

**To:** jeevacation@gmail.com  
**Cc:** [REDACTED]  
**Subject:** Fw: AAL + US Airlines [C]  
**From:** Vahe Stepanian [REDACTED]  
**Sent:** Wednesday, October 15, 2014 6:21:04 PM

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Classification: Confidential

Jeffery - following up on the below. Would appreciate if you could please clarify whether you wish to:

**A) Unwind existing AAL position**

and/or

**B) Sell puts per the below on DAL, UAL, AAL, and LUV.**

If B, should we use \$500k notional on each name for a total of \$2mm total exposure to the underliers (in addition to your existing AAL position)?

Thanks,  
Vahe

----- Forwarded by Vahe Stepanian/db/dbcom on 10/15/2014 02:18 PM -----

**From:** Vahe Stepanian/db/dbcom  
**To:** "Jeffrey E." <jeevacation@gmail.com>; @DEUBAINT  
**Cc:** [REDACTED]  
**Date:** 10/15/2014 11:48 AM  
**Subject:** Re: AAL + US Airlines [C]

Classification: Confidential

Jeffrey - to clarify, which would you like me to do:

**A) Unwind existing AAL position**

and/or

**B) Sell puts per the below on DAL, UAL, AAL, and LUV.**

If B, should we use \$500k notional on each name for a total of \$2mm total exposure to the underliers (in addition to your existing AAL position)?

Thank you,

Vahe

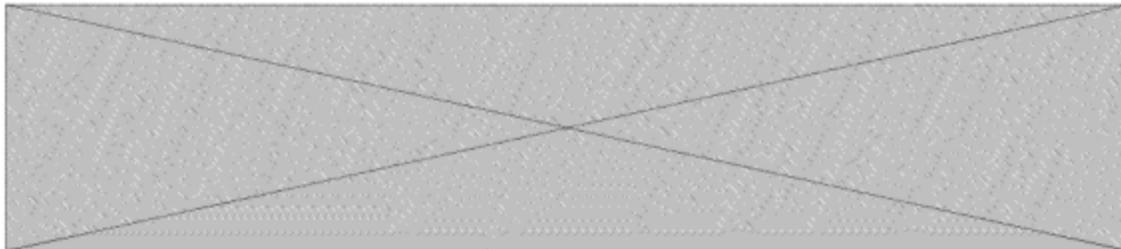
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From: "jeffrey E." <jeevacation@gmail.com>  
To: [REDACTED]  
Date: 10/15/2014 11:37 AM  
Subject: Re: AAL + US Airlines [C]

sell it all

On Wed, Oct 15, 2014 at 11:24 AM, Vahe Stepanian [REDACTED] wrote:  
Classification: Confidential

Good Morning Jeffrey - quick update on AAL. Recall you currently hold the following position:



Please let us know should you wish to hold or add to the position.

Separately, Vinit / Nav's team in London is highlighting US airlines (majors specifically) per the below. To summarize, they believe selling 1m puts to monetize implied volatility around the 60% level is attractive with 3Q earnings on tap and volatility rising across equity markets. Details included below.

