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Cc: Paul Morris <[REDACTED]>, Vahe Stepanian <[REDACTED]>, Stewart Oldfield <[REDACTED]>, [REDACTED]
Subject: Jeffrey, an idea for you - 10x payout EUR digitals
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Inline-Images: unnamed; unnamed(1)

Jeffrey,

This is a trade that is getting a lot of attention from hedge fund principals. Paul told me you have an options background and we thought this might be interesting for you.

We solved for the expiries European put digitals on EURUSD would need to have for the structure to have 10x payout at expiry.

Buy European digital puts in EURUSD

Spot Ref: 1.2655
Strike: 1.2000
Payout: If EURUSD at or below 1.2000 at expiry: USD10mm
If EURUSD above 1.2000 at expiry: USD 0
Expiry: 02/01/15
Premium Offer: USD1mm (10x payout)

While implied vol in EURUSD has gone up a bit since the summer, it is still very low for historical standards. Many catalysts for why a EUR sell-off could happen, from renewed ECB monetary expansion, weak data out of Germany and faster US recovery leading to a stronger USD, between others.

3m ATMF implied vol in EURUSD (source: Bloomberg)



Please note all prices are indicative and subject to change without notice.

Regards,
Daniel



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