

Subject: Fw: Fwd: Japanese Equity Basket... [C]
From: Paul Morris <[REDACTED]>
Date: Sat, 21 Dec 2013 12:06:14 -0500
To: Caroline Kitidis <[REDACTED]>

Classification: Confidential

Hi fyi, talk next week,

From: Jeffrey Epstein [jeevacation@gmail.com]
Sent: 12/20/2013 09:34 AM EST
To: Paul Morris
Subject: Fwd: Japanese Equity Basket... [C]

----- Forwarded message -----

From: Tazia Smith <[REDACTED]>
Date: Wed, Dec 18, 2013 at 2:31 PM
Subject: Japanese Equity Basket... [C]
To: jeevacation@gmail.com
Cc: [REDACTED], Paul Morris <[REDACTED]>, Vahe Stepanian <[REDACTED]>

Classification: Confidential

Jeffrey -

Now that the FOMC decision is behind us (with the \$10bn taper we just talked about), here is the basket of single-name Japanese equities that we put together to build on your bullish view (presently in DXJ).

To incorporate your bearish yen view, we could quanto this basket like we talked about...in note form, we priced 13mos with HSBC, comes to a 95% participation eg. if the basket was up 18%, note would be up 17.1%; if basket is down 10%, note is down 9.5%. max loss 95% of principal (indicative levels only, subject to market movement, as of 12/18/13).

We can look to add to your yen short position opportunistically as an alpha overlay (USDJPY now at 103.40).

Let us know your thoughts,

Tazia

Indicative levels, subject to market movement. Source: Bloomberg and DB Global Markets Research 12/16/13.

Supplemental Information:

DB Research expects Japanese equities could double by 2015

http://pull.db-gmresearch.com/cgi-bin/pull/DocPull/10496-D6FF/89936366/-The_House_18oct2013.pdf

- Abenomics will lead to higher operational leverage and an improved domestic economy
 - BoJ will ease further as needed; DB expects USD/JPY FX to reach 120 by 2015
 - Strong macroeconomic data and increase in overseas asset purchases by the Japanese
 - GPIF panel report (a third arrow initiative) strongly positive for Japanese risk assets
- http://www.cas.go.jp/jp/seisaku/koutekisikin_unyourisk/pdf/e_final_report.pdf

Yen weakening will likely continue to be a theme, benefiting exporters.

Toyota: <https://ger.gm.cib.intranet.db.com/ger/document/pdf/-0900b8c0877259ad.pdf>

7203 JP

Buy

Current price	6170
Target price (11m)	8000
Upside	29%

Panasonic <https://ger.gm.cib.intranet.db.com/ger/document/pdf/-0900b8c08795101a.pdf>

(6752 JP

Buy

Current price	1158
Target price (12m)	1300
Upside	12%

Omron

6645 JP

Not rated at DB

Current price	4105
Target price (12m)	4426 (Bloomberg avg. Not covered by DB)
Upside	8%

Kawasaki Kisen: <http://gm.db.com/ger/document/ShowPdf.eqsr?>

productIDMore=0900b8c087790d17

9107 JP

Buy

Current price 236

Target price (12m) 280

Upside 18%

Reflation is the other major theme, which should be positive for retailers and banks, where DB Research is bullish Rakuten and Resona respectively.

Rakuten: <https://ger.gm.cib.intranet.db.com/ger/document/pdf/-0900b8c087a30eda.pdf>

4755 JP

Buy

Current price 1531

Target price (12m) 1710

Upside 12%

Resona: <https://ger.gm.cib.intranet.db.com/ger/document/pdf/-0900b8c0879ce3f0.pdf>

8308 JP

Buy

Current price 512

Target price (12m) 650

Upside 27%

Tazia Smith
Director | Key Client Partners - US

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