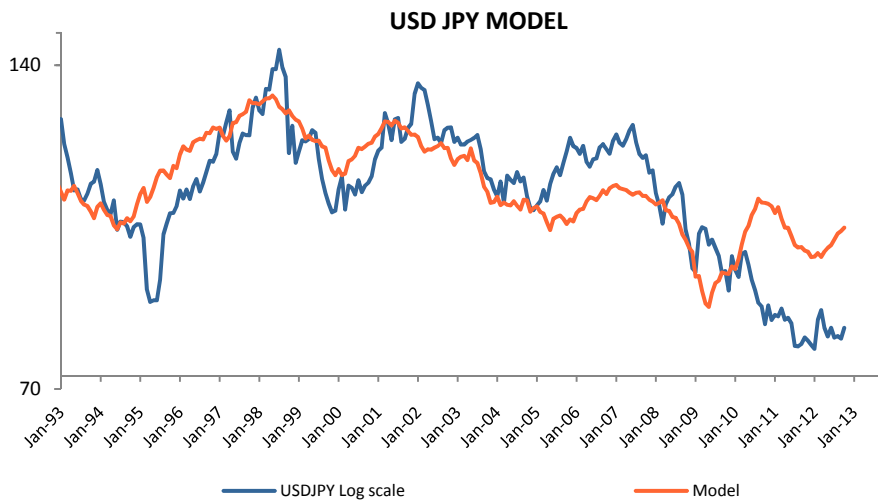


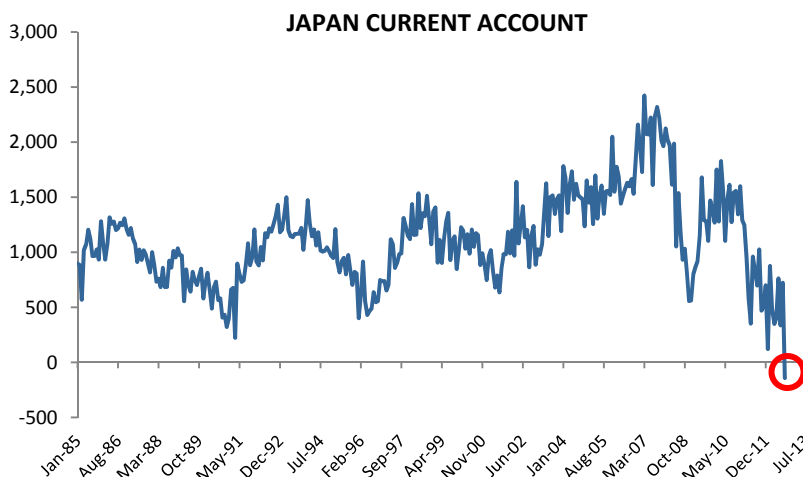
JPY Weakness and Japanese Equities

The yen is weakening; it is doing so even in the current risk off environment. Recent political declarations seem to be behind the move. We have been long USDJPY since May.

A model only looking at the Japanese current account (used with a lead) and interest rate differential has a fair value of around 96.



Japan's current account registered its first negative reading in over 30 years in September. The rolling 6 and 12mth sums have melted.



