

**From:** Tazia Smith <[REDACTED]>

**To:** jeevacation@gmail.com

**Cc:** [REDACTED], Paul Morris <[REDACTED]>, Nav Gupta <[REDACTED]>, Vahe Stepanian <[REDACTED]>

**Subject:** S&P (selling puts to fund upside) + EMN (after 11% dip) [C]

**Date:** Mon, 04 Aug 2014 15:08:05 +0000

**Attachments:** EMN\_7.30.14.pdf

**Inline-Images:** unnamed; unnamed(1); unnamed(2)

---

Classification: Confidential

Good Morning Jeffrey -

Rich and I discussed the below S&P (SPY ETF) and Eastman Chemical (EMN) trades on Friday. Not suggesting a few % pullback is a huge entry point in the index, but taking advantage of relatively inexpensive upside via calls (and/or entry points for some under-invested clients via selling). Single name opportunity in a big-cap/liquid, Eastman Chemical, post its 11% correction also below for your review.

**SPX risk reversal:**

**SPX Ref 1925.13**

Sell SPX Dec31 1850 put ~\$52.30  
Buy SPX Dec31 1950 call ~\$50.90  
Net: \$1.40 credit

Source: Bloomberg, 8/4/14.

SPX is a more tax-efficient underlier for a cash-settle trade. **SPY ETF** offers a physical settle solution (entry point for longer term), 1.9% dividend yield:

**SPY spot \$192.43**

Sell 2 SPY Jan 179 puts ~\$8.30 (2 x \$4.15)  
Buy SPY Jan 192 call ~\$7.22  
Net: \$1.08/share credit

for 1x upside on the index above ~192 (current levels) and 2x downside (ie. would be long SPY) below ~178 on the index, net premium collected (~7.3% below current levels)

Source: Bloomberg, 8/4/14.

**A single-name example: Eastman Chemical (EMN)**

Stock is down 11% following a disappointing earnings report and guiding closer to \$7.50/sh for 2014 down from management's prior ~\$8/sh guide. Our analyst reduced EPS expectations slightly. Please see full report attached.

EMN spot ref \$78.30

S EMN Jan 75 put ~\$3.20  
B EMN Jan 80 call ~\$3.60  
S EMN Jan 90 call ~\$0.75

Net: \$0.35/sh credit for \$10/sh potential max proceeds; downside participation below \$75 strike on put

or a tighter risk reversal  
S EMN Jan 77.50 put ~\$4.30  
B EMN Jan 80 call ~\$3.60  
Net \$0.70/sh credit for synthetic long

Indicative levels only. Subject to market movement. Source: Bloomberg, 8/4/14

### Eastman Chemical (EMN) 1yr Price History



Tazia Smith  
Director | Key Client Partners - US

DB Securities Inc  
Deutsche Asset & Wealth Management  
345 Park Avenue, 10154-0004 New York, NY, USA  
Tel. [REDACTED]  
Fax [REDACTED]  
Mobile [REDACTED]  
Email [REDACTED]

*Passion to Perform*

---  
This communication may contain confidential and/or privileged information. If you are not the intended recipient (or have received this communication in error) please notify the sender immediately and destroy this communication. Any unauthorized copying, disclosure or distribution of the material in this communication is strictly forbidden.

Deutsche Bank does not render legal or tax advice, and the information contained in this communication should not be regarded as such.