

Subject: Fw: Reminder: send idea to JE on JPY [I]
From: Tazia Smith <[REDACTED]>
Date: Wed, 23 Apr 2014 09:29:19 -0400
To: Paul Morris <[REDACTED]>

Classification: For internal use only

FYI...

----- Forwarded by Tazia Smith/db/dbcom on 04/23/2014 09:28 AM -----

From: Tazia Smith/db/-
dbcom

To: Vinit Sahni/db/dbcom@DBEMEA, Nav Gupta/db/-
dbcom@dbemea,

Date: 04/23/2014 09:28
AM

Subject: Re: Reminder: send idea to JE on JPY
[I]

Classification: For internal use only

I don't think he "needs to buy" anything. I just don't want May 1 to come and we didn't update him on his expiring option and our thoughts about the \$Y cross. Did you send him your thoughts below? As much as I am on the same page with your thoughts here, JE does not want to hear it from me. Please send.

From: Vinit Sahni/db/-
dbcom@DBEMEA

To: Nav Gupta/db/-
dbcom@dbemea,

Cc: Tazia Smith/db/-
dbcom@dbamericas

Date: 04/22/2014 01:49
PM

Subject: Re: Reminder: send idea to JE on JPY
[I]

Agree with u nav. The next jpy leg probably a usd play as the boj will step in
may wait till summer or end summer. Too early for a usd trade to materialise.
If the markets continue to rally we could see 103 handle and if payrolls
strong a possible breakout

Vinit

On 22 Apr 2014, at 18:13, "Nav Gupta" <[REDACTED]> wrote:

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Conclusion

If there is a short term catalyst for \$Y to breakout in either
direction

I don't see it. If anything, BoJ looks like it will disappoint
speculators in July by not adding any additional QE.

Background

\$Y is near the middle of a 5mth 101-105 range
Implied vol is low, 1w 6.3, 1m 7.3, 3m 7.5, 6m, 8.4, 1y 9.25, but
appropriate as \$Y hardly moves.

The Government is pressuring the BoJ to add additional QE in July. Over
the weekend the Government shook up the investment committee members of
the governments pension fund (GPIF) with the hope of stimulating
pension allocation from bonds into equities.

Pricing

i priced a dozen option variations. Still, there are only two ways i'd
play \$Y right now (this view hasn't changed in 2014)

1. wait for some new catalyst to emerge then buy spot or call options
after it's moved 1-2 points, rather than paying decay while it goes
nowhere

2. buy a 10y call with an ITM american style knockout which a) has some
gamma and b) decays positively if nothing happens

je indicated 10y options aren't his thing. also, the option he bought
has already decayed. he can rescue what's left (40-50k) or let it expire.
off given where spot is relative to his strike, personally i'd let it run
and hope \$Y rallies 50-100pips over the next 9 days then lock in the
gain.

If he really needs to buy something i suggest a 3mth OTM call - that's
the sweet spot in the vol curve. Vols are too low for me to suggest
selling OTM puts.

Nav

Tazia Smith---22/04/2014 16:57:06---Classification: For internal use
only

From: Tazia Smith/db/-
dbcom@DBAMERICAS

To: Nav Gupta/db/-
dbcom@DBEMEA,

Date: 22/04/2014
16:57

Subject: Reminder: send idea to JE on JPY
[I]

Classification: For internal use only

Tazia Smith---04/21/2014 03:03:44 PM---Classification: For internal use
only thx ;)

From: Tazia Smith/db/-
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To: Nav Gupta/db/-
dbcom@DBEMEA,

Cc: Paul Morris/db/dbcom@DBAMERICAS, Vinit Sahni/db/-
dbcom@dbemea

Date: 04/21/2014 03:03
PM

Subject Re: Jeffrey - latest prices with suggested sizes - Nav
[I]
:

Classification: For internal use only

thx ;)

<0.1720.gif>

Tazia Smith
Director | Key Client Partners - US

DB Securities Inc
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345 Park Avenue, 10154-0004 New York, NY, USA



Email 

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Nav Gupta---04/21/2014 03:02:55 PM---I'm sure he would but of course.
Let's chat after I price some ideas up tmrw

From: Nav Gupta/db/-
dbcom@DBEMEA

To: Tazia Smith/db/-
dbcom@dbamericas,

Cc: Paul Morris/db/dbcom@dbamericas, Vinit Sahni/db/-
dbcom@dbemea

Date: 04/21/2014 03:02
PM

Subject Re: Jeffrey - latest prices with suggested sizes - Nav
[I]

:

I'm sure he would but of course. Let's chat after I price some ideas up
tmrw

On 21 Apr 2014, at 19:59, "Tazia Smith" <[REDACTED]> wrote:

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great - i agree with (2).
can you highlight to him? he won't want to hear it from me,
just you!