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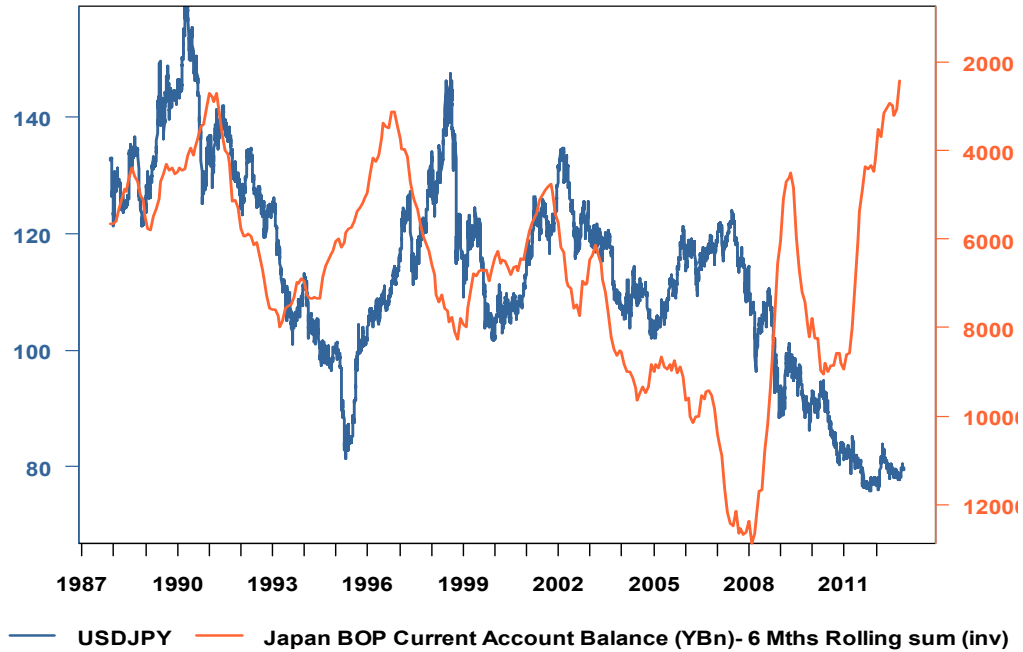
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75001 Paris

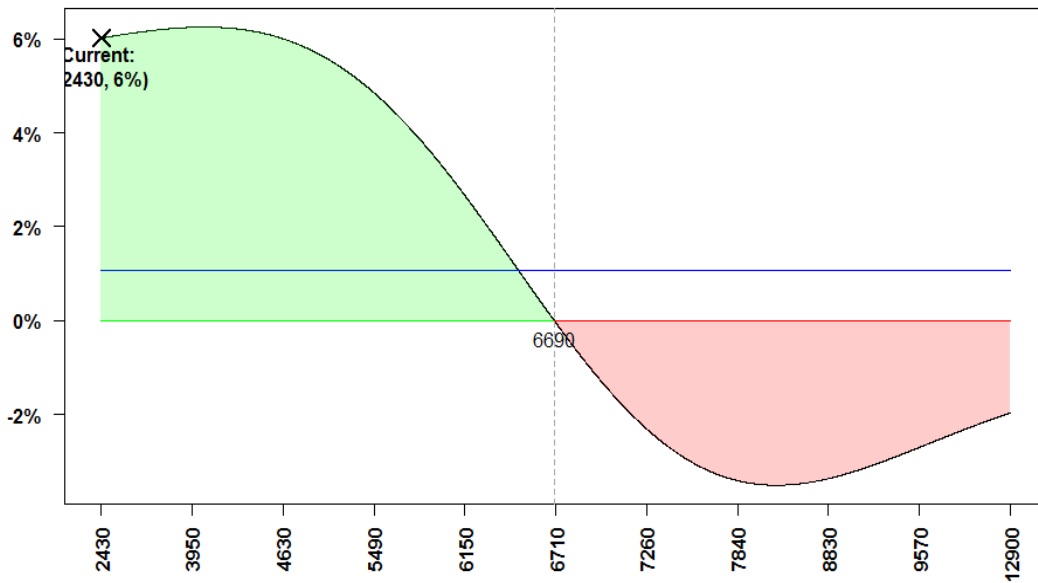
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USDJPY & Japan BOP Current Account Balance (Inverted)

