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**From:** Barrett, Paul S <[REDACTED]>  
**Sent:** Tuesday, August 11, 2015 6:09 PM  
**To:** Brad Wechsler  
**Cc:** Jeffrey Epstein (jeevacation@gmail.com); Barrett Team; Rich Joslin  
([REDACTED])  
**Subject:** FW: Long USD / Short KRW

Hi Brad

Not sure if you saw but=CNH weakened 3% overnight. KRW down almost 2%. We think this kicks off a cu=rcency war in Asia with a race to the bottom. We are still targeting 1250 (6= down from here).

Paul<=p>

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From: Barrett, Paul S  
Sent: Thursday, July 23, 2015 5:36 PM  
To: 'Brad Wechsler'  
Cc: Barrett Team  
Subject: Long USD / Short KRW

Brad

Here is our latest piece on KRW. Calling for more KRW=weakness.

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Since mid-2012, JPY has weakened over 35% vs the USD, yet KRW has only depreciated slightly due in large part to a positive current account. (Chart 1)

- As a result, KRW has strengthened by approximately 35% vs the JPY over the last three years – significantly impairing the affordability of Korean exports (YoY=exports fell for a 6th consecutive month in June).
- As an example, ~33% of Korea's GDP is represented by Samsung and Hyundai – both heavy export oriented companies (Source: Business Korea)
- In addition to an uncompetitive currency, Korea is suffering from low inflation, high levels of debt and near zero interest rates (sound like Japan?)
- To combat these conditions, the BOK has been cutting rates (now at 1.5%), but with rates already low, it's hard for that to have much of an impact<=o:p>
- Recently, South Korea's National Pension Fund announced that it would diversify ~1% of its holdings in to foreign assets (i.e. QE labeled as asset diversification) (Source: FT)
- So what does an export driven economy do when its competitors have devalued their currencies, rate cut impact is limited, and debt levels are already high – they have to weaken their currency, and arguably, KRW has far more to correct against JPY than the Euro does against USD.
- Trade: Long USD/ Short KRW

- Additionally— getting short KRW also satisfies several other goals
- o Owning EM downside protection/exposure
- o Owning a position benefitting from USD strength
- o Owning a position that potentially benefits from China rolling over on its currency post=the IMF review of the SDR basket October 9-11
- How does the=trade go wrong
  - o South Korean's current account balance is +7% of GDP representing one key element against KRW depreciation. However, the Won is a controlled currency (trades through NDFs) and appreciation from trade flow is managed and arguably can be reversed in the event of the government's desire to weaken the currency.
  - o Significant=reversal in USD strength, and or JPY weakness (ameliorating the need for the South Korean government to step-in)

Chart 1</=:p>

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Sources: Bloomberg as of July 2015, JP Morgan, Financial=Times, Business Korea

The views and strategies described herein may not be suitable for all investors. Certain strategies may expose investors to potential risk= and losses.

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