

From: Daniel Sabba <[REDACTED]>
To: "jeevacation@gmail.com" <jeevacation@gmail.com>
Subject: Re:
Date: Thu, 19 Mar 2015 12:01:56 +0000

Classification: Public

Let me look into that. Calls on brl would have required full upfront payment. CDS required 1% IA.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Thursday, March 19, 2015 07:59 AM
To: Daniel Sabba
Subject: Re:

Calls on bro would have been more successful .

On Thursday, March 19, 2015, Daniel Sabba <[REDACTED]> wrote:

Classification: Public

I know, I realized it after sending the note. I used the cds carry in the denominator to calculate percentage move and then again at denominator to calculate the ratio. That was the mistake. The ratio for cds should actually be $(320-205) \times 5 / 205 = 2.8x$.

The ratio for fx trade should still be 2x.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Thursday, March 19, 2015 06:17 AM
To: Daniel Sabba
Subject: Re:

wrong .

On Wed, Mar 18, 2015 at 7:33 PM, Daniel Sabba <[REDACTED]> wrote:

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.

From: jeffrey E. [mailto: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 screwd

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