

Sent: Wednesday, December 18, 2013 7:01:50 PM
Subject: some thoughts
From: [REDACTED]
To: Jeffrey Epstein <jeevacation@gmail.com>

Good morning (good afternoon now...)

I tried calling yesterday and this am to follow up on our conversation and here are a few thoughts that I have

- you are right, French multinational revenue should never have made it to the short list of why I think that the EUR will fall next year. I do believe that
- low (even if they stop falling) interest rates will dissuade speculative money from flowing into europe
- lower oil/commodity prices will take away the usefulness of a strong EUR for managing oil import prices
- growth is expected to be weak in 2014 (ECB forecast is for 1.1% in 2014; .2% Q4 2013; and that foreign export growth altho it is small could help the euro area

In the past 1.40-1.42 has been the level at which the european finance ministries/ECB express concern with EUR strength. I do think that it will fall 15 cents over the next year and a half, but it is not my favorite trade. I don't feel as strongly abt the EUR as I did the AUD and the JPY this year.

As I write this, The headline has come out that the Bank of England has said that further GBP appreciation "may threaten recovery." Just wanted to pass that along. I think that GBP will trade most of next year in low 1.50s, but this is not my favorite trade either.

2014

In general I look for opportunities in complacency, in opinions which are strongly assumed by the market and not questioned. Upset complacency often leads to a longer market move.

I think that there is complacency in the oil markets. I think that the opportunity is to benefit from falling oil prices by shorting the Russian rouble. When I read Russian growth forecasts based on management of the government's budget and not on the price of oil and natural gas I worry that there is not enough concern for the impact that lower oil prices would have on the Russian economy, considering it is most of the export economy which is approx 30% of Russian gdp. Assuming that information made public by

Russian govt is true.

I think that oil prices will fall even if the FED does not taper. I think that the best time to sell oil is when taper expectations are disappointed. Maybe even this afternoon. WTI currently around 97.22 waiting for FED.

I think that the CAD will likely sell off from 1.06 to 1.13-15 due to lower oil prices. The caveat here being a scenario in which low US CPI would delay the taper and the combination of low interest rates and falling gas prices would make the US auto industry take off. Canadian exports to the US could increase significantly in this case, supporting the CAD.

Short BRL is also a good albeit expensive trade. Buying a low delta BRL put (2.80 or 3 strike) would be a cost effective way of being leveraged for now. I like selling puts on ETFs which are double short an underlying (I traded some GLL for you earlier this year). BZQ is an ETF which is ultrashort the Brazil MSCI index. ALtho this is local stock risk Vol is around 55% on these options (at or above 52 high for the 4-12 month vol). BZQ currently 83.65. May 2014 73 put pays \$6 and gives a nice breakeven while searching for a better time/strategy to short BRL.

Falling oil prices would benefit the Japanese economy and could smooth the economic bumps which may result from Fiscal 2015 increase in sales tax. JPY will likely sell off further; best time to buy usd jpy is 102 for a move to 108-110.

Wanted to get you this before 2 pm -- in case no taper results in opportunities to sell oil, BRL or RUR.