EURINR lower as a combined play on continued inflows into India and ECB activism:

Trade: A 6m EURINR 78 put (at-the-money spot) financed by selling the 83 call has zero net premium (spot ref: 77.95, forward: 80.50)

With the Modi government showing decisiveness in pursuing its reform agenda, capital inflows into India look likely to continue for the foreseeable future
Indian equities are at all-time highs and the entry point is not very attractive
The rupee also embeds carry of 7%/year, cheapening risk reversals

Chart of EURINR spot
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Source: Bloomberg 25-Sep-2014

S&P 500 Put options dislocated relative to Call options

Trade: A 6m 110% calls financed by 6m 90% puts in a ratio of 4 calls bought per put sold has zero net premium (spot ref: 1998)

Very high demand for SPX puts makes it possible to buy multiple calls for each call sold
Across major indices, the ratio of calls-to-puts is highest for US equities

Skew (y-axis) vs ATM vol (x-axis) is stretched
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Source: Bloomberg 24-Sep-2014

Renewed interest in Japanese equities ahead of GPIF re-allocation and policy momentum

Trade: A 6m 110% call financed by 6m 90% put has zero net premium (spot ref: 16374)

Investors are waiting for the giant Japanese pension funds to re-allocate away from bonds to equities
The Abe administration is looking for additional ways to stimulate the economy
Nikkei vols are high and skew is poor -- no easy way to get into the trade, best to do calls vs puts 1-to-1 struck around major technical levels

Chart showing NKY history with strike of 90% put highlighted
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Source: Bloomberg 25-Sep-2014

Past performance is not a reliable indicator of future results.

Best regards,

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Uzair Aqeel
Investment Specialist
Key Client Partners

Deutsche Bank AG, Filiale London
105/108 Old Broad St (Pinners Hall),
London EC2N 1EN, United Kingdom
Email uzair.aqeel@db.com

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