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Sent: Thursday, March 24, 2016 7:03 PM
To: Brad Wechsler
Cc: Jeffrey Epstein (jeevacation@gmail.com); Barrett Team
Subject: BRL Trade Idea

Brad

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The spread between Brazilian Government yields and Petrobras has blown out from 100bps in June '15 to around 500bps today for their USD bonds. Our view is that the government will backstop Petrobras and will not allow it to default on its debt (Govt net reserves = \$200bln ; Petrobras debt notional = \$105Bn). We think it makes sense to play for the spread to compress back to 300-400bps.

We can execute this through a long PETBRA position and buying protection on 5 yr BRL CDS to reduce risk. Details below.

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1. Spread Trade - CDS leg reduces risk in first option

Buy Petrobras bonds are yielding ~10%

Buy Brazil CDS costs 3.96%

The bet is that spreads tighten (see green chart below).

Source: Bloomberg 3/24/16

5yr Petrobras & 5yr Brazil CDS: </=p>

Buy

Buy CDS Protection

Bond:

PETBRA 5 ¾ 01/27/21

Contract:

Brazil 5yr CDS

Issuer:

PETROBRAS GLOBAL FINANCE

Underlying Issuer:

Federative Republic of Brazil

ISIN:

[REDACTED]

Maturity:

06/20/21

Ratings:

B3/B+/BB+

Coupon:

100 bps

Ranking:

Sr Unsecured

Spread:

396 bps

Price:

\$83.00

Upfront Pmt (per \$10mm):

- 1,329,935 USD

YTW:

9.88%

Initial DV01 (per \$10mm):

4,051 USD

Z-spread:

861 bps

Duration:

3.37

Source: Bloomberg 3/2=/16

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<=pan style="font-size:8.0pt;font-family:"Verdana","sans-ser=f";color:#1F497D;mso-fareast-language:EN-US">Paul Barrett | Managing Direct=r | Global Investment Opportunities Group | J.P. Morgan Securities LLC | J.P. Morgan Private Bank |=J.P. Morgan Chase Bank N.A.



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