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Subject: Turkey and CNH [C]
Date: Fri, 30 Oct 2015 15:27:07 +0000

Attachments: DB_Turkiye_Oct15.pdf
Inline-Images: image001.png

Classification: **Confidential**

Jeffrey – we’re following up our phone calls earlier this week with two trade ideas:

- 1) Buy Turkey 5y CDS – currently [REDACTED] ~253
 - It seems Turkey has rallied recently on the back of the broader macro EM rally and FOMC dovishness, although fundamentally not much has changed in Turkey
 - General elections are taking place this weekend, which have created increased tension within Turkey and continue to generate headlines
 - Recent opinion polls still point to another hung parliament (additional details in attached DB research piece)
 - Outright short EM positions have cleaned up extensively and we believe it makes sense to slowly build out those positions
 - Cheap funding has resulted in large rise in corporate debt in Turkey, some of which has been funded in foreign currency
 - Turkey foreign reserves amongst lowest of EM countries, second only to Ukraine



- 2) Revisiting CNH as we know you’re generally bearish Asian currencies.

Given vols and skew, indicative pricing for 1y, USD/CNH 6.5 – 7.0 call spread:

Spot Ref: 6.3935 (pricing as of 10/27/15)

Leg 1: European Option Call

SOFL buys European USD Call on USD/CNH

Strike: 6.5

Notional: USD 10,000,000

Expiry: Thu 27-Oct-2016 (1y)

Premium: USD 287,100 (2.87%)

Delta: 53%

Strike vol: 6.24%

Leg 2: European Option Call

SOFL sells European USD Call on USD/CNH

Strike: 7.0

Notional: USD 10,000,000

Expiry: Thu 27-Oct-2016 (1y)

Premium: USD -127,100 (1.27%)

Delta: 24%

Strike vol: 9.15%

Net premium: USD 160,000 (1.60%)

Thank you,

Vahe

Vahe Stepanian

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