

To: Jeffrey Epstein[jeevacation@gmail.com]
From: Jeffrey M Matusow
Sent: Fri 5/28/2010 4:08:56 PM
Subject: RE: Dividend hedge

The iTraxx is meltdown insurance - for a 100% hedge you'd have to do multiples of the notional - probably 4-5x. But if you do that you risk giving up all the eventual profit on the trade - I'd rather just close the dividend position.

I think weaker Euro helps the dividend position, so you could make money on both trades.

Jeffrey M. Matusow

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From: Jeffrey Epstein [mailto:jeevacation@gmail.com]
Sent: Friday, May 28, 2010 11:37 AM
To: Jeffrey M Matusow
Subject: Re: Dividend hedge

but how does that relate to the large swing /losses we have seen so far?

On Fri, May 28, 2010 at 11:26 AM, Jeffrey M Matusow [REDACTED] wrote:

Your open dividend positions are:

EUR 10MM 2011

EUR 15MM 2012

I would put on hedges as follows:

1. Buy another 10MM Euro puts (you are already long 10MM)
2. Buy 20MM 5yr protection on the iTraxx Europe index (125 large Eur. companies)
 - currently trading at 120bps; hit a high of 216bps in Dec-08; low since 1/1/08 was 50bps
 - if it goes back to 50bps, you lose 630k
 - if it goes back to 216bps, you make 860k

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