

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

To: Shahzad Shahbaz <[REDACTED]>, "Jabor Y." <[REDACTED]>

Subject:

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- Credit lines at many banks floor the floating index at 0%. With 1-month Euribor fixing at -0.25%, the benefit of negative interest rates can be used to your advantage.
- You can bypass the floor by borrowing in USD at 1-month Libor (plus a spread) and using a cross-currency swap to create a synthetic EUR loan. The cross currency basis swap pays USD Libor and you pay -0.35% (so 35bps actually get paid to you as it is negative). This allows you to not only capture the benefit of negative rates but also cheapen the funding by the cross-currency differential in the market.

therefore

- By creating a synthetic EUR loan via cross-currency swaps, **you can reduce funding costs of Sheik Hamad by roughly 60 bps for 2 years** (combination of savings from negative Euribor rates and negative cross-currency basis).

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please note

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