

From: Paul Barrett <[REDACTED]>

To: jeffrey E. <jeevacation@gmail.com>

CC: Richard Kahn <[REDACTED]>

Subject: Argentina

Date: Sun, 10 Jun 2018 02:53:41 +0000

Attachments: Argentina_-_Position_for_the_upturn.pdf; Argy.pdf

Inline-Images: image001.jpg

ARS idea came from both JPM and DB in Nov/Dec 2017.

1. Attached is the DB research piece. See bottom of page 2.
2. Below is the initial JPM pitch. The second attachment is them re-iterating the trade in early January.
3. UBS later came out with ARS as their top pick for 2018.

Both were recommending long LEBAC (local t-bills) but we ended up doing it via the FX NDFs as DB could not get the final approval for a total return swap on the LEBACs.

Thesis was that they expected the currency to weaken ~5% but the carry was around 25%, so targeting around ~20% annualized TR.

I averaged in over 3 tranches of \$3MM each between Nov and Dec. The central bank surprised the market and cut rates/increased inflation target in January. ARS started to weaken and I cut half the position in January. Things were then very stable until early May when ARS gapped weaker on USD strength. I closed the remaining \$4.5MM.

For what it is worth both JPM and DB recommended that we hold the position even though it fell another 15% since I unwound it.

Paul Barrett

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From: Petro, Christian S <[REDACTED]>

Sent: Monday, November 6, 2017 5:57 PM

Paul Barrett <[REDACTED]>

Cc: Team Petro <[REDACTED]>

Subject: A couple of trade ideas

Paul,

LEBAC TRS

Argentina's equivalent to US Treasury Bills are called Lebac, and they are currently yielding 28%. These bonds are inaccessible to most investors, which is why there is a favorable discount vs. the Argy euroclear bonds (yielding ~23%). By using the balance sheet of a local branch of JPM's Investment Bank, we have been able to buy the bonds through total return swap (TRS).

The Lebac 0% 07/18/18 @ 83.75, is a zero coupon bond that matures at par. The bond is denominated in ARS so you have full currency risk, but given the carry you receive over such a short time frame, it's a risk we are comfortable with. Our investment bank is neutral on the currency with a forecast that it weakens to 18.50 by next June, a 5% pullback from today's level ~17.60. If this ARS depreciation plays out, you still return approximately 20% annualized yield. The funding on the TRS is 3mL+175bps. Initial margin is running at 40%.

Christian Petro | Executive Director | Global Investment Opportunities Group

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UBS-----

By Aline Oyamada

(Bloomberg) -- Argentina's high real interest rates coupled with accelerating growth, declining inflation and an aggressive efforts to overhaul national finances support the call to buy the peso, according to UBS.

* 12-month carry gain of 22% offsets expected peso depreciation in nominal terms of close to 8% year-over-year, UBS says

* Long ARS/USD is one of the bank's top picks for 2018

* Midterm congressional election opened the door to an agenda that includes a fiscal sustainability law, revamps of capital markets, taxes and labor, all aimed at reducing the fiscal deficit, UBS says

* UBS expects central bank use of high interest rates to tame inflation expectations to increase domestic money demand and put a lid on depreciation trends

* Read more: Buy Brazil Stocks, Russia Bonds, UBS Says in 2018's Top 10 Calls