

**To:** Jeffrey Epstein[jeevacation@gmail.com]  
**From:** Jeffrey M Matusow  
**Sent:** Tue 6/1/2010 3:00:57 PM  
**Subject:** FW: Dividend hedge

The Euro has rallied to 1.23

Let's use this to put on more short Euro exposure as a hedge for the dividends.

I would buy 1.20 Euro puts and sell 1.25 Euro calls that knock in at 1.3150. If the Euro is back above 1.3150 the dividend trade will be much higher.

Let me know.

A good data point on the iTraxx Europe index vs the Dividend index:

	<u>Friday close</u>	<u>Tuesday open</u>	<u>% change</u>
2012 Dividends	94.50	90.50	4%
iTraxx Europe	120	127	5.8%

The iTraxx acted as a good hedge for the Dividends trade. What do you think?

A lot of volatility in oil, but it is only up 50cents at \$74.50. It rallied off the lows as economic data - construction spending, manufacturing - continue to come in stronger than expected.

Jeff

Jeffrey M. Matusow

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**From:** Jeffrey M Matusow  
**Sent:** Friday, May 28, 2010 12:09 PM  
**To:** 'Jeffrey Epstein'  
**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](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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