

MANAGER PANEL DISCUSSION

Managers' views on volatility, risks, returns and what lies ahead

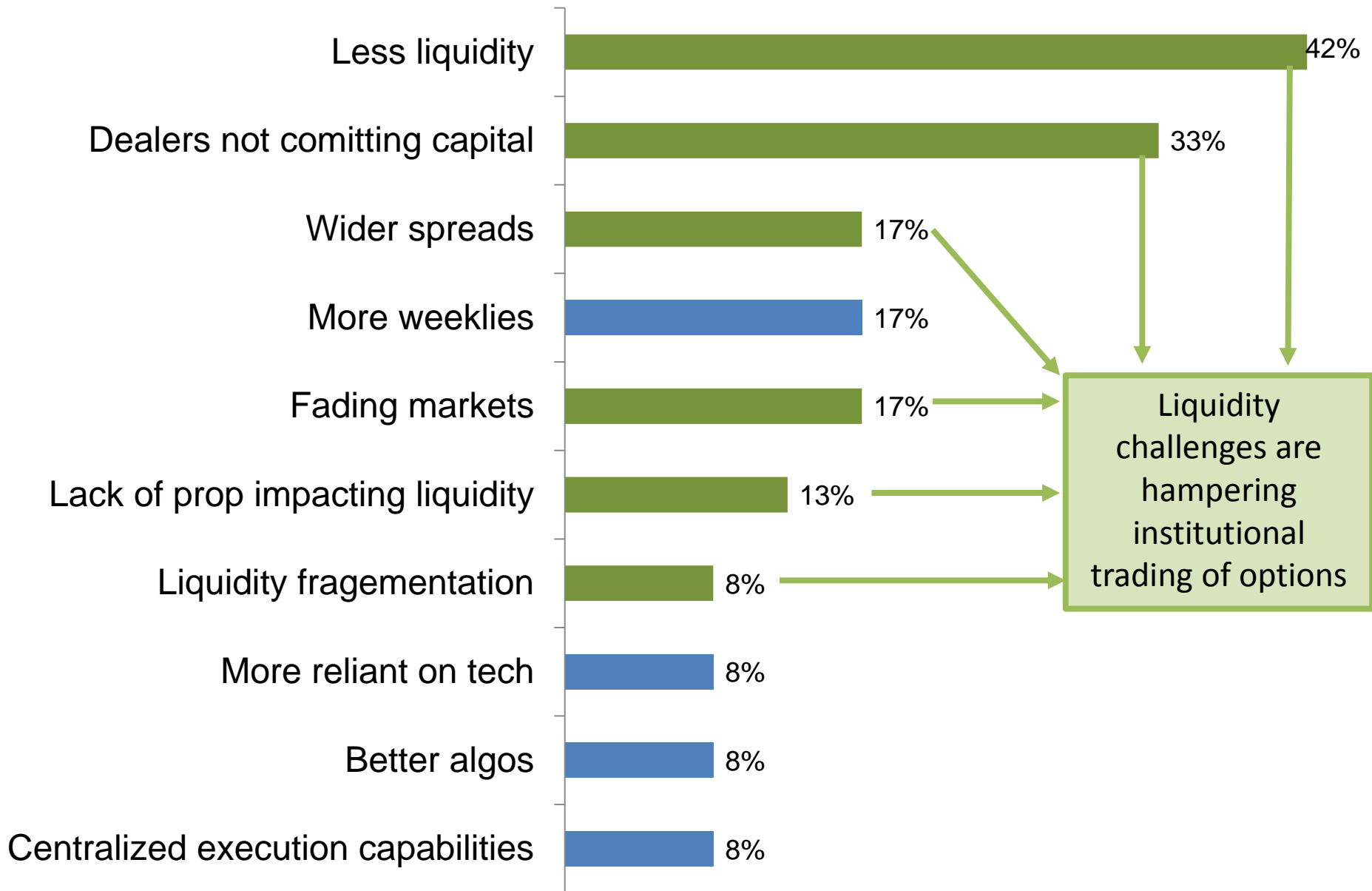
Will Bartlett, Parallax Volatility Advisers