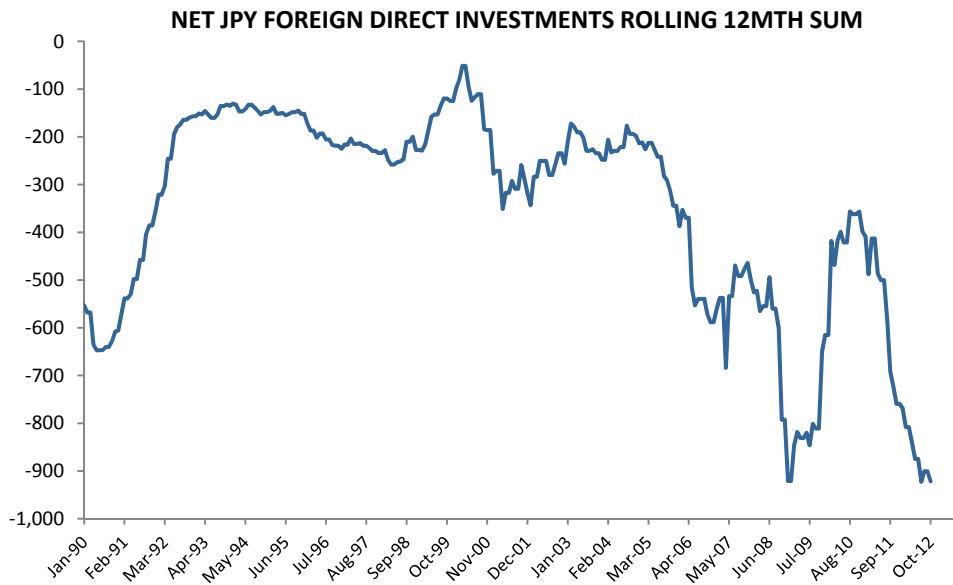


As evidenced by the following kernel regression, the Japanese current account balance impacts the USDJPY in accordance with economic intuition:

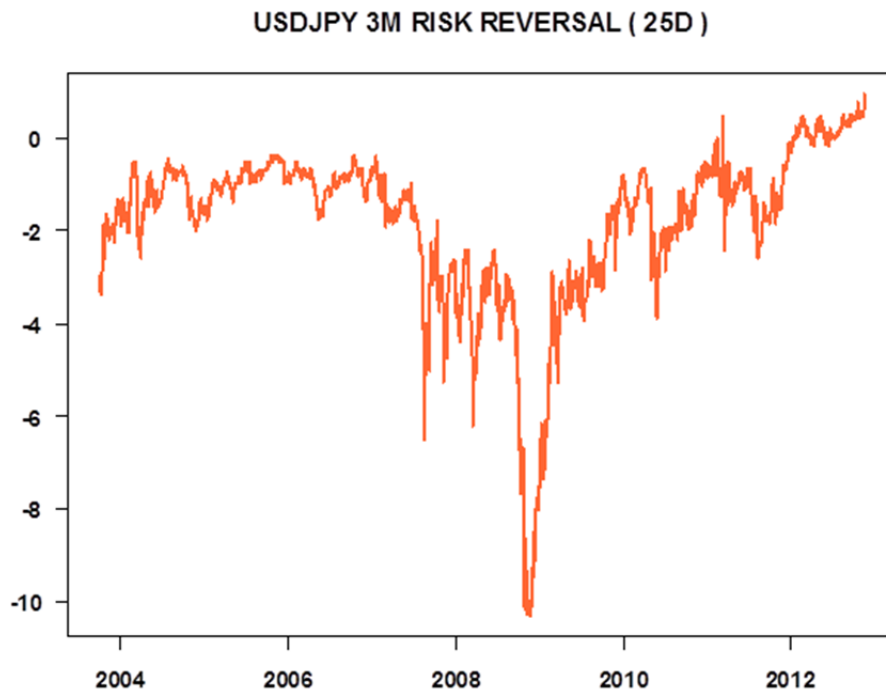
KERNEL REGRESSION ANALYSIS - FORWARD ANNUALIZED RETURNS OF USDJPY TOTAL RETURN VS. 6MTH ROLLING JAPANESE CURRENT ACCOUNT BALANCE



Additionally, net foreign investments are increasingly negative.



