

FX OPTIONS MARKET UPDATE

- O/N vol trades bid as market expects tariff announcement from Trump soon.

	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	7.17	-0.25	6.69	-0.02	8.88	0.02	8.55	0.77	6.98	0.55	8.59	-0.24	8.93	0.15
3 mth	7.49	-0.08	7.36	0.00	9.15	0.14	9.15	0.52	7.61	0.48	9.06	0.03	9.27	0.20
	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	7.29	-0.40	6.47	0.20	6.14	-0.13	7.35	0.11	10.06	0.09	9.21	-0.18	10.06	-0.41
3 mth	7.16	-0.28	6.69	0.12	6.13	-0.08	7.46	0.22	10.62	0.22	9.55	0.03	10.21	-0.15
	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	6.75	0.14	40.78	-1.40	15.92	0.32	14.86	0.94	24.71	3.75	9.44	-0.13	16.66	0.18
3 mth	6.77	0.31	36.02	0.00	15.91	0.40	14.53	0.63	23.14	2.65	9.80	-0.14	17.30	0.28



South Africa entered technical recession after the economy contracted -0.7% in second quarter. This has increased the concern for a potential rating downgrade. ZAR has depreciated 4% this week and have made new YTD lows.

There are a lot of event risk in the coming month with SARB on 20 Sep and the deadline for the Section 25, the land reform, on 27 Sep.

Vols have traded a lot higher over the last days with 1 month up 4.5% from last week and risk

