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**From:** Daniel Sabba <[REDACTED]>  
**Sent:** Thursday, January 15, 2015 3:41 AM  
**To:** Jeffrey Epstein  
**Cc:** Vahe Stepanian  
**Subject:** quick update - crude vol + Brazil CDS

Classification: Public

Jeffrey – see cr=de oil trading commentary below.

Implied vols went = down and the index is slightly up.

Mar15 WTI vol (which e=pires in Feb15) is down to 47.80%. More info below.

Brazil 5y CDS closed a= 197/201. When you entered the trade it was 201/205. The 4bps tightening w=th a spread DV01 of approximately 4.5k should lead to approximately -18k P=L on the position.

BRL appreciated 1.02% =oday, so being short BRL on an NDF for same notional should have yielded a=out -100k PnL.

Stavros Valavanis  
Sent: Wednesday, January 14, 2015 4:28 PM  
Subject: EOD Commodities Note - 14 Jan

Classification: Public

OIL

&nbs=;

A crazy day in oil. WTI failed to break 45\$ and we r=lied 8.7% after that and tested 49\$. The rally started as NY walked in, h=wever bearish stats interrupted it. Nevertheless, news that North Dakota N=member production was flat again caused some questions, as now the 2m growth has also been flat. Last year&=8217;s respective 2month growth was 45kbd...Some are blaming the weath=r, which is definitely a factor. However, 1 interesting thing is tha= the state said that it needs 130 rigs to maintain production at current levels; it has 152 currently operating (this number =as dropped from 180) and that it foresees only 120 by Q3. So N Dakota coul= start DROPPING mom by late Q2. In conjunction with the relentless gasolin= rally due to large planned and unplanned TARs for this time of year as well as the last day of the GSCI i=dex rebalance (although this is 4k wti/day and 8k bre per day-hardly enoug= I'd say to explain the 400K+ volume in both prompt crude future=) caused to a massive short covering. WTI spreads and BRE spreads were also extremely bid as these have been consens=s trades over the past couple of months...I think oil will try to test=50\$ in the short term- what happens there is critical...On stats, they =ere bearish as we built 5.4M bbls overall off the back of a sizeable

rebound in imports and drop in runs. P2 built 2.3M,=Cush built 1.8M, and P3 built 900k. Products also built, although consider=bly less than the past few weeks...

## OIL VOLS

Vols were offered all day, even before the large sp=ke. We saw interest in selling Cal15 vols across the board, and there were=also big sellers of cal16 vol in the market. As it still seems worth being=long gamma, the back is selling off more than the front. H5/Z5 WTI is above 13 vols!!! There has been a large =bsence of any type of producer business so far this year as far as I can t=ll, and January is typically one of the busiest producer hedging months=30;I think that vol selling will continue, especially if we break 50\$ to the upside in the prompt...</=>

&=bsp;	&nbs=;	=nbsp;	WTI (/change)	&=bsp;	&nb=p;	BRE (/change)=/span>	
H15	&nbs=;	=nbsp;	47.80%	-0.90%	&=bsp;	45.10%&n=sp;	-2.00%
M15	&nbs=;	=nbsp;	42.10%	-1.50%	=nbsp;	38.60%&n=sp;	-1.70%
Z15	&=bsp;	&nbs=;	34.15%	-2.00%	=	&=bsp;	32.45% -1.85%
Z16	&nbs=;	&=bsp;	27.00%	-1.85%	&nbs=;	28.75%	-2.00%

## Base Metals

3m lvs	=	dod=change	support	&nbs=;	resistance	
Al \$1774	&nb=p;	-\$17.5	&n=sp;	\$1770	&n=sp;	\$1800
Cu \$5548	&nb=p;	-\$312	&n=sp;	\$5500	&=bsp;	\$5600
Zn \$2035	&nb=p;	-\$46	&nb=p;	\$2030	&nb=p;	\$2125
Ni \$14,310	&=bsp;	-\$340	&=bsp;	\$14,000	=	14,600
Pb \$1768	&nb=p;	-\$61.5	&n=sp;	\$1750	&=bsp;	\$1790

The base complex tanked in Asian trading as stop losses were =it on a downward revision in global growth forecasts by the World Ba=k from 3.4% to 3% due to the underperformance of the Eurozone, Japan and some major emerging markets despite lower oil prices. The =CJ commenting that the ECB's plans on buying government bond is legal did =ittle to stem the flow. Copper led the way, hitting 5 year lows driven by =he breaking of the \$5800 mark where there were a lot of puts sold with potentially another big slug of option =elling at \$5500 to come and concerns about economic

growth in China is having an impact on predicted demand in the region. However there are concerns that fundamentally there could be a bullish story lurking. Cuts in copper mine output for geological and technical reasons such as the 150kMT cut at Escondida and the 100 KMT cut at Kennecott are raising questions as to whether the global surplus expected in 2015 with Macquarie expecting the market to be balanced. The late arrival of the rainy season in Zambia and Democratic Republic of Congo may have a significant impact on open pit mining in both regions, cutting supplies in coming months. There also remains one last dominant holder of LME stocks with over half of current stocks who could reap a handsome reward if they hold their position, given that the market is \$80 backwardated, indicating a tight market. Aluminium remained relatively firm but still followed the complex down. Around 500 kMT of Chinese smelting capacity is likely to close in coming months as domestic prices drop below the cost of production. China expects to add 4.5 mMT of new capacity in 2015 but up to 2.5 mMT of existing capacity is at risk and could significantly offset this figure. Nickel, Zinc and Lead prices recovered strongly in the afternoon but came off towards the close.

Shanghai Aluminium on warrant stocks are up 21.62% to 56 kMT. LME Aluminium on warrant stocks are flat at 1839.8 kMT. Shanghai Copper on warrant stocks are up 23.08% to 48.4 kMT. LME Copper stocks are up 2.4% to 170.9 kMT. LME Nickel stocks are down 2.55% to 317.8 kMT.

Copper Vols are up 5.28%, Ali Vols are down 0.46%, Nickel Vol= up 6.28%, Lead Vols are up 2.53% Zinc Vols are up 1.78%

#### Upcoming Data

14/1- EC Industrial Production SA MoM-Surv 0%, Actual 0.2%, Prior 0.1%, Revised 0.3%

14/1- US MBA Mortgage Applications- Actual 49.1%, Prior 11.1%

14/1- US Retail Sales Advance MoM- Actual -0.1%, Actual -0.9%, Prior 0.7%, Revised 0.4%

14/1- China Money Supply YoY-Actual 12.5% , Prior 12.3%

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