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Subject: EUR parity puts

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Attachments: jpm_Answers_to_10_common_2011-12-09_739987[1]-pdf.zip

Jeffrey,

We continue to tactically play short term downside via 1 month EURUSD puts. We have been cheapening these up significantly by using "Knock-outs" to take advantage of large put volatility smiles. While it is not our base case, interest in longer tenor EURUSD parity puts has been increasing exponentially as a play on potential EMU break-up.

Vanilla put pricing looks rich, as the option market has been pricing in a chance of parity for some time. We like cheapening up the thesis by overlaying EURUSD puts with 1 month Windows, where the option knocks out if EURUSD breaches either 1.24 or 1.37 within the next month. Additionally, you can use accumulators to increase the notional on your 1.20 strike EURUSD puts as long as EURUSD is trading between 1.40 and 1.00.

Please see pricing details below.

Additionally, please find attached John Normad's "Answers to 10 common questions on EMU breakup"

Please call to discuss if you have any questions.

Pricing is indicative.

Client buys EUR put / USD call

1.3030 spot ref

Strike: 1.00

Expiration: 3 years

Cost: 4.20% USD

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Expiration: 5 years

Cost: 5.75% USD

Expiration: 7 years

Cost: 6.90% USD

-

Client buys EUR put / USD call with window knock-outs

3 year expiry

1.3030 spot ref

1 month window knock-out at 1.24 and 1.37 (continuous observation)

Strike: 1.00

Offer: 2.65% USD

Client buys EUR put / USD call accumulator

3 year expiry

1.3030 spot ref

Strike: 1.20

Accumulation range: 1.00-1.40 (weekly observations)

Offer: 4.25% USD

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