

Skew (y-axis) vs ATM vol (x-axis) is stretched  
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Source: Bloomberg 24-Sep-2014

Renewed interest in Japanese equities ahead of GPIF re-allocation and policy momentum

Trade: A 6m 110% call financed by 6m 90% put has zero net premium (spot ref: 16374)

Investors are waiting for the giant Japanese pension funds to re-allocate away from bonds to equities  
The Abe administration is looking for additional ways to stimulate the economy  
Nikkei vols are high and skew is poor -- no easy way to get into the trade, best to do calls vs puts 1-to-1 struck around major technical levels

Chart showing NKY history with strike of 90% put highlighted  
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Source: Bloomberg 25-Sep-2014

Past performance is not a reliable indicator of future results.

Best regards,

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