Subject: Fw: KCP Capital Markets Flash - You can buy 3x 105 S&P Call vs sell 1x 95Put - and still take money out
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Date: Tue, 10 Jun 2014 12:05:25 -0400
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Classification: External Communication

Jeffrey -

Consider taking advantage of the skew that Nav identifies in his email below in the LISTED market (clearly, you can see levels on exchange) depending on your bull/bear views over next 3mos (or longer tenor - express or replace long risk). Example at current levels 3x1 ~105/95 3mo risk reversal:

SPX
Spot ref 1949.40
Sep Future ref 1948.50

SPX Sep 2050 call: $6.50x$7.50 (bbg)
SPX Sep 1850 put: $20.50x$22.50 (bbg)

Buy 3 SPX Sep 2050 calls, Sell 1 SPX Sep 1850 put
= Net Credit $0.50/sh

Quote from exchange trader, not DB (Subject to market movement. As of 6/10/14)

Let us know your thoughts,
Tazia

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Non-Advisory Clients Only

Like the risk:reward here of this 1x3 - better than running outright long in S&P

Underlying : S&P
Expiry : 3mth
105 call is 9.1% vol mid ie 0.29% of notional (0.30% offer)
95 put is 13.5% vol mid ie 0.95% of notional (0.95% bid)
Mid Forward 99.60

Buy three 105 Calls against selling one 95 Put, net take out 5bp

I'd switch S&P longs into this - Worst case S&P tanks and you have the same delta exposure as outright long. But if S&P rallies materially you have 3x the delta risk. Upfront rec a few bp.

Pls show to your clients - happy to price variations of this - let us know

Best,
Nav

<< image 1 >>

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affiliates ("DB"). These ideas are for the consideration of the intended recipients of this mail only. The KCP London desk does not provide investment advice. All intended recipients are Professional investors (as defined by MiFID), who understand the strategy, characteristics and risks associated 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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