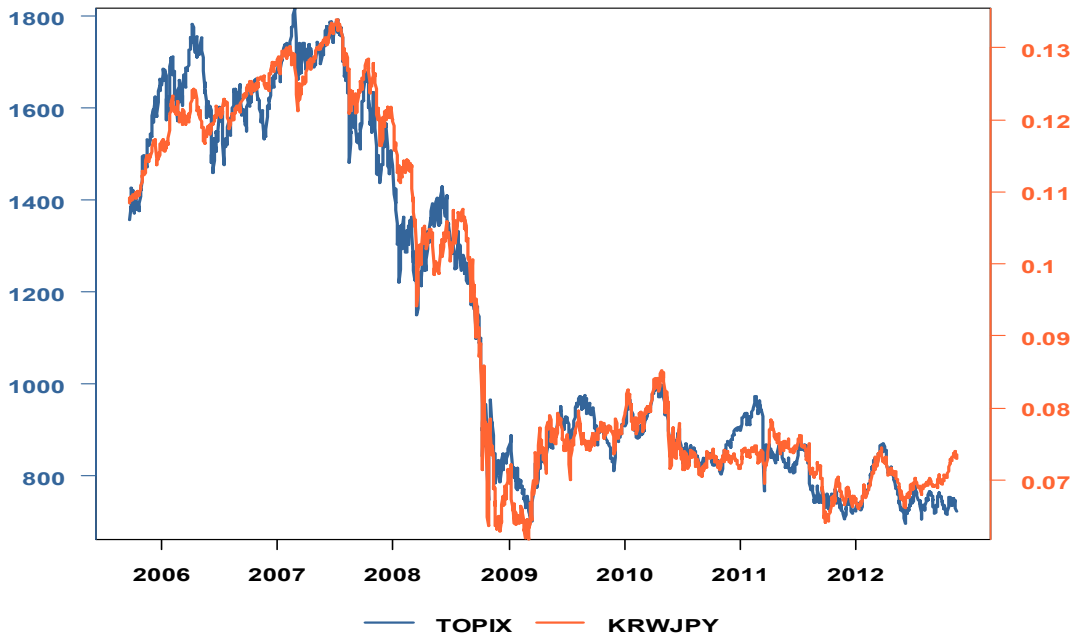
Investors are for the first time in the last 12 years expecting JPY weakness.



The Yen is of course a very important driver for Japanese equities' relative performance. JPY weakness, if sustained, would be a large tailwind for domestic equities, which could catch up with global stock markets.

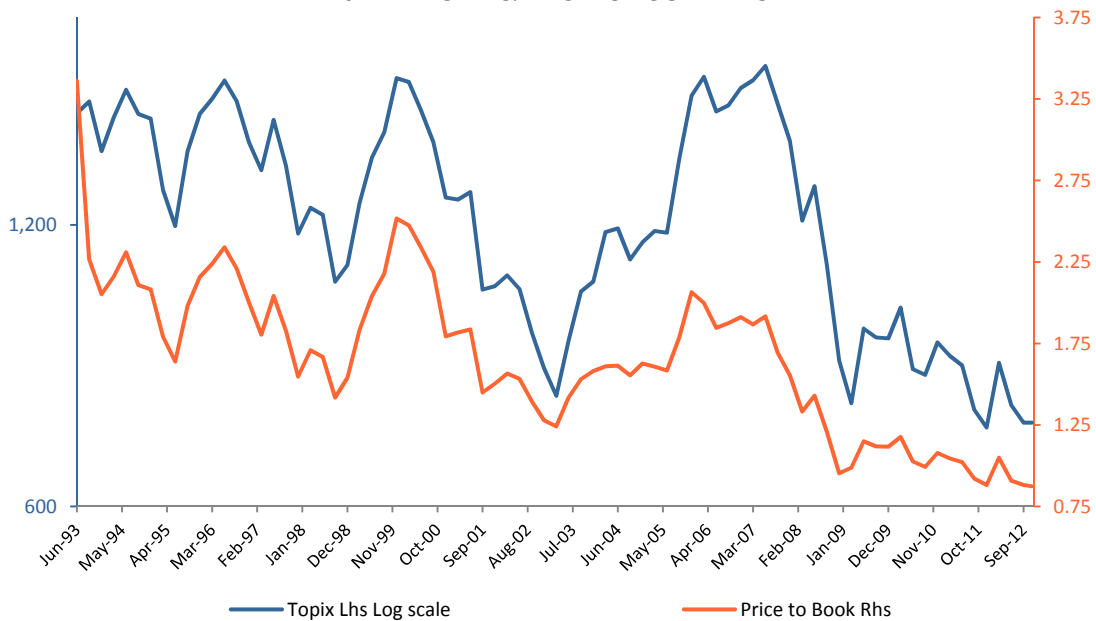
When looking at JPY crosses and the Topix, one can see how the recent divergence could close with equities moving higher if JPY weakness persists.

