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**To:** jeevacation@gmail.com  
**Cc:** [REDACTED], Paul Morris <[REDACTED]>, Vahe Stepanian <[REDACTED]>  
**Subject:** yen weakness commentary + zero-cost one-touch implementation... [C]  
**Date:** Tue, 19 Nov 2013 13:58:37 +0000  
**Inline-Images:** unnamed; unnamed(1)

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Classification: Confidential

Good Morning Jeffrey -

I found this commentary below of interest, asserting that yen weakness (and Japanese equity strength) will be a result of strength in the US, not a direct result of Abenomics. See what you think.

We still like the USDcJPYp zero-cost one touch (indicative levels below). Thoughts?

Best Regards,  
Tazia

----- Forwarded by Tazia Smith/db/dbcom on 11/18/2013 11:03 AM -----

**From:** "Taisuke Tanaka, Deutsche Securities Inc." <[REDACTED]>  
**To:** Tazia Smith/db/dbcom@DBAMERICAS,  
**Date:** 11/17/2013 10:41 PM  
**Subject:** DEutsche JAPAN View on FX - USD/JPY: Self-enforcing trend

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## Deutsche Securities Inc. - Fixed Income Research

### DEutsche JAPAN View on FX - USD/JPY: Self-enforcing trend

18 November 2013 (1 page/ 235 kb)

[Download the complete report](#)

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#### When USD/JPY tries 103, market forecast can rise to 110 in 3-6 months

The USD/JPY is a good proxy of the US economic recovery. Since the end of the first round of the "Abe market" in late May, the USD/JPY has stagnated along with the wavering outlook for the US economy. With the release of the surprisingly solid US payroll data, the rate has climbed again to the ¥100 level.

Abenomics would be a secondary factor for the USD/JPY. The yen will not weaken unless the US economy strengthens, Japanese stock markets will not rally unless the yen weakens, and Abenomics will not succeed unless the yen weakens and the stock markets rally. Fortunately, we believe the Abe administration will continuously benefit from a robust US upswing in 2014.

With the USD/JPY having languished for nearly half a year, the markets had come to anticipate a rate of only around ¥105 for end-2014, a considerably cautious view. Market forecasts tend to be simply current picture = present rate + recent market momentum.

The rebound in the USD/JPY to ¥100 is spurring an upturn in the average medium-term market forecast. Once the markets approach the May high of ¥103.74, a 3-6 month forecast of ¥110 will no longer seem so far fetched. The markets have a basic propensity to veer suddenly and non-contiguously from the average forecast.

Of course, there remain lingering doubts over whether the 200,000 growth in non-farm payrolls in October gives a true picture of US labor markets at a time when government institutions were temporarily shut down. For prospects for a further gain in the USD/JPY, we should keep watching November US payroll data, consumer spending in the Christmas shopping season, and the December FOMC meeting.

For now, we may need to wait patiently for further stimulus related to these factors for a USD/JPY rise. We believe a self-sustaining US recovery will add to the downward pressure on the yen stemming (as an auxiliary effect) from the BoJ's easing stance, and expect the USD/JPY to reach ¥115 by end-2014.

Taisuke Tanaka [REDACTED] - [REDACTED]

From: Tazia Smith/db/dbcom  
To: jeevacation@gmail.com,  
Cc: [REDACTED], Vahe Stepanian/db/dbcom@DBAmericas, Paul Morris  
Date: 11/15/2013 10:14 AM  
Subject: USDcJPYp zero cost one-touch option... [C]

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Classification: Confidential

Jeffrey -

We know you're bearish yen vs. US dollar. As you've seen, there has been recent momentum in the JPY sell-off vs the USD since last Thursday's breakdown to a 97 handle. USDJPY is presently ~100.2. An at-the-money 1yr USDcJPYp presently costs ~4.6%. Instead of an outright, consider a zero-cost version where you owe a payment (\$18.7k in this 1mm notional example) if lower levels (in this example 99, 98, 97) are touched (American barriers).

The structure below is zero cost, includes 3 knock-in payments that would total ~5.6%. If the one-touch levels are not touched and the current momentum continues, or if less than three of the one-touch levels are hit, then the at-the-money USDcJPYp you own is less expensive than an outright vanilla USDcJPYp. If all three one-touch levels hit, your call option is ~1% more expensive than an outright, and your break-even would be up above 105.8.

Please see below, look forward to your thoughts!

Best,

Tazia

Indicative levels only. Subject to market movement. Source: DB WM FX Sales, 11/15/13

Spot ref = 100.18

Approximate collateral would be \$50k

Leg 1: European Option Call

<Client> buys European USD Call on USD/JPY

Strike: 100.2

Notional: USD 1,000,000

Expiry: Mon 17-Nov-2014 (1y)

Settlement: Wed 19-Nov-2014

ZoneCut: NY

Premium: USD 46,000

Premium Date: Tue 19-Nov-2013

Leg 2: One Touch

<Client> sells One Touch on USD/JPY payout

Barrier: 99

Payout: USD 18,700

Payout Ccy: <PayCurrency>

Postpone Rebate: <PostponeRebate Y/N>

Expiry: Mon 17-Nov-2014 (1y)

Settlement: Wed 19-Nov-2014

ZoneCut: NY

Premium: USD -17,000

Premium Date: Tue 19-Nov-2013

Leg 3: One Touch

<Client> sells One Touch on USD/JPY payout

Barrier: 98

Payout: USD 18,700

Payout Ccy: <PayCurrency>

Postpone Rebate: <PostponeRebate Y/N>

Expiry: Mon 17-Nov-2014 (1y)

Settlement: Wed 19-Nov-2014

ZoneCut: NY

Premium: USD -16,000

Premium Date: Tue 19-Nov-2013

Leg 4: One Touch

<Client> sells One Touch on USD/JPY payout

Barrier: 97

Payout: USD 18,700

Payout Ccy: <PayCurrency>

Postpone Rebate: <PostponeRebate Y/N>

Expiry: Mon 17-Nov-2014 (1y)

Settlement: Wed 19-Nov-2014

ZoneCut: NY

Premium: USD -13,000

Premium Date: Tue 19-Nov-2013



Tazia Smith

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*Passion to Perform*

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