

From: Vinit Sahni <[REDACTED]>
To: jeevacation@gmail.com
Subject: Re: Jeffrey - Mexico -> MBONO 30y look interesting [C]
Date: Thu, 16 Jan 2014 15:56:41 +0000

Inline-Images: unnamed; unnamed(1); unnamed(2); unnamed(3); unnamed(4); unnamed(5); unnamed(6); unnamed(7); unnamed(8); unnamed(9); unnamed(10); unnamed(11); unnamed(12); unnamed(13); unnamed(14)

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watching USDMXN closely technically 13.50 important level, now 13.31. Yesterday Govt announced that inflows from energy reforms only happens 2015 as regs need to come in place first, not a real surprise, but market was quite bullish and govt threw some cold water. Yields moved up a bit yesterday, rallying today. The story still unchanged...
FYI, most people that hedge their fixed income positions, just trade it thru the ccy and thats why ccy a bit volatile. For people who cant stomach the position MTM (the index trackers) they hedge the ccy...



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Passion to Perform

From: Jeffrey Epstein <jeevacation@gmail.com>
To: Vinit Sahni/db/dbcom@DBEMEA,
Date: 14/01/2014 12:01
Subject: Re: Jeffrey - Mexico -> MBONO 30y look interesting [C]

it was a more general question

On Tue, Jan 14, 2014 at 7:57 AM, Vinit Sahni <[REDACTED]> wrote:
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as its local currency all the liquidity is in NY hours so it won't hurt. As soon as they get some liquidity

EFTA01140009

will shoot it across.



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From: Jeffrey Epstein <jevacation@gmail.com>
To: Vinit Sahni/db/dbcom@DBEMEA, Paul Morris/db/dbcom@DBAMERICAS, Tazia Smith/db/dbcom@DBAMERICAS,
Date: 14/01/2014 11:39
Subject: Re: Jeffrey - Mexico -> MBONO 30y look interesting [C]

can we set up an account based in london , so i do not have to wait for ny to open?

On Tue, Jan 14, 2014 at 7:00 AM, Vinit Sahni <[REDACTED]> wrote:
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got it

back to u as soon as NY opens up



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From: Jeffrey Epstein <jevacation@gmail.com>
To: Vinit Sahni/db/dbcom@DBEMEA,
Date: 14/01/2014 10:55
Subject: Re: Jeffrey - Mexico -> MBONO 30y look interesting [C]

usd 3m bonds

On Tue, Jan 14, 2014 at 6:41 AM, Vinit Sahni <[REDACTED]> wrote:
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Jeffrey - sorry, to clarify is it 3m USD worth of MXN bonds or 3m MXN, as its a local currency bond.

As soon as NY gets in will get a price on the MBONO 7.75% 11/13/2042 and ping u

as and when our view on rates or the currency changes will keep u updated, as here u have risk on both components unlike the PDVSA where the bond was denominated in USDs.

Best
Vinit



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From: Jeffrey Epstein <jevacation@gmail.com>
To: Vinit Sahni/db/dbcom@DBEMEA,
Date: 14/01/2014 10:18
Subject: Re: Jeffrey - Mexico -> MBONO 30y look interesting [C]

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agreed lets do 3m

On Tue, Jan 14, 2014 at 4:23 AM, Vinit Sahni <[REDACTED]> wrote:
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Jeffrey - was looking for value in the EM space, post the PDVSA analysis, started looking at Mexico...

here is a trade I think makes sense -> buying MBONO 30y unhedged

At around 7.5% yield, inflation probably in the 3-4% in the foreseeable future, and USD/MXN likely stable or stronger in real (deflated) terms, I think it is good value. The curve is steep. If you look at 10Y10Y UST and 10Y10Y MXN yields, the spread is above 500bp . Say inflation differential is 100bp higher in Mex and credit diff is 100bp (10Y CDS is about 100bp higher in Mexico although Mex has much better debt dyn), this still leaves about 300bp of cushion for real depreciation per year...In sum, it seems good value

near term mark to market risk is slower pace of implementation of energy reform and a selloff in USTs

happy to discuss further if u find interesting...



