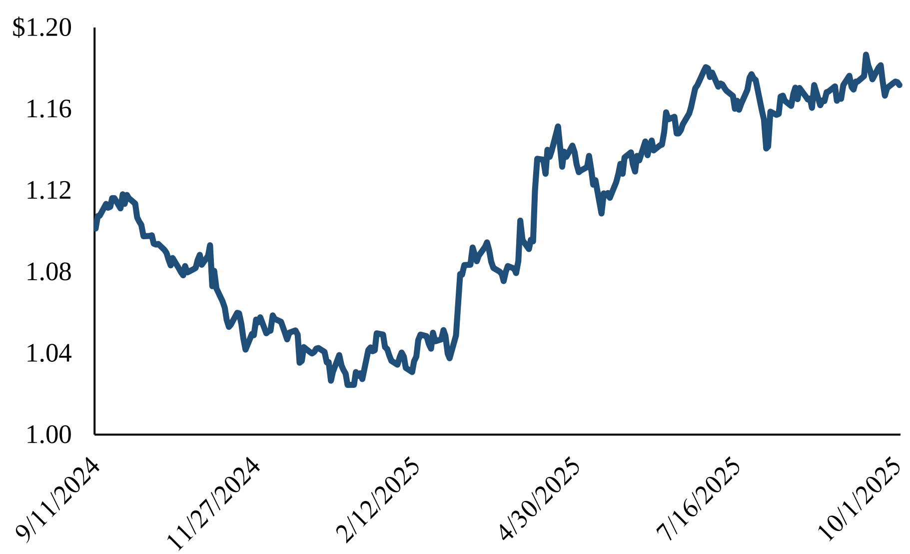
## EURUSD | One-Year Price Chart




## Position Details

- Euro – United States Dollar | EURUSD Curncy
- Underlying Price: $1.1717
- Bull Call Spread
- January 6, 2026

## Foreign Exchange Sector

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I. Product & Position Overview

# Product & Position Overview

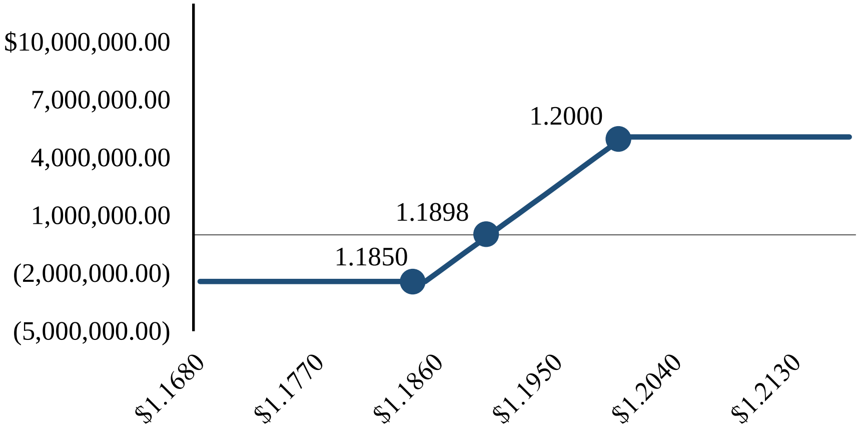
### Product Description

- **Euro – United States Dollar Exchange Rate**
  - EURUSD is a pairing that represents the spot exchange rate between the EUR and USD. The pair shows how many United States dollars are required to purchase 1.00 euro
  - EURUSD is the most traded currency pair, making up 57.60% of the DXY, reflecting the dominant influence their economies have on the foreign exchange market as a whole
  - The currency pair has moved relatively bullish recently with the euro viewed almost as a anti-dollar proxy. This trade looks to be impacted by monetary policy from both the ECB and the Fed, compressing yield differentials, economic data, and trade uncertainty as tariffs remain prevalent

### Trade Breakdown

- **Bull Call Spread**
  - This trade is structured to take advantage of bullish trends and upward repricing in the underlying currency exchange rate
- **Setup**
  - We Buy – 7.00 k OTM $1.1850 Calls | EURUSD Curncy
  - We Sell – 7.00 k OTM $1.2000 Calls | EURUSD Curncy
  - Max Profit: $7,112,398.95
  - Max Loss: ($3,387,601.05)
- **Expiration**
  - Date: January 6, 2026

### Payoff Diagram




### Exit Strategy & Potential Hedge Strategy

- **Bull Base & Bear Case**
  - **$1.200** / **$1.1950** / **$1.1850**
  - Breakeven – $1.1898
- **Methodology**
  - The Sector looks to benefit from a 2.41% upward price movement in the underlying price before expiration
- **Hedge Strategy**
  - The Sector will look to reverse trade with any unexpected bearish price movement. The Sector will also monitor EURUSD futures as well that make up 52.77% of the broader portfolio

