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.

(Embedded image moved to file: pic02959.gif)
Other commodity currencies: While for USDBRL call strike is about 14% away from spot while put is about 1% away, for USDMXN the call strike would be approximately 8% away while put strike would be 3% away from spot.

Best regards,
Daniel

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