

# FX OPTIONS MARKET UPDATE

- CAD 2w higher as it now includes next BoC.

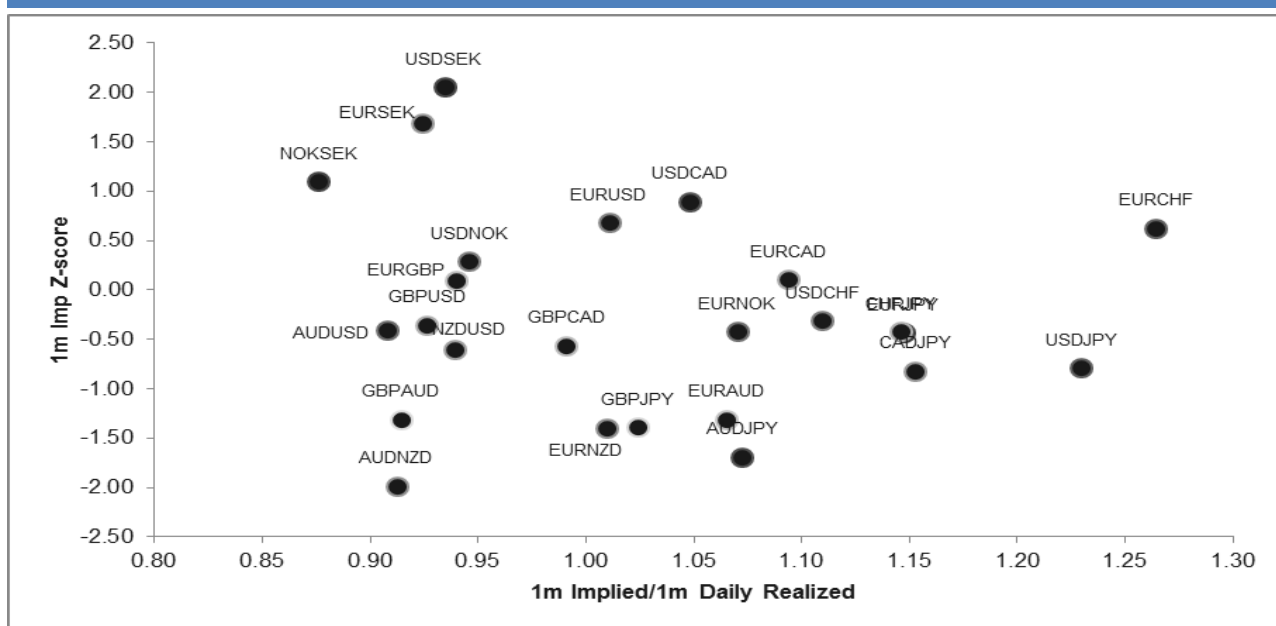
	EURUSD		USDJPY		AUDUSD		GBPUSD		EURGBP		EURJPY		NZDUSD	
	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng
1 mth	7.41	1.13	6.96	0.65	7.75	0.45	7.70	0.53	6.51	0.61	7.38	0.82	7.99	0.46
3 mth	7.11	0.39	7.34	0.24	7.88	0.09	7.75	0.17	6.64	0.23	7.72	0.34	8.32	0.13

	EURSEK		EURNOK		EURCHF		USDCAD		AUDJPY		USDNOK		USDSEK	
	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng
1 mth	7.11	0.27	6.47	0.16	5.28	0.71	7.79	0.85	8.17	-0.11	8.91	0.79	9.82	1.04
3 mth	7.13	0.06	6.67	0.18	5.21	0.28	7.23	0.30	8.82	-0.26	8.96	0.43	9.54	0.43

	USDCNH		USDTRY		USDRUB		USDMXN		USDZAR		XAUUSD		XAGUSD	
	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng
1 mth	4.56	0.12	21.10	3.63	13.92	0.88	13.70	0.96	14.39	1.38	9.50	0.42	16.76	-0.01
3 mth	4.67	-0.01	18.43	2.05	13.78	0.57	14.14	0.60	14.46	1.09	9.88	-0.22	17.54	-0.20



Vols been trading better bid over the last days as US 10y yields has been breaking up above 3.0 and the EUR been under pressure as the Italian government was said to seek a 250bn write down on debts from EU. This is said to been dropped now in the morning and EUR trades a touch stronger.

The graph above shows 1 month Implied Z-score over the last 3 months vs current 1 month risk premium ratio.

SEK vols are trading at the highs after the rally seen two weeks ago and implied trades below fair value. Spot has been consolidating over the last week but vol is still trading firm. Market has been buying lots of downside over the last

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weeks but we expect vols to start drift lower as supplies come back to the market.

EURCHF vols have been trading firm after last days rally in CHF. There has been strong demand for downside EURCHF which has made both ATM and risk reversals trade better bid. EURCHF vols currently traded just above the 3 months average but it is the most expensive vol looking at the risk premium ratio.

USDJPY also trades above realized after a 0.65 rally in vol on the break of 110 and general vol buying. We expect vols to gradually trade lower from here as spot grinds higher.

EURUSD downside in demand but there is still good supply of ATM. Spot vol correlation trades high with new buyers coming in every time we get close to new lows. 1 month is down to 7.4 with spot above 1.18 compared to 8.0 highs yesterday when spot traded on the lows.