KRWJPY & TOPIX



Japanese equities' valuations (price to book) are amongst the lowest in the world.

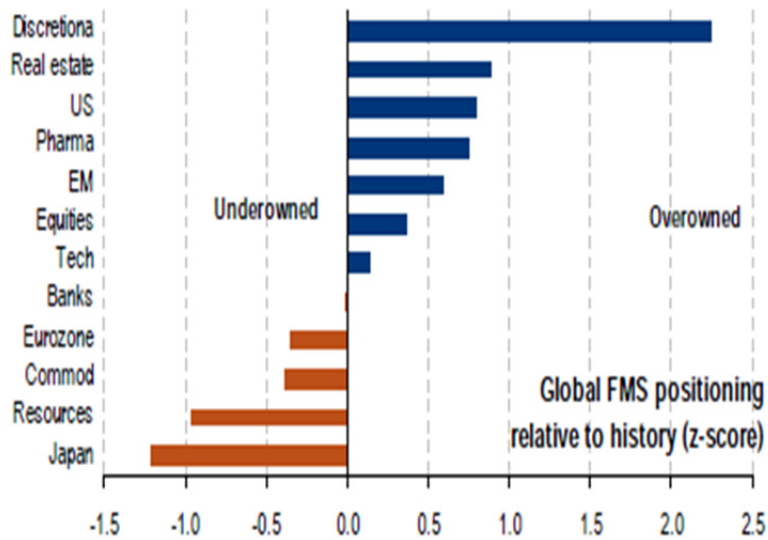
JAPAN TOPIX & PRICE TO BOOK RATIO



Additionally, being long Japanese equities is probably the most contrarian trade possible.

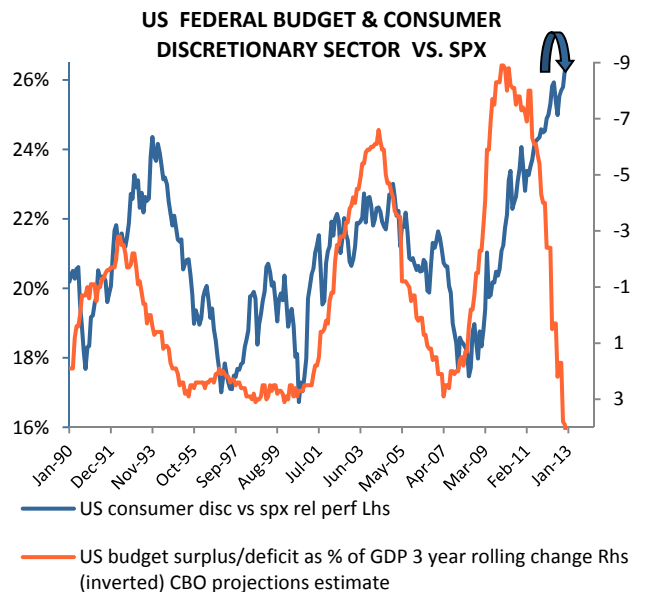
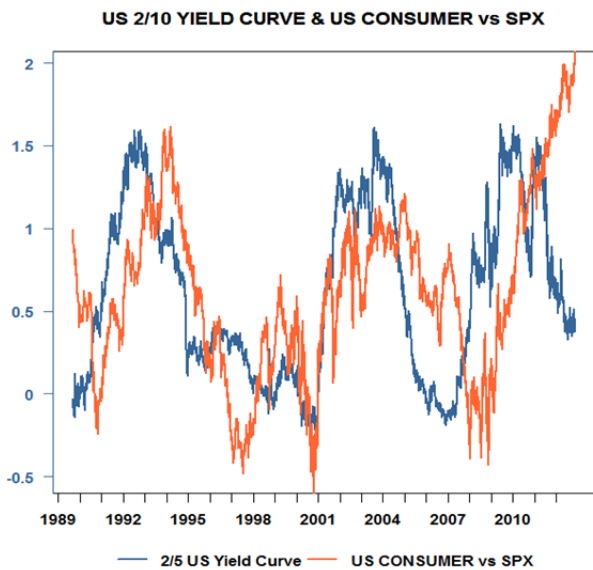
The just released Merrill Lynch BofA global fund manager survey has investors running their largest underweight relative to history on Japanese stocks. At the other end of the spectrum, sits consumer discretionary equities (the net overweight on the sector is the highest ever), of which we are short on a relative basis (vs.SPX).

