

Background

\$Y is near the middle of a 5mth 101-105 range
Implied vol is low, 1w 6.3, 1m 7.3, 3m 7.5, 6m, 8.4, 1y 9.25, but
appropriate as \$Y hardly moves.

The Government is pressuring the BoJ to add additional QE in July. Over
the weekend the Government shook up the investment committee members of
the governments pension fund (GPIF) with the hope of stimulating pension
allocation from bonds into equities.

Pricing

i priced a dozen option variations. Still, there are only two ways i'd
play \$Y right now (this view hasn't changed in 2014)

1. wait for some new catalyst to emerge then buy spot or call options
after its moved 1-2 points, rather than paying decay while it goes
nowhere

2. buy a 10y call with an ITM american style knockout which a) has some
gamma and b) decays positively if nothing happens

je indicated 10y options aren't his thing. also, the option he bought has
already decayed. he can rescue what's left (40-50k) or let it expire.
given where spot is relative to his strike, personally i'd let it run off
and hope \$Y rallies 50-100pips over the next 9 days then lock in the
gain.

If he really needs to buy something i suggest a 3mth OTM call - that's
the sweet spot in the vol curve. vols are too low for me to suggest
selling OTM puts.

Nav

Tazia Smith---22/04/2014 16:57:06---Classification: For internal use
only

From: Tazia Smith/[REDACTED]
To: Nav Gupta/[REDACTED],
Date: 22/04/2014 16:57
Subject: Reminder: send idea to JE on JPY [I]

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Tazia Smith---04/21/2014 03:03:44 PM---Classification: For internal use
only thx ;)

From: Tazia Smit/[REDACTED]
To: Nav Gupta/[REDACTED],
Cc: Paul Morris/[REDACTED], Vinit Sahni/[REDACTED]
Date: 04/21/2014 03:03 PM
Subject Re: Jeffrey - latest prices with suggested sizes - Nav [I]
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