
From: Wolf, Nicole [REDACTED] >
Sent: Thursday, November 5, 2015 3:49 PM
To: Barrett, Paul S; Brad Wechsler; Jeffrey Epstein (jeevacation@gmail.com)
Cc: Barrett Team
Subject: RE: Saudi rates and CDS

S&P cut Saudi Arabia from A+ to AA- earlier this week as they expect the fiscal deficit will increase to 16% of GDP in 2015, from 1.5% in 2014, primarily reflecting the sharp drop in oil prices. As a follow-up to the below, it is also interesting to look at playing the idea through FX.

USD/SAR is currently pegged. While our base case is that the government will defend the peg, if headlines get worse, revenues collapse from depressed oil prices and the government has to address fiscal spending, we believe forward points and volatility will continue to increase. Although, it may be a low probability event that the government breaks the peg, if we look at Kazakhstan's actions in August (see chart below), we see buying USD call/ SAR put options as an interesting risk reward.

USD/KZT 1yr<=o:p>

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Source: Bloomberg 11/05=2015

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The material on this page was prepared by an Associated Person with responsibilities for the marketing and sale of swaps and OTC financial derivatives. All questions related to swaps and OTC financial derivatives referenced in these materials must be directed to Nicole Wolf

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From: Barrett, Paul S
Sent: Tuesday, October 27, 2015 11:50 AM
To: Brad Wechsler; Jeffrey Epstein (jeevacation@gmail.com)
Cc: Barrett Team
Subject: Saudi rates and CDS

Saudi Rates and CDS

Chart 1 below shows the spread between 5yr Saudi and 5yr US swap rates. As the country begins to face a budget shortfall, it's possible the government will have to start issuing more debt and therefore putting pressure on rates. The spread has already widened 50bps to 92bps.

Chart 2 below shows Saudi CDS

5yr Saudi CDS

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