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**From:** jeffrey E. <jeevacation@gmail.com>  
**Sent:** Thursday, August 23, 2018 2:23 PM  
**To:** Richard Kahn  
**Subject:** Fwd: EM Update

and he wantd to buy br denominated bonds Best Option – Brazil 12.5% 2022 @7% YTM denom in BRL (vs 1yr=FX forward implying 6.9%) ask him how much we woudl have lost already=

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

From: Paul Barrett [mailto: [REDACTED]]  
Date: Thu, Aug 23, 2018 at 10:18 AM  
Subject: EM Update  
To: "jeffrey E." <jeevacation@gmail.com <mailto:jeevacation@gmail.com>>  
Cc: Richard Kahn [REDACTED]

=br>

Brazil Update:

BRL continues to weaken. Elections are October 7: El=ction Day (first-round) and then October 28: Second-round vote. Further we=kness 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 increme=tal news.

RUB Update:

Central Bank intervening to support RUB. Spot at 68.=0. Down about 2% on the week. "Russia's =entral bank said it will suspend sales of rubles to purchase foreign excha=ge through the end of September in an effort to steady the currency, helping pull it back from the lowest level in two years. =80

Paul Barrett

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From: Paul Barrett  
Sent: Friday, August 17, 2018 2:30 PM  
To: 'jeffrey E.' <<mailto:jeevacation@gmail.com>= target=> <span>

FX Spot Changes

1 Week<span>

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 6.0600=u>
- \* 1yr Implied interest rate still around 28-29%=u>
- \* Turkey open half day on Monday and then closed for the rest=of the week (EID)
- \* RUB and BRL bond prices remain ver= stable

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 knock in at 78
- \* Red Line is the RUB put strike<=u>
- \* 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 =6% from here)
- \* BIGGEST RISK: Another round of US sanctions in the coming months targeting state controlled banks which would freeze 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  
**To:** 'jeffrey E.' <[jeevacation@gmail.com](mailto:jeevacation@gmail.com)<mailto:[jeevacation@gmail.com](mailto:jeevacation@gmail.com)= target=>>>  
**Cc:** 'Richard Kahn' [REDACTED] <mailto:[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:

- =A0 massively oversold conditions in the short term=u>
- =A0 finally hints of more conventional solutions to=the current problems in Turkey
- =A0 FIN Minister: "FISCAL POLICY TO BE AN E=EN STRONGER ANCHOR. PRIORITY IS TO FIGHT AGAINST INFLATION, C/A DEFI=IT"
- =A0 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  
To: 'jeffrey E.' <<mailto:jeevacation@gmail.com>> target=>  
Cc: 'Richard Kahn' [REDACTED] <mailto:[REDACTED]  
Subject: EM

Jeffrey

Summary of some options when ready:=/b>

- \* Brazil local currency bond prices have been very stable. Most of the mo=e has been in USDBRL. Best Option – Brazil 12.5% 2022 @7% YTM denom in BRL (vs 1yr=FX 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 go=t 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% yi=ld and not worry about illiquidity in their bond market.

#### FX Spot Changes

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

Spot

3 month

6 month

1 yr

BRL

=3.9000

3.34%

4.30%

6.91%

RUB

=C2 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 prices?=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 month vol has gone from 10% to 16%
- \* TRY 3 month vol has gone from 20% to 47%

Below is a list of the most liquid bonds:<=u>

Brazil

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

Itau 6.2% 12/21/2021 @ 4.73% YTM – USD Denom=nated

Brazil 12.5% 1/5/2022 @ 7.00% YTM – BRL Deno=nated

Russia

RFLB 6.7% 5/15/2019 @ 6.58% YTM – RUB Denomi=nated

RFLB 6.80% 12/11/2019 @ 7.01% YTM – RUB Deno=nated

RFLB 6.4% 5/27/2020 @ 7.45% YTM – RUB Denomi=nated

Turkey

Garanti 6.25% 4/20/2021 @ 10.74% YTM – USD D=nominated – Turkish Bank

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

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

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