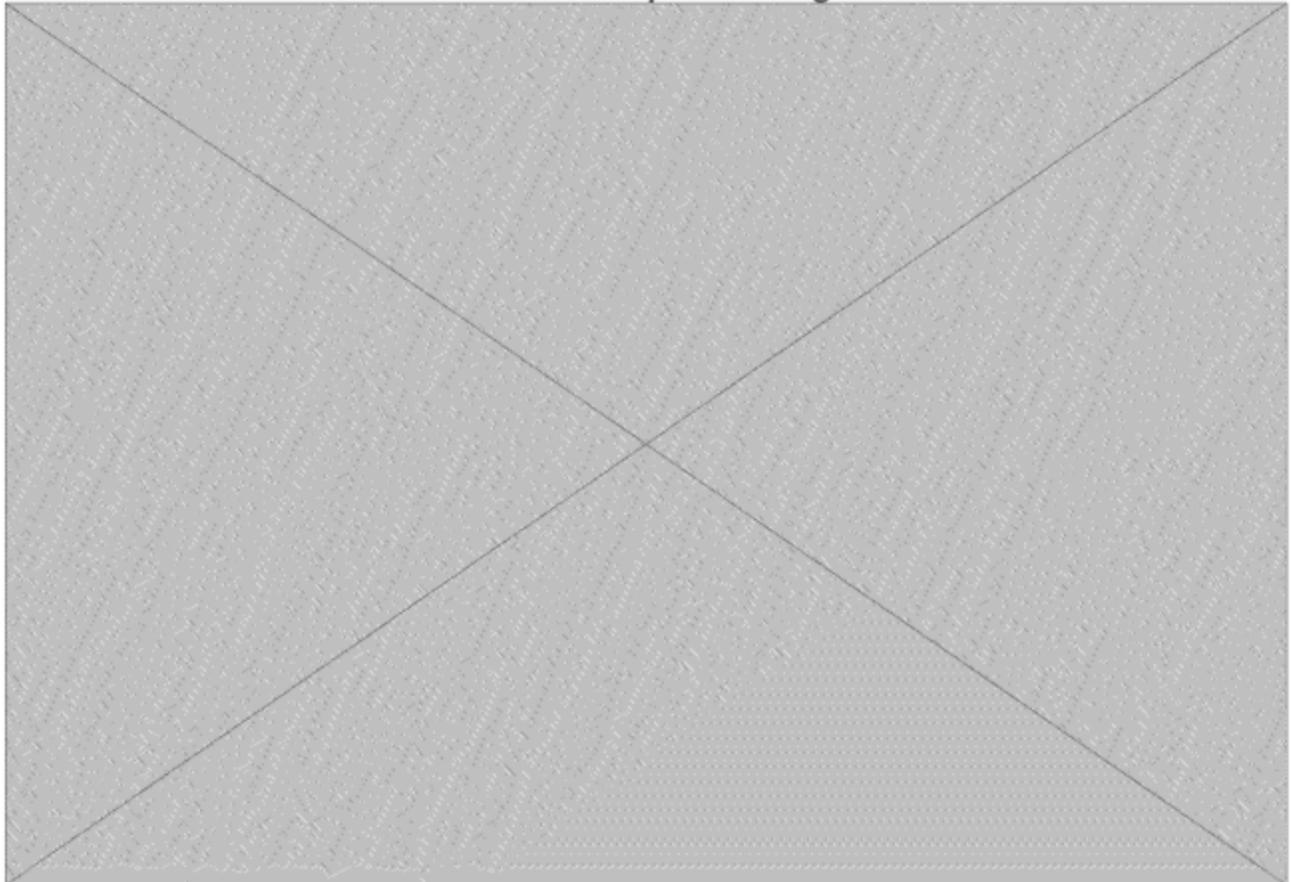
Thank you,  
Vahe

----- Forwarded by Tazia Smith/db/dbcom on 10/15/2014 10:46 AM -----  
From: [REDACTED]  
To: [REDACTED]  
Date: 10/15/2014 08:38 AM  
Subject: KCP Capital Markets Ideas - US Airlines [I]

Classification: For internal use only

The equity sell-off has left US airlines oversold on a technical basis. We are starting to see interest in getting long the sector given the attractive valuations, particularly as **the majors are expected to produce record free cash flow this year.**