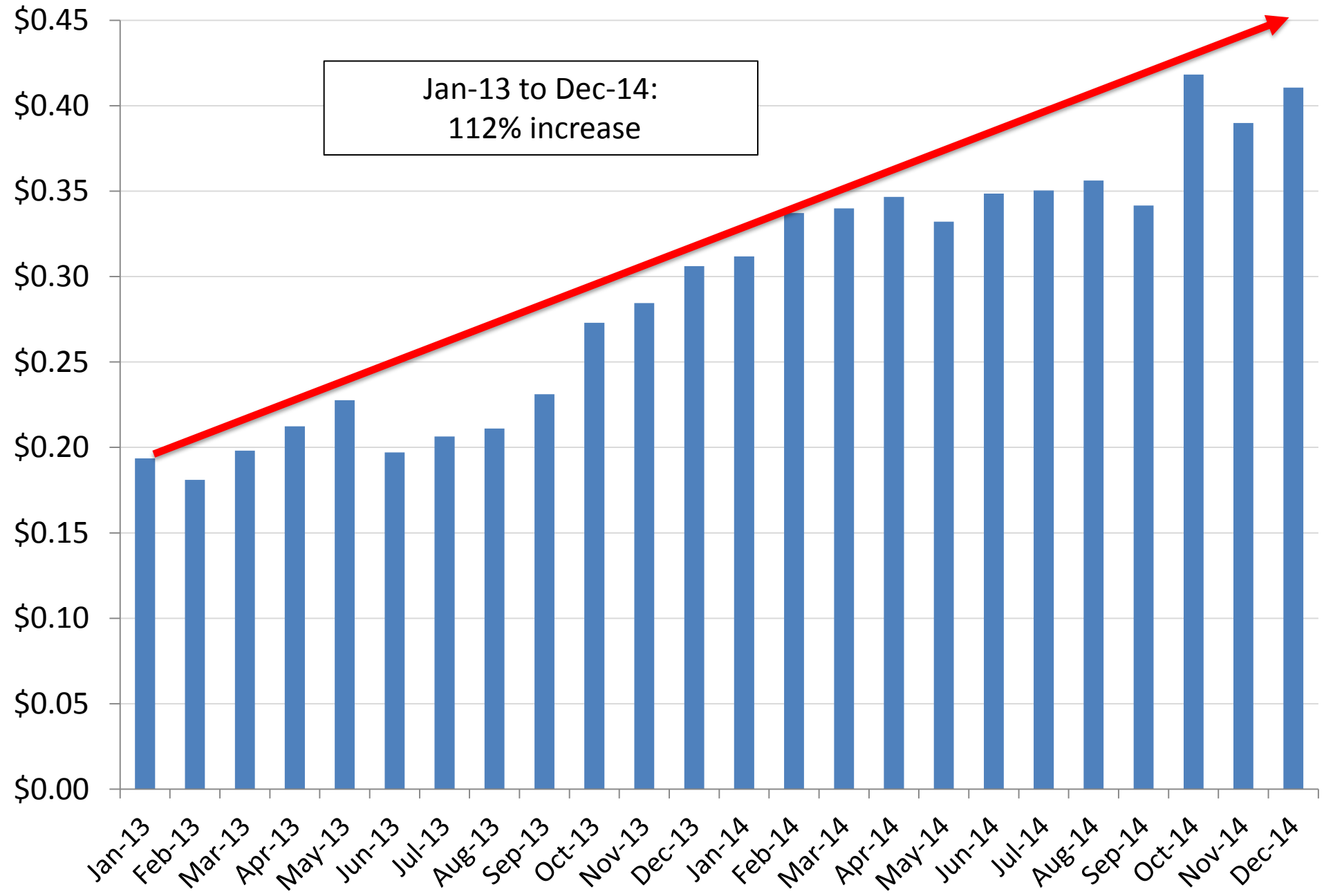
Jerry Haworth, 36 South Capital Advisers

Benjamin Clerget, BTG Pactual

Moderator: Chris Watling, Longview Economics

What has changed the most in options trading over the past year?



