
From: Paul Barrett [REDACTED]
Sent: Thursday, August 23, 2018 2:19 PM
To: jeffrey E.
Cc: Richard Kahn
Subject: EM Update

Brazil Update:

BRL continues to weaken. Elections are October 7: Election Day (first-round) and then October 28: Second-round vote. Further weakness going into the election could give us a very interesting entry point. Recall we saw big relief rallies in ZAR and MXN post-elections.

TRY Update:

Quiet week given EID. Spot at 6.0900. No new incremental news.


RUB Update:

Central Bank intervening to support RUB. Spot at 68.00. Down about 2% on the week. "Russia's central bank said it will suspend sales of rubles to purchase foreign exchange through the end of September in an effort to steady the currency, helping pull it back from the lowest level in two years."

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From: Paul Barrett
Sent: Friday, August 17, 2018 2:30 PM
To: 'jeffrey E.' <jeevacation@gmail.com>
Cc: 'Richard Kahn' <[REDACTED]>
Subject: RE: EM

Jeffrey

EM Update

FX Spot Changes<=o:p>

=/p> 1 Week

1 month

3 month

6 month

1 yr

BRL

-2%

-2.58%

-6.18%

-18.02%

-19%

RUB

0.45%

-7.11%

-7.75%

-16%

-12%

TRY

6.08%

-21%

-26.44%

-38.21%

-42.00%

- * TRY hit a high (strong) level of 5.7100 yesterday during a conference=call with the finance minister
- * Down 6% today at 6.060=
- * 1yr Implied interest rate still around 28-29%</=:p>
- * Turkey open half day on Monday and then closed for the rest =f the week (EID)
- * RUB and BRL bond prices remain very =table

Here is an interesting RUB Cashless Risk Reversal:

- * Buy 6 month 65 RUB Call (cost 2.00% if you wanted to just buy the RUB=call)
- * Sell 6 month 73.50 RUB Put with an at-expiry kn=ck in at 78
- * Red Line is the RUB put strike=/li>
- * White line is the knock in level (we need to be weaker/above the=white line at expiry for the short RUB put to knock-in – so down 16%=from here)
- * BIGGEST RISK: Another round of US sanct=ons in the coming months targeting state controlled banks which would free=e their USD transactions or a hawkish speech by Powell at Jackson Hole next week.

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From: Paul Barrett

Sent: Tuesday, August 14, 2018 5:19 PM

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Cc: 'Richard Kahn' [REDACTED]

Subject: FW: EM

Decent recovery today in Turkey.

TRY up 8%...still down 23% MTD

BRL up 50bps

RUB up 2%

Turkey rally driven by:

- &nb=p; massively oversold conditions in the short term=o:p>
- &nb=p; finally hints of more conventional solutions to=the current problems in Turkey
- &nb=p; FIN Minister: "FISCAL POLICY TO BE AN EVE= STRONGER ANCHOR. PRIORITY IS TO FIGHT AGAINST INFLATION, C/A DEFICI="
- &nb=p; Finance minister holding a conference call on T=ursday morning

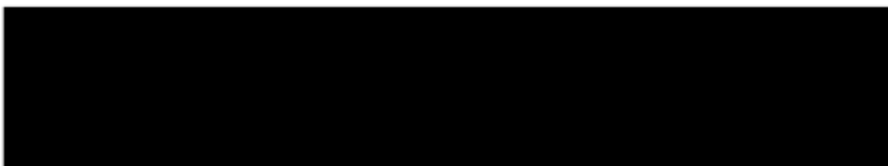
I still think it is still too early to get involved.=They still have a massive amount of \$ denominated corporate debt that need= to be rolled over this year and the market will want to see a more viable=central bank plan to contain the situation.

Paul

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From: Paul Barrett
Sent: Monday, August 13, 2018 4:10 PM
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Cc: 'Richard Kahn' <[REDACTED]>
Subject: EM

Jeffrey

Summary of some options when ready:

- * Brazil local currency bond prices have been very stable. Most of the =ove has been in USDBRL. Best Option – Brazil 12.5% 2022 @7% YTM denom in BRL (vs 1yr F= forward implying 6.9%)
- * Russian RUB govt bonds down 2=points. Mainly a RUB move. Best Option - Russia 6.4% 5/27/2020 @ 7.45% YTM denom in RUB (vs 1yr=FX forward implying 7.06%)
- * Turkey TRY denominated gov= bonds down 10 points since last week and 36 points since April (63 price)= Yielding 21%. I prefer using a 1yr TRY forward which equates to a 27% yie=d and not worry about illiquidity in their bond market.

FX Spot Changes<=o:p>

=/p> 1 month

3 month

6 month

1 yr

BRL

-1.33%

-7.80%

-15.44%

-18%

RUB

-7.93%

-8.85%

-15%

-12%

TRY

-31%

-38.27%

-45.50%

-49.40%

Implied Interest Rate=based on FX Forwards

=/p> Spot

3 month

6 month

1 yr

BRL

=3.9000

3.34%

4.30%

6.91%

RUB

=nbsp; 68.03

3.43%

4.71%

7.06%

TRY

6.9800

8.33%

14.69%

27.88%

* FX vol has also exploded. Do you want to see some option price=? The risk reversals are also pricing very well given how USD call vol has=exploded vs USD puts.

- * BRL 3 month vol has gone from 12% to 20%
- * RUB 3 m=nth vol has gone from 10% to 16%
- * TRY 3 month vol has =one from 20% to 47%

Below is a list of the most liquid bonds:=/p>

Brazil

Petrobras 5.299% 1/27/2025 @ 6.35% YTM – USD D=nominated

Itau 6.2% 12/21/2021 @ 4.73% YTM – USD Denominated

Brazil 12.5% 1/5/2022 @ 7.00% YTM – BRL Denominated

Russia

RFLB 6.7% 5/15/2019 @ 6.58% YTM – RUB Denominated

RFLB 6.80% 12/11/2019 @ 7.01% YTM – RUB Denominated

RFLB 6.4% 5/27/2020 @ 7.45% YTM – RUB Denominated

Turkey

Garanti 6.25% 4/20/2021 @ 10.74% YTM – USD Denominated – Turkish Bank

Turkey Sovereign 7% 6/5/2020 @ 8.44% YTM – USD Denominated

Turkey Sovereign 12.4% 03/08/28 @ 21 YTM – TRY Denominated

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