
From: jeffrey E. <jeevacation@gmail.com>
Sent: Thursday, March 24, 2016 7:26 PM
To: Richard Kahn
Subject: Fwd: BRL Trade Idea

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From: Barrett, Paul S <[REDACTED]> <mailto:[REDACTED]>
Date: Thu, Mar 24, 2016 at 3:02 PM
Subject: BRL Trade Idea
To: Brad Wechsler [REDACTED]
Cc: "Jeffrey Epstein (jeevacation@gmail.com <mailto:jeevacation@gmail.co=>)" <jeevacation@gmail.com>, Ba=rett
Team [REDACTED] <mailto:[REDACTED]>

Brad

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The spread between Brazilian Government yields and P=trobras has blown out from 100bps in June '15 to around 500bps =A0 today for their USD bonds. Our view is that the government will backsto= Petrobras and will not allow it to default on its debt (Govt net reserves = \$200bln ; Petrobras debt notional = \$105=ln). We think it makes sense to play for the spread to compress back to 30=-400bps.

We can execute this through a long PETBRA position a=d buying protection on 5 yr BRL CDS to reduce risk. Details below.<=>

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1.Spread Trade - CDS leg reduces risk in first=option

Buy Petrobras bonds are =ielding ~10%

Buy Brazil CDS costs 3.9=%

The bet is that spreads =ighten (see green chart below).

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Source: Bloomberg 3/3/16

Syr Petrobras & Syr Brazil CDS:

Buy

Buy CDS Protection

Bond:

PETBRA 5 1/2 01/27/21

Contract:

Brazil Syr CDS

Issuer:

PETROBRAS GLOBAL FINANCE

Underlying Issuer:

Federative Republic of Brazil

ISIN:

US71645WAR25

Maturity:

06/20/21

Ratings:

B3/B+/BB+

Coupon:

100 bps

Ranking:

Sr Unsecured

Spread:

396 bps

Price:

\$83.00

Upfront Pmt (per \$10mm):

- 1,329,935 USD

YTW:

9.88%

Initial DV01 (per \$10mm):

4,051 USD

Z-spread:

861 bps

Duration:

3.37

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Source: Bloomberg 3/3/16

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=span style="font-size:8.0pt;font-family:"Verdana","sans-serif";color:#5f5f5f">_____ = _____ <=>

=span style="font-size:8.0pt;font-family:"Verdana","sans-serif";color:#1f497d">Paul Barrett | Managing Director | Global Investment Opportunities Group | J.P. Morgan Securities LLC | J.P. Morgan Private Bank | J.P. Morgan Chase Bank N.A.=/u>

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