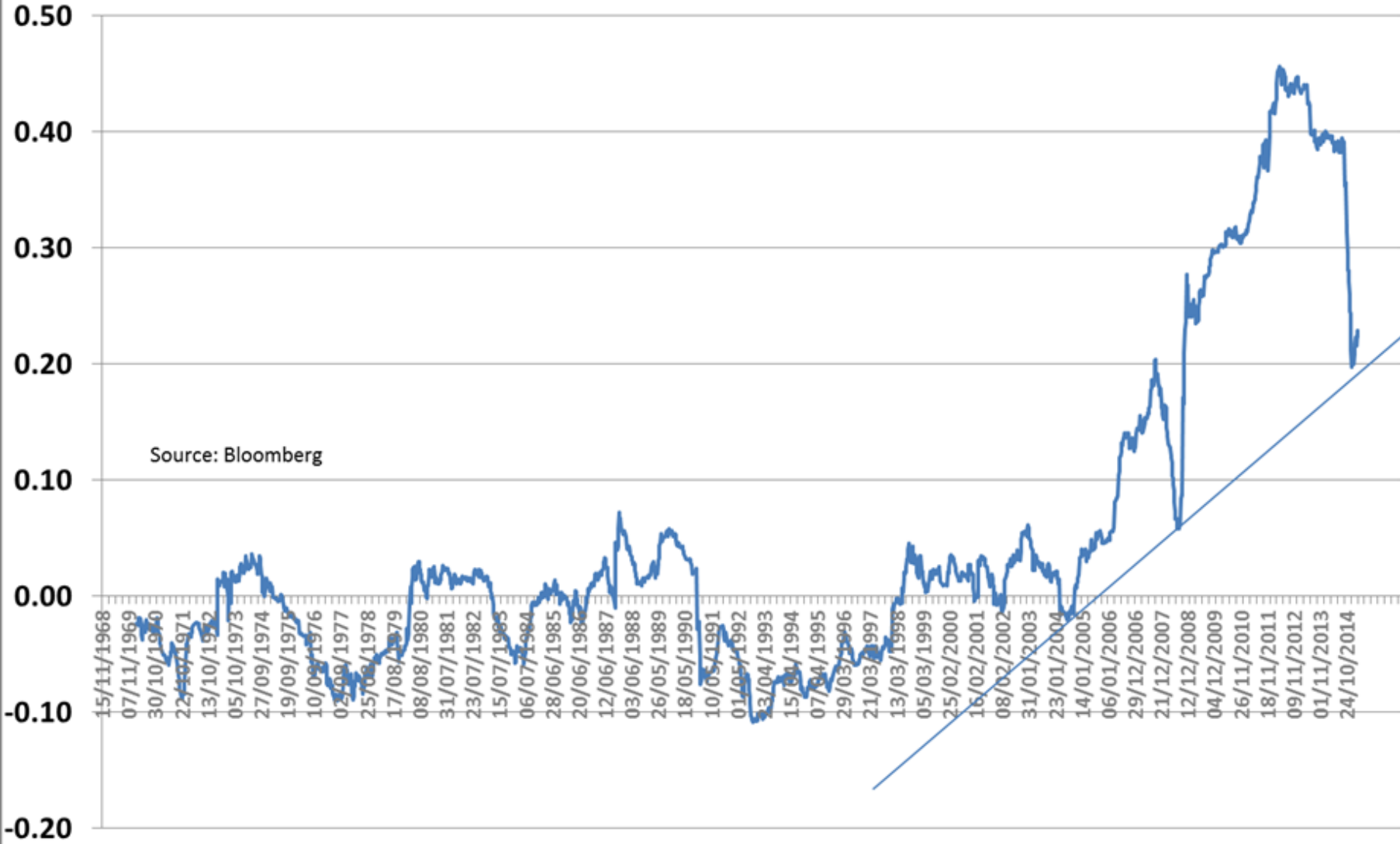


Source: Hanweck Associates, TABB Group

Pan Asset Class Rolling Three Year Weekly Correlation

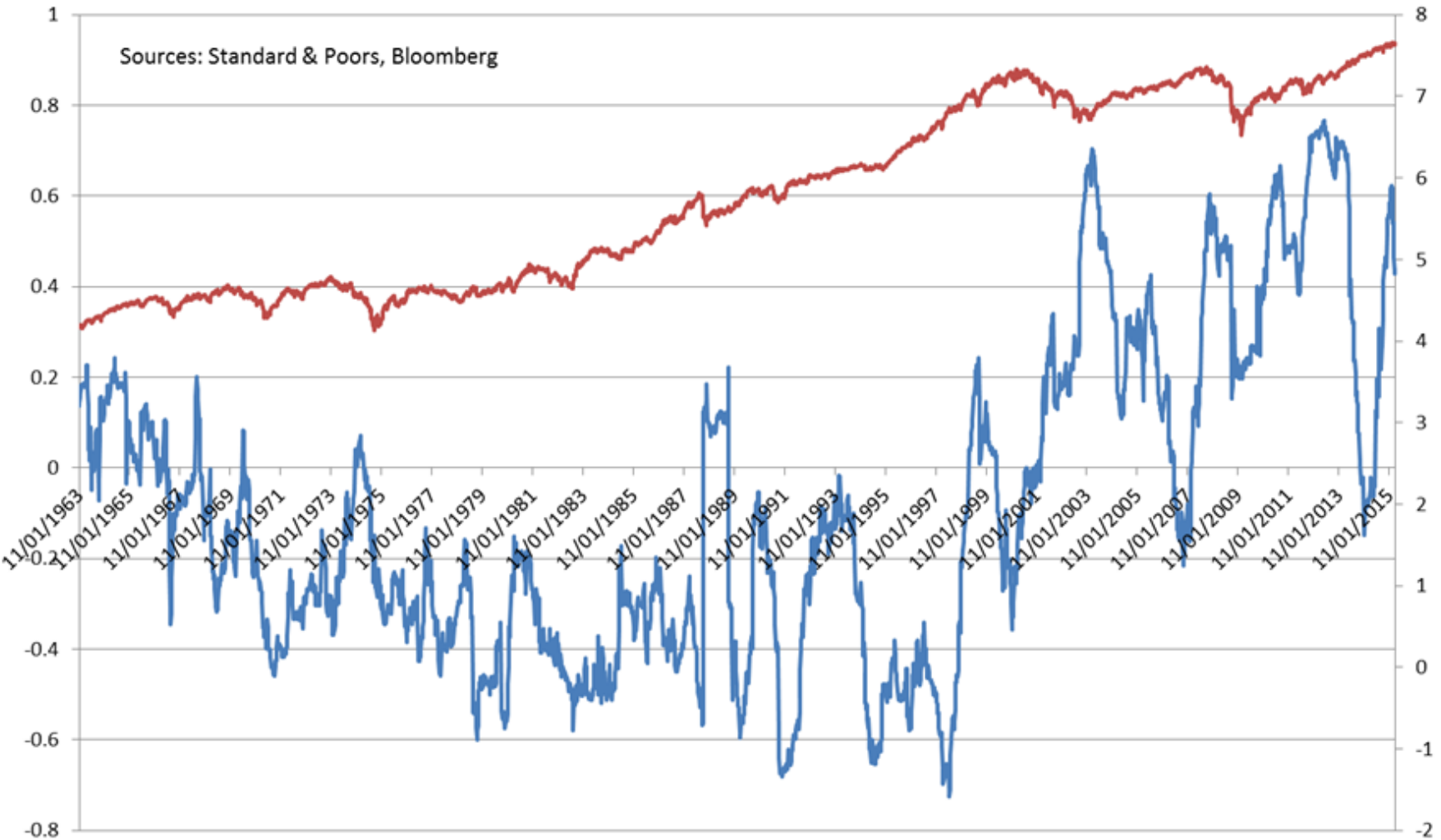
Proxies are: S&P500, USGG10, DXY, CCI

