

**From:** Daniel Sabba <[REDACTED]>  
**To:** "jeevacation@gmail.com" <jeevacation@gmail.com>  
**Subject:** Re:  
**Date:** Thu, 19 Mar 2015 01:51:24 +0000

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Classification: Public

Actually the ratio for cds shouldn't be this high. It should be  $(320-205) \times 5 / 205 = 2.8x$ . Still higher than FX.

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**From:** Daniel Sabba  
**Sent:** Wednesday, March 18, 2015 09:33 PM  
**To:** jeffrey E. <jeevacation@gmail.com>  
**Subject:** RE:

I did a bit of thinking on this. USDBRL moved from 2.64 to 3.27, a 24% move from the date we put the CDS trade on. At that date, USDBRL had a negative carry of about 12%, so the return on annualized carry was about 2x.

Many drivers led us to the CDS expression, particularly the fact that the problems in brazil would cause deterioration of credit fundamentals. The key driver was the low carry... about 200bps per year...

CDS moved from 205 to 320, a 56% move and the return on annualized carry was about 23x.

So to look at CDS and the fact it moved 56% and BRL moved 24% isn't enough. We gotta factor in the cost of holding the trade versus the return, which should lead to a comparison of 23x versus 2x.

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**From:** jeffrey E. [jeevacation@gmail.com]  
**Sent:** Sunday, March 15, 2015 7:45 AM  
**To:** Daniel Sabba  
**Subject:**

the brl trade would have made a great deal of money., again we screwed

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