
From: jeffrey E. <jeevacation@gmail.com>
Sent: Tuesday, July 28, 2015 1:32 PM
To: Melanie Spinella
Subject: Fwd: Short EUR / Long GBP

???

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

From: [REDACTED] >
Date: Tuesday, July 28, 2015
Subject= RE: Short EUR / Long GBP
To: Brad Wechsler [REDACTED] "Jeffrey Epstein
(jeevacation@gmail.com)" <=a href="mailto:jeevacation@gmail.com">jeevacation@gmail.com>
C=: Barrett Team [REDACTED] >, Richard Joslin
[REDACTED] >

Brad

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Given that we don =80 t yet have an ISDA on file we should consider using a structured note=to implement the EURGBP trade. Nicole had sent through pricing yesterday. = would recommend \$500K-\$1MM.

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Paul

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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>

320 Park Avenue, 14th Floor, New York, NY=10022 | T: (212) 622-2770 | F: (212) 310-0108 | paul.s.barrett@jpmorgan.com <javascript:_e(%7B%7D,'cvml','paul.s.barrett@jpmorgan.com');>

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From: Wolf, Nicole
Sent: Monday, July 27, 2015 3:05 PM
To: Brad Wechsler
Cc: Barrett Team
Subject: Short EUR / Long GBP

Hi Brad,

Here is our latest piece on short EUR vs. long GBP. I will follow-up with some structure pricing that we like.

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Nicole

Trade Idea: Short Euro / Sterling (i.e. Long GBP vs Short Euro)

* C2* Recent comment from several Bank of England (BoE) members suggest the time for rate hike in the UK is approaching. As a result, the market is repricing the timing of the first rate hike from mid-2016 to Q1 2016.

o =C2 =80 In the current circumstances there is no need to wait to raise rates =ecause of a risk management approach and run the risk of inflation oversho=tting target.... In my view, the decision as to when to start such a process of adjustment will likely come into sharper r=lief around the turn of this year." - Mark Carney (BoE Governor), 16 July 2015

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* =C2* Additionally, =he U.K. economy is improving rapidly (see charts below).

o =C2 Retail sales a=e growing at of 4.8%yoyn, 3mma – the strongest run rate since 2004.

o =C2 Wage growth ha= finally started to pick up with private sector wages up 3.8%yoyn, 3mma, up=from sub-2% in late 2014 and the strongest pace since 2008.

o =C2 Inflation is l=w at 0.0%yoyn, largely due to the oil price drag, but is expected to pick u= significantly into year-end as the base effect fades out and growth drags=prices higher. Consensus forecasts are for a 1.6% rate by end 2016 and 1.9% by end 2017.=/p>

* =C2* At the same ti=e, the ECB is in the beginning of a mandated period of suppressed interest=rates and quantitative easing which is on plan to last through September 2=16, if not extended thereafter.

* =C2* Given the mone=ary policy divergence between the ECB (extremely loose) and the BoE (prepa=ing for tightening), GIO expects GBP to appreciate against the Euro over t=e next 6 months by up to 5%.

Risks to the Tra=e

* =C2* Although the B=E is approaching rate hikes, strong data over the next few months is neede= to corroborate their move. Notably, if CPI prints surprise to the downsid= on August 18th and September 15th, the argument for BoE rate hikes and GBP strengt= will weaken.

* =C2* Some very infl=ential BoE members such as Andrew Haldane remain dovish and continue to hi=light the risks of moving too soon. To the extent that they can persuade =ther members to refrain for a few months, the market may price out rate expectations back to mid-2016.

* =C2* A substantial =BP trade-weighted appreciation could depress imported prices and push out =ate hikes. The trade-weighted GBP appreciated 8% in Q1 2015 leading some B=E doves to express concerns.

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The material on this page was prepared by an Associated Person with responsibility 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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