
From: Barrett, Paul S [REDACTED]
Sent: Friday, March 15, 2013 2:13 PM
To: Jeffrey Epstein
Cc: Ens, Amanda
Subject: Interesting angle on KRW and KRW autos.....

Jeffrey

Based on our view that the KRW will weaken given what is going on in Japan, we should consider a total return swap to get long the Auto and Transport sector (see what happened to Japanese auto names recently on the back of JPY weakness)

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*** EVENT: Today's dovish Bank of Korea meeting, Korean Won breaking 200d MA OA

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Exhibit 1: Korean Won (red) vs. Korea's Transport Eqmt Sector (white)

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*** Korean Won next currency to weaken: Buy Korean Autos / Transport Equipment {FIFW KOSPTREQ Index GP <GO>}. The sector is very liquid and trades USD 300m per day.

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*** The second stage of the Yen devaluation could force other Asian countries to weaken their own currencies too. In 1994, regional central banks just 'watched' when China devalued their own currency - only to see their export competitiveness being challenged {FIFW NY Currency GP M <GO>}. This inactivity will likely not happen again. E
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*** Today, the KRW {FIFW KRW Currency GP <GO>} broke the 1100 level and USD / KRW trades above its 200-day moving average - for the first time since July 2012. In our view, many market participants have not paid attention to this - yet - but a closer analysis of today's dovish BoK meeting might change this. =nbsp;

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*** Interestingly, inflation pressure has c=early eased. CPI {FIFW KOCPIYOY Index GPC W <GO>} halv=d over the last 12 months to just 1.4%. Compare this to the overnight =all rate of 2.75%. {FIFW KOCPIYOY Index KOCRD Index GR <GO&t;}. Based on Bank of Korea's dovish policy meeting an April rate cut (A=ril 11) is quite possible, in my view - especially as it would in=rease the competitive vs. Yen weakness.

Ex=ibit 2: CPI in Korea (red) is far below Korea's overnight call rate =white) – rate cut possible

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*** {FIFW KOSPTREQ Ind=x WGT <GO>} for sector weights.

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Regards,</=>

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