Source: Bloomberg



US 10 Year Treasury, S&P 500 Rolling 52 Week Correlation

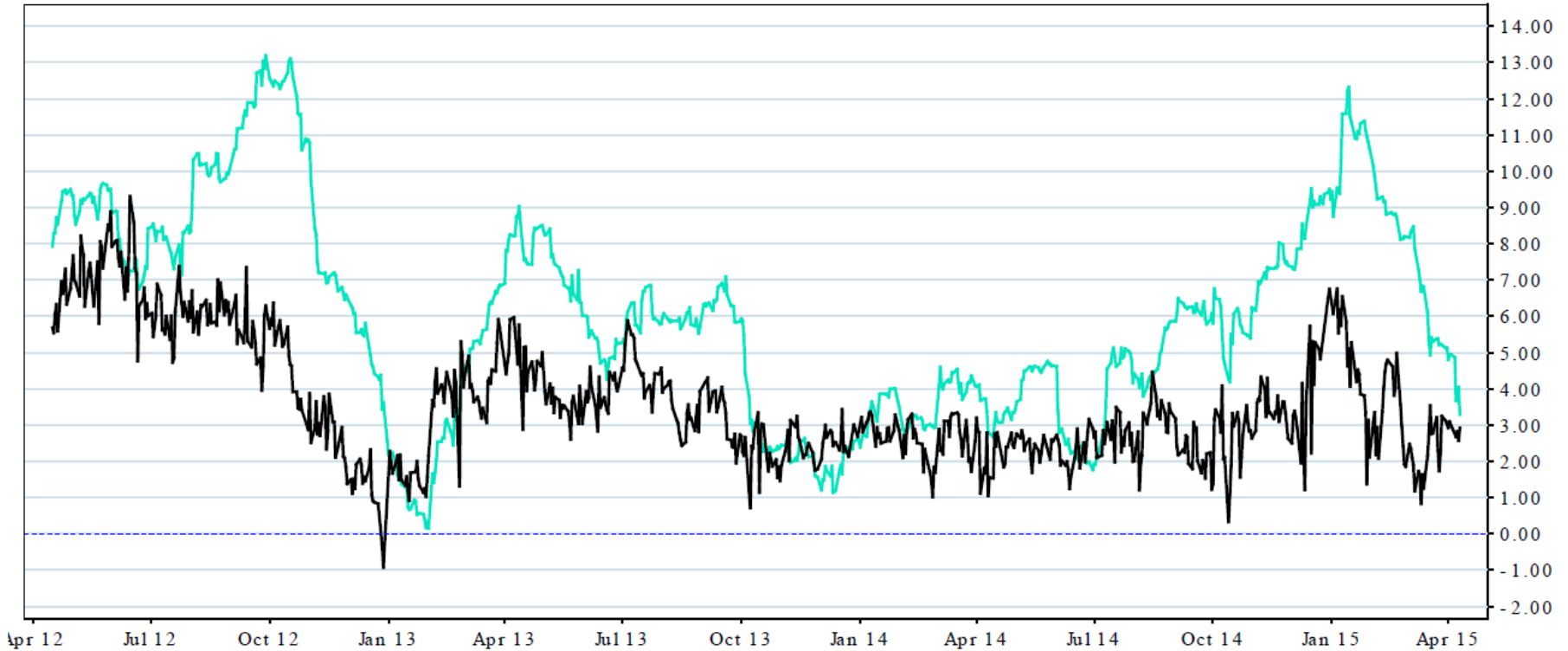
Sources: Standard & Poors, Bloomberg



— Rolling 52 Week Correlation

— S&P500

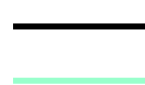
SX5E-SPX Volatility Spread



Series Quantiles & Percentile Ranking							
Cur.	%ile						
Val.	Rank	5%	25%	50%	75%	95%	
S5	2.92	41.85	1.47	2.41	3.21	4.51	6.77
S6	3.29	20.80	1.90	3.84	5.90	8.14	11.36