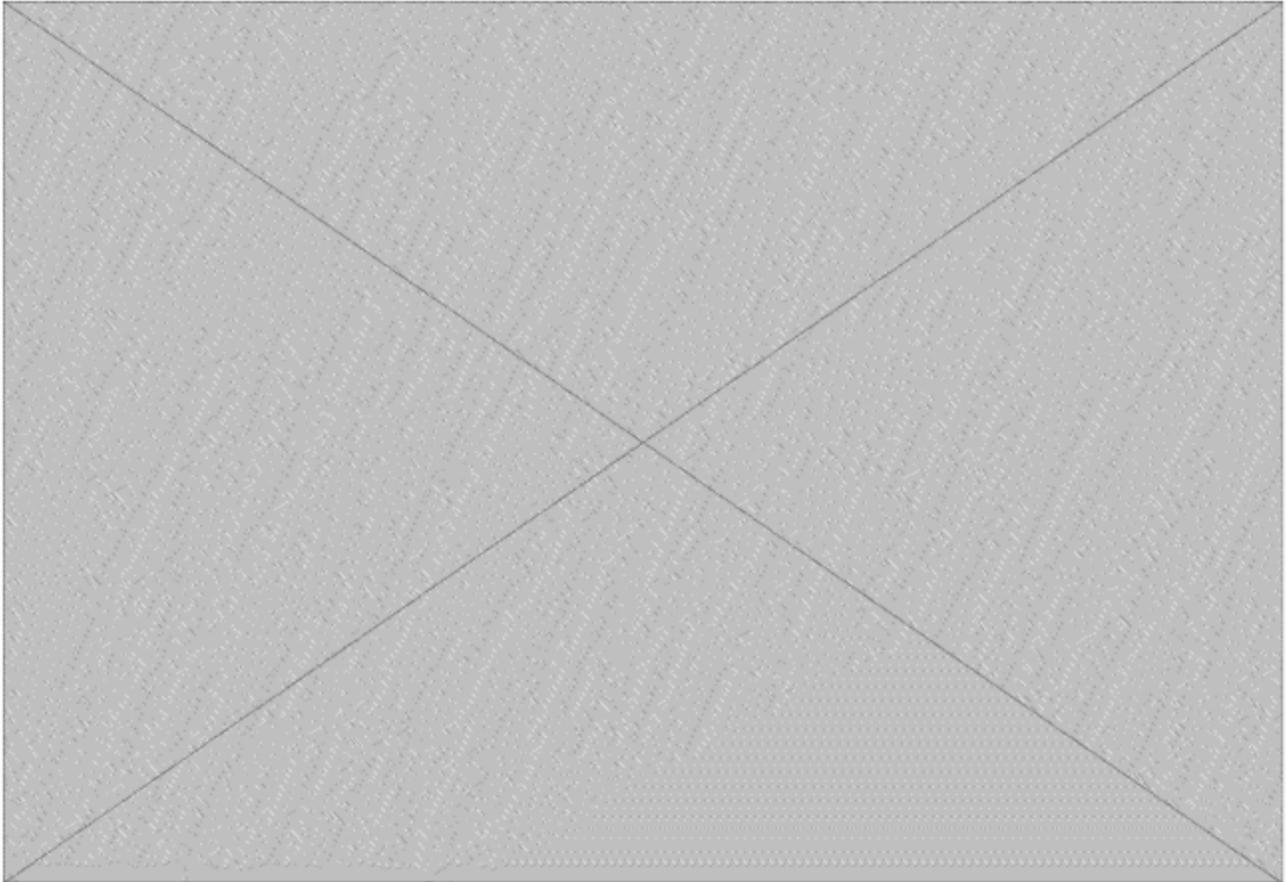
*Delta Airlines is about 20% off from the September high*



(Source: Bloomberg, Oct-15, 2014)

At the same time, the **dramatic drop in oil prices will eventually feed into improved margins.** Indeed, this is one of the few US sectors that actually benefit from lower oil prices.

