

Subject: PVDSA chart + USDJPY Trade [C]
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Classification: Confidential

Jeffrey:

Please find the chart of PDVSA 5% 10/28/15 price history below, as well as a description of the USDJ
PY 10yr trade that we briefly discussed on Friday.

Speak with you soon,
Tazia

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----- Forwarded by Tazia Smith/db/dbcom on 01/12/2014 03:29 PM -----

From: Nav Gupta/db/dbcom@DBEMEA
To: Tazia Smith/db/dbcom@DBAMERICAS,
Date: 01/10/2014 08:21 AM
Subject: \$Y [I]

Classification: For internal use only

Long \$Y Call Options. We like long expiry options to benefit from the present dislocation between in
terest rates and volatility

Deutsche Bank FX Strategists are calling for USDJPY of 115 by year-end 2014, and 120 by year-end 201
5. See DB FX Blueprint published 1/9/14, and note that #2 of the top 10 themes of 2014 (p. 5-6) rev
olves around extended weakness in the Japanese Yen vs. USD.

Consider a 10year expiry \$Y call option struck at 85 (spot fx 105, forward fx 77.70). Price 4.7% of
USD notional

This option has four notable characteristics

If \$Y stays at these levels the option decays positively by approx 15-20% per year
If \$Y trades 90.00 at any time (arguably a scenario in which the option is no longer wanted) the
option "knocks-out" and becomes worthless. While \$Y might decline to 90, our quantitative analysis i
ndicates the probability of such a decline is significantly (double?) overpriced by the options mark
et

The premium of the option is quite sensitive to moves in \$Y spot - which is atypical for a 10year
option. This also results from the knockout feature. This means if \$Y moves quickly by 5% the optio
n increases / decreases in value by almost half, so If \$Y rises to 110 or 115 the option can easily
be unwound to monetize the profit

The option costs roughly 1/3rd compared to the vanilla 85 strike call
Maximum loss is premium paid

(See attached file: DB FX Blueprint - Outlook 2014.pdf)

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