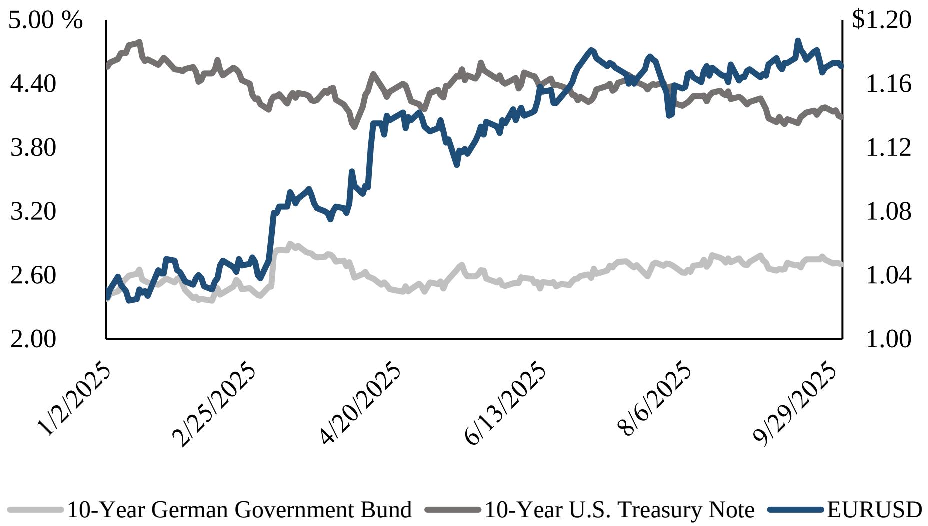
II. Macroeconomic Thesis

# Macroeconomic Thesis

### Macroeconomic Summary

- **Eurozone Yields Support EURUSD via Spread Compression**
  - U.S. 10.00-Year Treasury yields are projected to fall toward 3.90% by EOY as persistent Fed cut expectations remain elevated, reducing the U.S. dollar's yield advantage
  - Eurozone yields remain supported by persistent HICP inflation at 2.20% and heightened fiscal uncertainty from core economies
    - ECB's Lagarde claims to hold rates at 2.00% until EOY
- **Volatility Lingers Below Highs as VIX Remains Elevated**
  - One-month EURUSD historical volatility sits at 6.43%, below its one-year average of 7.84%, suggesting room for volatility to increase if event risks materialize or risk sentiment shifts
  - Elevated U.S. political and fiscal uncertainty, including the government shutdown, tariff uncertainty, and heightened hedging demand, create a backdrop where volatility has more room to rise, supporting vega exposure and offering meaningful upside if implied volatility continues to increase
- **The Dollar Continues to Lose Safe-Haven Status**
  - The U.S. dollar is losing its traditional safe-haven status amid Fed rate cuts, fiscal uncertainty, and political risks, forcing foreign investors to reduce exposure to USD assets
    - Hedge ratios for U.S. dollar holdings have surged, with German equity investors hedging 60.00-70.00%
  - Safe-haven flows are rotating heavier into alternatives, such as precious metals, the Japanese yen, the Swiss franc, and the euro
    - EURUSD and USDCHF have roughly a (0.85) inverse correlation among the two pairings

**10-Year German Government Bund vs. 10-Year U.S. Treasury Note vs. EURUSD | 10-Month Chart**




### Market Pros & Cons

- New France Prime Minister provides economic and political stability
- Prolonged Government shutdown delays U.S. data, raises uncertainty
- E.A. unemployment ticking higher to 6.30%, deflation risks in Italy/Spain
- Strong GDP, durables, and home sales keep USD firm despite Fed cuts

# III. Risk Analysis

# Risk Analysis

### Directional & Magnitude Risk

- **Delta Analysis**
  - The Delta value for this trade is 0.142374
  - For every $1.00 change in price of the underlying assets, the strategy will gain or lose $142,374.00 k in value
- **Gamma Analysis**
  - The Gamma value for this trade is 0.015171430
  - Gamma has a moderate impact on this trade, changing delta $15,171.43 for every $1.00 move in the underlying asset

### Time Risk

- **Theta Analysis**
  - The Theta value for this trade is (0.00005)
  - As the strategy approaches expiration, the trade loses $50.00 every day due to time decay reducing potential profits
  - The value of Theta will increase as the price of the underlying asset moves further above the breakeven point
  - Theta is negative for this trade due to a decrease in value with each passing day, diminishing the probability of ending ITM