Global Asset, sector and region positioning relative to history



Source: Merrill Lynch FMS Survey

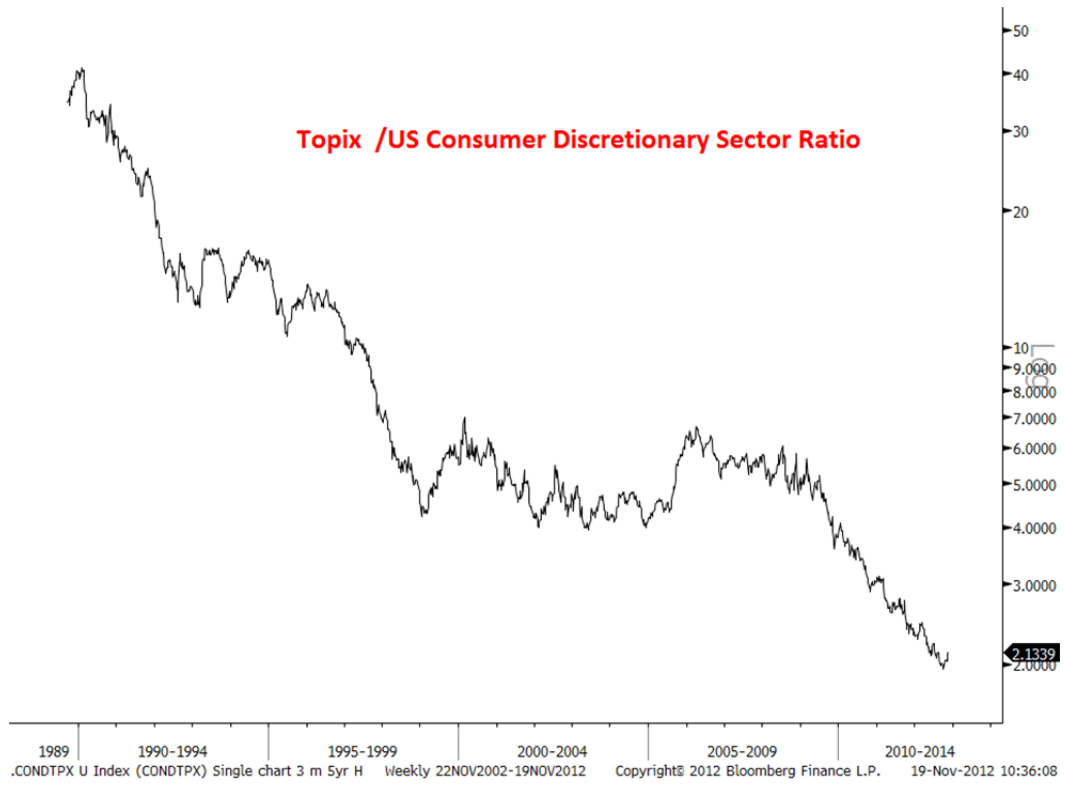
US Consumer discretionary stocks still look extremely mispriced regarding the yield curve (growth expectations) and the coming fiscal tightening.



It thus makes sense to us to switch part of the long SPX exposure (Short XLY vs. Long SPX strategy) into Japanese equities.

