From: Vahe Stepanian < █████████████████████ >
To: jeevacation@gmail.com
Cc: █████████████████, Paul Morris < ████████████████ >, ██████████████, Caroline Kitidis < ███████████████ >
Subject: Fw: Brent Solutions [C]
Date: Tue, 26 Nov 2013 14:58:57 +0000
Inline-Images: unnamed; unnamed(1); unnamed(2)

Classification: Confidential

Good Morning Jeffrey-

As you know, news out of Iran over the weekend has implications on global crude markets. Not sure if your views have changed since our meeting, but DB analysts held a conference call yesterday on the back of the story to reiterate their view that global crude surpluses will continue to grow, driving down prices + leading to capacity consolidation into 2015.

I know that Tazia priced up the below trades to reflect your personal views in early November - happy to refresh if you care. Just FYI, DB Markets' Brent (bbl) forecasts are as follows:

Q4 2013 - 110.00
Q1 2014 - 110.00
Q3 2014 - 105.00
Currently ~111.35

My contact information is below in case you have questions.

Thank you,
Vahe

Vahe Stepanian
Associate | Wealth Investment Coverage

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----- Original Message -----
From: Tazia Smith
Sent: 11/05/2013 01:52 PM EST
To: jeevacation@gmail.com
Cc: █████████████████; Paul Morris; Caroline Kitidis; Vahe Stepanian
Subject: Brent Solutions [C]
Classification: Confidential

Jeffrey -

Below please find solutions that can be combined to reflect your view that transport/supply constraints will cause Brent to spike within the next 5-6months for a brief (~2 week) period; your objective is to monetize both the potential upside spike and

downward reversion.

We know you've traded risk-reversals and knock-in options in the past. The knock-in puts are compelling to reflect your reversion view. Examples below include three iterations of 6mo knock-in puts on the June 2014 contract (currently trades ~1.9% below spot). Implied vol is near 10yr lows.

Consider a risk reversal combined with a KI put. Consider overlaying these on an absolute return note given attractive curve and vol entry point.

Please find indicative levels below. Will call you to discuss further.

Best Regards,
Tazia

Knock-In Put Iterations:
Indicative levels only, subject to market movement. Source: DB Commodities Structuring, as of 11/4/13.

Brent Jun14 reference: $104.2
Brent spot: $106.5

(1) 6mo KI Put
Put on Jun14 Brent, strike 115. Option knocks in only if Brent Jun14 closes above 115 on any day.
Indicative Offer: ~$1.96/bbl (~1.9%)
Indicative cost on $5mm notional: $95,000
Max Loss: Premium Paid

(2) 6mo KI Digital Put
Digital Put on Jun14 Brent, strike 115. Option knocks in only if Brent Jun14 closes above 120 on any day.
Indicative Offer: 11.9%
Digital Payout: 100%
Indicative cost on $1mm notional: $119,000
Max Payout on $1mm notional: $1,000,000 (~8.4x premium paid)
Max Loss: Premium Paid

(3) 6mo Max Strike Put
If Brent Jun14 fixes above $115/bbl on any day during trade, then: max [0, Maximum Brent Jun14 fix during trade – Brent Jun14 at expiry – $10/bbl]
Indicative Offer: ~$1.51/bbl (~1.5%)
Indicative cost on $5mm notional: $75,000
Max Payout: Max Brent Jun14 fix during trade – Brent Jun14 at expiry – $10/bbl
Max Loss: Premium Paid

Upside Exposure Solutions:
Indicative levels only, subject to market movement. Source: DB Commodities Structuring, and DB AWM Structured Solutions, as of 11/4/13.

Brent Jun14 reference: $104.2
Brent spot: $106.5

(1) Risk Reversal:

Buy 6m $109.41 call (105% of Jun14 ref): $3.51/bbl
Sell 6m $85 put: $0.95/bbl
Net Debit: $2.56/bbl (~2.5%)
Indicative cost on $5mm Notional: $125,000
Max Loss: $87.56/bbl

For your reference:
6m $104.2 call (ATM): $5.90/bbl (~5.7%)
6m $109.41 call (105% of Jun14 ref): $3.51/bbl (~3.4%)
6m $85 put: $0.95/bbl (~0.9%)
6m $90 put: $1.58/bbl (~1.5%)

(2) ATM 6mo Swap

A futures look-alike in the form of a Jun14 ATM swap, which has positive carry of ~$2/bbl (differential between Jun14 and spot)

(3) Absolute Return Note on Brent

Structure Absolute Return Note on Brent Crude
Underlier: Brent
Barrier Observation: European
Maturity: 2yrs
Upside Max: Uncapped
Barrier Level: 82.5%
Max Loss: 100%

In fully-funded form, the absolute return structure prices well on crude. You can unwind this early to capture a move. This vehicle gives room to monetize moves in crude prices both on the upside and downside. This structure has a relatively high delta, should crude move higher and can help offset/compensate for your premium paid should crude move lower, but stay above the barrier.

Implied Vol & Price Curves:

The degree of backwardation has subsided but vols are still very low compared to their average over the last 10 years. Investors looking to express a bullish view on Brent crude oil can take advantage of premiums which are close to 10-year lows.