<0.220.gif>

Tazia Smith
Director | Key Client Partners - US

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<0.C62.gif>

Nav Gupta---04/21/2014 02:43:46 PM---The qns are 1) do we
think usdjpy can exceed 103 his approx break even from
current valuation before may1st and 2) is it worth

From: Nav Gupta/db/-
dbcom@DBEMEA

To: Tazia Smith/db/-
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Cc: Vinit Sahni/db/dbcom@dbemea, Paul Morris/db/-
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Date: 04/21/2014 02:43
PM

Subject Re: Jeffrey - latest prices with suggested sizes - Nav
[I]

:

it

The qns are 1) do we think usdjpy can exceed 103 his approx break even from current valuation before may1st and 2) is worth spending more money on the same bet by rolling his option longer.

1). Spot is 102.60. 103 isn't far away. In the next month I don't see any obvious triggers for usdjpy to drop or rise a lot. For 50k I'd keep it and if usdjpy rises to 103.25 or 103.50 sell 100pct of the delta to lock in p&l

2) is it worth spending more. The japan story seems to be losing momentum. This has shown up in nky but not usdjpy. I'd be inclined to find a longer term cheaper way to bet. I'll take a look tomorrow to see what looks smart now that vols are a lot lower.

Best
Nav

On 21 Apr 2014, at 19:33, "Tazia Smith"

<[REDACTED]>

wrote:

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Nav - thoughts on his 102.50 strike USDcJPYp that matures 5/1...~46k left of value (down ~143k).

short yen view (this was his, he thought it was going to 110 within the time frame). Do you roll it

and save what's left in the

<0.25A.gif>

Maintain

here

premium?

<0.50CC.gif>

Tazia Smith
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<0.5B0E.gif>

Paul Morris---04/21/2014 01:59:09
PM---Classification: For internal
use only thx pls stay on him, hope
you're all well,

From: Paul Morris/db/-
dbcom@DBAMERICAS

To: Nav Gupta/db/-
dbcom@DBEMEA,

Cc: [REDACTED],
[REDACTED]

Date: 04/21/2014 01:59
PM

Subject: Re: Jeffrey - latest prices with suggested sizes - Nav
[I]

Classification: For internal use
only

EFTA01468505

all

thx pls stay on him, hope you're
well,

Paul Morris
Managing Director
Deutsche Bank Private Bank
345 Park Avenue, 27th Floor
New York, NY 10154



Fro Nav Gupta/db/-
dbcom@DBEMEA

m:

To:
jeevacation@gmail.com,

Cc: Joseph Cothron/db/dbcom@DBAMERICAS, Tazia Smith/db/-
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Paul Morris/db/dbcom@DBAMERICAS, Vinit Sahni/db/-
dbcom@DBEMEA

Dat 04/15/2014 07:46
AM

e:

Sub Jeffrey - latest prices with suggested sizes - Nav
[C]

jec

t:

Classification: Confidential

EFTA01468506

Jeffrey,

Updated prices and proposed sizes.

1. Buy 10y BTP (March2024). 10y yield is 5bp lower today. I still like eur2mm here 3.125% YTM and suggest work a soft order to add eur1.5mm at 3.25%, eur1.5mm 3.35%.

2. EURUSD spot FX is 1.3802 from 1.3827 yesterday. Suggest buying 2week vanilla 1.40c at 5-6c in EUR 50mm notional (cost EUR25-30k)

3. position for a stronger dollar

buying 1y 5% OTM SPOT EURUSD binary puts at 21% of payout. suggest do half (eur500k payout costing 0.21*500k) now, and the other half when spot 139-140

4. nationwide coco currently 6.42% offered. I suggest scaling in £2mm on an order at 6.5% and £2mm on order at 6.75%

thanks
Nav

by

From: Nav Gupta/db/-
dbcom

To:
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Cc: Vinit Sahni/db/dbcom@DBEMEA, Paul Morris/db/dbcom@DBAMERICAS,
Tazia
Smith/db/-
dbcom@DBAMERICAS

Date: 14/04/2014

18:17

Subje Jeffrey - 4 trades I like - Nav
[C]

ct:

Classification: Confidential

Hi Jeffrey,

There hasn't been much I've really liked recently.

Here are four trades - 3 I like right now and 1 for now or soon.

1) BUY 10y BTPS @ 3.16% - This is a 3-6mth 'buy the rumour sell the fact' tactical trade to position

ECB QE (now)

The ECB is preparing both itself

markets for QE - Its senior board members have stepped up public comments over the past 48hrs. This is the clearest sign so far QE

happen and why I am writing to you now.

