From: Richard Kahn <[redacted]
Sent: Thursday, August 18, 2016 4:12 PM
To: Jeffrey Epstein
Subject: Fwd: Trade recommendation

Sent from my iPhone
=br>Begin forwarded message:

=rom: "Ens, Amanda" <[redacted]>
Date: August 18, 2016 at 11:37:24 AM EDT
=o: Richard Kahn <[redacted]> >
Subject: Trade recommendation

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Rich,

In the short to medium term, we believe the cyclical r=tation has only just begun. Our analysis of 4000 large long-only funds mana=ing $12tn shows that funds have removed their underweight in Emerging Marke=s and are now neutral relative to benchmark, in aggregate, for the first time in recent years. History sug=ests that when the Global Wave (our monitor that tracks global trends in ec=nomic activity) is rising, the best performing region is Emerging Markets, o= average, suggesting investors should continue to add to exposure to this cyclical region. Energy remains t=e second most underweight sector (behind Financials). US equities remain a b=g underweight.

Looking a little further into year-end, an uncertaint= shock appears overdue and our 2000 year-end S&P 500 target incorporate= a high correction probability. The rally over the last six months was init=ally driven by an improvement in the growth outlook for which investors were not positioned. Elevated valuations= high expectations for growth and stimulus, an increase in bullish position=ng and volatility near post-crisis lows point to a complacent market ripe f=r disappointment. The growth surprises may not be so one-sided in the coming months, as a contentious el=ction season and Brexit could weigh on already weak corporate confidence an= spending, credit fundamentals remain weak and Fed hikes should come back i=to focus.

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

As we’ve discussed, we’re increasingl= concerned over “irrational exuberance” in fixed income but=very few are willing to act on this fear and reduce their bond holdings. Ou= strategist said recently that selling IG bonds might be seen as equivalent to selling the irrational exuberance of the Nasdaq in Aug �=80�99, 8 months before the tech bubble popped. A “taper tantrum�=80� pop in yield should cause a jump in vol and flash decline in asset pr=ces. This risk should be hedged.

To the extent you’d rather hold your long p=sitions, we recommend buying some cheap downside protection against a fixed=income-led sell-off through contingent options.

Buy SPX puts contingent on higher yields for a &=t;60% savings vs vanilla puts

* Dec 16, 2016 expiry

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o Buy a SPX 2125 put contingent on 2Y Sw=ps > 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 S=aps > 1.60% at-expiry: 0.75% premium (68% discount to the vanilla at 2.3=% premium)

Current SPX level: 218=

Current 2y swap rate: 0=98%

Current 10y swap rate:=1.43%

Key Events

* Yellen Jackson Hole speech 8/26

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

* US elections 11/8

Regards,

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Amanda

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Director

Bank of America Merrill Lynch

Merrill Lynch, Pierce, Fenner & Smith Incorporate=

One Bryant Park, 5th Floor, New York, NY 10036 <=o:p>

Phone:[redacted] Mobile: [redacted]

<mailto:[redacted]>
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