

**From:** Vincenzo Iozzo [REDACTED]  
**Subject:** trade? (Scottish referendum)  
**Sent:** Wednesday, September 10, 2014 8:28:32 AM  
**To:** "Jeffrey E." <jeevacation@gmail.com>

Jeffrey,

I know you said I should stay away from trading and you're probably right but.. the Scottish referendum is very tempting.

In short I think the GBP is going to go up again (against both the EUR and the USD) regardless of whether Scotland becomes independent or not. Because if it doesn't then it's all good and the confidence levels go up again, if it does there's no way they are going to create a new currency from scratch any time soon and for them to join the Euro (assuming they have the right parameters which is unclear) is going to take a few years and at least 18 months.

Now clearly if Scotland uses the pound as a currency but it's independent it means that the BOE will not cover for them if they need to stabilize the currency and whatnot, but I think in the near term this is not too big of a problem.

The one tricky thing is that if Scotland doesn't become independent then the BOE might lower interest rate to align the UK with the rest of Europe, but maybe the solution there is to just exit the position the day after the referendum since I very much doubt that the BOE is going to cut the interest rate before that day.

I would stay away from GBP/EUR just because I'm unsure what the effect of the referendum will be on the EUR and also Draghi is messing up with interest rates.. so GBP/USD seems a better idea.

So the first option I thought about is to do a "long straddle" on GBP/USD. Now since I'm not exactly the only person to have thought about this, I doubt I can set this up in a way that makes sense (I don't lose money unless the swing in the market is significant)

so alternatively, I thought about hedging this and the natural way would be with the FTSE100 but that doesn't really work because there are a lot of firms in there that have exposure to Scotland, so my idea was to hedge this by going long on: WPP Plc, Asos Plc, Burberry Group Plc, Associated British Foods Plc and British American Tobacco Plc.

Being retail I cannot easily get that specific basket so I will either have to pick one or buy all of those separately. The rationale is that all those companies will have a net benefit from a weak GBP and none of them are particularly exposed to Scotland.

So in this case the strategy would be: buy a call option on the GBP/USD & one or many of those companies above. It's probably riskier than the straddle, but maybe it's a bit less obvious

How stupid of an idea is this? :)

Thanks,  
Vincenzo