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**From:** Richard Kahn <[REDACTED]  
**Sent:** Friday, October 14, 2016 6:13 PM  
**To:** jeffrey E.  
**Subject:** Fwd: Russia

i spoke with Paul Barrett and he proposed two ideas on =ussia:

Ruble / USD =ut Spreads - 63.017 at 2pm

Option 1

buy 63 x 70 spread which will cost 4% to make =1% - 2.75x your premium  
ex: 100,000,000 x 4% = 4,000,000 premium max profit 4,000,000 x 2.75 =3D 11,000,000

Option 2

buy 65 x 75 =pread which will cost 4% to make 16% - 4x your premium  
ex: 100,000,000 x 4% = 4,000,000 premium  
max profit 4,000,000 x 4 = 16,000,000

Option 3

buy 70 x 80 spread which will cost 2% to make =4% - 7x your premium  
ex: 100,000,000 x 2% = 2,000,000 premium  
max profit 2,000,000 x 7 = 14,000,000

RSX - at 18.44 at 2pm

do a risk reversal with the following 2 levels for may =017:

Option 1

buy 18 puts 1.75  
sell 21 calls for .75  
net cost =.00

paul =elieves that if RSX goes up 15% to 21 or so then S&P and oil will =ally and potentially your underlying equities will offset any exposure

paul also asked if he =an review your equities as well and offer his advice

Option 2

buy 17 puts 1.35  
sell 22 calls for =60  
net cost 0.75

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Begin forwarded message:

From: =/b>"Ens, Amanda" <[REDACTED]>

Subject: =/b>Russia

Date: =/b>October 14, 2016 at 10:48:29 AM =DT

To: =/b>Richard Kahn <[REDACTED]>

Rich,

For a bearish Russia view in the medium term (without having an ISDA), you could buy puts on =SX – VanEck Vectors Russia ETF. Russian equities are highly correlated to RUB (chart below).

Buy a RSX vanilla put

\* RSX 19-May 2017 expiry ATM strike costs about ~12.4% premium

Buy a RSX put spread =o:p class="">

\* RSX 19-May-2017 18x12 put spread (97% = 65% strikes) costs ~\$1.60 or 8.9% on the 18-strike leg (3.75x max gross payoff). You're not saving that much by spreading it, so I =refer the vanilla. We looked at pricing contingent options but liquidity is poor.

If there is another market that you're also bearish, we could look to cheapen the premium with a best-of-put (eg. Best-of-put on Russia and China). =digitals and contingent options didn't price well due to =liquidity.

While optionality isn't cheap, the trade looks interesting as this is not yet a consensus view. Our strategists and much of the Street is constructive RUB given a hawkish central bank, decent carry and stronger oil. Russia's central bank governor reiterated that monetary policy should be focused on maintaining positive real rates, with equilibrium she says around 2.5-3% in the longer term. Before achieving 4% inflation target, she says real rates will be kept higher. Reads as hawkish and supportive for RUB in the short term, as positive real rates should support capital flows.

RUB vs MICEX (Russian equity index)

Russia is ~4% of EM ETFs VWO and EEM

More EM inflows: A large creation in Vanguard FTSE EM ETF (VWO)

Source: Bloomberg

Amanda Ens

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