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**From:** Richard Kahn <[REDACTED]>  
**Sent:** Friday, October 14, 2016 2:52 PM  
**To:** jeffrey E.  
**Subject:** Fwd: Russia

still waiting on feedback from vahe and paul barrett..

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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 =osts 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 =ross 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 =earish, we could look to cheapen the premium with a best-of-put (eg. Best-of-put on Russia and China). =igitals and contingent options didn't price well due to =iquidity.

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

RUB vs MICEX =Russian equity index)

Russia is ~4% of EM ETFs VWO and EEM

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

Source: Bloomberg

Amanda Ens

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