	\$ -	\$ (4,865)	\$ (4,865)
Dec14 Copper 7000 Call**	4/7/2014	12/3/2014	1,250 metric tons	\$ 331,250	\$ 300,000	\$ (31,250)
				\$ 331,250	\$ 295,115	\$ (36,115)

* Not a bid/offer. Mid Mark-to-Market as reported on client's DB Valuation Statement.
 ** Bid as of 9:20am 5/12, ref 6883, \$240/mt (\$252 0 vol mid, \$240 represents 0.6% vol, vega on the option Vega = \$20.27/mt). Source: DB Commodities Trading, 5/12/14

----- Forwarded by Tazia Smith/db/dbcom on 05/12/2014 09:22 AM -----

From: Amy Tan/db/d [REDACTED]
To:
Date: 05/12/2014 06:08 AM
Subject: DB China unveils agenda for comprehensive capital market reform

Deutsche Bank - Fixed Income Research

Data Flash - China unveils agenda for comprehensive capital market reform

11 May 2014 (2 pages/ 81 kb)