

From: Tazia Smith <[REDACTED]>

To: jeevacation@gmail.com

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

Subject: Fw: Jeffrey - Two 9month expiry Rupee option trades + historical charts

Date: Tue, 20 May 2014 19:20:04 +0000

Inline-Images: unnamed(1); unnamed(2); unnamed(3); unnamed(4); unnamed(5); unnamed(6); unnamed(7); unnamed(8); unnamed(9); unnamed(10); unnamed(11); unnamed(12); unnamed(13); unnamed(14); unnamed(15); unnamed(16); unnamed(17); unnamed(18); unnamed(19); unnamed(20); unnamed(21); unnamed(22); unnamed(23); unnamed(24); unnamed(25); unnamed(26); unnamed(27); unnamed(28); unnamed(29); unnamed(30); unnamed(31); unnamed(32); unnamed(33)

Jeffrey -

Traders' view is that accurate history on the option itself (9mo ATM USDpINRc, for example) doesn't exist given the forward points, vol, liquidity, etc backdated inputs would not be accurate. That said, I've included the 6 and 12mo ATM USDINR implied vol history here to provide some context of historical relative value. Bloomberg is pretty accurate historically for G10 currencies, for INR it's bit off, but will give you a sense:

As of 8/28/13 (USDINR high of 68.825 spot), bloomberg suggests the ATM 9mo USDcINRp would cost 5.01% (see screenshot below).

Going back to 5/20/13 when spot was at it's 52wk low (rupee strength vs USD) of 55.1137, the 9mo ATM USDcINRp cost ~1.65% according to Bloomberg.

This compares to the present ~1.3% vs. 58.60 spot that Nav laid out.

6mo USDINR AMT Implied Vol History



1yr USDINR AMT Implied Vol History



9mo ATM USDcINRp as of 8/28/13 = \$51k premium vs. \$1mm notional

<HELP> for explanation.

Screen Printed

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Strategy 1
 Leg 1

TS Description	USD/INR Vanilla 20140528		More Market Data	
Price date	08/28/13	15:00	Vol	BGN 17.555%/20.679%
Asset	Offshore	USDINR	Vol Spread	3.124%
Spot	Mid	66.9215	Points	BGN Mid 484.85
Style	European	Vanilla	Forward	Mid 71.7700
Direction	Client buys	Cash USD	USD Depo	Mid 0.126...%
Call/Put	USD	Put	INR Depo	Mid 9.824...%
Expiry	9 months	05/28/14	Greeks	<input checked="" type="checkbox"/>
Delivery	Mumbai 12:30	05/30/14	Gamma	USD 22,779.35
Strike	68.8200	4.11% OTMF	Vega	3,257.14
Notional	USD	1,000,000.00		
Model	Black-Scholes			

Results

Price	USD pips	0.001 P
Premium	USD	51,095.75 P
Prem date		08/30/13
Delta	Spot	-41.3880%
Hedge		413,879.74

9mo ATM USDcINRp as of 5/20/13 = \$16.6k premium vs. \$1mm notional

<HELP> for explanation.

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Strategy 1
 Leg 1

TS Description	USD/INR Vanilla 20140528		More Market Data	
Price date	05/20/13	15:00	Vol	BGN 8.662%/9.518%
Asset	Offshore	USDINR	Vol Spread	0.856%
Spot	Mid	54.9875	Points	BGN Mid 321.10...
Style	European	Vanilla	Forward	Mid 58.1985...
Direction	Client buys	Cash USD	USD Depo	Mid 0.127...%
Call/Put	USD	Put	INR Depo	Mid 5.851...%
Expiry	373 days	05/28/14	Greeks	<input checked="" type="checkbox"/>
Delivery	Mumbai 12:30	05/30/14	Gamma	USD 35,360.01
Strike	55.1137	5.30% OTMF	Vega	3,284.59
Notional	USD	1,000,000.00		
Model	Black-Scholes			

Results

Price	USD pips	0.000
Premium	USD	16,651.71 P
Prem date		05/22/13
Delta	Spot	-27.6420%
Hedge		276,419.77