IPE Brent 1mo Implied Vol - Mid Implied Vol
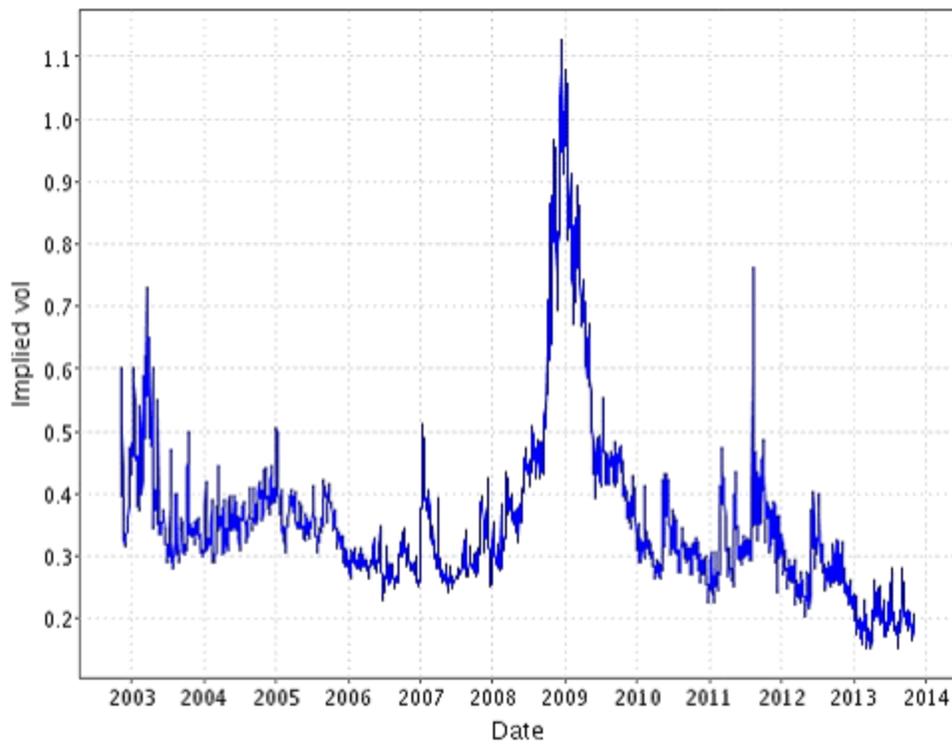
IPE Brent 1M implied vol – Mid implied volatility

IPE Brent forward curves
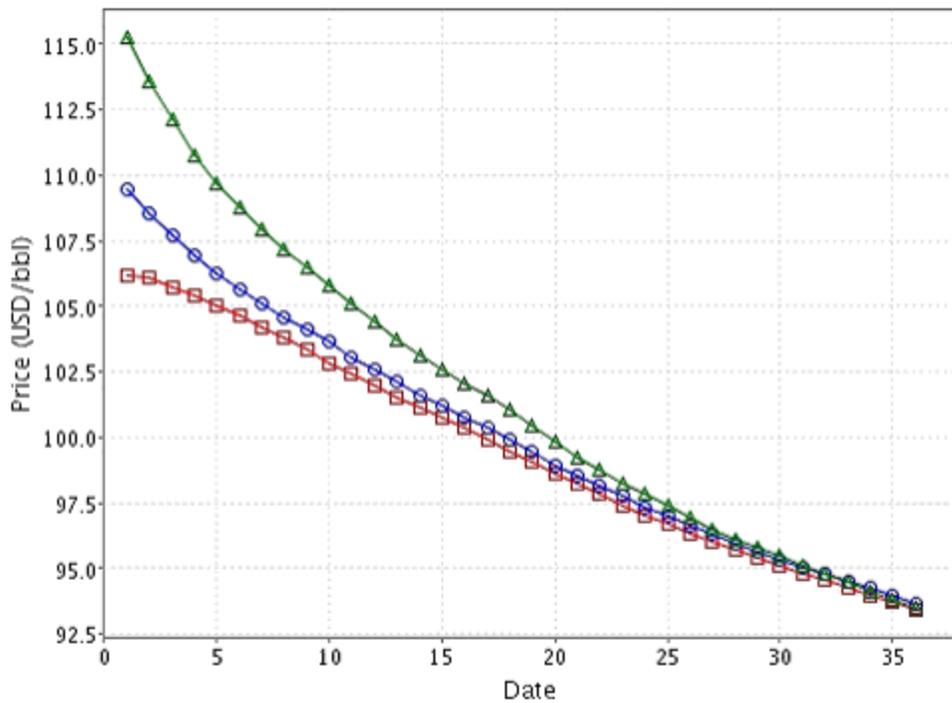
Close_Price (04–Nov–2013)   Close_Price (04–Oct–2013)   Close_Price (05–Sep–2013)

Source: DB AnalyzerLite, 11/5/13

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Please join

Deutsche Bank

for a Conference Call

on

Monday November 25, 2013
10am ET
The Outlook for Oil Prices in 2014

Hosted by:

Soozhana Choi
Chief Oil Strategist and Head of Energy Research

Paul Sankey
DB Oil & Gas Analyst

1 Week REPLAY:
U.S: ████████████
Intl.: ████████████
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