

From: Jeffrey M Matusow <[REDACTED]>

To: Jeevacation <[REDACTED]>

Subject: Dividends/Eurostoxx 50 index correlation

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Jeffrey,

Attached is a regression analysis of the dividend futures to the Eurostoxx 50 index from June-08 to today. The first chart is 2011 (DED21) and the second is 2012 (DED22). For both years the beta to the index is approx. 66%, suggesting a hedge ratio of 1.5x the notional.

A 3 month 90%/75% put spread on the Eurostoxx 50 costs about 2.3%

A 6 month 90%/75% put spread on the Eurostoxx 50 costs about 3.25%

The third chart graphs the index vs the 2011 and 2012 dividends. Until a week ago the 2011 and 2012's traded almost completely in tandem. I attribute the recent divergence to liquidity issues. The dividends underperformed the index by about 14%.

Let's discuss.

Jeff

Jeffrey M. Matusow

JPMorgan Private Bank | 40 West 57th Street, 33rd Floor, New York, NY 10019

Work: 212.622.7053 | Fax: 212.310.0108 | Email: [REDACTED]

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