Ideally ECB wants to buy ABS from small to medium sized European companies but the outstanding available is relatively small so it will likely buy Eurozone Government Bonds. The spread between Italian BTPs and German Bunds has tightened significantly past 18months but old metrics of value make no sense in

for

and

could

Europe because they rely on history when there was no QE.

While It's hard to get excited

10y BTPs yielding 3.16% (164bp over 10Y German Bunds) I'd still have 5-10mm 10y BTPs in my portfolio

for the duration and spread compression potential. I prefer 10y over 5y because the recent nearly parallel spread compression has

5s10s steep relative to 0-5s..

3 reasons i like this trade:

i) macro investors view ECB QE as a second bite at the cherry. Everyone I talk to wants European risk

having seen QE in the US.

ii) ECB QE is probably still

away which will keep credit bid. This will be a buy the rumour sell the fact trade

iii) Credit has been bulletproof during the recent risk selloff because a) ECB QE expectations, b) G3 rate hikes are being pushed into the future while cash has nowhere else to go. This price action is telling - as and when equities recover i think credit continues to tighten

Yields of 10Y Italy, 10y Germany

the Yield Spread

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2) Tactically position for higher EURUSD - 2 week view (now)
BUY EUR50mm 2week expiry 1.40

European Style EURUSD Calls @ 6bp (EUR30,000)

about

both

left

assets

3-6mths

and

strike

This is a low cost contrarian short term tactical call. Most investors myself included are bullish USD in the medium term (see trade 3) but in the very short term I see EURUSD higher because:

i) Despite ECB preparing the

for QE, the price action of EURUSD (broadly unchanged) has been quite bullish compared to what one would expect

ii) Speculators don't appear long EURUSD to us. Majority are short or flat.

iii) implied volatility is 5.25% (offer for 2week options) which is very very low historically. So this is a penny option, highly convex, pain trade bet against other speculators betting on QE

If my view is wrong 6bp is lost. If i'm right i'd plan to exit in a

making 4-6x

Scenario Analysis - Premium in bp

EUR notional

<2.350A.gif><< 4bp is mid mkt,

is 6bp

3) Position for a Stronger Dollar - 1year view (now or soon)

Buy 1y expiry European style

binary option on EURUSD struck 5% below spot @ 21% of payout (which i think is too cheap)

Current strike (spot - 5%) would be 1.3120

At expiry if EURUSD has fallen by more than 5% from current levels

option payout is EUR1mm. Upfront

markets

week

of

offer

digital

the

premium is EUR210k.
The option is liquid and can be unwound at any time.

i) Yellen has done a poor job of communicating the Fed's thinking

its increasingly clear the Fed will brake later than usual

ii) Betting on higher US interest rates in the rates market isn't

effective because the forward curve is already pricing in higher rates

iii) The Dollar hasn't appreciated yet because short rates in the US haven't risen meaningfully

iv) THE KEY POINT - FX volatility

very low in currency pairs like EURUSD where central bank policy on each side is increasingly

The low vol makes this bet inexpensive to put on.

v) Because FX vol is so low betting now or soon with a one year time horizon costs very little. id

be early than late here

vi) i prefer 1y expiry because this trade could take 6-12mths to play out

1Y EURUSD VOL: Low - but then again most most vols are

What I like about EURUSD is that central bank policy on each side is diverging

<2.49F0.gif>

This Table shows mid-market

(in % of notional) as spot and time change.

<4.47E4.gif>

19.5 is mid (offer is 21)

but

cost

is

diverging.

rather

premiums

4) Scale into £4mm Nationwide (UK Building Society) 6.875% perpetual which yields 6.4% in GBP and is likely to be called in 5years European Bank AT1 Hybrid Bonds (aka CoCo's) have rallied significantly. We were unable to get the BBVA

issue

at the right levels.
A very similar bond which has rallied 30bp less than the BBVA is the Nationwide (UK Building

Society)

6.875% perpetual which currently yields 6.4% and is likely to be called in 5years time. It has a tier1 capital trigger of 7% and current tier1 capital ratio is 13% which is fair margin.

The Nationwide one i'm suggesting today is rated Fitch/S&P BB+, its parent is Fitch/S&P rated single-A The BBVA bond we tried to buy earlier is rated Fitch BB-, its parent is S&P rated BBB-

I suggest scaling £2mm at 6.5% and £2mm at 6.75%. Transaction cost is 6bp from mid.

Yield to call of Nationwide 6.875% perpetual ISIN XS1043181269
<5.215E.gif>

Tazia for any execution, Q&A to me.

Best,
Nav

<6.26FC.gif>

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understand the strategy, characteristics and risks

with any ideas proposed herein and will be able to evaluate it independently. All trades on proposed ideas shall be subject to the relevant internal approvals prior to execution.

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Hall),

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associated