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**From:** Vahe Stepanian <[REDACTED]>  
**Sent:** Wednesday, October 15, 2014 3:25 PM  
**To:** jeevacation@gmail.com  
**Cc:** [REDACTED]  
**Subject:** AAL + US Airlines [C]

Classification: Confidential

Good Morning Jeffrey - quick update on AAL. Recall you currently hold the following position:

Please let us know should you wish to hold or add to the position.

Separately, Vinit / Nav's team in London is highlighting US airlines (majors specifically) per the below. To summarize, they believe selling 1m puts to monetize implied volatility around the 60% level is attractive with 3Q earnings on tap and volatility rising across equity markets. Details included below.

Thank you,  
Vahe

----- Forwarded by T=zia Smith/db/dbcom on 10/15/2014 10:46 AM -----

From: Uzair Aqeel/db/[REDACTED]  
To: Nav Gupta/db/[REDACTED] Vinit Sahai/db/[REDACTED]  
Date: 10/15/2014 08:38 AM  
Subject: KCP Capital Markets Ideas - US Airlines [I]

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Classification: For internal use only

The equity sell-off has left US airlines oversold on a technical basis. We are starting to see interest in getting long the sector given the attractive valuations, particularly as the majors are expected to produce record free cash flow this year.

Delta Airlines is about 20% off from the September high

(Source: Bloomberg, Oct-15, 2014)

At the same time, the dramatic drop in oil prices will eventually feed into improved margins. Indeed, this is one of the few US sectors that actually benefit from lower oil prices.</=ont>

WTI crude oil is down almost 25% since the June peak

(Source: Bloomberg, Oct-15, 2014)

With 3Q earnings on tap through the rest of the month and volatility rising across equity markets, selling 1m puts to monetise implied volatility around the 60% level is attractive</=>.

Implied volatility has rallied dramatically recently (1m 90% vol for Delta Airlines shown)=/b>

(Source: Deutsche Bank, Oct-15, 2014=

Trades:

- Investors take in 3.9% premium for selling Delta Airlines November 30-strike puts (exchange-traded):

(Source: Bloomberg, Oct-15, 2014)

- Investors take in 4% premium for selling United Airlines November 38-strike puts (exchange-traded):

(Source: Bloomberg, Oct-15, 2014)

- Investors take in 3.4% premium for selling American Airlines November 27-strike puts (exchange-traded):

(Source: Bloomberg, Oct-15, 2014)

- Investors take in 3.4% premium for selling SouthWest Airlines November 28-strike puts (exchange-traded):

(Source: Bloomberg, Oct-15, 2014)

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