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**From:** [REDACTED]  
**Sent:** Monday, March 28, 2016 8:32 PM  
**To:** jeffrey E.  
**Subject:** Fwd: BRL Trade Idea

when sent to brad pricing was 83 and spread 396 currently via vahe below price is 82 and spread 380 x =85 please advise  
thank =ou

Richard Kahn  
HBRK Associates Inc.  
575 Lexington =venue 4th Floor  
New York, NY 10022  
tel =12-971-1306  
fax 646-350-0954  
cell =17-414-7584

Begin forwarded message:

**From:** [REDACTED] >  
**Subject:** RE: Brazil trade idea [C]

**Date:** March 28, 2016 at 1:20:14 PM EDT

**To:** [REDACTED]

Classification: Confidential

[REDACTED] E2 indicatively, Southern Financial can purchase 5mm PETBRA 5 =9C 01/27/21 @ ~82  
Brazil 5y =DS (6/20/21 maturity) is currently @ 380 x 385.

We =ill need to refresh before trading. Please let us know if you have =uestions.

Thank you,  
[REDACTED]

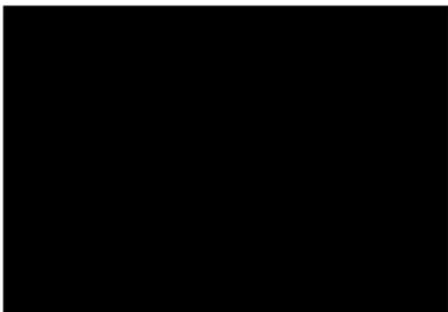
From: [REDACTED]  
Sent: Monday, March 28, 2016 1:08 PM  
To: [REDACTED]  
Cc: [REDACTED]  
Subject: Brazil trade idea

can you please provide pricing on the following:

Buy  
Buy=CDS Protection

Bond:  
PETBRA 5 3/8=01/27/21  
Contract:  
Brazil 5yr CDS  
Issuer:  
PETROBRAS GLOBAL FINANCE  
Underlying Issuer:  
Federative Republic of Brazil  
ISIN:  
US71645WAR25  
Maturity:  
06/20/21  
Ratings:  
B3/B+/BB+  
Coupon:  
100 bps  
Ranking:  
Sr Unsecured  
Spread:  
396 bps

I



Begin forwarded message:

From: =/b>"jeffrey E." <jeevacation@gmail.com>

Subject: =/b>Fwd: BRL Trade =dea

Date: =/b>March 24, 2016 at 3:25:33 PM =DT

To: =/b> [REDACTED]

----- Forwarded message -----

From: [REDACTED] >

Date: Thu, Mar 24, 2016 at 3:02 PM

Subject: =RL Trade Idea

To: [REDACTED]

Cc: "Jeffrey Epstein (jeevacation@gmail.com <mailto:jeevacation@gmail.com>)"

<jeevacation@gmail.com>, [REDACTED]

[REDACTED]

The spread between Brazilian Government yields and Petrobras has blown out from 100bps in June '15 to around 400bps today for their USD bonds. Our view is that the government will backstop Petrobras and will not allow it to default on its debt (Govt net reserves = \$200bln ; Petrobras debt notional = \$105Bln). We think it makes sense to play for the spread to compress back to 300-400bps.

We can execute this through a long PETBRA position and buying protection on 5 yr BRL CDS to reduce risk. Details below.

1. Spread trade - CDS leg reduces risk in first option

Buy Petrobras bonds are yielding ~10%

Buy Brazil CDS costs 3.96%

The net is that spreads tighten (see green chart below).

Source: Bloomberg 3/23/16

5yr Petrobras & 5yr Brazil CDS:

Buy  $\approx$ ;

Buy CDS  $\approx$ rotection

Bond:

PETBRA 5  $\frac{3}{8}$  =1/27/21

Contract:

Brazil 5yr CDS

Issuer:

PETROBRAS GLOBAL =INANCE

Underlying =ssuer:

Federative Republic of =razil

ISIN:

US71645WAR25

Maturity:

06/20/21

Ratings:

B3/B+/BB+

Coupon:

100 bps

Ranking:

Sr Unsecured

Spread:

396 bps

Price:

\$83.00

Upfront =mt (per \$10mm):

- 1,329,935 USD

YTW:

9.88%

Initial =V01 (per \$10mm):

4,051 USD

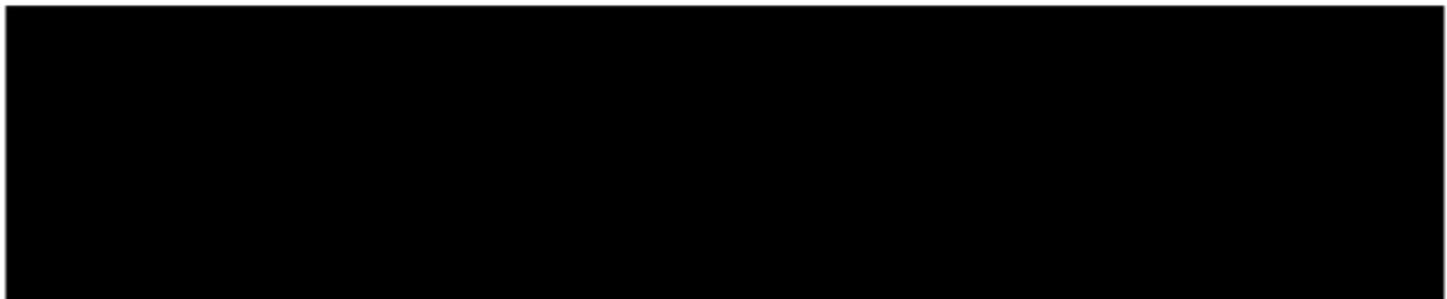
Z-spread:

861 bps

Duration:

3.37

Source: =loomberg 3/23/16



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