
From: Paul Barrett [REDACTED]
Sent: Thursday, August 23, 2018 2:56 PM
To: Richard Kahn
Cc: jeffrey E.
Subject: RE: EM Update

Hi Rich

My email said the BRL '22 bonds are the best option when ready to buy. It was not a recommendation to buy them. Way to much uncertainty around the election at this stage.

Since Aug 13th, the bonds are down 2% and the BRL down 4.8%.

Paul

Paul Barrett

[REDACTED]

From: Richard Kahn <[REDACTED]>
Sent: Thursday, August 23, 2018 10:38 AM
To: Paul Barrett [REDACTED]
Cc: jeffrey E. <jeevacation@gmail.com>
Subject: Fwd: EM Update

paul in your email on August 13th you said best option for Brazil was: Brazil 12.5% 2022 @ YTM in BRL

if we bought that on August 13th what would mark to market be?

are you still recommending this same position?

please advise

thank you

Richard Kahn
HBRK Associates Inc.



Begin forwarded message:

From: Paul Barrett <



Subject: EM Update

Date: August 23, 2018 at 10:18:43 AM EDT

To: jeffrey E. <jeevacation@gmail.com <mailto:jeevacation@gmail.com> >

Cc: Richard Kahn <



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."

Paul Barrett

Alpha Group Capital LLC



From: Paul Barrett

Sent: Friday, August 17, 2018 2:30 PM

To: 'jeffrey E.' <jeevacation@gmail.com <mailto:jeevacation@gmail.com> >

Cc: 'Richard Kahn' <
Subject: RE: EM

Jeffrey

EM Update

FX Spot Changes

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

Paul Barrett

Alpha Group Capital LLC



[REDACTED]

From: Paul Barrett
Sent: Tuesday, August 14, 2018 5:19 PM
To: 'jeffrey E.' <jeevacation@gmail.com <mailto:jeevacation@gmail.com> >
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:

- massively oversold conditions in the short term
- finally hints of more conventional solutions to the current problems in Turkey
- FIN Minister: "FISCAL POLICY TO BE AN EVEN STRONGER ANCHOR. PRIORITY IS TO FIGHT AGAINST INFLATION, C/A DEFICIT"
- Finance minister holding a conference call on Thursday morning

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

Paul

Paul Barrett

Alpha Group Capital LLC



From: Paul Barrett

Sent: Monday, August 13, 2018 4:10 PM

To: 'jeffrey E.' <jeevacation@gmail.com <mailto:jeevacation@gmail.com> >

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 move 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 govt 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% yield 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

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:

Brazil

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

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

Paul Barrett

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