Trade recommendation

Sell half our SPX exposure : Sell 135 ESZ2 (9.2 \$mln)
Buy 9.2 \$mln Nikkei at current 9150 (200 NXZ2)



RCUBE MACRO PORTFOLIO (1)
Rcube Macro Portfolio

Start 31/12/2011

open trade (16)

P&L Reporting

Start NAV 173.37 \$mln

closed trade (28)

11/19/2012

ASSET / STRATEGY	Date opened	Date closed	P&L \$	Var 95% 5 days (\$)	Publication
G10 Equities					
Short XRT vs. Long SPY- (Sept 12 XRT56 Puts)	09-Sep-11	22-Sep-12	-1,076,190		RMP- 09 09 11
Short XLY vs. Long SPY	23-Sep-11	open	-2,567,164	239,658	RMP - 23 09 11
Short Personal & HHGoods (DWM2) vs Eurostoxx (VGM2) (€ 5Mln)	04-Oct-11	open	-705,815	187,348	RMP - 04 10 11
Short Russell 2000 Futures (RTAM2 - \$ 10Mln)	05-Oct-11	10-May-12	-723,520		RMP - 05 10 11
Short Europe vs. Long Canada (VGH2 vs PTH2 - \$ 10Mln)	11-Oct-11	06-Jan-12	282,265		RMP - 11 10 11
Long Nasdaq (250 NQH2)	19-Jan-12	01-Feb-12	260,000		RMP - 19 01 12
Short Stoxx Europe 600 (€20MM)	01-Feb-12	16-Apr-12	654,815		RMP - 01 02 12
KOSPI Downside - Long 1620 KOSPI2 June 12 250 Put	23-Mar-12	25-Apr-12	-119,606		RMP - 22 03 12
Long CAC Futures (330 x CFM2) @ 3033	06-Jun-12	05-Jul-12	1,075,269		RMP - 22 03 12
Long FTSE (600 x UKX 12/21/12 C6000)	05-Jul-12	open	-911,127	617,762	RMP - 05 07 12
Long SPY (\$ 5Mln)	23-Oct-12	open	-187,090	168,312	RMP - 23 10 12
EM					
Long EEM / Short SPY (\$15MM)	31-Jan-12	16-Mar-12	-180,432		RMP - 31 01 12
Long Australian Equities ASX200 / Short SPY (\$15MM)	16-Mar-12	07-Nov-12	724,753		RMP - 16 03 12
Long EEM (\$25MM) + 11.5K March 2013 EEM 45 Call	07-Sep-12	open	-1,607,582	1,373,626	RMP - 07 09 12
Long Russian Equities (\$5Mln) - RSX ETF	14-Nov-12	open	94,447	436,585	RMP - 14 11 12
TOTAL P&L EQUITIES			-4,986,978		
RATES					
Short Treasuries (200 TYH2)	01-Dec-11	01-Feb-12	-181,250		RMP - 01 12 11
Long 1000 TYG2 126 puts @ 23/64th	05-Dec-11	27-Jan-12	0		RMP - 05 12 11
Long 151 Swedish 10YR FUTR Mar12 (STH2)	05-Dec-11	01-Feb-12	330,000		RMP - 05 12 11
Short Bund (200 RXH2)	14-Feb-12	29-Feb-12	-561,631		RMP - 14 02 12
Short Treasuries (2950 TYU2 130 put @ 19/64)	18-Jun-12	24-Aug-12	-875,781		RMP - 18 06 12
Short Treasuries (2000 TYQ2 130.5/129.5 PutSpd @ 6/64)	20-Jun-12	27-Jul-12	-187,500		RMP - 20 06 12
OAT/Bund yield spread widener @ 61bp (€50k/bp)	07-Sep-12	open	-285,384	971,485	RMP - 07 09 12
TOTAL RATES			-1,761,546		
CREDIT					
Long US 2yr swap spreads	16-Mar-11	open	-887,500	151,747	RMP - 16 03 11
Long US 30yr swap spreads	16-Dec-11	open	280,000	504,025	RMP - 16 03 11
Sell ITRX EUR XOVER 12/16 (30MM Notional)	05-Jan-12	01-Feb-12	2,110,864		RMP - 05 01 12
Sell ITRX EUR XOVER 12/16 (30MM Notional)	07-Mar-12	21-Mar-12	841,807		RMP - 07 03 12
Long JP Morgan Emerging Market Bond index ETF, \$20MM Notional	26-Jan-12	24-Aug-12	2,116,100		RMP - 26 01 12
Sell ITRX EUR XOVER 12/17 (€ 30MM Notional)	18-Apr-12	05-Oct-12	6,067,530	867,785	RMP - 18 04 12
Long EM Local Currency Debt (\$ 15MM EMLC US Equity)	29-Jun-12	open	593,809	337,829	RMP - 29 06 12
Long US High Yield (1x2 Dec 12 HYG 93 Call vs 84 Put)	19-Jul-12	open	245,313	562,309	RMP - 19 07 12
TOTAL CREDIT			11,367,923		