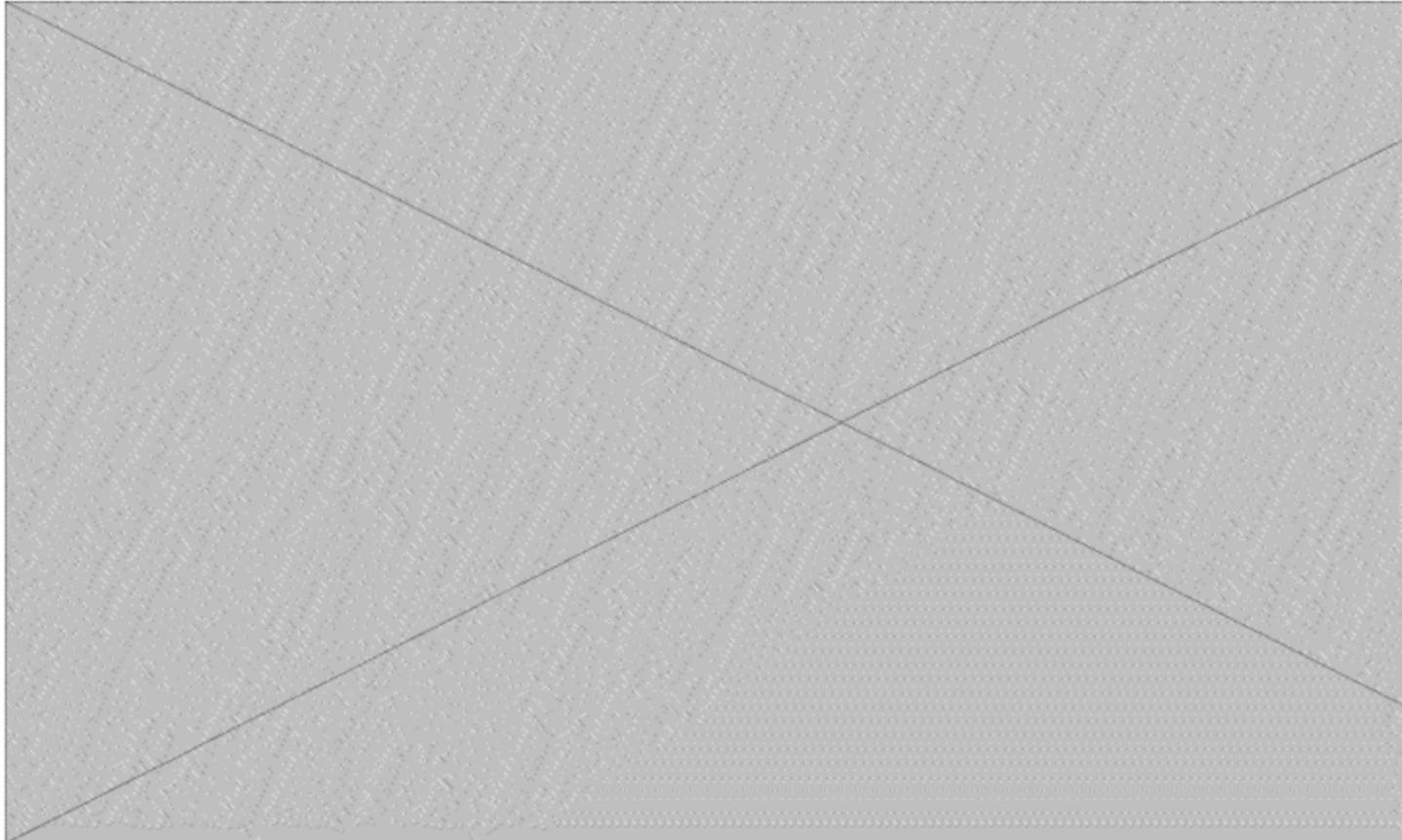
*WTI crude oil is down almost 25% since the June peak*



(Source: Bloomberg, Oct-15, 2014)

With 3Q earnings on tap through the rest of the month and volatility rising across equity markets, **selling 1m puts to monetise implied volatility around the 60% level is attractive.**

