

Buy Short Dated Channeling Ranges

3 Month USDJPY Channeling Range Option

Trade Idea – February 2012



For clients with the view that USDJPY may grind higher over the short term, a “channeling range” provides a discount to static ranges by allowing the client to predict the channel USDJPY spot may follow on its steady move higher.

USDJPY short-dated risk-reversals are bid for high strikes. Given that this channeling range sells high side volatility, it provides an additional discount to the standard range trade.

Channeling Range Option

Tenor: 3 Month
Initial Range: **78.00-82.50**
Daily Shift 4 pips (10am NY cut)
Each day, the range will shift up by 4 pips. For example, on day 2, the new range will be 78.04-82.54.

Offer Price: 10.25% of USD Payout
Spot Reference: USDJPY: 80.25

Static Range: 3m USDJPY 78.00-82.50 range is 14% of USD payout

Positioning

Spot: Moderately Bullish USDJPY spot

Volatility: Short USDJPY volatility
 Short USDJPY risk-reversal

Profitability Analysis

Risk is limited to premium paid. If USDJPY spot never breaches the barriers for the duration of the trade, the option pays out 100% of notional.

If at anytime, a barrier is breached, the option expires worthless.

Trade Rationale

- Given the view that USDJPY may grind higher over the short term, this trade takes advantage of the channelling nature commonly exhibited by currency pairs beginning a trend. –*Exhibit 1*
- USDJPY 3m risk-reversals are currently bid for high strikes. This product sells that risk-reversal, which provides a significant discount (unlike the static symmetric range, which has no initial exposure to the risks).

Exhibit 1- USDJPY Spot History



This material has been prepared by individual sales and/or trading personnel of Credit Suisse or its subsidiaries or affiliates (collectively "Credit Suisse") and not by Credit Suisse's research department. It is not investment research or a research recommendation for the purposes of FSA rules as it does not constitute substantive research. All Credit Suisse research recommendations can be accessed through the following hyperlink: <https://s.research-and-analytics.csfb.com/login.asp> subject to the use of approved login arrangements. This material is provided for information purposes, is intended for your use only and does not constitute an invitation or offer to subscribe for or purchase any of the products or services mentioned. Any pricing information provided is indicative only and does not represent a level at which an actual trade could be executed. The information provided is not intended to provide a sufficient basis on which make an investment decision. Credit Suisse may trade as principal or have proprietary positions in securities or other financial instruments that are the subject of this material. It is intended only to provide observations and views of the said individual sales and/or trading personnel, which may be different from, or inconsistent with, the observations and views of Credit Suisse analysts or other Credit Suisse sales and/or trading personnel, or the proprietary positions of Credit Suisse. Observations and views of the salesperson or trader may change at any time without notice. Information and opinions presented in this material have been obtained or derived from sources believed by Credit Suisse to be reliable, but Credit Suisse makes no representation as to their accuracy or completeness. Credit Suisse accepts no liability for loss arising from the use of this material. Nothing in this material constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances. Any discussions of past performance should not be taken as an indication of future results, and no representation, expressed or implied, is made regarding future results. Trade report information is preliminary and subject to our formal written confirmation.