### Implied Volatility Risk

- **Vega Analysis**
  - The Vega value for this trade is 0.000229
  - Implied volatility input for this trade is 10.00%
  - The Vega is large and positive due to higher demand and perceived risk increasing the cost of downside protection
  - The current market volatility for EURUSD is ~7.84%. Higher volatility improves the trade's profit potential, as larger price swings increase the chances of the underlying moving ITM

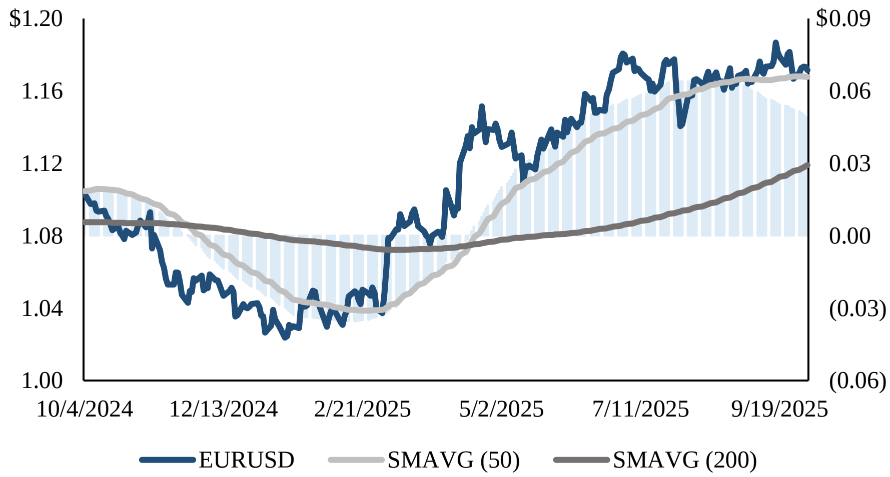
### Interest Rate Risk

- **Rho Analysis**
  - The Rho value for this trade is 0.000354
  - If there is a 100.00 bps change in the overnight lending rate of the base currency (EUR), the premium will rise $354.43
- **Phi Analysis**
  - The Phi for this trade is (0.000365)
  - A 1.00% shift in the overnight lending rate of the quote currency (USD), would result in a ($365.34) change in the premium

