

Subject: Re: For Approval [I]
From: Vinit Sahni <[REDACTED]>
Date: Wed, 30 Jul 2014 01:59:19 -0400
To: Nav Gupta <[REDACTED]>
Cc: Paul Morris <[REDACTED]>

We need to fix this these are non advisory clients

Vinit

On 30 Jul 2014, at 06:47, "Nav Gupta" <[REDACTED]> wrote:

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To keep u in the loop. Tazia still working w/ compl on language to send JE
my s+p idea from last week Tazia Smith

----- Original Message -----

From: Tazia Smith
Sent: 07/29/2014 07:04 PM EDT
To: Siri Cowden
Cc: Zbynek Kozelsky; Vahe Stepanian; Nav Gupta
Subject: Re: Fw: For Approval [I]
Classification: For internal use only

Hi Siri -

Revised the point of view language:

Intended for Non-Advisory Clients

Since the Malaysian airline disaster and rising tensions with Russia, the
put skew on S&P equity options has richened.

Investors bought equity puts for protection and dealers who were already
short the put skew had to short cover.

Result - the skew has widened to levels where calls appear really quite
inexpensive to puts.

Trade 1

3mth Expiry, strikes 5% either side of the forward. Buy 3 to 3.25 calls for
every 1 put sold

Trade 2

6mth Expiry, strikes 10% either side of the forward. That ratio becomes 4 to
4.35.

Max loss is 100% downside exposure to the market from the strike of the sold put.

These are big numbers - even if investors are slightly bearish on the market, skew makes an attractive relative-value entry to sell puts to buy calls.

Is 3:1 - 4:1 compelling enough?

For investors who are long equities, or bullish going forward, using these risk reversals is attractive for equity replacement or participation.

This is not an argument from the KCP Capital Markets Global team that the market will rise, or fall. Rather, this is an opportunistic entry point for a trading position in which you are well compensated with upside exposure (arguably over compensated) to take the risk that the market falls.

Note that the options referenced here are priced around the forward, not around spot, so we are looking at the true skew rather than the optics involving spot/forward spread.

Please contact the desk for live pricing

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Tazia Smith
Director | Key Client Partners - US

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Siri Cowden---07/29/2014 11:41:34 AM---Classification: For internal use only
Hi Tazia: Unfortunately, there are the same issues with the do

From: Siri Cowden/db/dbcom
To: Tazia Smith/db/dbcom@DBAMERICAS,
Cc: Zbynek Kozelsky/db/dbcom@DBAmericas
Date: 07/29/2014 11:41 AM
Subject: Fw: For Approval [I]

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Hi Tazia:

Unfortunately, there are the same issues with the document as we had last week.

The same revisions regarding Nav's personalized comments and his contact information apply equally here when compared to the earlier communique. Please edit as you did previously.

I understand that you wish to challenge that decision, but to get this piece out today we need to follow existing guidance and revise. I am in contact with Compliance, and either Ziggy or I will give you an update when available.

Here is the correct disclosure to add:

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Kind regards,
Siri

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Siri Cowden
Vice President | Head, Marketing Review Group

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----- Forwarded by Siri Cowden/db/dbcom on 07/29/2014 11:14 AM -----

From: Tazia Smith/db/dbcom@DBAMERICAS
To: "Siri Cowden" <[REDACTED]>, "Zbynek Kozelsky"
<[REDACTED]>,
Cc: "Nav Gupta" <[REDACTED]>
Date: 07/29/2014 09:06 AM
Subject: Re: For Approval [I]

Classification: For internal use only

Siri/Ziggy -

are we able to send the commentary on S&P skew if we include this disclaimer?

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Tazia Smith---07/25/2014 07:13:51 AM---Classification: External Communication

From: Tazia Smith/db/dbcom

To: "Siri Cowden" <[REDACTED]>, "Zbynek Kozelsky" <[REDACTED]>, "Nav Gupta" <[REDACTED]>

Date: 07/25/2014 07:13 AM

Subject: For Approval

Classification: External Communication

Good Morning Siri - we'd like to send this observation of skew dislocation to Epstein (KCP) client as well. If we use your disclaimer that you sent for the JPY trade, can we send?

--

Tazia Smith
Director
Key Client Partners - US

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E-mail: [REDACTED]

From: Nav Gupta
Sent: 07/23/2014 06:22 PM CET
To: loop@list.db.com
Subject: KCP Capital Markets Trade Idea - Extreme demand for S&P Put options presents very interesting trades

Intended for Non-Advisory Clients

Since the Malaysian airline disaster and rising tensions with Russia, the put skew on S&P equity options has richened. Investors bought equity puts for protection and dealers who were already short the put skew had to short cover. Result - the skew has widened to levels where calls appear really quite inexpensive to puts.

Trade 1
3mth Expiry, strikes 5% either side of the forward. Buy 3 to 3.25 calls for every 1 put sold

Trade 2
6mth Expiry, strikes 10% either side of the forward. That ratio becomes 4 to 4.35.

These are big numbers - even if you are slightly bearish on the market there's always a price at which you'd sell puts to buy calls. Is 3:1 - 4:1 compelling enough? If on the other hand you're long equities or bullish this looks way better to me.

I'm not arguing that the market rises or falls, just that you are (overly I believe) well compensated to take the risk it falls.

Also the options i've priced are around the forward not around spot so we are looking at the true skew not optics involving spot/forward spread.

Call with any qns or for live pricing

best,
Nav

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Nav Gupta
Managing Director

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