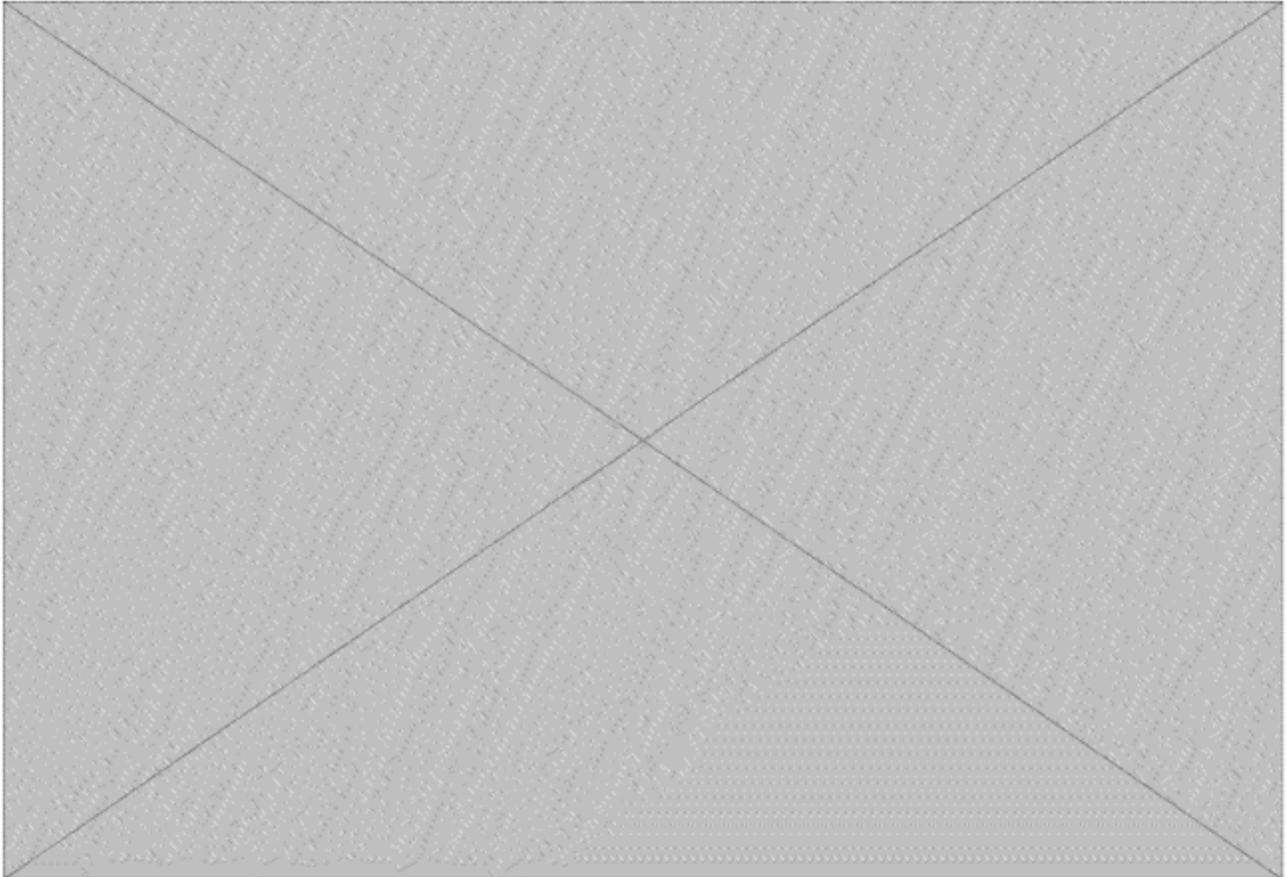
*Implied volatility has rallied dramatically recently (1m 90% vol for Delta Airlines shown)*



(Source: Deutsche Bank, Oct-15, 2014)