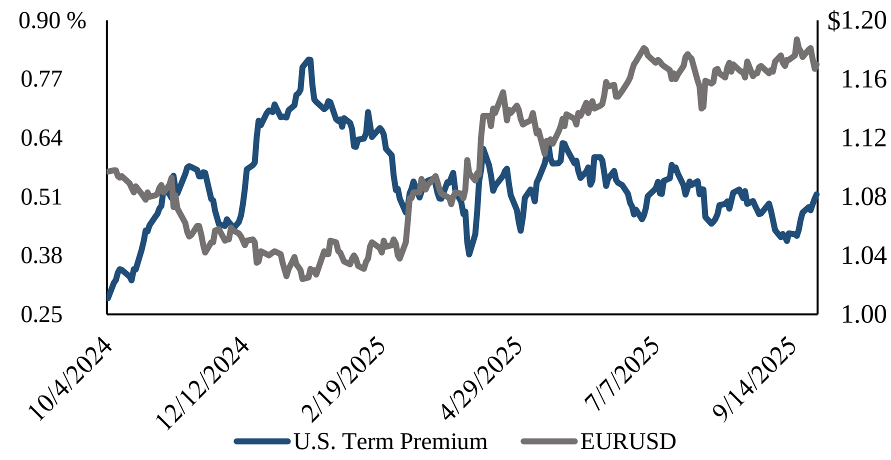
IV. Technical Bias & Fair Value

# Technical Bias & Fair Value

**EURUSD 200.00-Day SMA vs. 50.00-Day SMA | One-Year Chart**




**U.S. Term Premium vs. EURUSD | One-Year Chart**




**Monte Carlo**

| Option | Long Call | Short Call |
|---|---|---|
| Value | $0.0261 | $0.0206 |

**Synopsis**

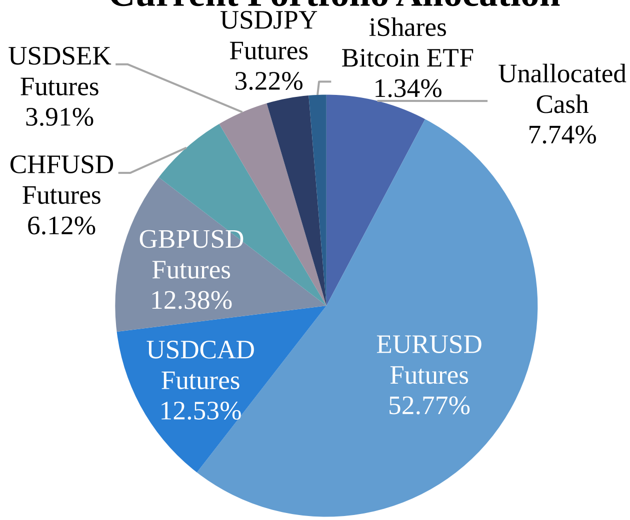
- The graph on the left indicates that the short-term trend is above the long-term trend. This configuration, where the price is trading above both the 50.00-day and 200.00-day SMAs, suggests a bullish bias, strongly indicating that the market is favoring bullish movements and will respond to them with greater emphasis. Monitoring the interaction between these moving averages provides insight into overall market sentiment and potential future movements in EURUSD. The pair has tested the 50.00-day repeatedly in the past three months, clearly indicating persistently low euro volatility, despite political and debt turmoil in France

- The graph on the right underscores a significant inverse relationship between U.S. Treasury term premiums and the EURUSD exchange rate. The graph shows term premiums falling as Fed uncertainty eases amid the current cutting cycle. As U.S. term premiums decline, yields look less attractive to investors, which decreases capital inflows and demand. This depreciates the U.S. dollar against the euro as investors look for higher yields, such as in euro-denominated assets

V. Capital Allocation

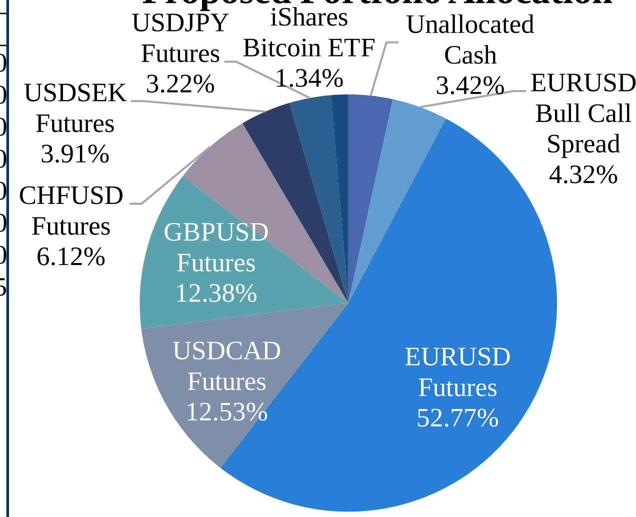
# Capital Allocation

## Current Portfolio Allocation

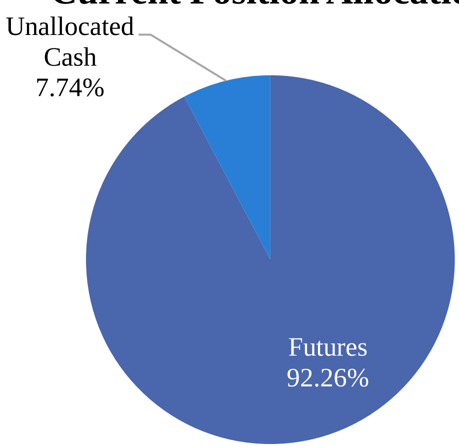



| Transaction Summary | | |
|---|---|---|
| | Position Change | |
| Ticker | Contracts | Allocation |
| EURUSD Futures | 0 | $0.00 |
| USDCAD Futures | 0 | $0.00 |
| GBPUSD Futures | 0 | $0.00 |
| CHFUSD Futures | 0 | $0.00 |
| USDSEK Futures | 0 | $0.00 |
| USDJPY Futures | 0 | $0.00 |
| iShares Bitcoin ETF | 0 | $0.00 |
| EURUSD Bull Call Spread | +14000 | $3,387,601.05 |
| Allocation Change | | $3,387,601.05 |

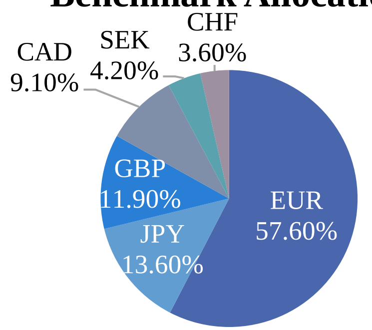
## Proposed Portfolio Allocation




## Current Position Allocation




## Benchmark Allocation




## Proposed Position Allocation