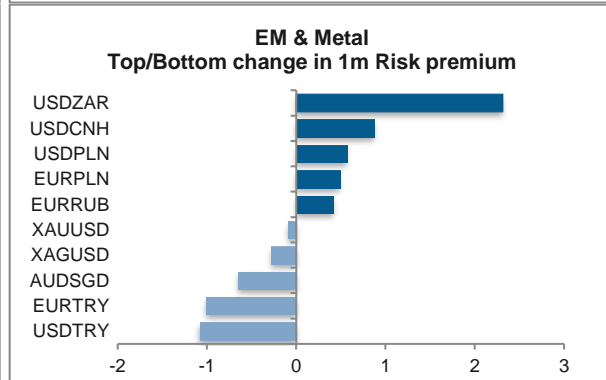
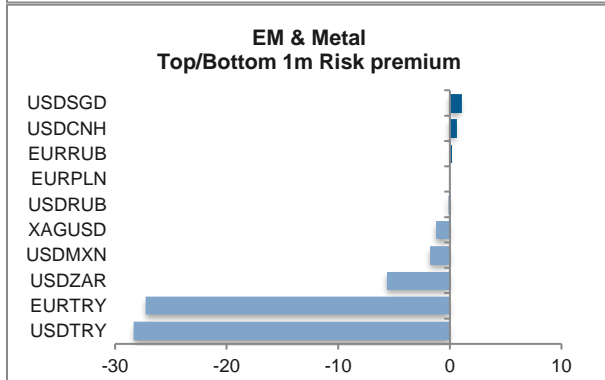
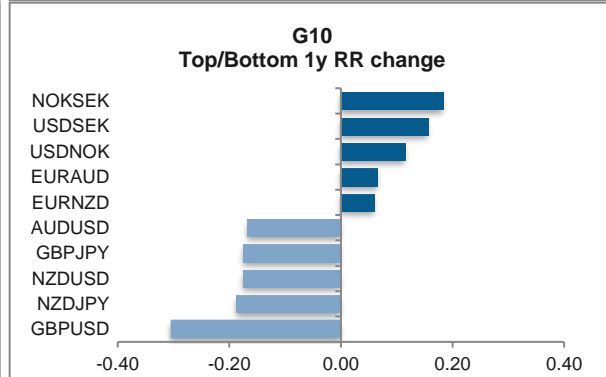
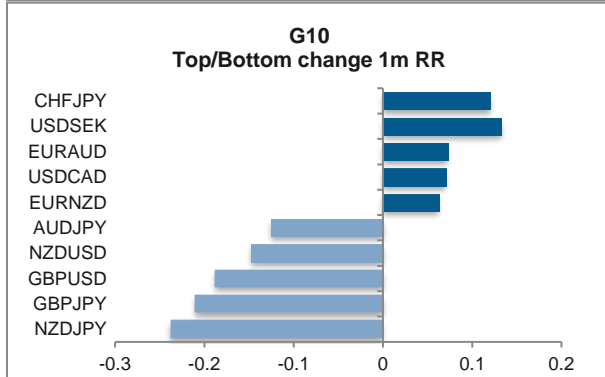
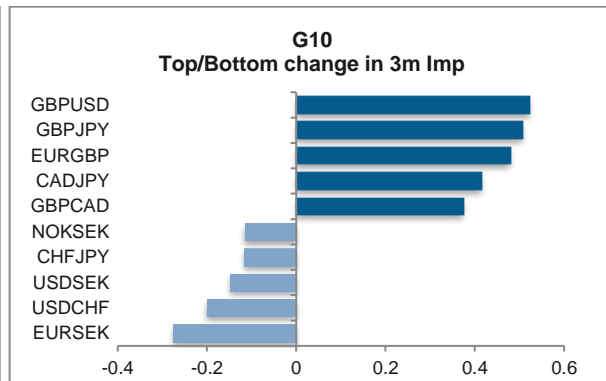
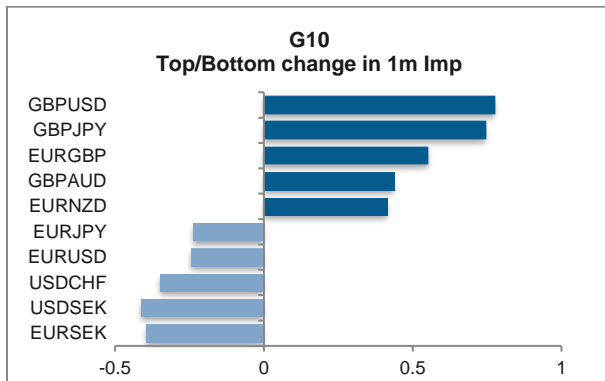
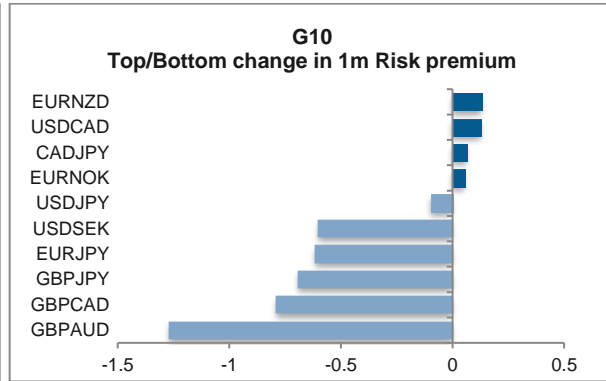
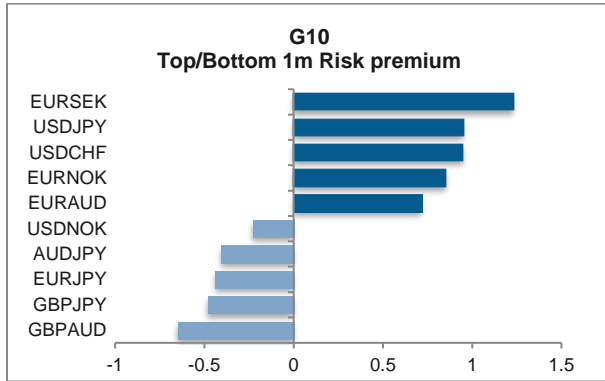
reversals trades better bid with spot on the highs. 1 month risk reversal up to 5.8 vs 4.5 last week.

If you think USDZAR will continue higher than a call spread will offer a very good discount to just buying a vanilla call due to the high risk reversal.

Buy 1 month 15.7500 USDZAR call
Sell 1 month 16.5000 USDZAR call
Cost 2250 pips (15.75 cost 3870 on its own)

Spot ref. 15.4000

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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.