RCUBE MACRO PORTFOLIO (2)

FOREX

Short EURCAD 17/02/12 1,41/1,45 EUR CallSpd vs. 1,3250 Put	17-Nov-11	10-Jan-12	444,575		RMP - 17 11 11
Short EURCAD : Buy 10/04/12 1,30/1,25 EUR PutSpd	10-Jan-12	05-Apr-12	-363,135		RMP - 10 01 12
Long EURCHF (50MM)	20-Jan-12	12-Jun-12	-37,421		RMP - 20 01 12
Short AUDUSD (25MM)	12-Mar-12	16-Apr-12	390,000		RMP - 12 03 12
Short AUDUSD : Buy 28/06/12 0.95 AUD Put (0.74% Premium, 50M	29-Mar-12	17-Apr-12	-210,349		RMP - 29 03 12
Short EURCAD : Sell 3Mth 1.30/35 CS Buy 6Mth 1.25 Put (25MM)	17-Apr-12	24-Jul-12	975,275		RMP - 17 04 12
Long USDJPY @ 79.84 \$25mln	01-May-12	open	448,954	514,875	RMP - 01 05 12
LONG EURBGN 2Y Forward (1.9847) (€ 50MM Notional)	21-May-12	open	55,632		RMP - 21 05 12
Hedge - Short AUDUSD - AUD 50M - 0.96 Put vs 1.05 Call 10/26	24-Jul-12	26-Oct-12	-15,573	654,919	RMP - 24 07 12
Hedge - Short AUDCAD - AUD 50M - 0.9550 Put 04/08/13	08-Oct-12	open	-435,472	94,962	RMP - 10 08 12

TOTAL FOREX

1,252,487

COMMODITIES

GDx (\$10MM)	09-Aug-12	open	466,216	870,243	RMP 09 - 08 12
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TOTAL COMMODITIES

466,216

VOLATILITY

Short Feb 12 Vix futures @ 33,10	28-Nov-11	31-Jan-12	1,285,000		RMP - 28 11 11
Short Vix : Long Jan 23/20 1*2 Put spread (x7500)	21-Dec-11	18-Jan-12	-300,000		RMP - 21 12 11
Short VIX (300 x UXF3) @ 25	06-Sep-12	open	1,530,000	819,873	RMP - 06 09 12

TOTAL VOLATILITY

2,515,000

CROSS ASSET STRATEGY

TOTAL CROSS ASSET STRATEGY

0

TOTAL P&L

8,853,102

As % of NAV Ytd

5.11%

As % of NAV (Since inception Annualised)

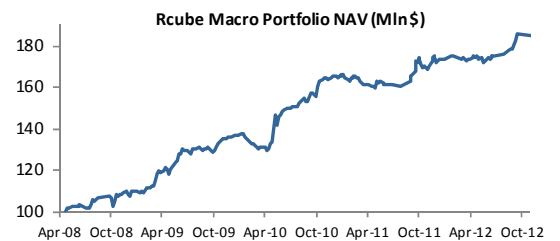
14.40%

NAV

182,225,658

Analysis (since inception)

Var 95% 5 days (\$)	4,067,873
Var 95% 5 d (% NAV)	2.23%
Sharpe	1.83
Monthly Volatility (annualized)	7.59%
Max draw down	4.48%
Hit Miss Ratio	64.00%



Research disclaimer

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