Source: Deutsche Bank estimates and calculations

Legend:



SX5E-SPX 3 months 95% implied volatility spread

SX5E-SPX 3 months realized volatility spread

Carry Profit from SX5E-SPX Volatility Spread



Series Quantiles & Percentile Ranking							
Cur.	%-ile						
Val.	Rank	5%	25%	50%	75%	95%	
S1	0.37	16.71	-0.86	0.86	2.26	3.77	6.81

Legend

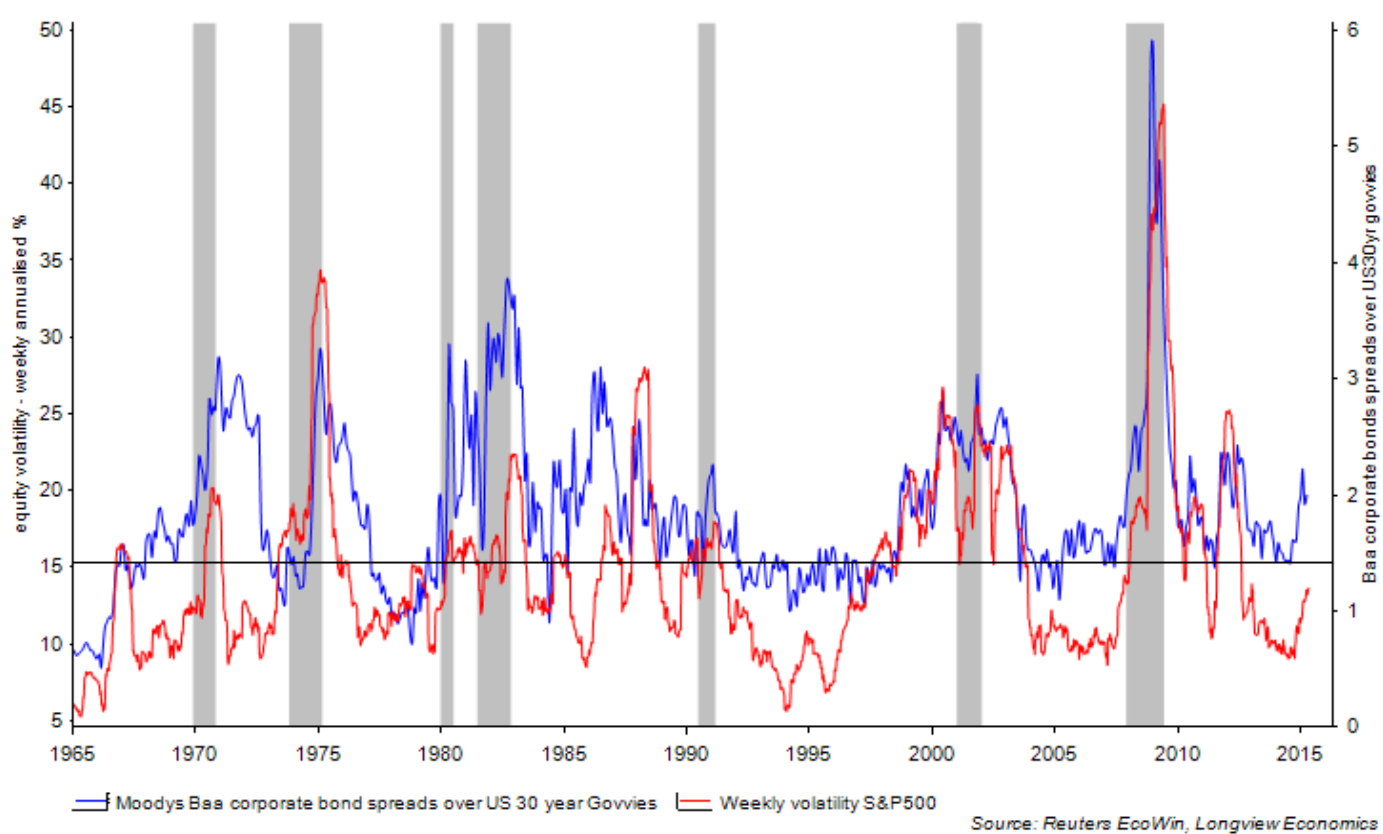
— S1: $((\text{.STOXX50E 3M-Maturity Realized Volatility}) - (\text{.SPX 3M-Maturity Realized Volatility})) - ((\text{.STOXX50E 3M-Maturity 95%-Strike Implied Volatility}) - (\text{.SPX 3M-Maturity 95%-Strike Implied Volatility}))$ (RHS)

