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**From:** jeffrey E. <jeevacation@gmail.com>  
**Sent:** Thursday, November 5, 2015 4:33 PM  
**To:** Jabor Y.; Jennie Enterprise  
**Subject:** Re: Fwd: Saudi rates and CDS

core club, 66 east 55 , andrea wil= bring you to jennie. 2 pm as you requested.

On Thu, Nov 5, 2015=at 11:26 AM, Jabor Y. <<mailto:>> > wrote:

Interesting information Thanks <=p>

On 5 Nov 2015 10:51 am, "jeffrey E." &=t;jeevacation@g=ail.com <mailto:jeevacation@gmail.com> > wrote:

S&P cut Saudi Arab=a from A+ to AA- earlier this week as they expect the fiscal deficit will =ncrease 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 playi=g the idea through FX.

</=pan>

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

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USD/KZT 1yr</=>

Source: Bloomberg 11/0=/2015

Chart 2 below shows Saudi CDS

5yr Saudi CDS

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please note

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JEE

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