From: Daniel Sabba <██████████████████>
To: jeevacation@gmail.com
Cc: Paul Morris <██████████████>, ██████████████, ██████████████
Subject: Commodity currencies: bullish reversals in BRL... [C]
Date: Mon, 05 Jan 2015 16:38:00 +0000
Inline-Images: unnamed

Classification: Confidential

Jeffrey,

Happy new year. This idea looks particularly interesting to USDBRL. Indicative pricing and rationale below:

Notional: USD 10mm
Expiry: 6m
Client buys USDBRL put / sells USDBRLcall
Put strike: 2.70
Call strike: 3.10
Net Premium Offer: Zero (mid of put $162.5k and mid on call is $175k)
Spot ref. 2.7210
6m forward ref : 2.8560 / 2.8635

Rationale:

- Given the recent downward move in commodities, commodity linked currencies have experienced increased volatility and marked depreciation vs. USD (see historical price chart below)
- Affected commodity linked currency pairs include AUDUSD, USDBRL, USDCAD, USDMXN, and USDNOK
- Premium neutral bullish risk reversals on commodity currencies can take advantage of implied vol, skew and forward dynamics (i.e. client buys foreign currency call and sells foreign currency put)
- Looking at volatility adjusted skew amongst commodity currencies, current USDBRL levels provide a compelling entry point into premium neutral risk reversals.

Commodity Currencies and Oil - 6 month Normalized Performance
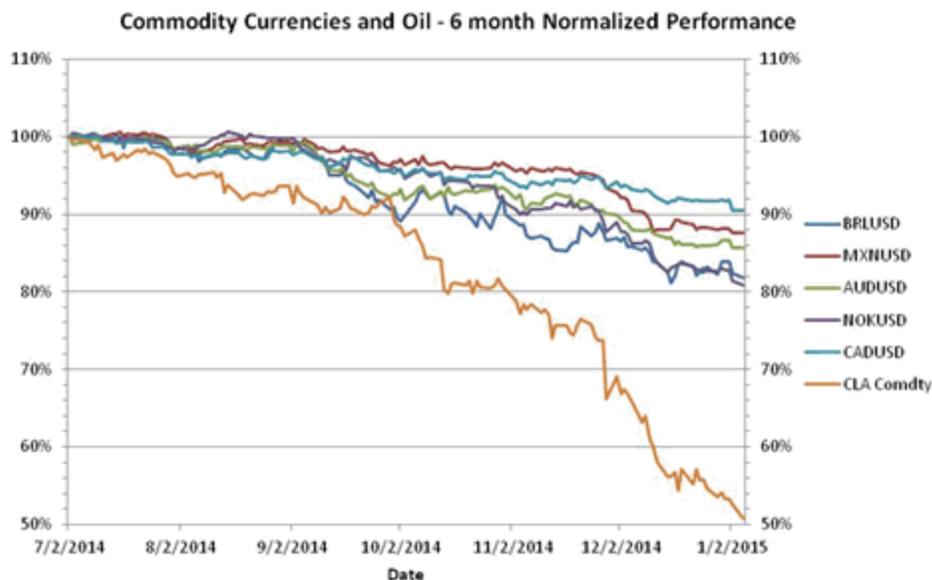
Other commodity currencies: While for USDBRL call strike is about 14% away from spot while put is about 1% away, for USDMXN the call strike would be approximately 8% away while put strike would be 3% away from spot.

Best regards,

EFTA01197918

Daniel

Daniel Sabba
Key Client Partners
Deutsche Bank Securities Inc.
███████████████████

Email ████████████████