
From: Jeffrey Epstein <jeevacation@gmail.com>
Sent: Sunday, January 12, 2014 8:56 PM
To: Tazia Smith
Subject: Re: PDVSA chart + USDJPY Trade [C]

do you think money good in 15

On Sun, Jan 12, 2014 at 4:38 PM, Tazia Smith <[REDACTED] <mailto:[REDACTED]>> wrote:

Classification: Co=fidential

Jeffrey:

Please find the chart of PDVSA 5% =0/28/15 price history below, as well as a description of the USDJPY 10yr trade that we briefly discussed on Friday.

Speak with you soon,
Tazia

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----- Forwarded by Tazia Smith/db/dbcom on 01/12/2014 03:29 PM -----

From: Nav Gupta [REDACTED]
To: Tazia Smith [REDACTED]
Date: 01/10/2014 08:21 AM
Subject: \$Y [I]

Classification: For internal use only

Long \$Y Call Options. We like long expiry options to benefit from the present dislocation between interest rates and volatility

Deutsche Bank FX Strategists are calling for USDJPY of 115 by year-end 2014, and 120 by year-end 2015. See DB FX Blueprint published 1/9/14, and note that #2 of the top 10 themes of 2014 (p. 5-6) revolves around extended weakness in the Japanese Yen vs. USD.

Consider a 10year expiry \$Y call option struck at 85 (spot fx 105, forward fx 77.70). Price 4.7% of USD notional

This option has four notable characteristics

- * If \$Y stays at these levels the option decays positively by approx 15-20% per year
- * If \$Y trades 90.00 at any time (arguably a scenario in which the option is no longer wanted) the option "knocks-out" and becomes worthless. While \$Y might decline to 90, our quantitative analysis indicates the probability of such a decline is significantly (double?) overpriced by the options market
- * The premium of the option is quite sensitive to moves in \$Y spot - which is atypical for a 10 year option. This also results from the knockout feature. This means if \$Y moves quickly by 5% the option increases / decreases in value by almost half, so if \$Y rises to 110 or 115 the option can easily be unwound to monetize the profit
- * The option costs roughly 1/3 more compared to the vanilla 85 strike call
- * Maximum loss is premium paid

Tazia Smith
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