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**From:** jeffrey E. <jeevacation@gmail.com>  
**Sent:** Friday, October 30, 2015 4:18 PM  
**To:** Richard Kahn  
**Subject:** Fwd: JPY

Call Daniel Saba

----- Forwarded message -----

From: Barrett, Paul S [REDACTED]  
Date: Friday, 30 October 2015  
Subject: JPY  
To: "Jeffrey Epstein (jeevacation@gmail.com <mailto:j=evacation@gmail.com>)" <jeevacation@gmail.com>  
Cc: Barrett Team [REDACTED] Brad Wechsler [REDACTED]  
[REDACTED]

Jeffrey

I am not sure it goes to 110 but long JPY = short KRW still makes sense.

Paul

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Global Rates & FX Research

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BoJ changed reaction function, not preemptive any more: BoJ to hold until Nov.2016 & USD/JPY may break 110

<Monetary Policy>

\* =C2\* The BoJ did not ease today, even though the Bank revised down GDP and inflation outlook and pushed out the timeline of achieving 2% inflation target.=u>

\* =C2\* The details of Outlook Report and Ku=oada's comments at the press conference were rather downbeat. The BoJ's policy does not appear preemptive any more.

\* =C2\* We now believe that the BoJ will ease in November 2016, when the BoJ is expected to push out the time line again, although earlier easing is possible.

\* =C2\* Kuroda remained confident that there=the BoJ has plenty of tools for additional easing, including an increase in JGB purchases.

<Forei=n Exchange>

\* =C2\* We continue to see that USD/JPY has =already hit the peak of this year and the pair is likely to see a downward=trend toward next year.

\* =C2\* Given that we pushed back forecast of the timing of additional easing by the BoJ to November 2016, we revised down our forecast of USD/JPY across forecast period: to 113 from 115 in 3Q16.

\* =C2\* We think there is a risk that the US=JPY breaks 110 before the BoJ eases their monetary policy again on November 1st 2016.

\* =C2\* The important factors for our view are: the significant improvement in current account surplus, the higher funding cost of JPY, Japanese authorities' preference and possible unwinds of large foreign asset investments by Japanese.=/u>

<JGB&g=;

\* =C2\* We continue to expect that the upside of JGB yields to be limited, regardless of the BoJ's inaction; that most of domestic investors did not expect additional easing, additional easing expectations should remain given our forecast of lower USD/JPY, and calendar-base JGB issuance will be reduced.

\* =C2\* We instead change the view about the=expected path of JGB yield curve; while we continue to expect flattening, =the move would be gradual.

<Equit=>

\* =C2\* Although about a half of the market =had expected the BoJ to ease further, the initial reaction was surprisingly=tame. With the BoJ out of the way, the focus will likely be on relative values going forward. With the government reportedly=eyeing ¥3 trillion supplementary budgets, the themes are likely centered around supplementary-budget-related and earnings-related sectors and stocks.

\* =C2\* Long-term prospect is less certain given we expect JPY to appreciate going forward.

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