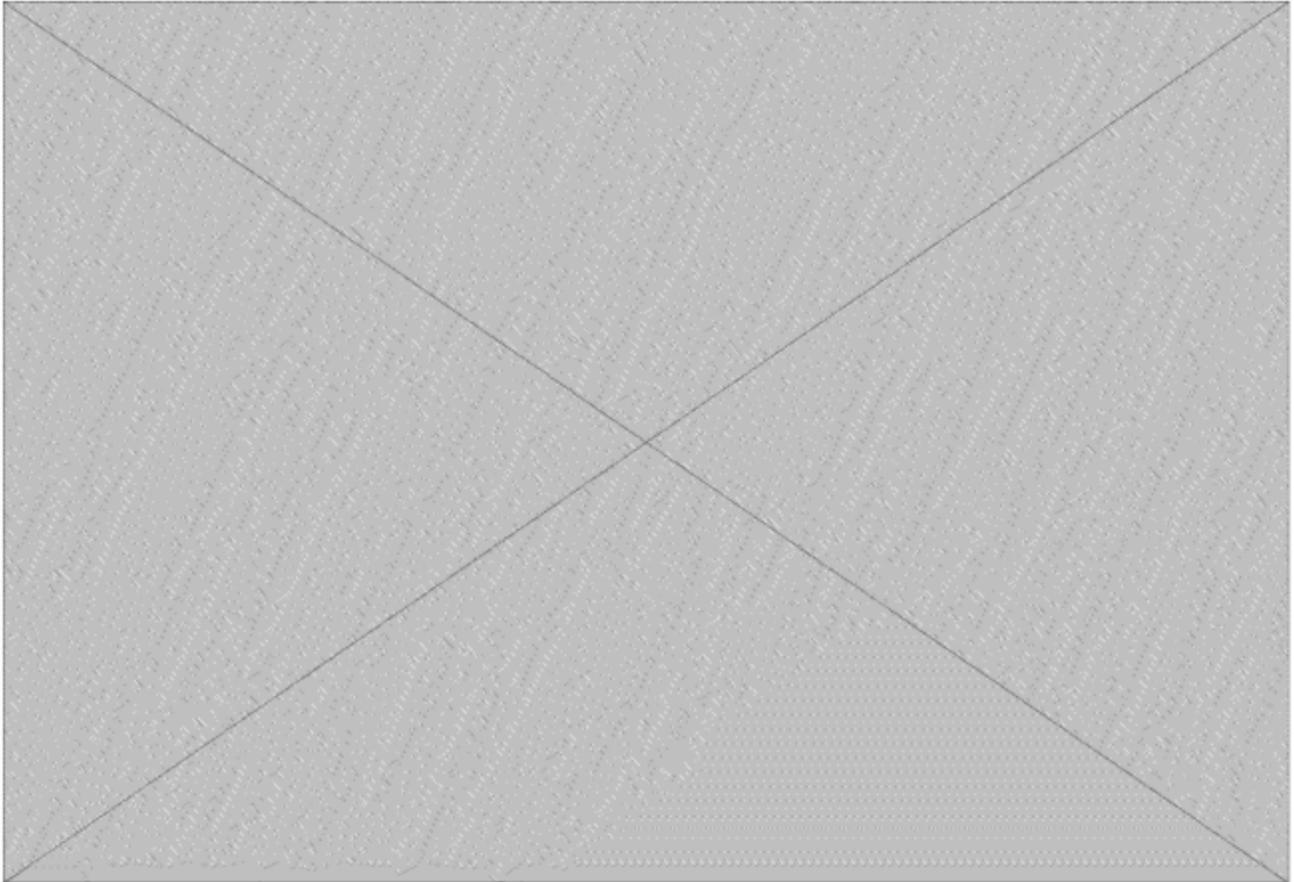
Trades:

- Investors take in 3.9% premium for selling Delta Airlines November 30-strike puts (exchange-traded):



