
From: jeffrey E. <jeevacation@gmail.com>
Sent: Friday, October 14, 2016 6:15 PM
To: Richard Kahn
Subject: Re: Russia

what are 18 puts?

On Fri, Oct 14, 2016 at 2:12 PM, Richard Kahn <[REDACTED]> wrote:

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

Ruble / USD Put Spreads - 63.017 at 2pm

Option 1

buy 63 x 70 spread which will cost 4% to make 11% - 2.75x your premium

ex: $100,000,000 \times 4\% = 4,000,000$ premium

max profit $4,000,000 \times 2.75 = 11,000,000$

Option 2

buy 65 x 75 spread which will cost 4% to make 16% - 4x your premium

ex: $100,000,000 \times 4\% = 4,000,000$ premium

max profit $4,000,000 \times 4 = 16,000,000$

Option 3

buy 70 x 80 spread which will cost 2% to make 14% - 7x your premium

ex: $100,000,000 \times 2\% = 2,000,000$ premium

max profit $2,000,000 \times 7 = 14,000,000$

=/div>

RSX - at 18.44 at 2pm

do a risk reversal with the following 2 levels for may 2017:

Option 1<=div>

buy 18 puts 1.75

sell 21 calls for .75

net cost 1.00

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

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

Option 2

=div>buy 17 puts 1.35

sell 22 calls for .60

net cost 0.=5

<=iv>

Richard Kahn

HBRK Associates Inc.

New York, NY 10022

tel [REDACTED]

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Begin forwarded message:

From: "Ens, Amanda" &l=; [REDACTED] <mailto:[REDACTED]>

Subject= Russia

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

To: =span style="font-family:-webkit-system-font,Helvetica Neue,Helvetica,san=-serif">Richard Kahn
<[REDACTED]> <mailto:[REDACTED]>

Ri=h,

For a bearish Russia view in the medium term (without havin= an ISDA), you could buy puts on RSX – VanEck Vectors Russia ETF. =ussian equities are highly correlated to RUB (chart below).<=p>

Bu= a RSX vanilla put

* *=A0 RSX 19-May 2017 expiry ATM strike costs about ~12.4% p=emium

Buy a RSX put spread

*=B7 *=A0 RSX 19-May-2017 18x12 put spread (97% x 65% strikes) c=sts ~\$1.60 or 8.9% on the 18-strike leg (3.75x max gross payoff). You =80 re not saving that much by spreading it, so I prefer the vanilla. We =ooked at pricing contingent options but liquidity is poor.

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

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

RUB vs MICEX (R=ssian equity index)

=A0

Russia is ~4% of EM ETF= VWO and EEM

More EM Inflows: A large creation =n Vanguard FTSE EM ETF (VWO)

Source: Bloomberg=u>

Amanda Ens

Director

Bank of America Merrill= Lynch

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=C2 please note

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