

To: Daniel Sabba

Subject: Re: Longer Dated EUR Downside (3y structures) [C]

what do six month levels look like and one year

On Mon, Jun 29, 2015 at 10:56 AM, Daniel Sabba <[REDACTED]> wrote:

Classification: **Confidential**

Jeffrey,

We wanted to flag an idea on long dated EUR downside. Digital Risk Reversals benefit from the high forwards, along with elevated levels of vols and skew. The following example is a premium neutral trade with observation at expiry.

1.1125 EURUSD spot ref

+485 3y swap points

3y 1.0750 / 1.3175 Digital risk reversal (zero net premium)

Client buys 3y Digital put struck at 1.0750, European observation

Client sells 3y Digital call struck at 1.3175, European observation

Net premium: Zero

We compared this with vanilla risk reversals – for a 3y structure, 1.0750 / 1.2300 vanilla reversal is zero net premium.

Please note the levels below are indications – please reach out for live levels.

Daniel

Daniel Sabba

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