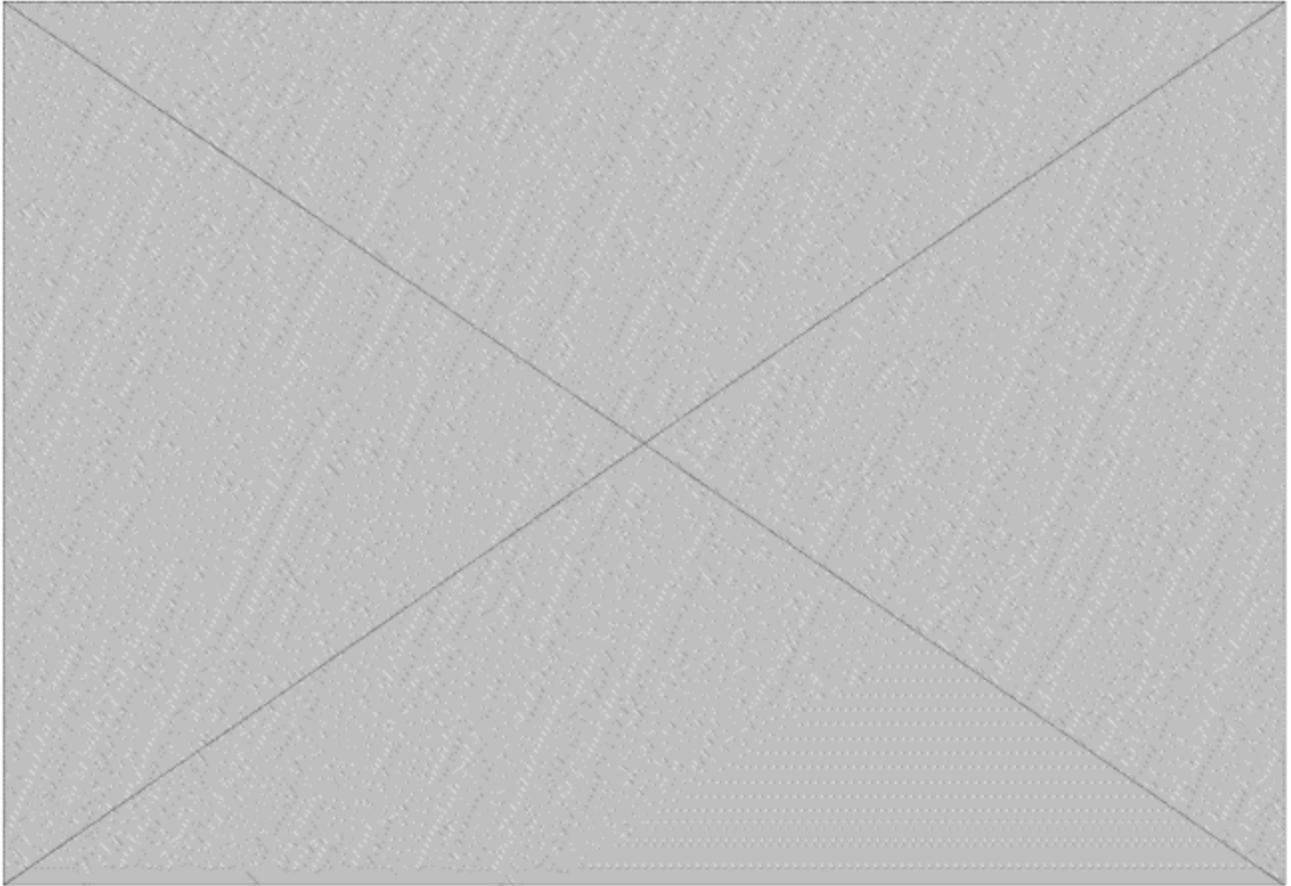
(Source: Bloomberg, Oct-15, 2014)

- Investors take in 4% premium for selling United Airlines November 38-strike puts (exchange-traded):



