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 Subject: Commodity currencies: bullish reversals in BRL... [C]

Classification: Confidential

Jeffrey,

Happy new year. This idea looks particularly interesting to USDBRL. Indicative pricing and rationale below:

Notional: USD 10mm
 Expiry: 6m
 Client buys USDBRL put / sells USDBRLcall
 Put strike: 2.70
 Call strike: 3.10
 Net Premium Offer: Zero (mid of put \$162.5k and mid on call is \$175k)
 Spot ref. 2.7210
 6m forward ref : 2.8560 / 2.8635

Rationale:

- Given the recent downward move in commodities, commodity linked currencies have experienced increased volatility and marked depreciation vs. USD (see historical price chart below)
- Affected commodity linked currency pairs include AUDUSD, USDBRL, USDCAD, USDMXN, and USDNOK
- Premium neutral bullish risk reversals on commodity currencies can take advantage of implied vol, skew and forward dynamics (i.e. client buys foreign currency call and sells foreign currency put)
- Looking at volatility adjusted skew amongst commodity currencies, current USDBRL levels provide a compelling entry point into premium neutral risk reversals.