
From: Tazia Smith [REDACTED]
Sent: 1/17/2014 10:48:14 AM
To: jeevacation@gmail.com
CC: [REDACTED]; Paul Morris [REDACTED]; Vinit Sahni [REDACTED]; Nav Gupta [REDACTED]; Vahe Stepanian [REDACTED]
Subject: Trade Idea: Long 3-Month USDCAD KI Call Spread - 1.10 with a 1.13 sold call knocking-in only if USDCAD trades to 1.17 [I]
Attachments: pic25581.gif; pic10260.gif; pic07503.gif; pic23166.gif; pic26239.gif; pic26947.gif

Classification: For internal use only

Jeffrey -

Our US FX traders agree/like Nav's call here. The 3-month 1.10/1.13 USDCAD, 1.17 knock-in call spread (where that 1.13 short call only exists if USDCAD goes to 1.17 during the life of the trade) described below is currently offered ~1.1% (Source: DB FX Sales, 1/17/14). Please see the investment thesis below and let us know your thoughts.

Best,
Tazia

Indicative levels only. Subject to market movement. Source: DB Key Client Partners London, as of 1/17/14.

----- Forwarded by Tazia Smith/db/dbcom on 01/17/2014 10:35 AM -----

From: Nav Gupta/db/dbcom@DBEMEA
To: [REDACTED], [REDACTED]
Date: 01/17/2014 07:35 AM
Subject: I like buying USDCAD calls to position for further weakness in CAD. Spot FX is currently 1.095. [I]

Classification: For internal use only

I like USDCAD call options to position for further weakness in CAD. Spot FX is currently 1.095.

Over the course of the past week the interest rate curve has started pricing in a small amount of rate cuts - this development is significant and clearly a beginning of a pain trade. I believe it can go further. Lower CAD rates from here will drive USD CAD higher.

(Embedded image moved to file: pic25581.gif)

The limited downside play I like best in USDCAD is buying a 3month expiry 1.10 / 1.13 call spread on USDCAD but where the short 1.13 call position only exists (knocks-in) if USD trades at 1.17 trades in the market before the option expires, otherwise the option payoff is the same as a 1.10 call option.

It costs 1% of USD notional. I believe the buyer is well compensated for the knock-in component.

If USDCAD rises to 1.15 the option payout is 5 big figures. If 1.17 trades before expiry the payout is limited to 3 big figures.
Max loss is premium paid.