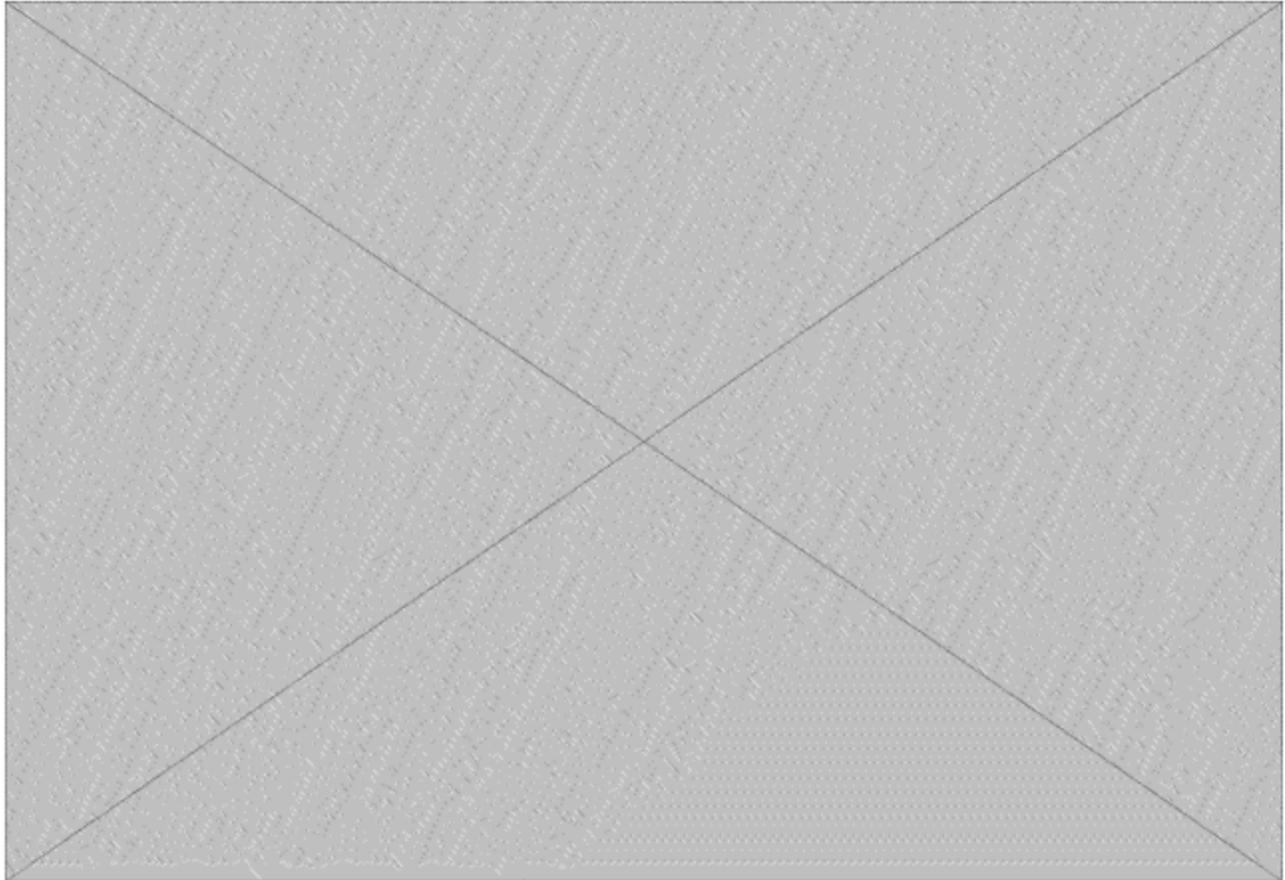
(Source: Bloomberg, Oct-15, 2014)

- Investors take in 3.4% premium for selling American Airlines November 27-strike puts (exchange-traded):



(Source: Bloomberg, Oct-15, 2014)

- Investors take in 3.4% premium for selling SouthWest Airlines November 28-strike puts (exchange-traded):



(Source: Bloomberg, Oct-15, 2014)

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JEE

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