From: jeffrey E. <jeevacation@gmail.com>
Sent: Thursday, August 18, 2016 4:21 PM
To: Stephen Hanson
Subject: Fwd: Trade recommendation

thought you might find amusing

---------- Forwarded message ----------
From: Richard Kahn <[redacted]> >
Date: Thu, Aug=18, 2016 at 10:12 AM
Subject: Fwd: Trade recommendation
To: Jeffrey =pstein <jeevacation@gmail.com<=a>>

<mailto:jeevacation@gmail.com>

Sent from my iPhone
=div>
Begin forwarded message:

From: "Ens, Amanda" [redacted]
Date: Augus= 18, 2016 at 11:37:24 AM EDT
To: Richard Kahn <[redacted];
Subject: Trade recommendation

Rich,

In the short to medium term, we believe the cyclical=rotation has only just begun. Our analysis of 4000 large long-only funds m=naging $12tn shows that funds have removed their underweight in Emerging M=rkets and are now neutral relative to benchmark, in aggregate, for the first time in recent years. History su=gests that when the Global Wave (our monitor that tracks global trends in =conomic activity) is rising, the best performing region is Emerging Market=, on average, suggesting investors should continue to add to exposure to this cyclical region. Energy remains=the second most underweight sector (behind Financials). US equities remain=a big underweight.

Looking a little further into year-end, an uncertain=y shock appears overdue and our 2000 year-end S&P 500 target incorpora=es a high correction probability. The rally over the last six months was i=itially driven by an improvement in the growth outlook for which investors were not positioned. Elevated valuation=, high expectations for growth and stimulus, an increase in bullish positi=ning and volatility near post-crisis lows point to a complacent market rip= for disappointment. The growth surprises may not be so one-sided in the coming months, as a contentious e=ection season and Brexit could weigh on already weak corporate confidence =nd spending, credit fundamentals remain weak and Fed hikes should come bac= into focus.

Given low levels of volatility, we recommend cons=dering stock replacement through buying call options for upside exposure, =uch as with the AAPL call option recommendation I sent on Tuesday.

As we've discussed, we're increasing=y concerned over "irrational exuberance" in fixed income b=t very few are willing to act on this fear and reduce their bond holdings.=Our strategist said recently that selling IG bonds might be seen as equivalent to selling the irrational exuberance of the Nasdaq in Aug =E2��99, 8 months before the tech bubble popped. A "taper tantr=m" pop in yield should cause a jump in vol and flash decline in as=et prices. This risk should be hedged.

To the extent you'd rather hold your long=positions, we recommend buying some cheap downside protection against a fi=ed income-led sell-off through contingent options.

Buy SPX puts contingent on higher yields for a=>60% savings vs vanilla puts

* *=A0 Dec 16, 2016 expiry

o Buy a SPX 2125 put contingent on 2Y Swaps > 1.15= at-expiry: 0.85% premium (64% discount to the vanilla at 2.36% premium)

o Buy a SPX 2125 put contingent on 10Y Swaps > 1.6=% at-expiry: 0.75% premium (68% discount to the vanilla at 2.36% premium)<=>

Current SPX level: 21=4

Current 2y swap rate:=0.98%

Current 10y swap rate= 1.43%

Key Events

* *=A0 Yellen Jackson Hole speech 8/26

* *=A0 FOMC 9/21, 11/2, 12/14

* *=A0 US elections 11/8

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Regards,=/p>

Amanda</=>

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Amanda Ens

Director

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The power of global co=nections™

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