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Subject: GBP + AAPL [C]
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Inline-Images: unnamed; unnamed(1)

Classification: Confidential

Good Morning Jeffrey,

Hope you had a great holiday weekend. As you have likely seen, GBP is currently at a 2 yr. high vs. USD (@ ~1.64; see graph below). The most recent move up has been attributed to a rise in construction activity for a seventh month, the fastest pace since August 2007. I recall you mentioned in our meeting that your view is to sell GBP if it approaches 1.65.

For what it's worth, our DB analysts have a bearish view on the pound. A recent (DB) FX note discusses reasons why it's tough to build a fundamentally bullish case for sterling with the market pricing the first BoE hikes by mid-2015 (well ahead of the ECB and even the Fed). We see potential for GBP to reverse to the mid-1.50s by year-end.

With that said, we priced up a few options that I've included below - consider selling a call, buying a put or a risk reversal. Recognize that GBP vol. is currently relatively low (vs. historical levels).

Spot ref = 1.6397

1) Sell European GBP Call on GBP/USD

Strike: 1.67
Notional: GBP 5,988,023.95 (or ~\$10mm)
Expiry: Tue 03-Jun-2014 (6m)
Settlement: Thu 05-Jun-2014
Premium: USD -103,400

2) Sell European GBP Call on GBP/USD

Strike: 1.70
Notional: GBP 5,882,352.94 (or ~\$10mm)
Expiry: Wed 03-Dec-2014 (12m)
Settlement: Fri 05-Dec-2014
Premium: USD -123,900

3) Buy European GBP Put on GBP/USD

Strike: 1.6376 (ATMF)
Notional: GBP 5,988,023.95 (or ~\$10mm)
Expiry: Tue 03-Jun-2014 (6m)
Settlement: Thu 05-Jun-2014
Premium: USD 219,365.27

Also worth mentioning – AAPL has run up quite a bit in the past few days (currently trading @ ~\$560; up from \$519.80 on 11/22). I know you're looking to sell calls, will provide levels if still interested. Recall you're long 2k AAPL @ ~\$529.06.

Have a great day.

Thank you,
Vahe



Vahe Stepanian

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