

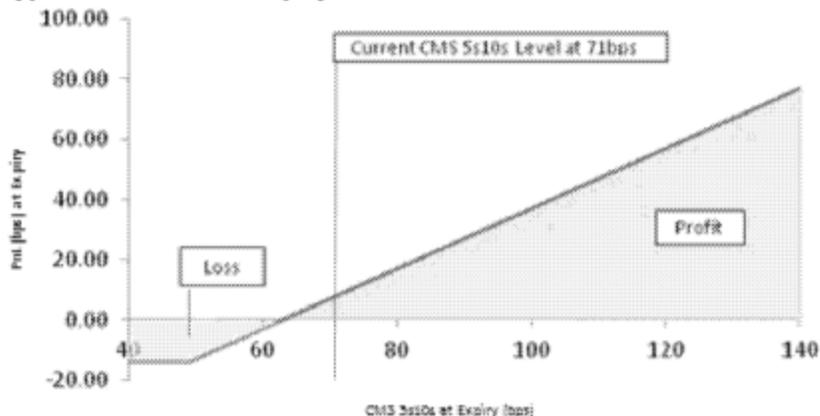
- Because forwards are currently inverted, clients are able to purchase options with a higher positive roll from forwards to spot than the premium initially paid

Overview on current market dynamics:

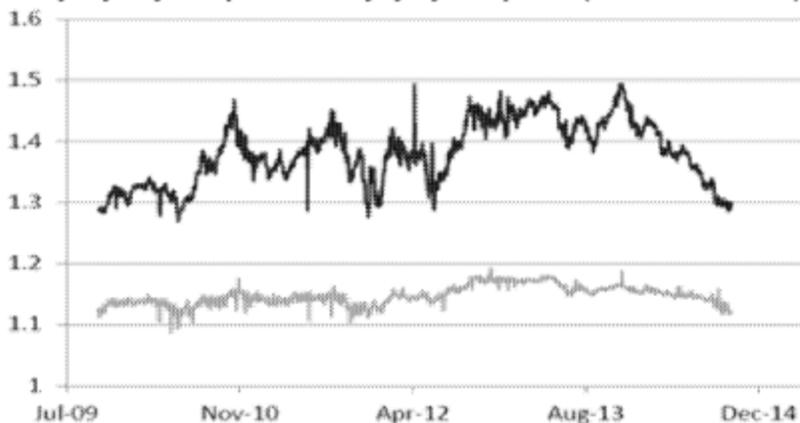
This year's USD interest rate curve flattening in 5s10s can be decomposed into three distinct phases:

- (i) the market repricing Fed tapering in the 10y sector
- (ii) China's intervention on USDCNY, building up official foreign reserves
- (iii) increase of deflation and QE expectations out of Europe

Hypothetical PnL at Expiry



One 1y10y/10y swap rate vs. 1y5y/5y swap rate (as of 10/07/2014)



Positioning research suggests steepeners are less crowded among real money investors



(DB GM Research: Global Fixed Income Weekly – 10/03/14)

Please note all prices are indicative and subject to change without notice.