

Subject: B XLK Calls - low implied vol [I]  
From: Tazia Smith <[REDACTED]>  
Date: Wed, 22 Jan 2014 11:46:43 -0500  
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Jeffrey -

Nav highlights XLK OTC calls below; we like this big-cap US tech underlier. The listed market offer is comparable low implied vol entry point. The March \$37 strike calls are offered ~72bps (offer vol: 11.9%). Jun \$38 calls are offered ~1% (offer vol: 11.8%). Spot reference of \$35.88 on XLK.

Meanwhile, your AAPL shares are up ~1.1% ahead of earnings on Monday, largely due to Ichan tweeting today that he has been buying (source: Bloomberg, 1/22/14). January implied vol on AAPL shares is over 40% ahead of the earnings announcement (skew is fairly flat between 80-120%). Note: Jan31 \$575 strike are presently \$7.35 (~1.3%) bid (vol offer: 43.3%, \$555.35 spot ref). You could sell those if you're more bearish than Ichan into earnings! (i suggest that tongue-in-cheek, i suspect you'd rather just keep the upside potential in your shares, but let us know).

Let us know your thoughts on XLK.

Best Regards,  
Tazia

Indicative levels only. Subject to market movement. Source: Bloomberg, 1/22/14.

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----- Forwarded by Tazia Smith/db/dbcom on 01/22/2014 10:45 AM -----

From: Nav Gupta/db/dbcom@DBEMEA

To: loop@list.db.com, kcp-emea@db.com,

Date: 01/22/2014 09:43 AM

Subject: OTC Call options on XLK US (tech) look good value at 13-14% vol [I]

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XLK is a \$13.7bn tech sector ETF.

Investors bullish tech should consider short dated OTM calls on XLK which combine low levels of implied vol and an efficient underlying

Trades:

Buy 3m expiry XLK 3% OTM call @ 1.24% (offer vol: 12.8)

Buy 6m expiry XLK 6% OTM call @ 1.44% (offer vol: 13.6)

Spot ref: XLK Index = 35.85

XLK top 10 Holdings

AAPL	14%
GOOG	9.3%
MSFT	8%
IBM	5.6%
T	5.1%
VZ	4%
QCOM	3.7%
CSCO	3.5%
V	3.4%

Past Returns and Implied Vol

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Compared to most of its components, XLK has relatively low implied volatility vs returns

XLK Price

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Short dated implied volatility is low

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Blue Line Implied Vol | White Line Delivered vol

KCP Capital Markets London

Vinit Sahni | Nav Gupta | Vanshree Verma

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