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**From:** Vahe Stepanian [REDACTED]  
**Sent:** Wednesday, October 15, 2014 8:21 PM  
**To:** jeevacation@gmail.com  
**Cc:** tazia.smith [REDACTED]; daniel.sabba [REDACTED]; richardkahn [REDACTED]  
**Subject:** Re: Fw: AAL + US Airlines [C]

Classification: Confidential

Got it Jeffrey - market is currently closed. Will work the following tomorr=w morning:

Sell to close 1000 AAL Jan'15 20 Cal=s  
Buy to close 1000 AAL Jan'15 20 Puts=/font>

Thank you,  
Vahe

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From: "jeffrey E." <jeevacati=n@gmail.com>  
To: Vahe Stepanian/db/dbcom@DBAmericas,  
Date: 10/15/2014 03:46 PM  
Subject: Re: Fw: AAL + US Airlines [C]=/table>

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unwind

On Wed, Oct 15, 2014 at 2:21 PM, Vahe Stepanian [REDACTED] wrote:  
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<=font>

To: "jeffrey E." <jeevacation@gmail.com <mailto:jeevacation@gmail.com> >@DEUBAINT,

Cc: tazia.smith [REDACTED], daniel.sabba [REDACTED], richardkahn [REDACTED]

Date: 10/15/2014 11:48 AM

Subject: Re: AAL + US Airlines [C]

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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." &=t;jeevacation@gmail.com</=>> <mailto:jeevacation@gmail.com>

To: Vahe Stepanian/db/dbcom@DBAmericas,

Date: 10/15/2014 11:37 AM

Subject: Re: AAL + US Airlines [C]

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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, =br> Vahe

----- Forwarded by Tazia Smith/db/dbcom on 10/15/2014 10:46 AM -----font size=3>

From: Uzair Aqeel/db/dbcom@DBE=EA

To: Nav Gupta/db/dbcom@DBEMEA, Vinit Sah=i/db/dbcom@DBEMEA,

Date: 10/15/2014 08:38 AM

Subject: KCP Capital Markets Ideas - US Airli=es [I]

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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 attrac=ive 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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