

Subject: Re: Japanese Equity Basket... [C]
From: Paul Morris <[REDACTED]>
Date: Tue, 14 Jan 2014 15:38:09 -0500
To: Tazia Smith <[REDACTED]>
Cc: Vahe Stepanian <[REDACTED]>

Classification: Confidential

hi did we ever buy the jap equities?

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Date: 12/18/2013 02:31
PM

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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

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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

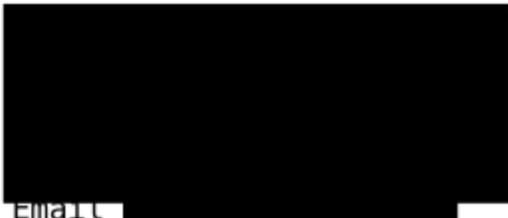
Target price (12m) 650

Upside 27%

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Tazia Smith
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Email

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