CNYMXN chart courtesy Nav Gupta (shows relative value in Labour cost between China and Mexico)



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From: Jeffrey Epstein <jeevacation@gmail.com>
 To: Vinit Sahni/db/dbcom@DBEMEA,

Cc: Tazia Smith [REDACTED], "Nav Gupta (DEUTSCHE ASSET MANAG)" <[REDACTED]>, Paul [REDACTED]
Date: 13/01/2014 11:50
Subject: Re: PDVSA chart + USDJPY Trade [C]

thanks , lets keep

On Mon, Jan 13, 2014 at 7:47 AM, Vinit Sahni <[REDACTED]> wrote:
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This attached image shows the current pricing on the curve, which is slightly weaker than it was in early December. I have also added the term structure of PDVSA and VENZ sovereign bonds, which gives us some relative value across the curve

Bouts of volatility will likely remain an issue and therefore it will trade like a short tail risk trade. However, given that access to dollars remains key for Venezuela, we should expect the government to do whatever they can to avoid a problem servicing these bonds (or even the perception of the same). They do have a heavy amortization schedule in 2014 and 2015.



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From: Tazia Smith/db/dbcom@DBAMERICAS
To: "jeffrey epstein" <jeevacation@gmail.com>,
Cc: "Vinit Sahni" <[REDACTED]>, "Nav Gupta (DEUTSCHE ASSET MANAG)" <[REDACTED]>, [REDACTED]
Date: 12/01/2014 22:52
Subject: Re: PDVSA chart + USDJPY Trade [C]

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Looping in Vinit here as he was recently involved with a large offering in the pdvsa credit and may have some take-aways.

My view is the bonds are money good in 2015, as of now, but you are not looking for yield carry (as discussed), and the risks of restructuring and near-term downside due to politics specific to venezuela and chatter around EM assets at large are likely greater than implied by the bonds' current ~85 levels; would use Friday's rally to sell (particularly if you believe it was rates driven vs credit). For what it's worth, we've found Latam family offices that are very familiar the credit (and do like carry) are fully loaded and do not have incremental demand.

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Tazia Smith
Director
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From: Jeffrey Epstein [jeevacation@gmail.com]
Sent: 01/12/2014 04:56 PM AST
To: Tazia Smith
Subject: Re: PVDSA chart + USDJPY Trade [C]

do you think money good in 15

On Sun, Jan 12, 2014 at 4:38 PM, Tazia Smith <██████████> wrote:
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Jeffrey:

Please find the chart of PDVSA 5% 10/28/15 price history below, as well as a description of the USDJPY 10yr trade that we briefly discussed on Friday.

Speak with you soon,

Tazia

EFTA01140016



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----- Forwarded by Tazia Smith/db/dbcom on 01/12/2014 03:29 PM -----

From: Nav Gupta/db/dbcom@DBEMEA
 To: Tazia Smith/db/dbcom@DBAMERICAS,
 Date: 01/10/2014 08:21 AM
 Subject: \$Y [I]

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Long \$Y Call Options. We like long expiry options to benefit from the present dislocation between interest rates and volatility

Deutsche Bank FX Strategists are calling for USDJPY of 115 by year-end 2014, and 120 by year-end 2015. See DB FX Blueprint published 1/9/14, and note that #2 of the top 10 themes of 2014 (p. 5-6) revolves around extended weakness in the Japanese Yen vs. USD.

Consider a 10year expiry \$Y call option struck at 85 (spot fx 105, forward fx 77.70). Price 4.7% of USD notional

This option has four notable characteristics

- If \$Y stays at these levels the option decays positively by approx 15-20% per year
- If \$Y trades 90.00 at any time (arguably a scenario in which the option is no longer wanted) the option "knocks-out" and becomes worthless. While \$Y might decline to 90, our quantitative analysis indicates the probability of such a decline is significantly (double?) overpriced by the options market
- The premium of the option is quite sensitive to moves in \$Y spot - which is atypical for a 10year option. This also results from the knockout feature. This means if \$Y moves quickly by 5% the option increases / decreases in value by almost half, so if \$Y rises to 110 or 115 the option can easily be unwound to monetize the profit
- The option costs roughly 1/3rd compared to the vanilla 85 strike call
- Maximum loss is premium paid

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