

From: Jeffrey Epstein <jeevacation@gmail.com>
To: "Barrett, Paul S" <[REDACTED]>
Subject: Re: To Do: BRL step-up note - closing today
Date: Tue, 12 Mar 2013 16:43:03 +0000

Ok

On Tuesday, March 12, 2013, Barrett, Paul S wrote:

Hi Jeffrey

Left you a vm.

I do think we should put some money into this note. Being long brl into the World Cup makes sense. Domestic inflation should allow them to allow minor fx appreciation. And they will likely hike 150bps this year. We don't have much Latam fx exposure. Our MXN is working well.

I think we should do 1mm in southern trust.

Paul

Sent with Good ([REDACTED])

-----Original Message-----

From: Ens, Amanda

Sent: Tuesday, March 12, 2013 09:39 AM Eastern Standard Time

To: Jeffrey Epstein

Cc: Barrett, Paul S

Subject: To Do: BRL step-up note - closing today

Jeffrey,

With the Brazilian policy rate at 7.25% and rate hikes increasingly likely in an effort to stem inflation, we remain structurally bullish on the Brazilian real due to the attractive carry.

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Paul recommends you invest \$2mm in this BRL currency note.

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HSBC-issued BRL Step-up Note

Tenor: 53 weeks

At expiry barrier protection: 15%

ATMS strike coupon: 5%

Step-Up strike: 3% OTMS

Step-up coupon: 23.5%

Max gain: 28.5%

- If BRL performance is between -15% and 0%, you receive your principal back
- If BRL performance is between 0% and 3%, +5% return
- If BRL is 3% stronger at expiry, +28.5% return
- If BRL performance is weaker than -15%, 1-for-1 loss from initial spot

More drivers of our constructive BRL view:

Brazil continues to have an inflationary problem, with y/y inflation above 6% and still rising. Even though many analysts expect inflationary pressure to recede as the year progresses (JPM IB expects y/y inflation to fall to 5.6% by year end), the stickiness of inflation has raised expectations that a tightening cycle is coming. Consequently, it was the comments accompanying the decision to keep rates unchanged at 7.25% that mattered for markets last week. The statement duly delivered. The reference to maintaining rates constant for a prolonged period of time was dropped and the committee

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