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----- Forwarded by Tazia Smith on 05/20/2014 02:03 PM -----

From: Nav Gupt [REDACTED]
To: jeevacation@gmail.com [REDACTED]
Cc: Tazia Smith [REDACTED] Paul Morris [REDACTED]
Date: 05/20/2014 01:13 PM
Subject: Jeffrey - Two 9month expiry Rupee option trades + historical charts

USDINR - 6 Month History



USDINR 12 Month History



Trade 1: 9month expiry vanilla USDINR puts

Ref spot: USDINR 58.6

Maturity	9m
Fwd	61.56

Strike		Price
% OTMS	Strike	(% notional)
0	58.60	1.31
1	58.01	0.92
2	57.42	0.71

Scenario Analysis for Trade 1

Table shows value of option (as % of notional) on movement in spot, decaying with time

Spot % move	Spot level	9m	6m	3m	1m	At exp
6	62.12	0.21	0.15	0.05	0.00	0.00
4	60.94	0.35	0.28	0.14	0.02	0.00
2	59.77	0.61	0.56	0.39	0.13	0.00
0	58.60	1.31	1.06	0.96	0.65	0.00
-2	57.43	1.73	1.87	1.97	1.90	2.00
-4	56.26	2.71	3.04	3.42	3.72	4.00
-6	55.08	4.00	4.54	5.25	5.85	6.00

Trade 2: Buy a 9month 1% OTM Spot USDINR put and sell a 9m 15% OTM Spot USDINR call for net zero premia

Put strike: 58.08, call strike: 67.58

Ref spot: USDINR 58.6

Scenario Analysis for Trade 2

Table shows net value of a long put and short call option (as % of notional) on movement in spot, decaying with time

Spot % move	Spot level	9m	6m	3m	1m	At exp
6	62.12	-1.91	-0.98	-0.23	0.00	0.00
4	60.94	-1.37	-0.59	0.09	0.00	0.00
2	59.77	-0.83	-0.19	0.16	0.06	0.00
0	58.60	0.00	0.35	0.61	0.34	0.00
-2	57.43	0.56	1.14	1.45	1.26	2.00
-4	56.26	1.58	2.24	2.74	2.89	4.00
-6	55.08	2.89	3.69	4.44	4.94	6.00

Nav

▼ "jeffrey E." ---20/05/2014 17:22:18---can you send me a chart of where this has been over the past 6 months? thaks

From: "jeffrey E." <jeevacation@gmail.com>

To: Nav Gupta [REDACTED]
Cc: Vinit Sahni [REDACTED], Tazia Smith [REDACTED], Paul Morris [REDACTED]
Date: 20/05/2014 17:22
Subject: Re: Jeffrey - Rupee Appreciation - Nav

can you send me a chart of where this has been over the past 6 months? thaks

On Tue, May 20, 2014 at 9:49 AM, Nav Gupta <[REDACTED]> wrote:
Jeffrey

After pricing lots of possibilities, are two ways i like best to play usdinr lower

1) buy vanilla European style USDINR puts

Ref spot: 58.67

Strike		Maturity		
% OTMS	Strike	1m	3m	6m
0	58.67	0.75	1.07	1.19
1	58.08	0.40	0.72	0.89
2	57.50	0.20	0.48	0.67
Fwd		58.98	59.57	60.61

This table has 9 offers in %notional: 1m 3m and 6m expiries for spot, spot-1%, spot-2%

Of these I like 6month ATMspot USDINR European style put offered at 1.19%.

The roll in the forwards offsets some of theta which is why the 3mth ATMspot put costs a similar (1.07%) amount

2) Buying vanilla European style out-of-the-money USDINR puts, funded by selling OTM calls on USDINR

6month expiry

spot ref 58.67

Buy USDINR put strike **58.08 (ATMspot -1%)**

Sell USDINR call strike **64.18 (ATMspot +9.4%)**

Net upfront premia zero

I see from your last msg you want 9months. I'll price those and get back to you.

Nav



Nav Gupta

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