

markets have a basic propensity to veer suddenly and non-contiguously from the average forecast.

Of course, there remain lingering doubts over whether the 200,000 growth in non-farm payrolls in October gives a true picture of US labor markets at a time when government institutions were temporarily shut down. For prospects for a further gain in the USD/JPY, we should keep watching November US payroll data, consumer spending in the Christmas shopping season, and the December FOMC meeting.

For now, we may need to wait patiently for further stimulus related to these factors for a USD/JPY rise. We believe a self-sustaining US recovery will add to the downward pressure on the yen stemming (as an auxiliary effect) from the BoJ's easing stance, and expect the USD/JPY to reach ¥115 by end-2014.

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Cc: [REDACTED] Paul Morris  
Date: 11/15/2013 10:14 AM  
Subject: USDcJPYp zero cost one-touch option... [C]

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Classification: Confidential

Jeffrey -

We know you're bearish yen vs. US dollar. As you've seen, there has been recent momentum in the JPY sell-off vs the USD since last Thursday's breakdown to a 97 handle. USDJPY is presently ~100.2. An at-the-money 1yr USDcJPYp presently costs ~4.6%. Instead of an outright, consider a zero-cost version where you owe a payment (\$18.7k in this 1mm notional example) if lower levels (in this example 99, 98, 97) are touched (American barriers).

The structure below is zero cost, includes 3 knock-in payments that would total ~5.6%. If the one-touch levels are not touched and the current momentum continues, or if less than three of the one-touch levels are hit, then the at-the-money USDcJPYp you own is less expensive than an outright vanilla USDcJPYp. If all three one-touch levels hit, your call option is ~1% more expensive than an outright, and your break-even would be up above 105.8.

Please see below, look forward to your thoughts!

Best,

Tazia

Indicative levels only. Subject to market movement. Source: DB WM FX Sales, 11/15/13

Spot ref = 100.18

Approximate collateral would be \$50k