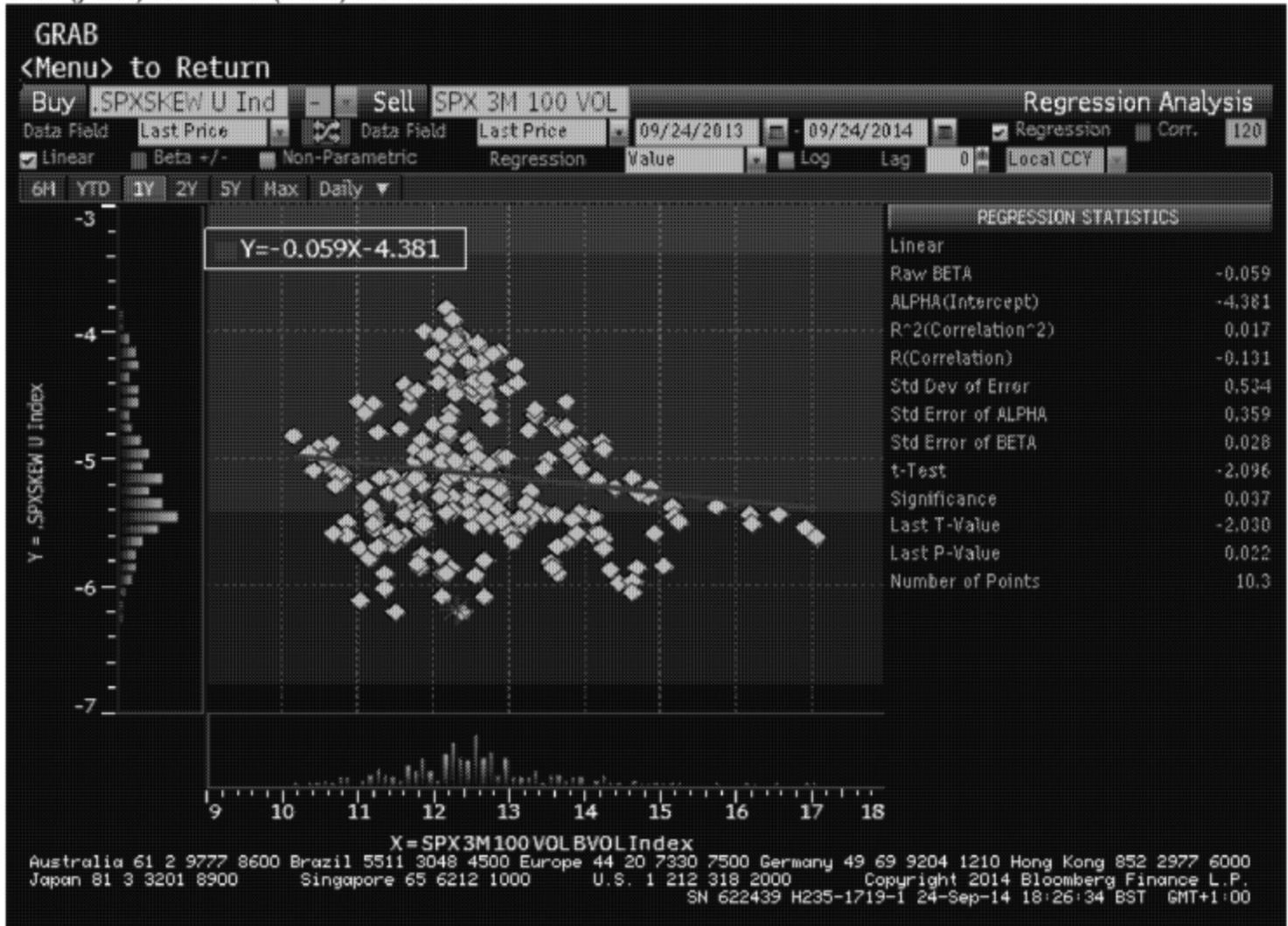


Skew (y-axis) vs ATM vol (x-axis) is stretched



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
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