Source: Deutsche Bank estimates and calculations

What drives it?

The stage in cycle

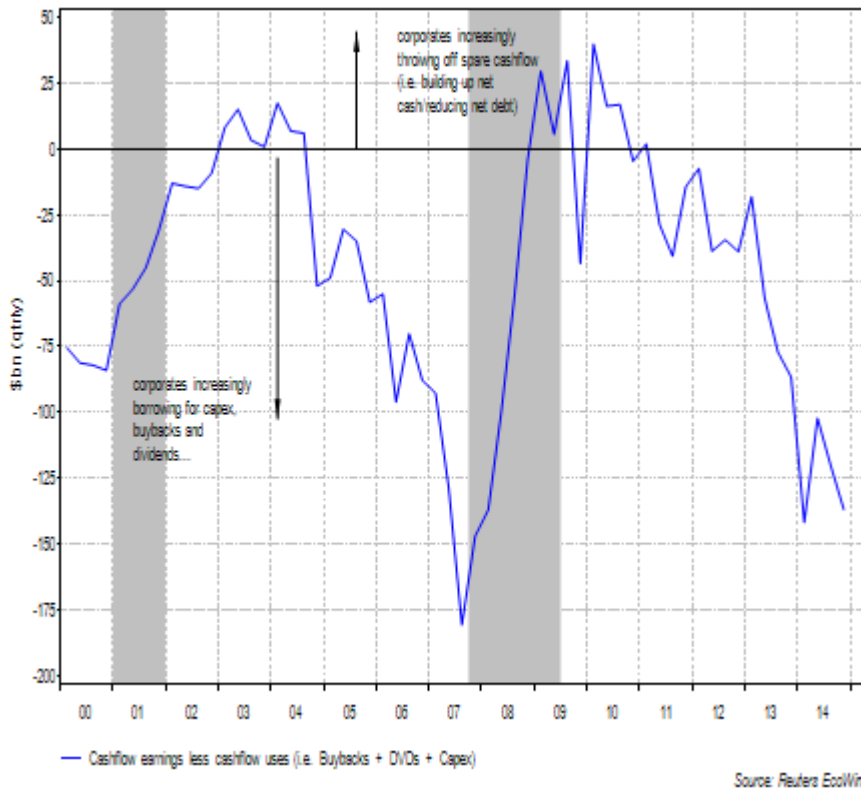
Moody's Baa Corporate bond spreads (i.e. credit risk premium) vs S&P500 realised volatility



Corporate Sector – not as strong as people suppose

Corporate Sector: Increasingly cash flow poor

US corporate sector (non financial): Cashflow
Earnings less Cashflow Uses



US corporate financing gap (as % of GDP)

