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**Subject:** Short Latam FX Ideas [1]

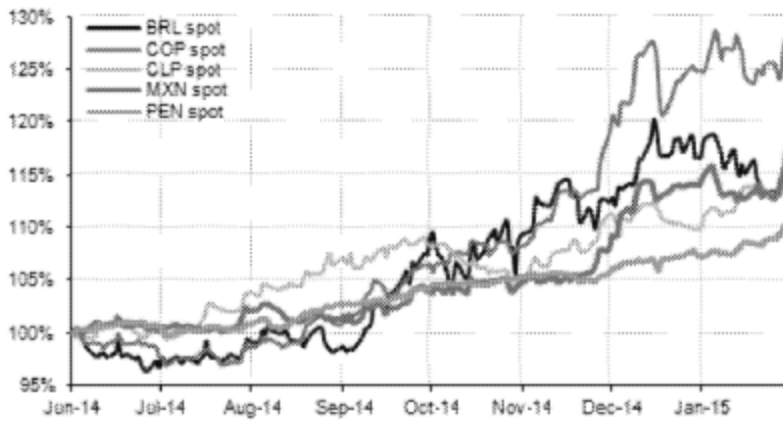
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Jeffrey,

Carry in BRL is close to 11% and 1y implied vols are around 14-15%. As we discussed, this obviously makes buying puts on these currencies very expensive. Other LatAm pairs offer lower vol and carry but could be negatively impacted in a distress scenario in the region. A negative regional "halo-effect"? CLP has carry around 3% and 1y implied vol around 10%. Additionally, Chile is very exposed to the commodity complex. More details below.

**Trade Idea: Buy Puts on LatAm Currencies.**

Since June 2014, BRL, COP, CLP, MXN and PEN have all depreciated against USD, falling 17.8%, 28.2%, 15.0%, 16.0% and 10.1% respectively. These currencies have also exhibited a high positive realized correlation over this period.



Realised Correlation	BRL	COP	CLP	MXN	PEN
BRL	100%	47%	40%	56%	39%
COP		100%	36%	64%	52%
CLP			100%	40%	40%
MXN				100%	46%
PEN					100%

COP, CLP, MXN and PEN benefit from significantly lower carry costs compared to BRL. In addition, many of these currencies currently have lower implied volatilities and less pronounced skew. Therefore it maybe more efficient to express bearish Latam views through COP, CLP, MXN and PEN compared to BRL.