AUDNZD vols trades at historical low levels despite the last week's rally. If you have any strong conviction on spot from here, long option strategies looks to be the way to play it.

USDTRY made another new high yesterday before headlines came out that CBT would meet with Erdogan. TRY rallied 2% on the news as market hope this would mean an emergency

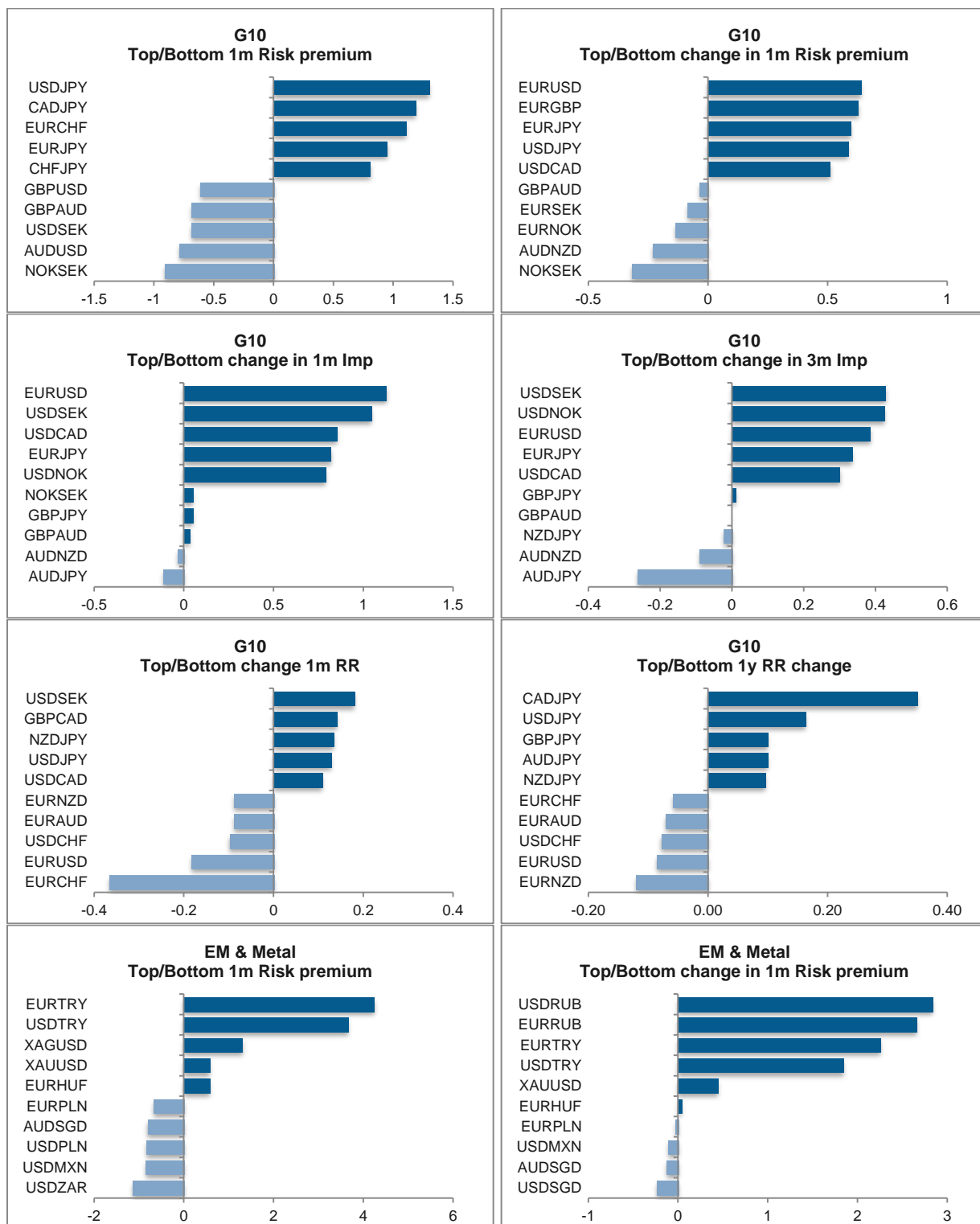
hike is near. Spot has given back most of the gains today after sources say the meeting would be about trade and not rates. Vol trades higher for every day and opens another spread higher today even if spot trades over 1% below the highs.

EURHUF vols have been trading higher over the last days as spot broke up above 316 for the first time in 2 years. 1 month EURHUF up 1% to 5.0 on the break and up from 3.25 a month ago. Supply starts to come back as spot couldn't build any momentum and spot now back down below 316 again.

EURPLN vols higher as spot testing the 4.30 resistance. There has been good demand for topside strikes taking risk reversals to new highs, ATM is just marginally higher as it already been trading bid after the move seen a couple of weeks ago. 1 month risk reversal paid at 1.30 yesterday, up from 0.8 at the start of the week.

XAUUSD has broken down below 1300 for the first time this year. Vols traded better bid on the break, as spot dropped 1.5%, but vols have now given back the gains and trades close to YTD lows. We prefer to stay long XAU vols as spot trades in a bit of new territory and vols on the lows.

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- Risk premium: Implied minus realized volatility. A positive risk premium means implied volatility trades above realized volatility, i.e. the implied volatility can be seen as “rich”.
- Change: The difference between current price and where it closed 1w ago.