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To: 

Date: 01/22/2014 09:43 AM

Subject: OTC Call options on XLK US (tech) look good value at 13-14% vol [I ]

Classification: For internal use only

XLK is a \$13.7bn tech sector ETF.

Investors bullish tech should consider short dated OTM calls on XLK which combine low levels of implied vol and an efficient underlying

Trades:

Buy 3m expiry XLK 3% OTM call @ 1.24% (offer vol: 12.8)

Buy 6m expiry XLK 6% OTM call @ 1.44% (offer vol: 13.6)

Spot ref: XLK Index = 35.85

XLK top 10 Holdings

|      |      |
|------|------|
| AAPL | 14%  |
| GOOG | 9.3% |
| MSFT | 8%   |
| IBM  | 5.6% |
| T    | 5.1% |
| VZ   | 4%   |
| QCOM | 3.7% |
| CSCO | 3.5% |
| V    | 3.4% |

Past Returns and Implied Vol

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Compared to most of its components, XLK has relatively low implied volatility vs returns

XLK Price

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Short dated implied volatility is low

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Blue Line Implied Vol | White Line Delivered vol

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